



Sitka Investment Committee Agenda

Friday, June 26, 2026, 2:00 PM

Harrigan Centennial Hall, 330 Harbor Drive

Members: Bert Stedman, Chad Goeden
Assembly Liaison: Kevin Mosher

I. CALL TO ORDER

II. ROLL CALL

III. AGENDA CHANGES

IV. PERSONS TO BE HEARD *(For items OFF the agenda – not to exceed 3 minutes)*

V. APPROVAL OF MINUTES

A. June 25, 2025

VI. REPORTS

Chair:

Members:

City Staff:

Assembly Liaison:

Other(s):

VII. UNFINISHED BUSINESS

None.

VIII. NEW BUSINESS

B. Chair Nomination

C. Alaska Permanent Capital Management Portfolio Review

IX. PERSONS TO BE HEARD *(For items ON or OFF the agenda – not to exceed 3 minutes)*

X. ADJOURNMENT

Investment Committee Minutes

Wednesday, June 25, 2025 2:00 p.m.
Harrigan Centennial Hall

Goal: To make recommendations for and oversee the Investment Policy of the City and Borough of Sitka enacted as Chapter 4.28.

Investment Committee Members: Michael Reif, Bert Stedman,
Steven Eisenbeisz (Assembly Liaison)

The Chair called the meeting to order at approximately 2:00 p.m.

I. Roll Call

Present: Michael Reif, and Bert Stedman

Absent: None.

Staff: Municipal Administrator John Leach, Finance Director Brooke Volschenk,
Municipal Clerk Sara Peterson, Deputy Municipal Clerk Holley Baye

Assembly Liaison: Steven Eisenbeisz

Others: Blake Phillips with Alaska Permanent Capital Management (APCM), Brandy Niclai (APCM) via Zoom

II. Approval of the minutes

A. November 20, 2024

**M – Stedman / S - Reif- moved to approve the minutes from November 20, 2024.
Motion carried unanimously by the two members present.**

III. Persons to be Heard

None.

IV. Reports

B. APCM Portfolio Review

Phillips and Niclai provided an account overview as of May 31, 2025 showing the Sitka Permanent Fund is performing well, with diversification contributing positively across market cycles. Long-term goals—growth, income, and safety—remain intact. A historical review highlighted the power of consistent earnings over time, supported by a 10-year record of positive returns and performance data showing returns since 2015 have stayed within expected ranges. Q1 2025 was marked by volatility due to U.S. tariffs, but international diversification helped stabilize the portfolio, which has been performing well to-date.

Detailed asset allocation was reviewed. While global conflicts and trade uncertainty have impacted commodity prices, economic growth has not declined, reinforcing the importance of diversification. The current allocation meets CBS's 4% net distribution goal, and potential enhancements through expanded diversification and peer comparisons were discussed.

Forward-looking projections estimate a 6.7% gross return with the existing allocation, and a 10-year forecast for the fund was presented. The review emphasized transparency, liquidity,

expense control, fiduciary duty, and conflict avoidance, with no changes recommended. APCM's 2025 market outlook suggests stable economic growth with moderate inflation pressures, and a reminder was given to remain adaptive in a shifting environment. Additional discussions touched on inflation-proofing the fund, evaluating 3- and 5-year averages, and general satisfaction with the current asset classes.

V. Unfinished Business

None.

VI. New Business

None.

VII. Adjourn

M - Reif / S -Stedman- moved to adjourn. Seeing no objection, the meeting adjourned at 3:34 p.m.

Attest:
Holley Bayne, Deputy Municipal Clerk

DRAFT



ALASKA PERMANENT CAPITAL MANAGEMENT

Registered Investment Adviser

City & Borough of Sitka

As of May 31, 2026



Sitka Permanent Fund

Staying Focused on your Goals



Sitka Permanent Fund

As of May 31, 2026

Account Inception	June 2015	
Total Contributions	\$ 34,788,605	
Withdrawals <i>Does not include custodial or management fees</i>	\$ 23,856,021	
Current Market Value <i>May 31, 2026</i>	\$ 31,684,358	
Account Return <i>Net of Fees</i> <i>Inception – May 31, 2026</i>	+ 7.41%	
Strategic Asset Allocation	Risk Control	35%
	Risk Assets	55%
	Alternatives	10%

Goals:

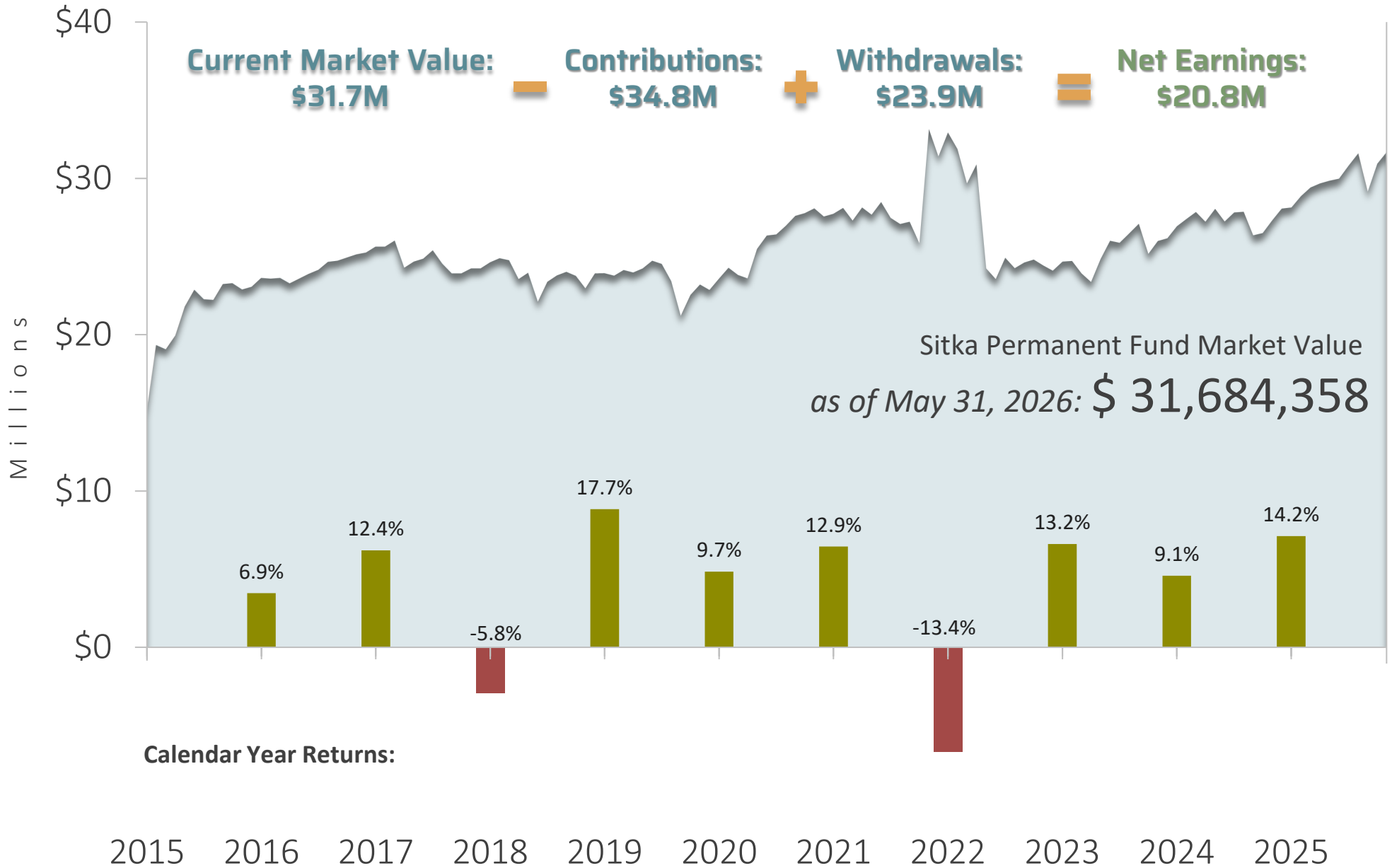
The **long-term** goals of the City’s Permanent Fund are (4.10.100):

- A. Growth.** The permanent fund should provide for growth of the fund through investment in assets that have the probability of appreciating in value.
- B. Income.** The permanent fund should produce sufficient current and continuing income from investment returns to support the transfers to the general fund. The formula for transfers to the general fund is documented in Sections 11.16(b) and (c) of the Home Rule Charter of the City and Borough of Sitka.
- C. Safety.** The finance director shall place sufficient limitations on risks associated with the implementation of the total return objectives through the diversification across asset categories and the setting of specific quality standards. (Ord. 01-1650 § 4(B), 2001; S.G.C. § 4.28.100.)

Spending Policy:

Distributions of 6% of the 3-year average market value (11.16(c)), and contributions of 2% of the 3-year average market value (S.G.C. § 4.70.020).

The Power of Consistency in Cumulative Earnings

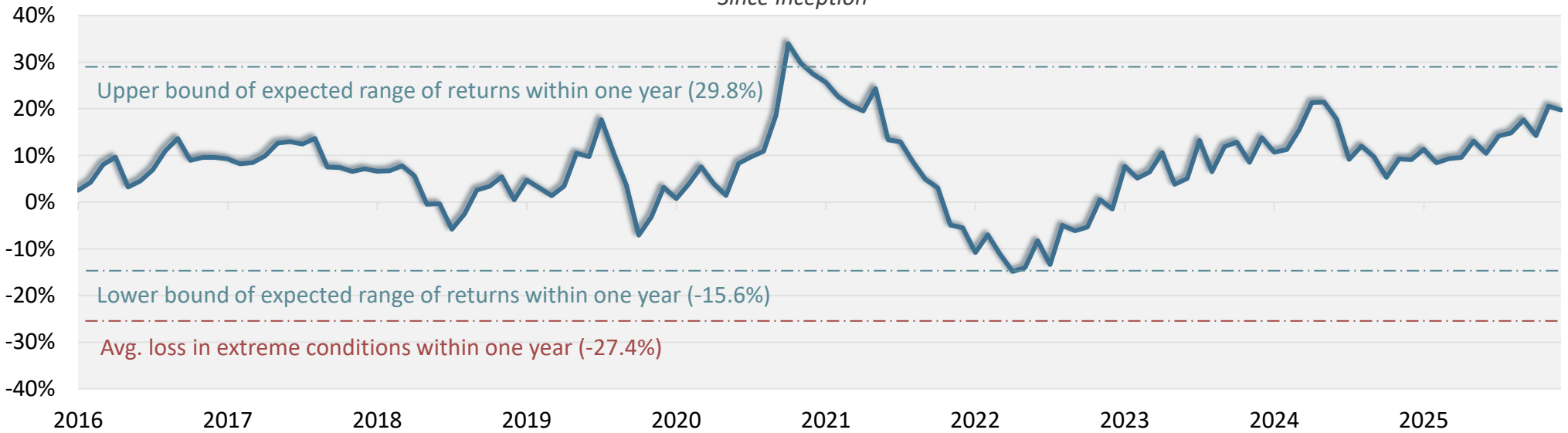


Calendar year, net performance is represented by green and red bars and black number. Large movement in market value is due to the proceeds from sale of hospital moving in and out of the portfolio. Chart shows month-end portfolio data from July 31, 2015 to May 31, 2026. Annual returns from 2016-2025. Performance is net of management fees and internal fund fees.

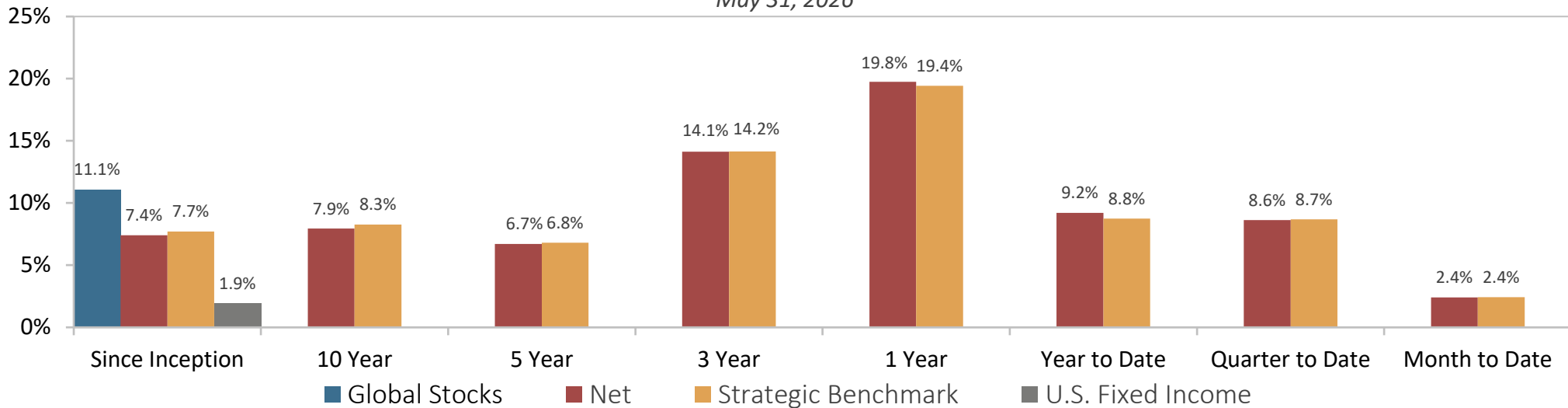


Evaluating Returns Against Strategic Goals

Rolling 12 Month Total Return
Since Inception



Sitka Permanent Fund Account Performance
May 31, 2026



Forward looking expectations are presented gross of APCM's management fees and underlying fund expenses. Historical returns are presented net of APCM's management fees and underlying fund expenses. Global Equity and U.S. Fixed Income are represented by the MSCI ACWI IMI Net Total Return Index and Bloomberg U.S. Aggregate Bond Index, respectively. Returns are annualized for periods greater than one year. The Strategic Benchmark represents the blended return of the account's target allocation as stated in the IPS.

Aligning Near-term Tactical Adjustments With your Long-term Strategy – as of May 31, 2026

		Asset Class	Strategic Benchmark	Overweight / Underweight	Current Allocation	Range	
Risk Control	U.S. FIXED INCOME						
	CASH	Risk Control	35%	-0.3%	34.7%		
Risk Assets	U.S. LARGE CAP EQUITY	U.S. FIXED INCOME	30%	-0.4%	29.6%	20% to 40%	
		CASH	5%	0.1%	5.1%	0% to 10%	
	U.S. MID CAP EQUITY	Risk Assets	55%	0.5%	55.5%		
	U.S. SMALL CAP EQUITY	U.S. LARGE CAP EQUITY	20%	0.6%	20.6%	10% to 30%	
	DEVELOPED INTERNATIONAL EQUITY	U.S. MID CAP EQUITY	10%	-0.1%	9.9%	5% to 15%	
	EMERGING MARKET EQUITY	U.S. SMALL CAP EQUITY	5%	0.0%	5.0%	0% to 10%	
		DEVELOPED INTERNATIONAL EQUITY	13%	-1.1%	11.9%	8% to 18%	
		EMERGING MARKET EQUITY	7%	1.1%	8.1%	2% to 12%	
	Alternatives	REITS	Alternatives	10%	-0.1%	9.9%	
			REITS	5%	-0.3%	4.7%	0% to 10%
INFRASTRUCTURE		INFRASTRUCTURE	5%	0.2%	5.2%	0% to 10%	

Core Weight
Tilt Weight



Sitka Permanent Fund Historical Review

Sitka Permanent Fund Historical Asset Allocation



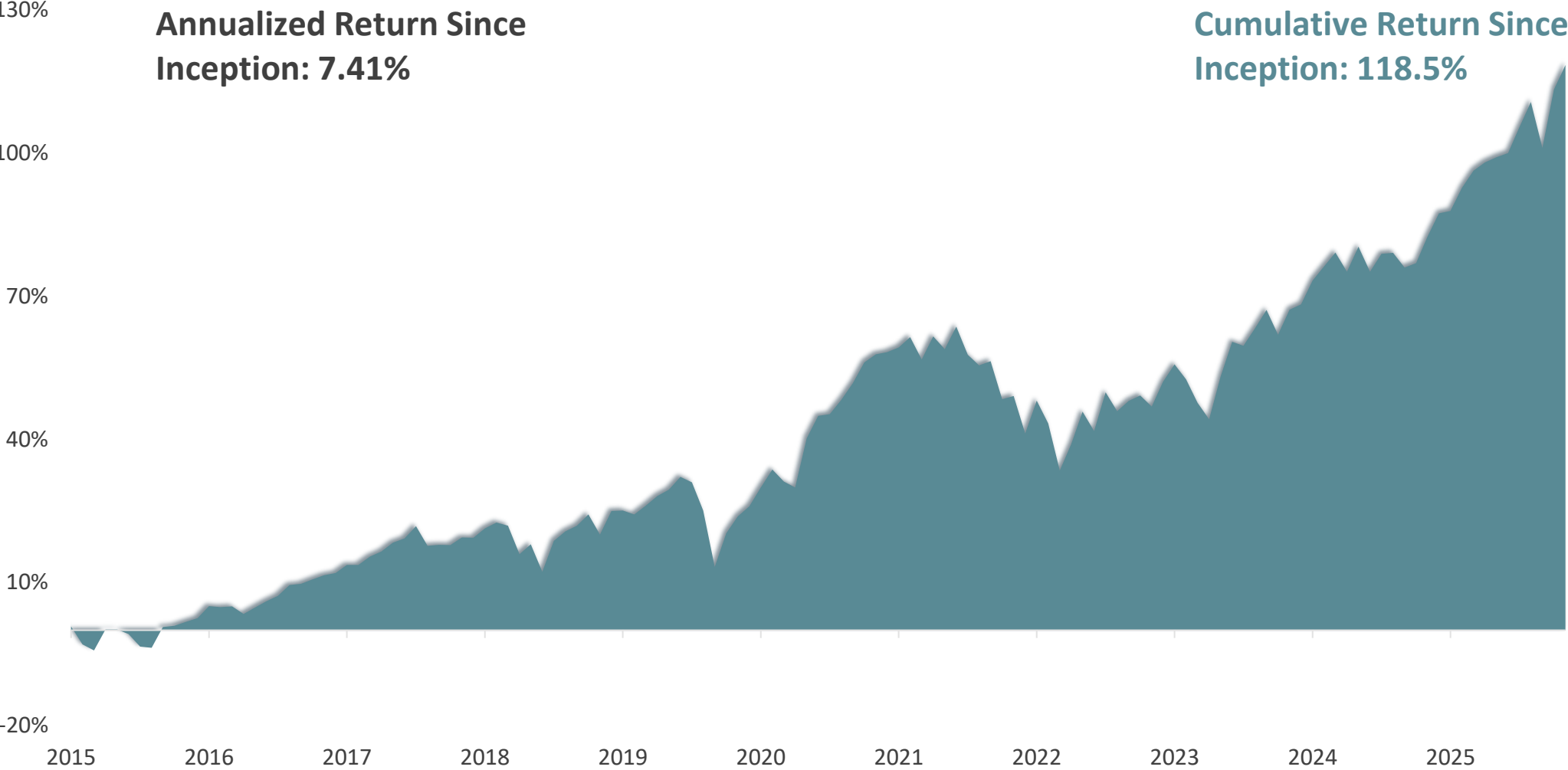
Benchmark Effective Date	Cash	U.S. Fixed Income	Infrastructure	REITs	U.S. Large Cap Equity	U.S. Mid Cap Equity	U.S. Small Cap Equity	Developed International Equity	Emerging Market Equity
9/30/2015	5.00%	35%	0%	0%	50%	0%	0%	0%	10%
7/31/2017	5.00%	30%	0%	10%	20%	10%	5%	13%	7%
3/31/2019	5.00%	30%	5%	5%	20%	10%	5%	13%	7%

Realized Cumulative Return As of May 31, 2026



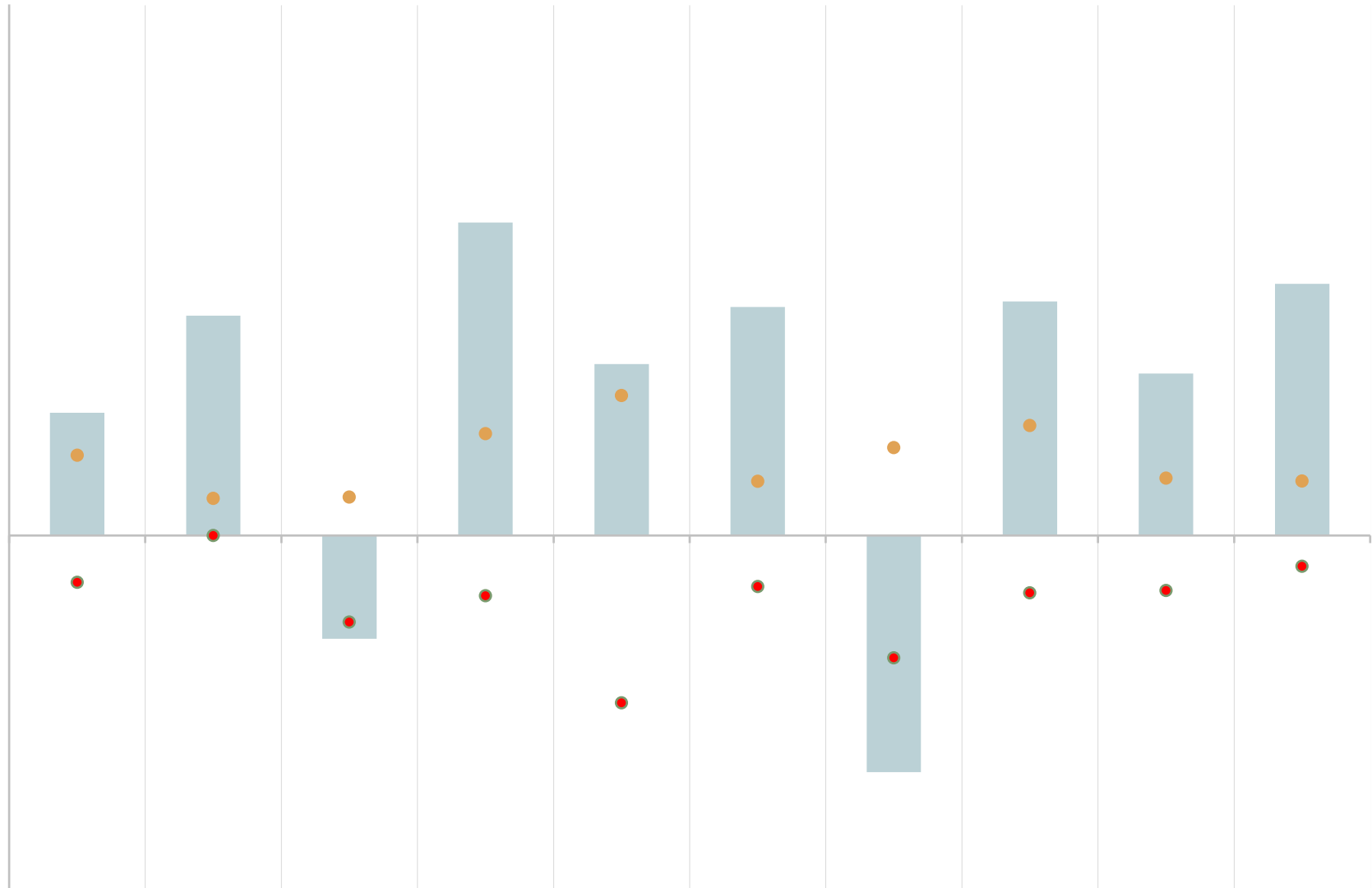
Annualized Return Since Inception: 7.41%

Cumulative Return Since Inception: 118.5%



■ Sitka Permanent Fund

Despite Intra-year Declines, the Portfolio has Experienced a Positive Return in 80% of Calendar Years Since Inception



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
■ Calendar Year Return	6.94	12.415	-5.833	17.679	9.688	12.906	-13.372	13.217	9.146	14.214
● Worst Month	(2.64)	0.01	(4.88)	(3.40)	(9.44)	(2.88)	(6.90)	(3.24)	(3.09)	(1.73)
● Best Month	4.54	2.11	2.18	5.76	7.92	3.07	4.97	6.23	3.24	3.09

Historical Contributions and Distributions



Date	Contributions	% of Prior Market Value	Distributions	% of Prior Market Value
07/2015	14,243,201	N/A*		
07/2015	4,219,215	N/A*		
07/2015			(3,500,000)	N/A*
08/2015	4,972,818	32.9%		
09/2015			(17,322)	0.1%
11/2015	1,844,544	9.2%		
12/2015	1,890,820	8.7%		
12/2015			(597,926)	2.7%
05/2016			(597,926)	2.6%
10/2017			(1,989,804)	7.6%
03/2018			(669,070)	2.7%
12/2018			(713,548)	3.0%
04/2019			(713,548)	3.0%
10/2019			(542,809)	2.2%
06/2020			(723,750)	3.1%
04/2021			(606,858)	2.2%
06/2021			(606,858)	2.2%
05/2022	7,035,487	27.2%		
11/2022			(8,181,040)	26.5%
06/2023			(1,193,739)	4.9%
08/2023	554,000	2.2%		
04/2024			(1,110,886)	4.1%
03/2025			(1,041,233)	3.7%
01/2026	28,520	0.1%		
03/2026			(1,024,460)	3.2%
Total	34,788,605		(23,830,777)	

This table represents APCM's historical records of the portfolio's contributions and distributions since inception. All figures should be verified with your independent custodian. These cash flows occurred in the first month of the account's history.



City & Borough of Sitka - Operating

City & Borough of Sitka - Operating

As of May 31, 2026

Account Inception September 2017

Total Contributions \$133,355,568

Withdrawals
Does not include custodial or management fees \$28,231,785

Current Market Value
May 31, 2026 \$121,996,968

Benchmark Bloomberg 1-5 Yr Gov Index

Sector Allocation

	Account	Benchmark
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Cash and Certificates of Deposit	2.6%	-
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Commercial Paper	-	-
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Treasuries	75.1%	98.3%
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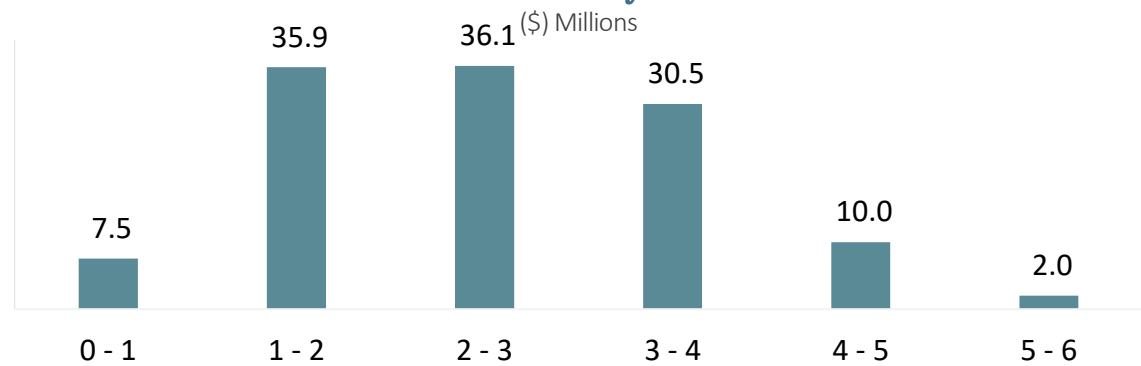
Agencies & Mortgage Backed Securities	22.3%	1.7%
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Corporates	0.0%	-
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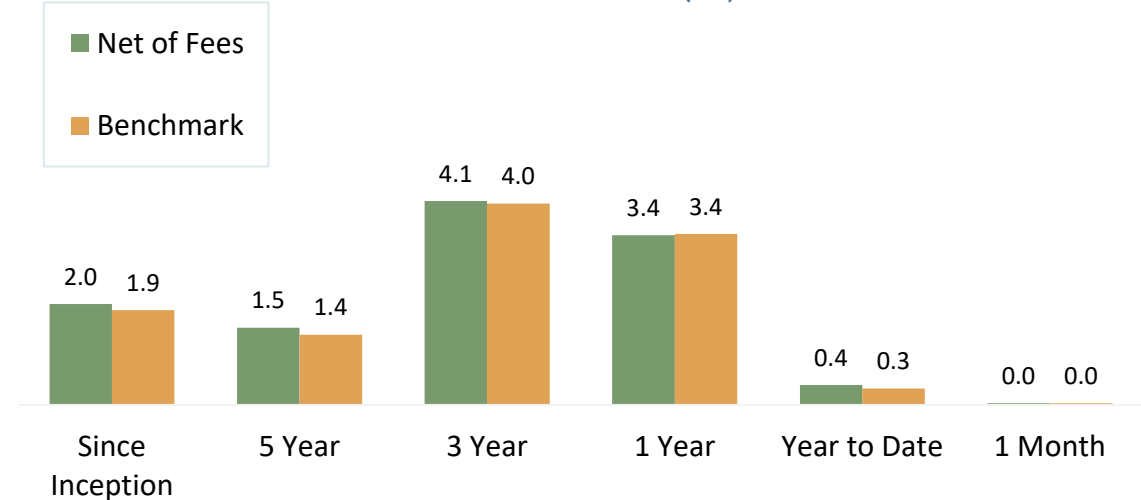
Municipals	-	-
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Summary Statistics	Sitka 02/28/25	Sitka 05/31/25	Sitka 05/31/26	Benchmark 05/31/26
Yield to Maturity	4.14%	4.10%	4.08%	4.05%
Avg. Quality	AA+	AA+	AA+	AA+
Avg. Maturity (yrs)	2.98	3.17	3.02	2.80
Effective Duration	2.41	2.51	2.49	2.59

Market Value by Duration



Total Return (%)



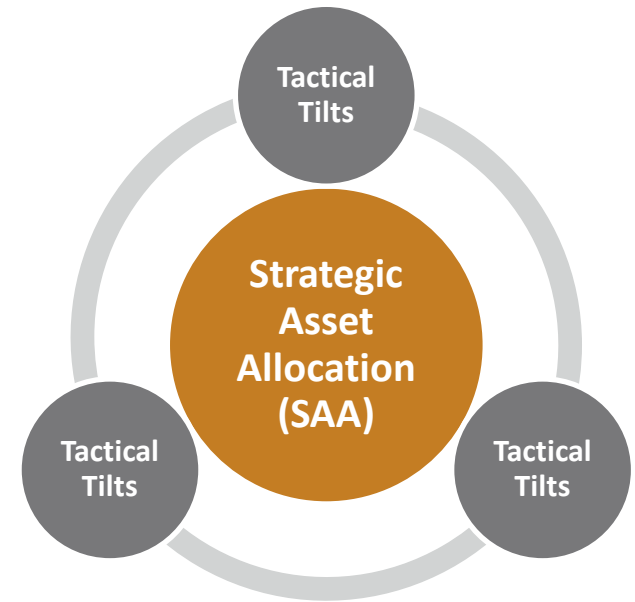
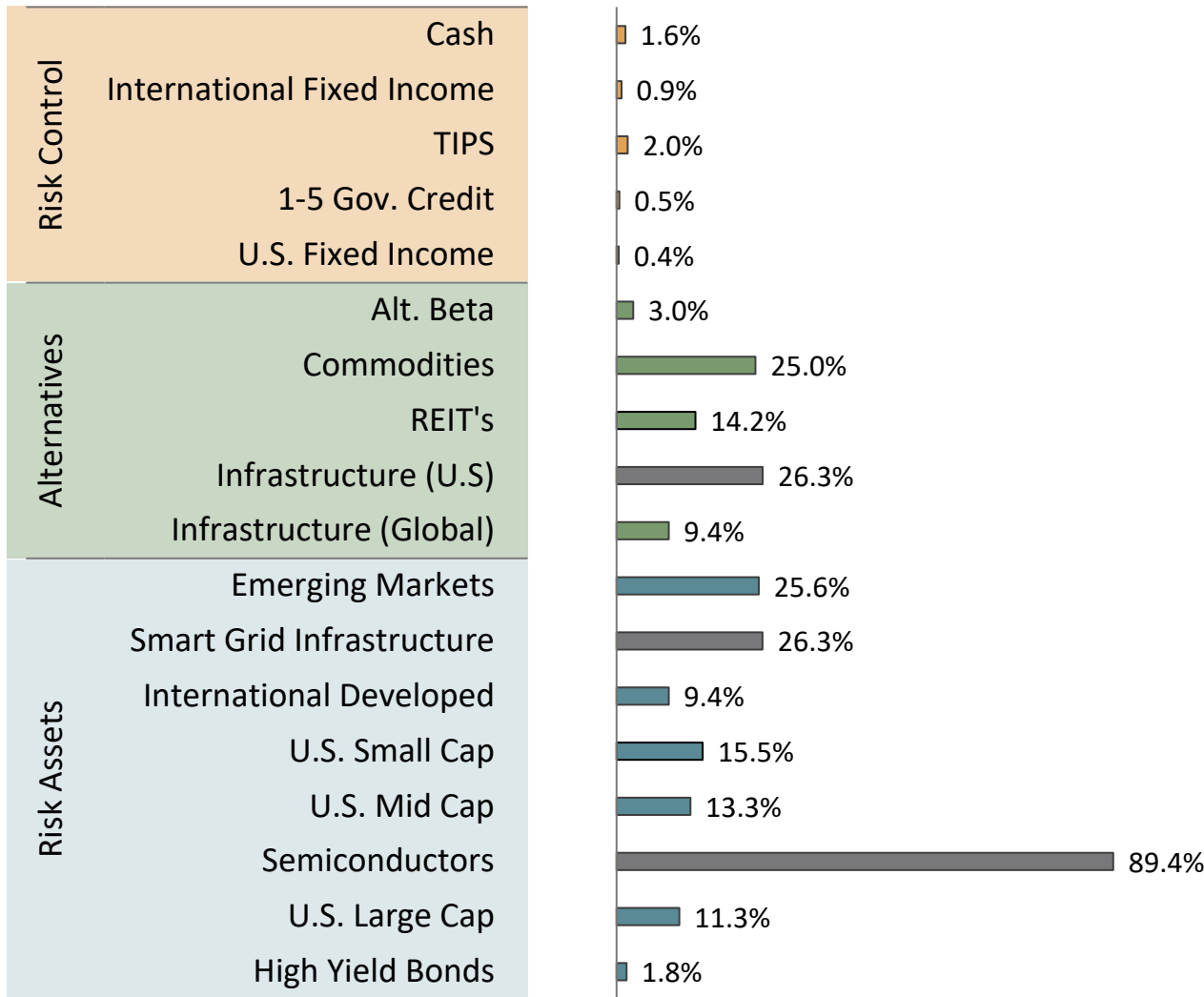
Data from Bloomberg & Clearwater. Performance is annualized for periods greater than one year.
*Investments in any security with a variable or floating interest rate are prohibited



Market Review

Strong Earnings Growth and AI Infrastructure Spending Have Driven Positive Returns Despite Geopolitical Volatility

Index Returns
Year to Date As of May 31, 2026







Core (SAA)

Portfolio designed to meet client specific goals utilizing strategic asset classes.

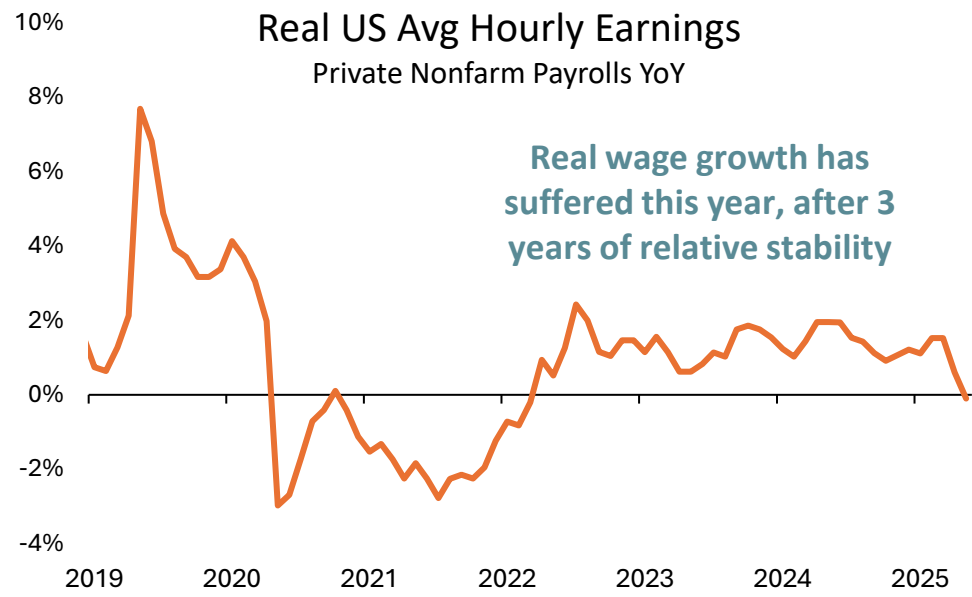
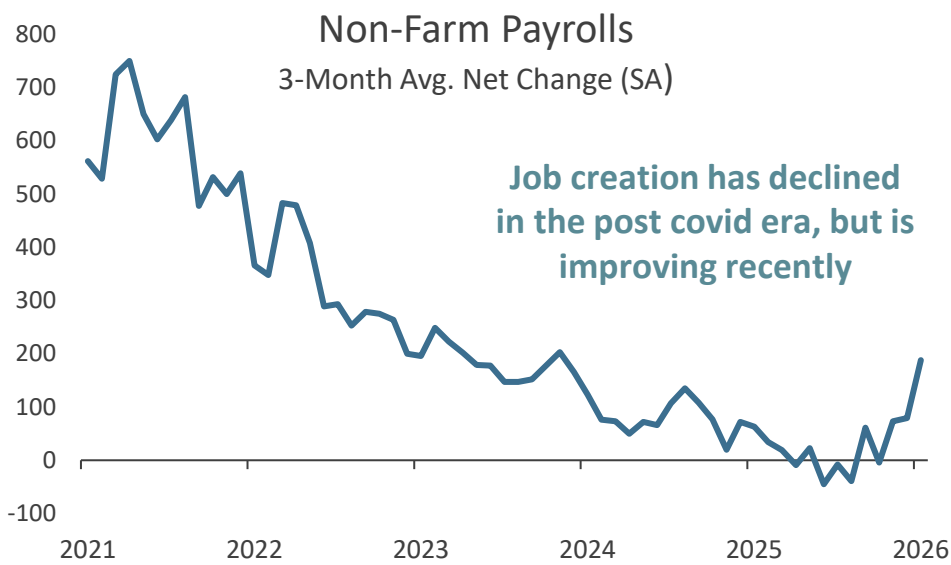
Satellite (Tactical Tilts)

Return enhancement and risk control strategies deployed to incrementally enhance the core. Modest exposure, remain focused on the core.

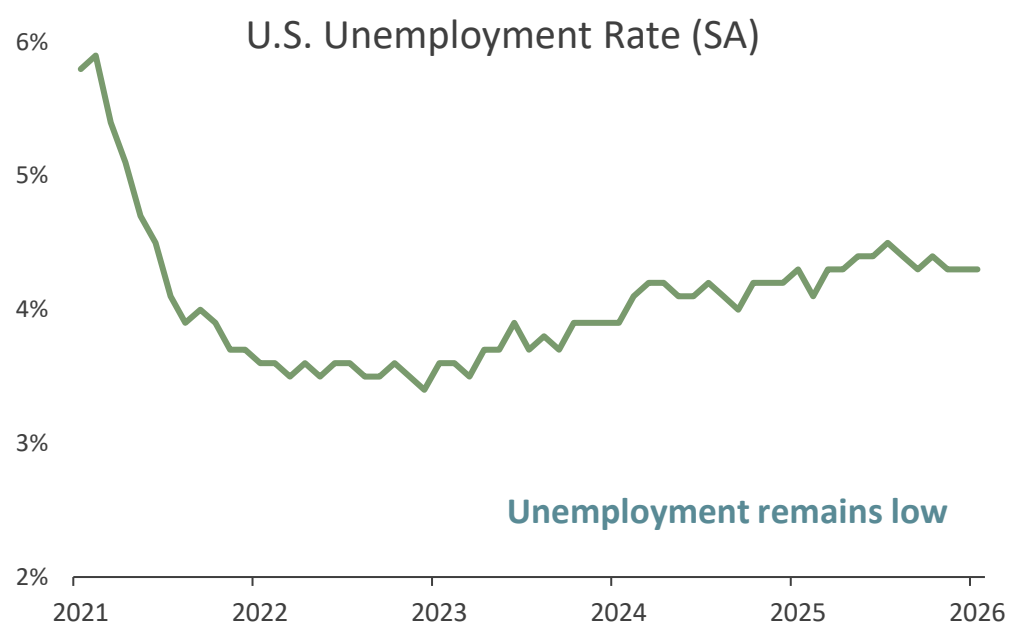
AI Spending and Fiscal Support are Cushioning Growth, while Energy-driven Inflation Delays Rate Cuts

<p>Labor market and the consumer </p> <p>Although job gains remain narrow, the labor market appears broadly balanced, with unemployment staying low and wage pressures largely contained.</p> <p>At the same time, consumer spending is becoming more bifurcated, as higher energy prices weigh most heavily on lower- and middle-income households while higher-income spending remains a key support.</p>	<p>Growth and Inflation </p> <p>Inflation risks have re-emerged due to higher energy prices, supply-chain disruptions, and ongoing geopolitical tensions. Despite these pressures, economic growth has remained more resilient than many investors anticipated. Continued AI-related capital spending, infrastructure investment, productivity gains, and stable unemployment have helped support economic activity and corporate earnings, offsetting some of the headwinds created by higher inflation.</p>
<p>Geopolitical / Energy </p> <p>Oil prices have been drastically increased by the Iran conflict. Although this is applying upward force on inflation in the near term, the recessionary pressure of this energy spike for the U.S. should be limited because the U.S. is a net exporter of oil.</p> <p>The impact will likely be disproportionately felt by middle and low-income consumers but offset in U.S. GDP by the positive effects on oil producers.</p>	<p>Fed Policy </p> <p>Due to the energy shock caused by the conflict in Iran, market expectations of Fed policy have shifted meaningfully from pricing in 2-3 cuts to now anticipating rate hikes as investors reassess the inflationary impact of higher energy prices. The Fed may be willing to look through the inflationary impact of near-term energy volatility if they believe prices will stabilize. This may mean higher for longer rates, but not necessarily a hiking cycle.</p>

Easing Wage Pressures Help Offset Inflationary Impact of Energy Prices

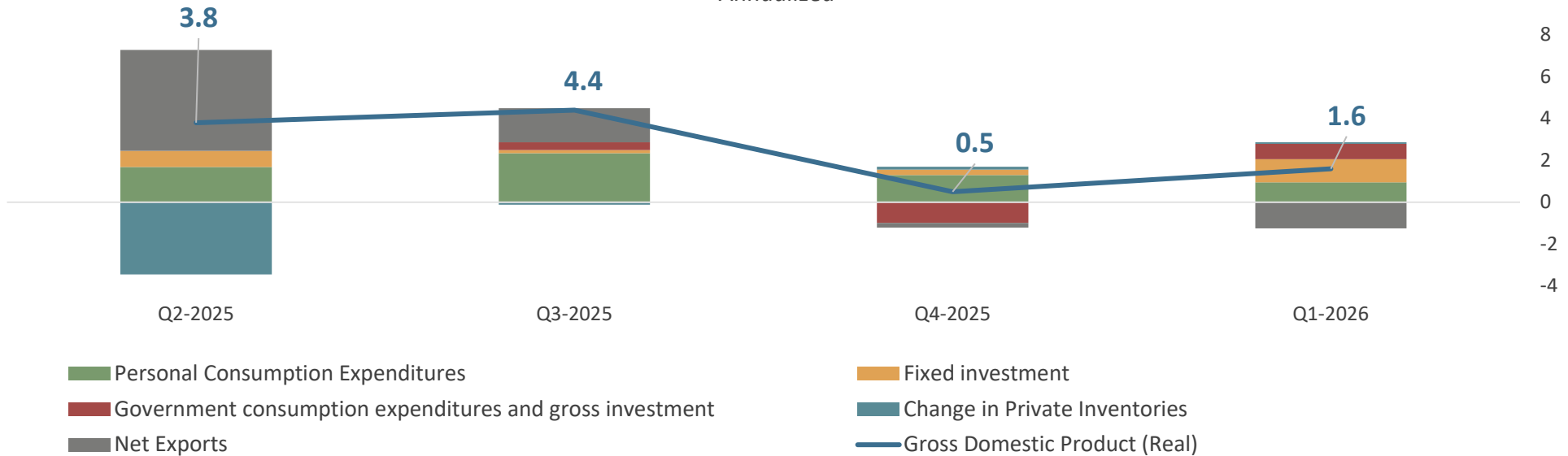


Although nonfarm payrolls (a monthly U.S. jobs report that measures how many jobs were added or lost across the economy) has moderated over the past five years, job creation has rebounded in recent months. Real wage growth has been steady over the past 3 years but has weakened in 2026. **Combined with stable employment, these factors are indicative of a balanced labor market** even as economic growth moderates. Easing wage pressures have also helped **reduce the risk of a broader inflationary spiral.**



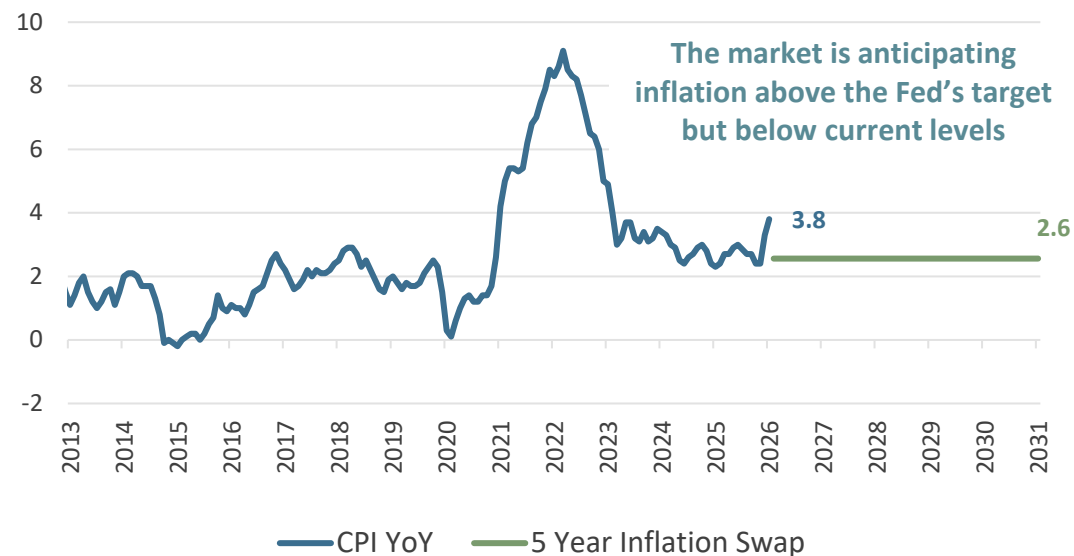
Growth Remains Resilient, but Inflation Risks Keep the Fed Cautious

Contributions to U.S. Real GDP
Annualized



Economic growth has moderated from the stronger pace seen in recent years but **remains supported by fiscal stimulus, stable labor markets, and continued investment in AI-related infrastructure** and technology. Higher energy prices and geopolitical tensions have contributed to renewed inflation concerns, while also weighing on consumer spending, particularly among lower- and middle-income households. However, this is **partially offset by easing wage growth and** differs from the broad-based demand driven overheating that characterized portions of the post-pandemic recovery.

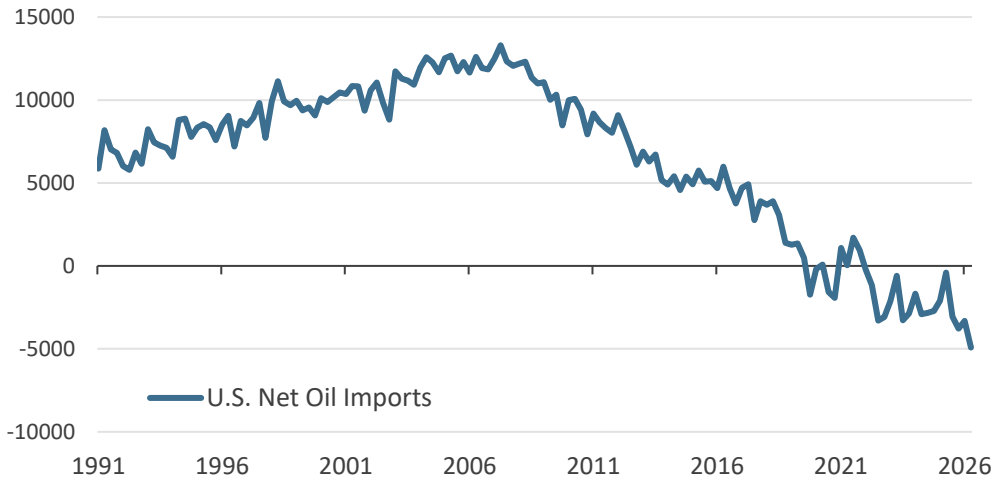
Inflation



Energy Shock Adds Inflation Risk, but U.S. Growth Has Buffers



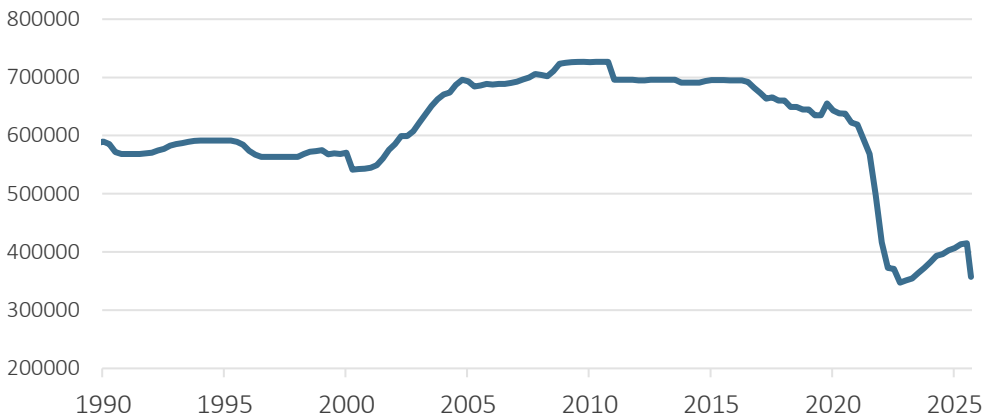
The U.S. is a Net Exporter of Oil



U.S. National Avg. Gasoline Prices Have Skyrocketed

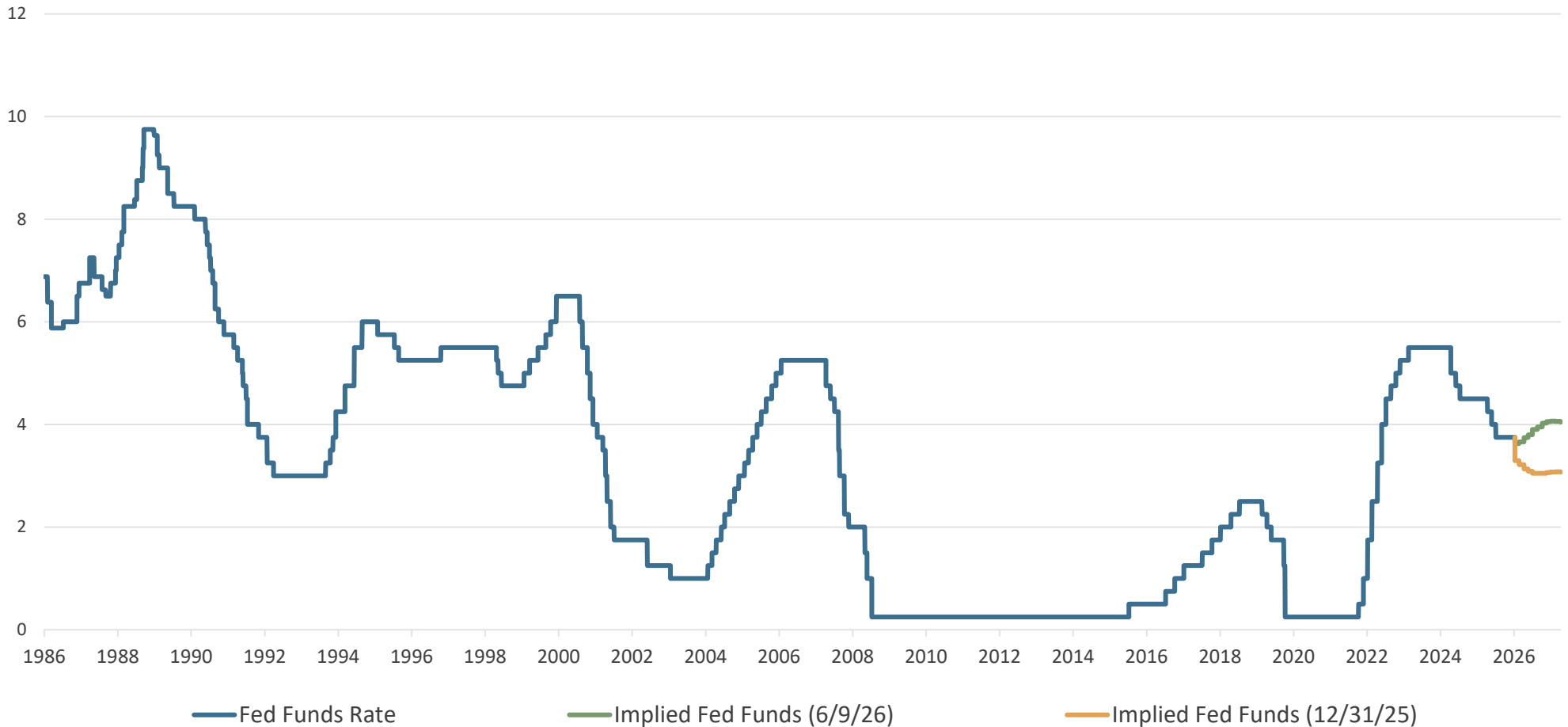


Strategic Petroleum Reserve Has Been Drawn Down



Geopolitical tensions and higher energy prices have added renewed uncertainty to the market outlook, particularly given the importance of global shipping routes and oil supply disruptions. While elevated energy costs can temporarily lift headline inflation and pressure consumer spending, **past regional conflicts have often had a more limited and shorter-lived economic impact than initially feared**. The key risk is whether higher oil prices and shipping costs persist long enough to tighten financial conditions or weaken demand more broadly. **For now, resilient earnings, stable labor markets, and continued investment demand have helped offset some of the pressure from geopolitical volatility.**









Energy Inflation is Expected to Delay Rate Cuts



Today's environment differs from 2022 because the primary risk is not an aggressive tightening cycle, but rather a **prolonged period of higher policy rates**.

Looking ahead, policy decisions will likely depend on whether recent inflation pressures prove temporary or begin spreading more broadly through the economy.

Slower Growth, Continued Expansion

APCM's Base Case	Risks we are monitoring
<p>01 Growth </p> <p>The baseline outlook remains one of continued economic expansion, even as growth moderates due to higher energy prices and increased uncertainty.</p>	<p>01 Energy </p> <p>A sustained increase in oil prices could materially tighten financial conditions and increase recession risk.</p>
<p>02 Consumer </p> <p>Consumer spending is slowing but remains supported by stable employment and income trends.</p>	<p>02 Geopolitical </p> <p>A breakdown in negotiations or expansion of the conflict could disrupt energy supply or global trade flows.</p>
<p>03 Credit </p> <p>Credit conditions remain broadly stable, reinforcing the view that systemic risk is limited.</p>	<p>03 Inflation </p> <p>Persistent inflation pressures could limit central bank flexibility and delay policy easing.</p>
<p>04 Policy </p> <p>Central banks are likely to look through temporary energy-driven inflation, provided long-term expectations remain anchored.</p>	<p>04 Labor </p> <p>Deterioration in labor market data or credit conditions would signal a shift toward a more defensive outlook.</p>



Appendix

Disclosures



Important Assumptions

IMPORTANT: The projections or other information generated by Alaska Permanent Capital Management Company (APCM) regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. There can be no assurance that the projected or simulated results will be achieved or sustained. The charts and data only present a range of possible outcomes. Actual results will vary over time, and such results may be better or worse than the simulated scenarios. Clients should be aware that the potential for loss (or gain) may be greater than that demonstrated in the simulations. Please note that the analysis does not take into consideration all asset classes, and other asset classes not considered may have characteristics similar or superior to those being analyzed.

Important Legal Information

These calculations are designed to be informational and educational only, and when used alone, do not constitute investment advice. APCM encourages investors to review their investment strategy periodically as financial circumstances do change.

Model results are provided as a rough approximation of future financial performance. Actual results could produce different outcomes (either better or worse) than those illustrated by the model, since it is not possible to anticipate every possible combination of financial market returns. APCM is not responsible for the consequences of any decisions or actions taken in reliance upon or as a result of the information provided by the results of the model.

Other Influences on Rates of Return

Investment management fees: Returns are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary.

Taxes: Unless noted otherwise, model results have not been adjusted for any state or federal taxes or penalties.

Inflation: Unless noted otherwise, model results do not adjust any inputs or outcomes for inflation. Inflation is assumed to be constant over the investment horizon.

Limitations Inherent in Model Results

Limitations include but are not restricted to the following:

Model results do not represent actual trading and may not reflect the impact that material economic and market factors might have had on APCM's decision making if the actual client money were being managed.

Extreme market movements may occur more frequently than represented in the model.

Some asset classes have relatively limited histories. While future results for all asset classes in the model may materially differ from those assumed in APCM's calculations, the future results for asset classes with limited histories may diverge to a greater extent than the future results of asset classes with longer track records.

Market crises can cause asset classes to perform similarly over time; reducing the accuracy of the projected portfolio volatility and returns. The model is based on the long-term behavior of the asset classes and therefore is less reliable for short-term periods. This means that the model does not reflect the average periods of "bull" and "bear" markets, which can be longer than those modeled.

The model represent APCM's best view of the next 7-10 years, but is unlikely to reflect actual investment returns worldwide over this period.