City and Borough of Sitka
Investment Advisory Committee Meeting
June 25, 2025 2:00 p.m.
Harrigan Centennial Hall

AGENDA

I. Roll Call

II. Approval of the minutes

   A. November 20, 2024

III. Person's to be Heard

IV. Reports

   B. APCM Portfolio Review

V. Unfinished Business

VI. New Business

VII. Adjourn

Investment Committee Minutes

Wednesday, November 20, 2024, 3:00 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, Thor Christianson (Assembly Liaison)

The Chair called the meeting to order at approximately 4:00 p.m.

I. Roll Call

Present: Michael Reif, and Bert Stedman

Absent: None.

Staff: Municipal Administrator John Leach, Finance Director Melissa Haley, Deputy Municipal Clerk Jess Earnshaw

Assembly Liaison: Thor Christianson

Others: Blake Phillips with Alaska Permanent Capital Management (APCM)

II. Approval of the minutes

A. March 21, 2024

M – Stedman / S - Reif– moved to approve the minutes from March 21, 2024. Motion carried unanimously by the two members present.

III. Persons to be Heard

None.

IV. Reports

B. APCM Portfolio Review

Phillips outlined the Sitka Permanent Fund, established in 2015, with initial contributions of $41.4 million and withdrawals totaling $28.5 million. The current market value stands at $27.2 million, with a gross return of 6.35% and a net return of 6.18% since inception. The funds allocation is 35% in risk control, 55% in risk assets, and 10% in alternatives. Long-term objectives include growth and income, with a projected 7.6% return over the next 10 years. Year-to-date, the fund has achieved a 9.2% return, and the 1-year return is 21.6%.

He noted that the portfolio's risk, at 10.9%, had been realized at 9.3% over the past year, which he considered a positive outcome. Phillips emphasized the importance of monitoring volatility and being prepared for unforeseen events, such as the Covid-19 pandemic, with risk calculations based on prior capital market assumptions.

In reviewing performance, he stressed the importance of adhering to strategic goals while balancing returns with tactical shifts. He pointed out the portfolio's slight overweight in U.S. fixed income and underweight in cash, with potential risks from inflation and Federal Reserve policy changes. Phillips also underscored the need for maintaining investment guardrails to prevent policy breaches and cautioned against an overly aggressive approach to private markets (equity and credit), which could offer higher returns. He emphasized the adoption of a sustainable 4% payout rate to ensure the long-term health of the fund.

He also discussed a potential investment in a fish processing plant and recommended revisiting private market opportunities in mid-2025. Phillips stressed the importance of diversification and expressed interest in reviewing a more detailed investment proposal. The committee also examined the city's bond exposure and the growth of its grand deal's portfolio.
Finally, Phillips provided an update on the $103 million operating fund, emphasizing its goal to avoid idle funds amid rising interest rates, with a net return of 1.7% since its inception. He highlighted the funds' benefit from declining interest rates and the critical need to maintain liquidity.

V. Unfinished Business

None.

VI. New Business

None.

VII. Adjourn

M – Cameron / S –Stedman- moved to adjourn. Seeing no objection, the meeting adjourned at 4:15 p.m.

Attest:
Jessica Earnshaw, Deputy Municipal Clerk

City & Borough of Sitka

As of May 31, 2025

Staying focused on your goals

APCM

Sitka Permanent Fund As of May 31, 2025		
Account Inception		June 2015
Total Contributions		$ 41,457,416
Withdrawals *Does not include custodial or management fees*		$ 29,544,537
Current Market Value *May 31, 2025*		$ 27,321,420
Account Return *Gross of Fees* *Inception – May 31, 2025*		+ 6.41%
Account Return *Net of Fees* *Inception – May 31, 2025*		+ 6.24%
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).

*Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year.

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Historical Review

The power of consistency in cumulative earnings

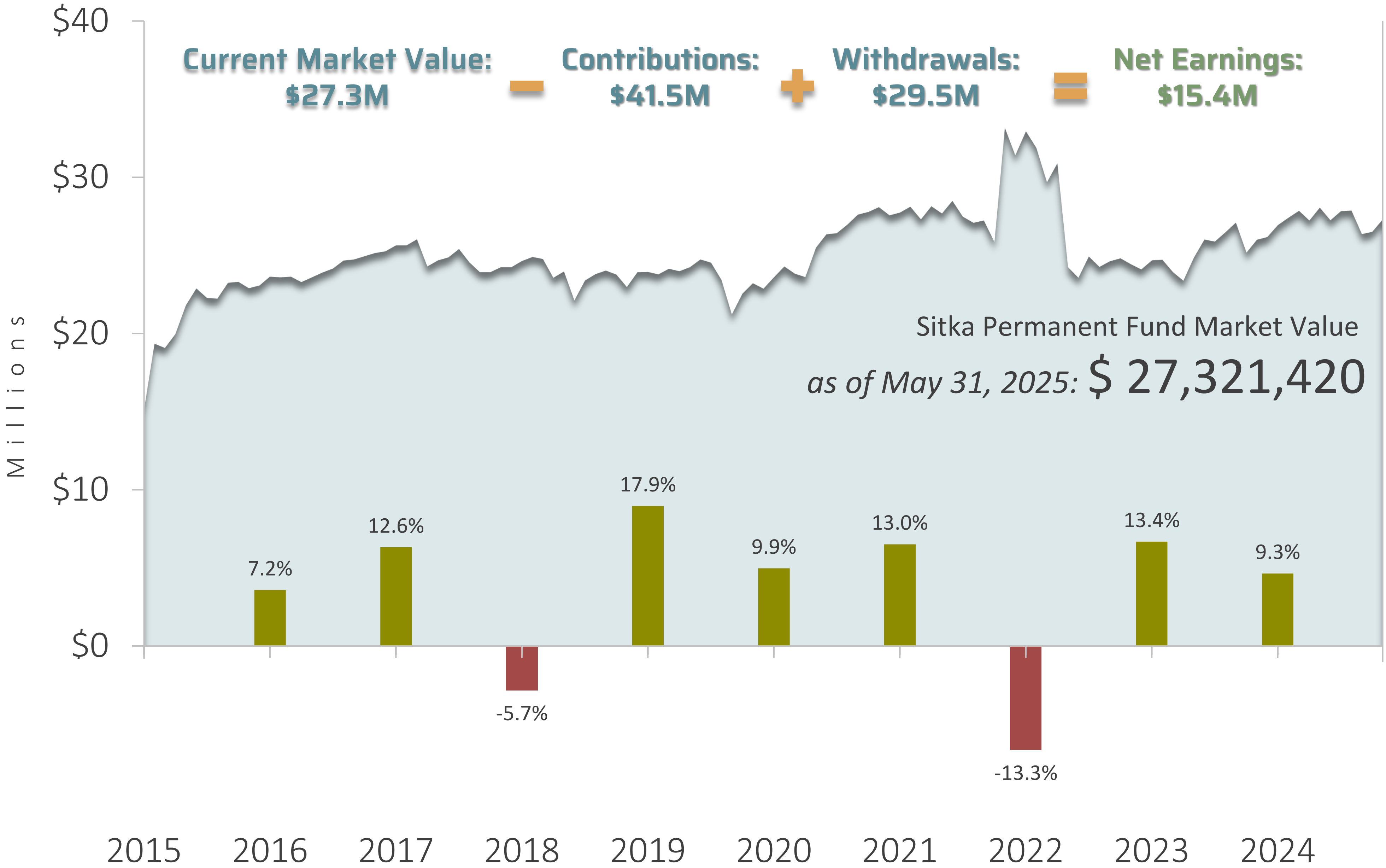
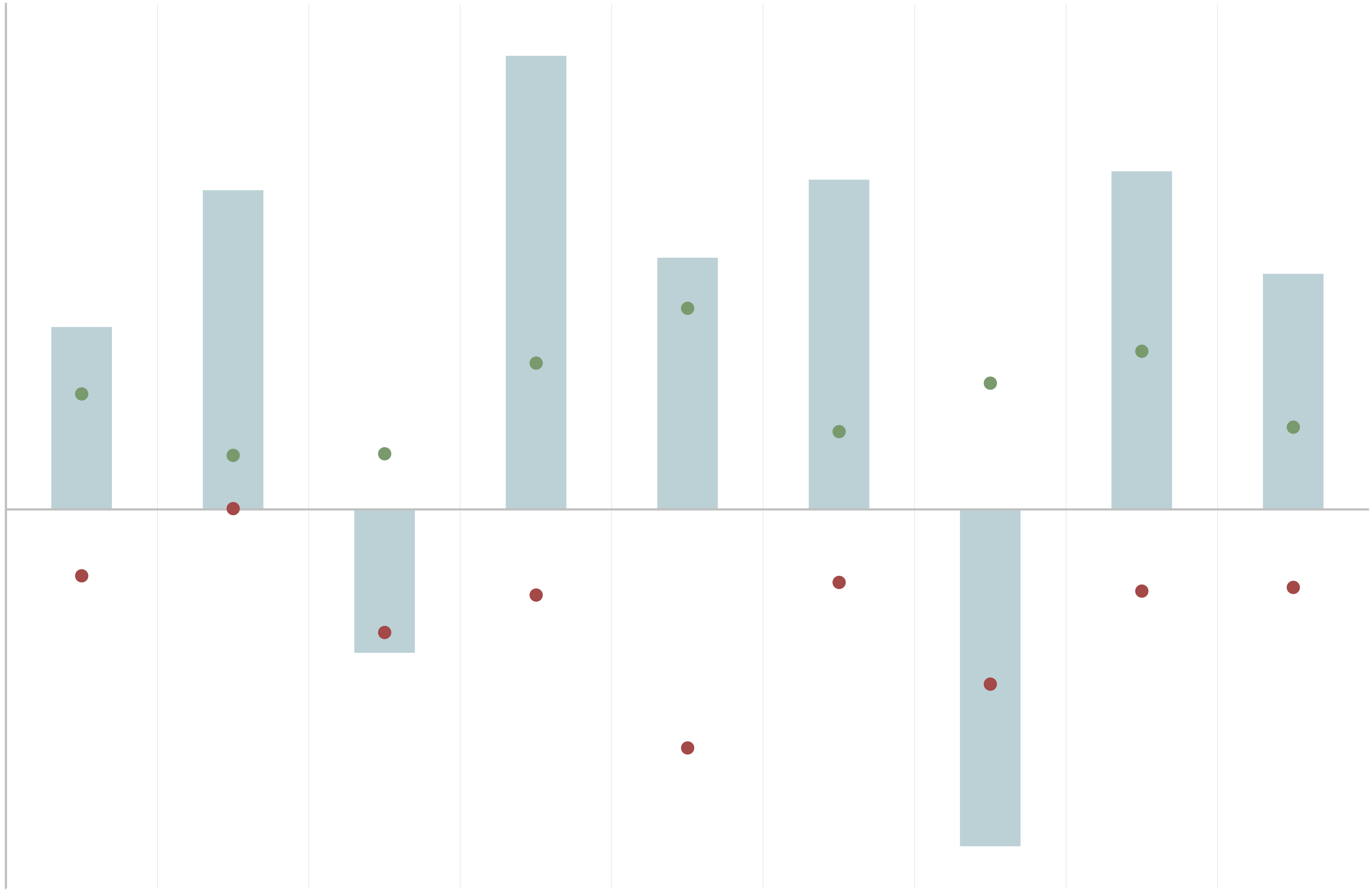


Chart shows month-end portfolio data from July 31, 2015 to May 31, 2025. Annual returns from 2016-2024. Performance is gross of management fees and net of internal fund fees.

A ten-year record of staying the course

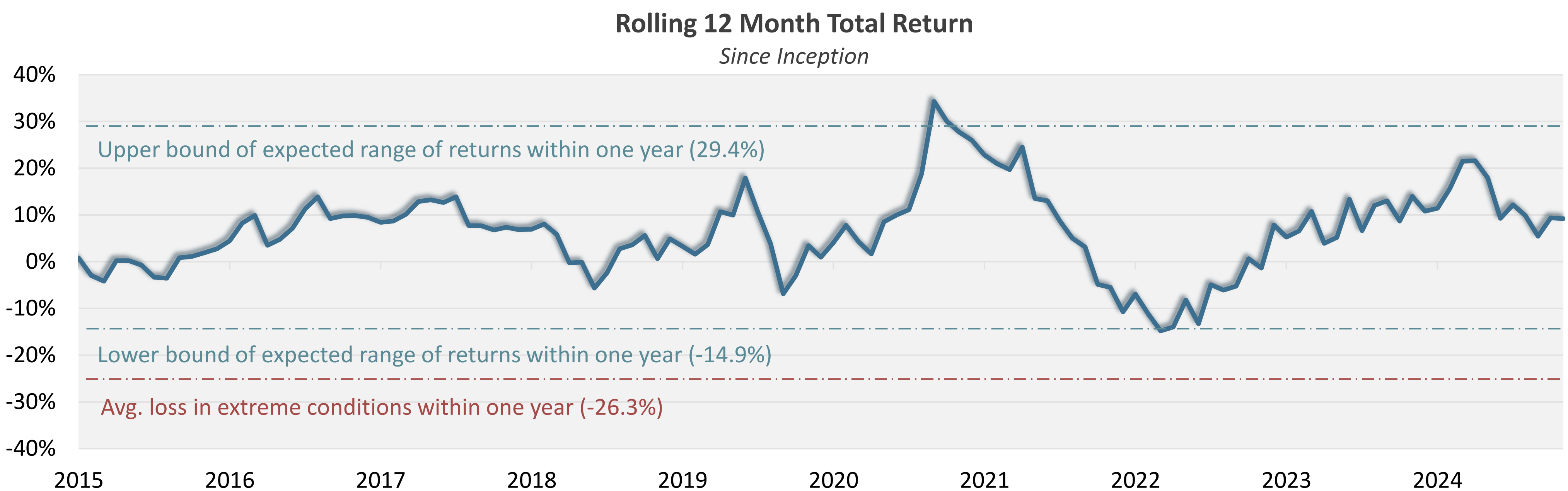
Despite intra-year declines, the Permanent Fund has experienced a positive return in 78% of calendar years since inception.

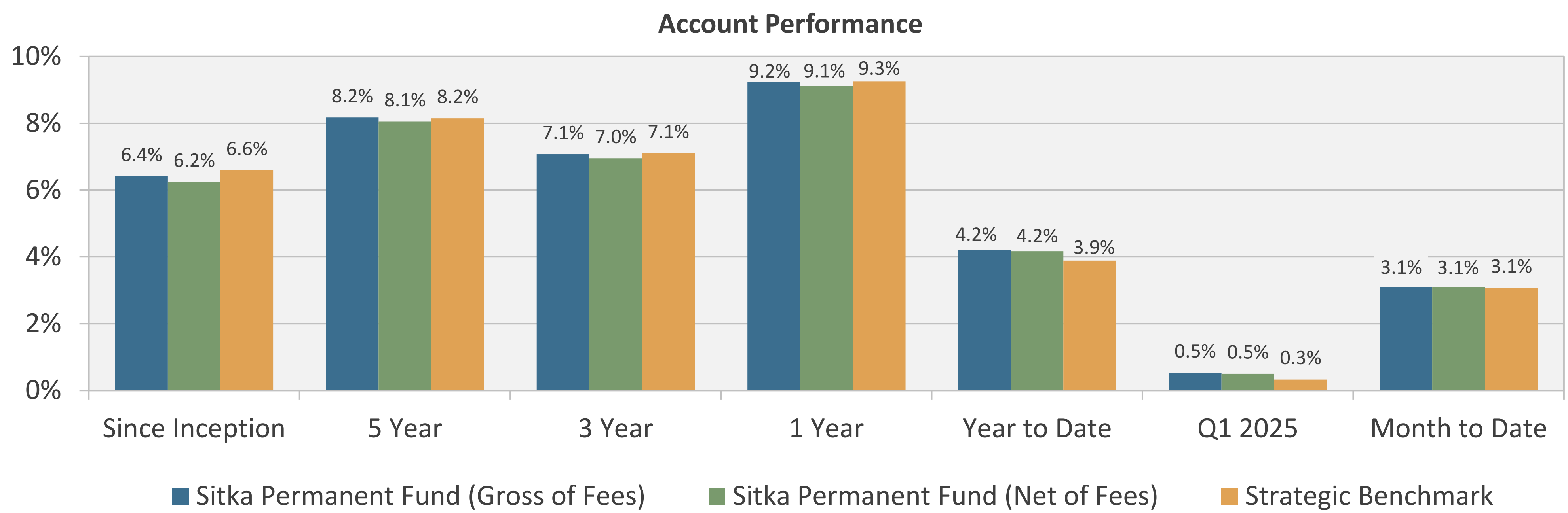


	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sitka Permanent Fund Calendar Year Return	7.2%	12.6%	-5.7%	17.9%	9.9%	13.0%	-13.3%	13.4%	9.3%
Worst Month	-2.6%	0.0%	-4.9%	-3.4%	-9.4%	-2.9%	-6.9%	-3.2%	-3.1%
Best Month	4.6%	2.1%	2.2%	5.8%	7.9%	3.1%	5.0%	6.2%	3.3%

Performance is gross of management fees and net of internal fund fees.

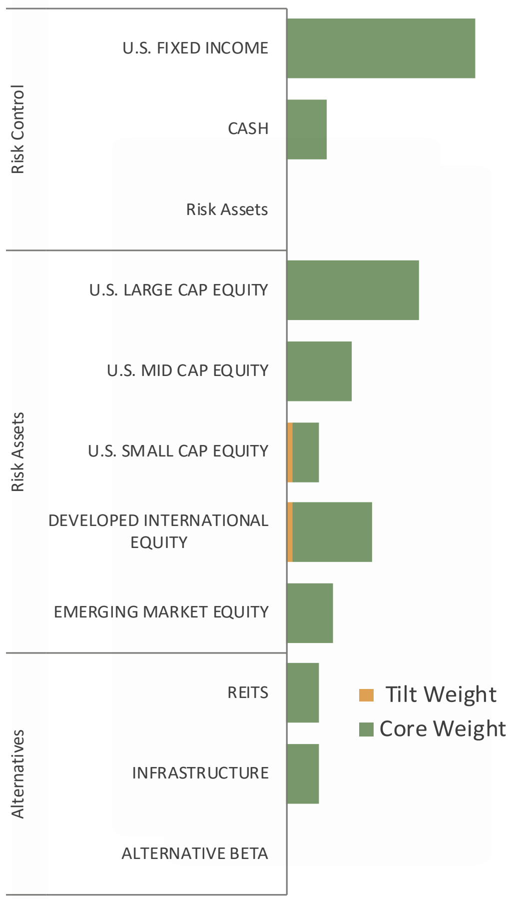
Evaluating returns against strategic goals





Performance is net of internal fund fees and annualized for periods greater than one year. Strategic benchmark is a blended return of the account's target allocation.

Aligning near-term tactical adjustments with your long-term strategy – as of May 31, 2025



Asset Class	Strategic Weight	Overweight / Underweight	Current Allocation	Range
Risk Control	**35%**	**-0.1%**	**34.9%**	
U.S. FIXED INCOME	30%	-1.2%	28.8%	20 - 40%
CASH	5%	1.1%	6.1%	0 - 10%
Risk Assets	**55%**	**0.1%**	**55.1%**	
U.S. LARGE CAP EQUITY	20%	0.1%	20.1%	10 - 30%
U.S. MID CAP EQUITY	10%	0.0%	10.0%	5 - 15%
U.S. SMALL CAP EQUITY	5%	0.0%	5.0%	0 - 10%
DEVELOPED INTERNATIONAL EQUITY	13%	0.0%	13.0%	8 - 18%
EMERGING MARKET EQUITY	7%	0.0%	7.0%	2 - 12%
Alternatives	**10%**	**0.0%**	**10.0%**	
REITS	5%	0.0%	5.0%	0 - 10%
INFRASTRUCTURE	5%	0.0%	5.0%	0 - 10%
ALTERNATIVE BETA	0%	0.0%	0.0%	0 - 10%

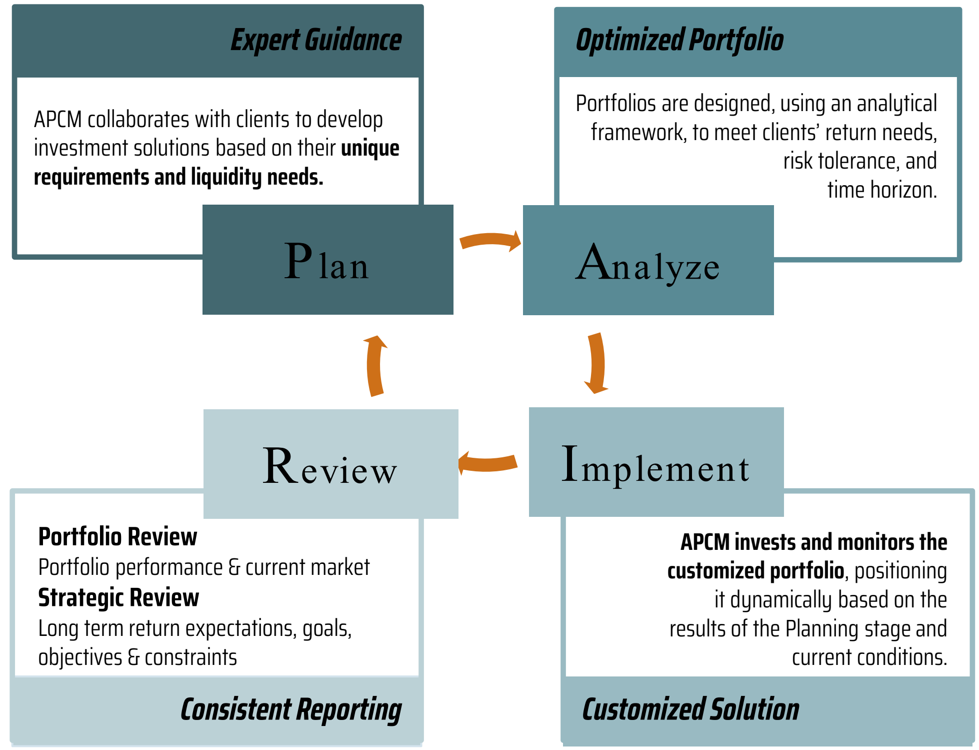
Totals may not sum due to rounding

Strategic Review

APCM's prudent investment management process

APCM

- APCM's prudent investment process is an integrated set of steps undertaken consistently to **create and maintain an optimal portfolio.**
- APCM designed this process to **promote and protect clients' interests** and continuously confirm that **each client's customized strategy achieves the highest return possible given a specified level of risk.**
- Central to the process is the **creation of reasonable expectations for risk and return** for each asset class for the next ten years. These capital market projections are integrated into the analysis phase of the process to:
  - Connect investment policy with real-world views
  - **Provide a cornerstone of strategic planning**
    - Do expected returns meet required returns?
    - Does the portfolio maximize return for a given level of risk?
    - Is the client comfortable with the level of risk?
  - Combine both quantitative and "common sense" perspectives



Observations on strategic asset allocation

Since inception, Sitka Permanent Funds strategic asset allocation has evolved from **4 asset classes up to the current allocation's 10**. Asset classes added include specific allocations to **U.S. Mid-cap, U.S. Small-cap, REITs, Infrastructure**, and the addition of Alternative Beta as an allowable investment.

When compared to peers of similar sizes, the **Sitka Permanent Fund has fewer alternative asset classes** in the portfolio.

Compared to the asset allocations of APCM's other clients, some notable differences **include dedicated allocations** to Commodities, U.S. High Yield, and Alternative Beta. Additionally, the **fixed income composition differs,** with exposure to the U.S. Aggregate Bond Index, 1–5 Year Government/Credit, and TIPS.

The Sitka Permanent Fund's current asset allocation is **expected to meet the portfolio's goal of 4% net distributions, providing for expected long-term growth of 2.7% (APCM's long-term inflation expectation is 2.5%).**

If the City would like to explore additional asset classes, **APCM can assist with analysis and implementation.** A framework for evaluating new asset classes is provided on slide 16.

Long-Term Return Expectation

6.7%* - 6.0% + 2.0% = 2.7%

Distributions *Contributions* *Growth*

*Return expectations based on APCM's 2025 capital market assumptions. Distributions and contributions are based on Sitka General Code and Sitka Home Rule Charter.

Compared to peers, largest allocation difference is in alternatives

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Asset Category	Asset Class	Similar Sized Endowments	Sitka Permanent Fund	**Difference**
Equity	US equities	30%	35%	-5%
	Non-US equities	18%	13%	5%
	Emerging markets	7%	7%	0%
Alternatives	Marketable alternatives	10%	0%	10%
	Private venture capital	3%	0%	3%
	Private equity	5%	0%	5%
	Secondaries	2%	0%	2%
	Real assets	5%	10%	-5%
	Sustainable investments	5%	0%	5%
	Other	5%	0%	5%
Fixed Income	Fixed income	10%	35%	-25%

SOURCE: 2024 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Evaluating your opportunity set

Sitka Permanent Fund's Current Asset Classes		
Risk Control	**Risk Assets**	**Alternatives**
Intermediate Gov. Cash	U.S. Large, Mid, & Small Cap Developed Int'l Emerging Markets	Real Estate Infrastructure Alternative Beta

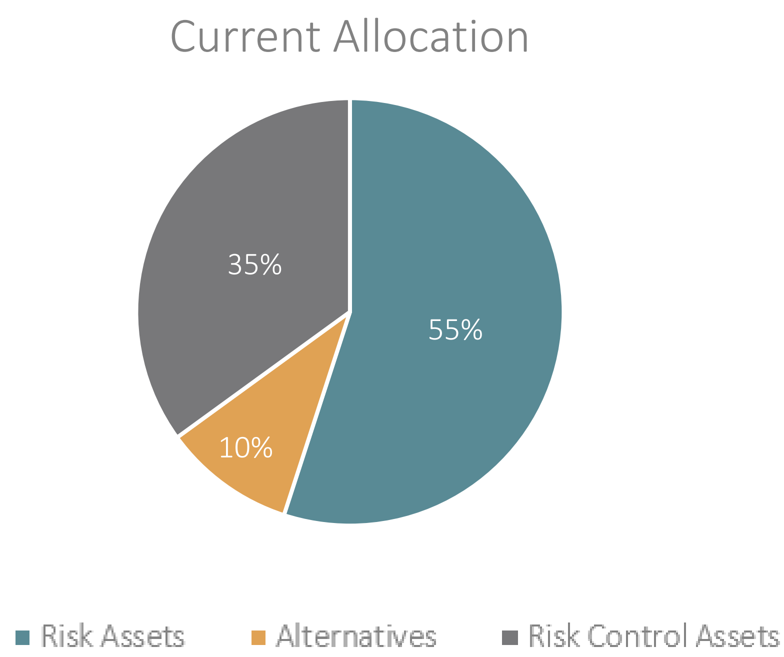
Additional Opportunities
U.S. Aggregate Fixed Income
U.S. Corporate High Yield
U.S. TIPS
International Bonds
Commodities
Private Credit
Private Equity

Forward-looking return and risk characteristics

Goal Focus

The projected 6.3% to 7.0% return over the ten-year horizon indicates that the current asset allocation is well-positioned to meet the City's policy objectives.

These results reflect a thoughtful alignment between the strategic allocation and the City's spending and contribution policies, working together to advance long-term growth and income goals.



Characteristics	Current Allocation	
	Expected	Range*
Annual Return (Gross)	7.2%	**-14.9%** to 29.4%
Long-Term Return (Gross)	**6.7%**	6.3% to 7.0%
Real Earnings (Gross) Long-Term Return Less 2.5% Expected Inflation	4.2%	3.8% to 4.5%
Avg. Loss in Extreme Conditions Within a 1-Year Horizon	**-26.3%**	

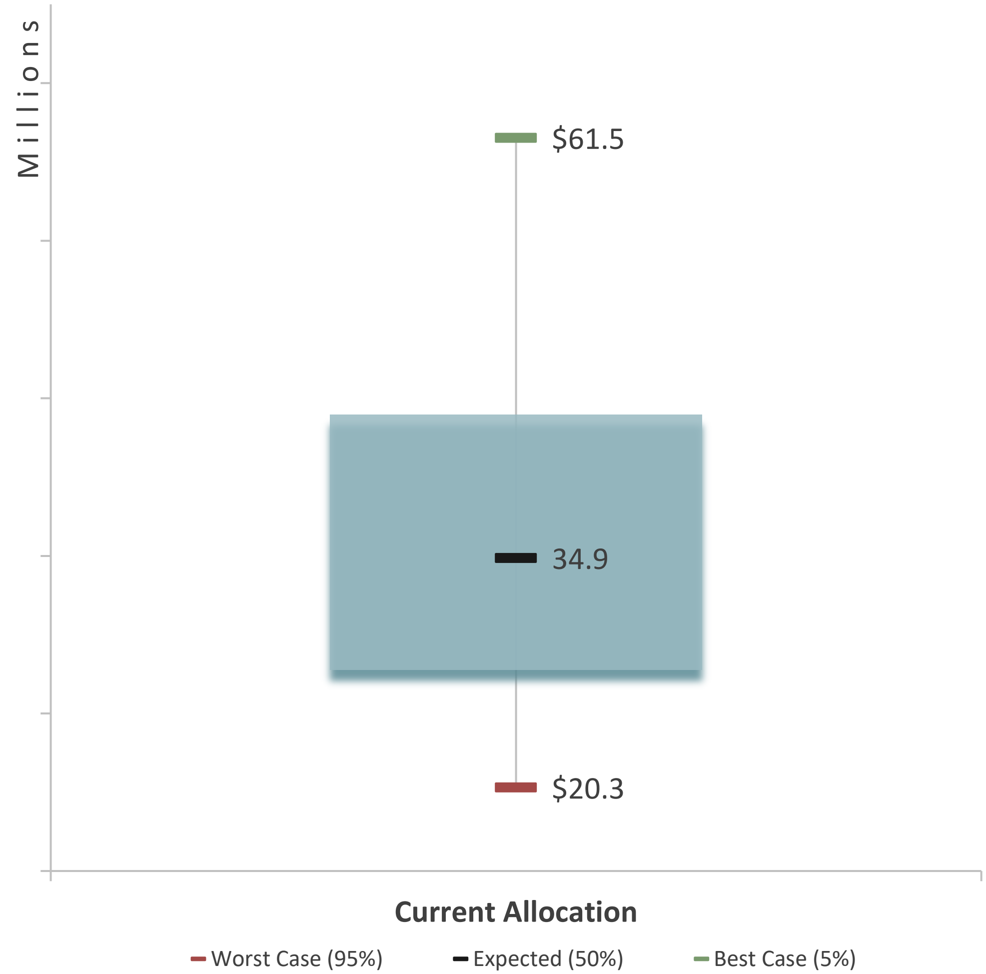
* Range denotes the 95% confidence interval. Risk and return data from Windham Portfolio Advisor.

Projected wealth simulations 10-year horizon

Starting Market Value:
A starting market value of **$27.3M** was used for the simulations.

Cash Flow Schedule:
The simulations assume annual **distributions of 6%** of the 3-year average market value, and **contributions of 2%** of the 3-year average market value.

Sitka Permanent Fund



Net Distributions ($)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Current Allocation	$1.02M	$1.09M	$1.16M	$1.22M	$1.25M	$1.28M	$1.32M	$1.36M	$1.38M	$1.42M

Risk and return data from Windham Portfolio Advisor. Withdrawals shown at the 50th percentile.

Evaluating new asset classes
A fiduciary decision framework

APCM

Confirm Objectives & Constraints	Review Existing Governance & Policy	Evaluate Each Asset Class	Decide & Document	Implement & Monitor
Confirm Growth, Income, Safety Goals Confirm risk tolerance, liquidity needs, legal limits	Confirm fiduciary roles and responsibilities Review and update the existing Investment Policy Statement (IPS)	Return vs. risk Diversification benefit Liquidity & transparency Costs & complexity Alignment with fund goals	Select beneficial asset(s) Propose allocation targets Document rationale and update IPS	Choose prudent investment vehicles Monitor performance, risk, and compliance Review allocations annually

Sources: GFOA Best Practices, CFA Code and Standards, and fi360

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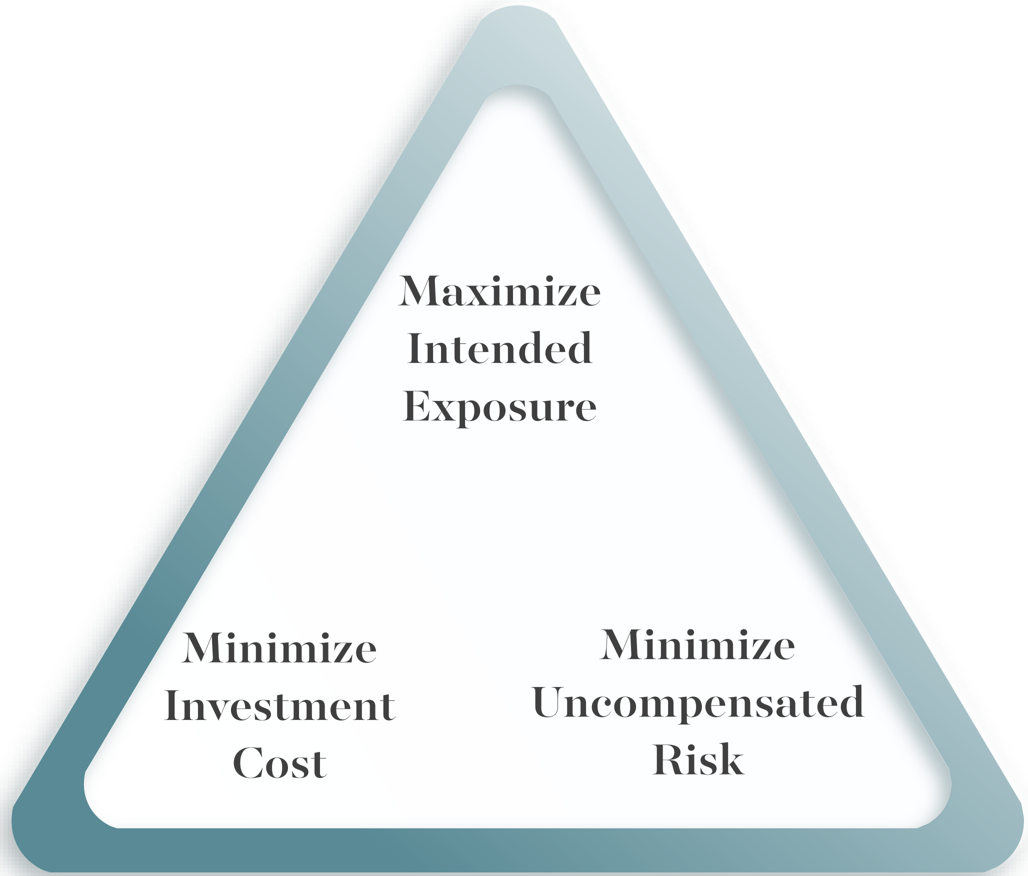
Manager Review

Sitka Top Managers and Asset Allocation

Firm	AUM
BlackRock	$11.6 trillion
iShares (by BlackRock)	$3.35 trillion
Vanguard	$10.4 trillion
State Street Global Advisors	$4.34 trillion
Northern Trust	$1.6 trillion
J.P. Morgan	$4.0 trillion
Invesco	$1.846 trillion
New York Life	$740 billion
Calamos Investments	$39.4 billion



Fees	
APCM Blended Fee Rate	0.12%
Internal Fund Fees	0.09%

Annual manager due diligence overview

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APCM's Guiding Principles

- Emphasize Transparency
- Maintain liquidity
- Control Expenses
- Prioritize Fiduciary Duties
- Avoid Conflicts of Interest

Strategy

- Markets and securities in which the fund invests
- Amount of leverage, shorting, swaps, currency exposure, derivatives
- Adequate diversification and concentrated positions
- Competitive advantage
- What beta exposure does the fund provide
- Is there a rationale (economic or behavioral) for the targeted risk premium to persist
- Fund capacity limits

Structure

- Organization of the fund manager, registrations, and outside service providers
- Firewalls, connections, or interdependence with parent companies.
- Accountability & separation of investment, management, and operations
- ETF regulations
- Liquidity issues for redemptions and ability to provide liquidity during stressful market conditions.
- Implications for taxable investors

Performance & Fees

- AUM growth
- Diversity of share owners
- Tracking error
- Tracking difference
- What are all potential fees and how are they calculated
- Are there fee waivers?
- If so, how are they established and approved?
- What are the implicit costs of the fund?
- What is the cost of assembling the underlying basket?

Administration

- Team members & management
- Depth of senior managers and succession planning
- Business continuity management/ disaster recovery
- Process for valuing (pricing) fund holdings
- Trading systems and procedures used
- Best execution policies

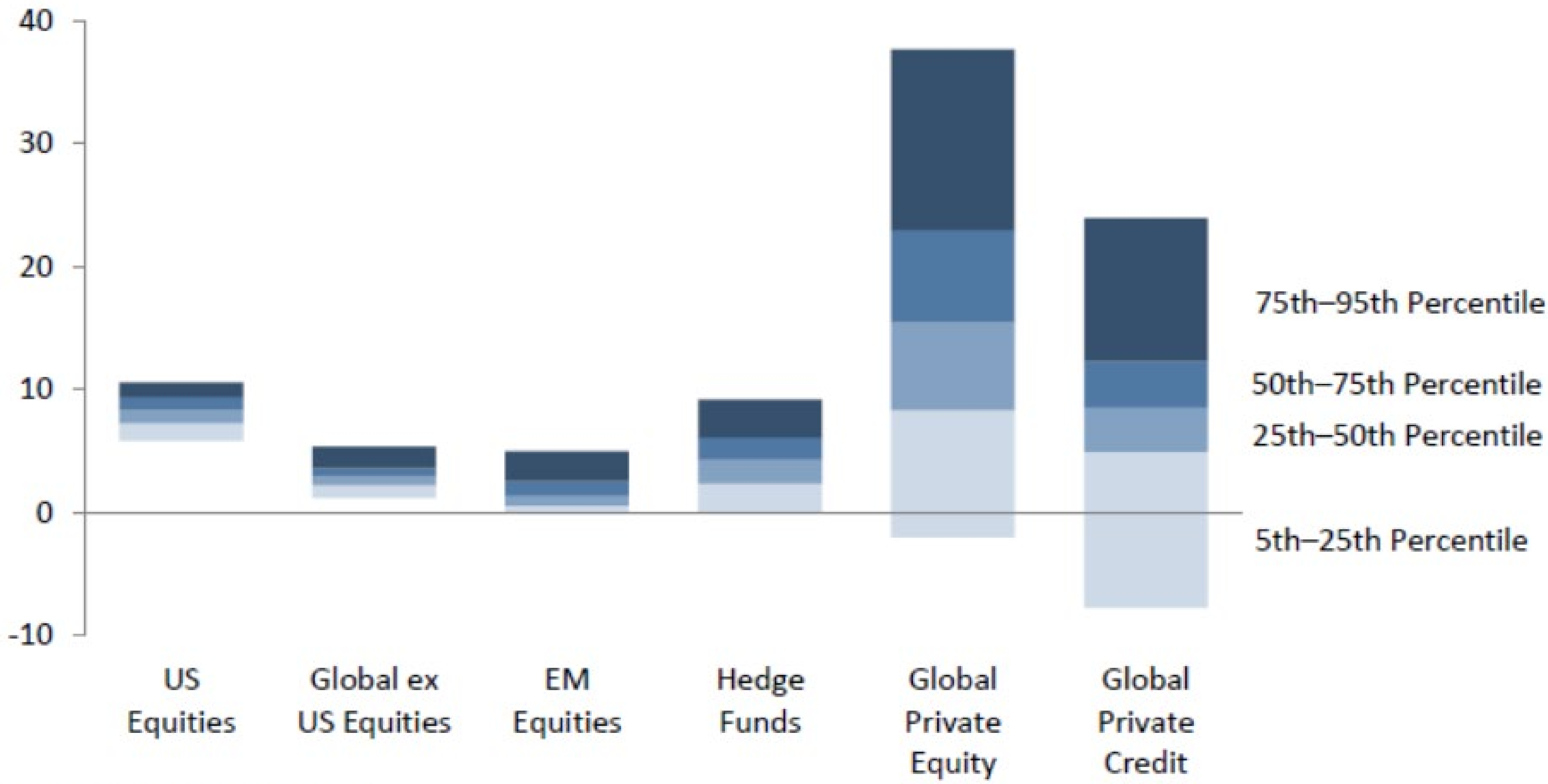
Risk

- Compliance and risk management systems and the degree to which leverage is employed and controlled
- What risks are measured, monitored and managed?
- How are risks measured and monitored?
- Does the fund have any counterparties? If so, who?
- Is there any mix of leverage and illiquidity?

Spend strategically where markets are less efficient

Evaluating manager dispersion across asset classes

January 1, 2008 – June 30, 2023 • Average Annual Manager Returns by Asset Class (%)



Source: Cambridge Associates LLC.

Notes: Returns data and percentiles for US Equities, Global ex US Equities, and EM Equities are time-weighted, while returns data and percentiles for Hedge Funds, Global Private Equity, and Global Private Credit are dollar-weighted. All financial investments involve risk. Depending on the type of investment, losses can be unlimited. Past performance is not indicative of future returns.

Enhancing strategic asset allocation through security selection

Traditional β		Quantitative α	Qualitative α
Broad market exposure		Exposure to non-traditional return drivers	Manager driven non-systematic risk
❖ *U.S. Large Cap*	❖ *U.S. Aggregate Bonds*	❖ *Global Macro*	❖ *U.S. Municipal Bonds*
❖ *U.S. Mid Cap*	❖ *International Bonds*	❖ *Equity Long / Short*	❖ *U.S. High Yield Bonds*
❖ *U.S. Small Cap*	❖ *Global Infrastructure*	❖ *Event Driven*	❖ *Convertible Arbitrage*
❖ *International Developed*	❖ *1-5 Gov. / Credit*	❖ *Arbitrage Strategies*	❖ *Hedged Equity*
❖ *Emerging Markets*	❖ *TIPS*	❖ *Defined Outcome*	
❖ *REITs*		❖ *Market Neutral*	
		❖ *Protective Put Strategies*	
		❖ *Commodities (Roll yield enhanced)*	

β

***Beta** denotes the underlying systematic sources of risk that are driven by economic or behavioral forces. Also known as undiversifiable or market risk, **investors are generally compensated for taking on these risks.** The compensation for these risks can be expected over long-time horizons.*

***Alpha** denotes investment-specific sources of risk. Also known as diversifiable or idiosyncratic risk, **investors are not compensated for taking this risk through any natural market mechanism**. Persistent value-added from alpha is only possible if a manager's qualitative judgements are correct over time.*

α

Traditional βeta: Customized, cost-effective allocations improve outcomes

APCM

APCM's analysts compared each currently held fund with the closest 3,000 competitors, as measured by tracking error to the benchmark.

The most competitive alternatives were assessed in terms of their efficiency, tradability, and fit (ETF).

APCM is not currently making any changes as a result of this year's review. Our core holdings are still the most efficient exposure for APCM clients.

The internal fund fees within APCM's portfolios remain low, averaging **19%.**

Traditional Beta Holdings

Asset Class	Confirmed Current Holding is Optimal?
Large Cap Equity	Y
Mid Cap Equity	Y
Small Cap Equity	Y
International Equity	Y
Emerging Markets Equity	Y
Infrastructure	Y
REITs	Y
U.S. Fixed Income	Y
U.S. 1-5 Year Gov/Credit	Y
TIPS	Y
International Fixed Income	Y

Quantitative αlpha:
Identifying systematic strategies that consistently add value

APCM

Quantitative alpha specifically refers to investment strategies that aim to **systematically capture returns beyond market movements by leveraging quantitative signals and insights.** These strategies require rigorous due diligence process that goes beyond the traditional assessment of pure index funds. The goal is to ascertain the legitimacy, sustainability, and true source of the claimed alpha, distinguishing it from mere beta exposure or random chance.

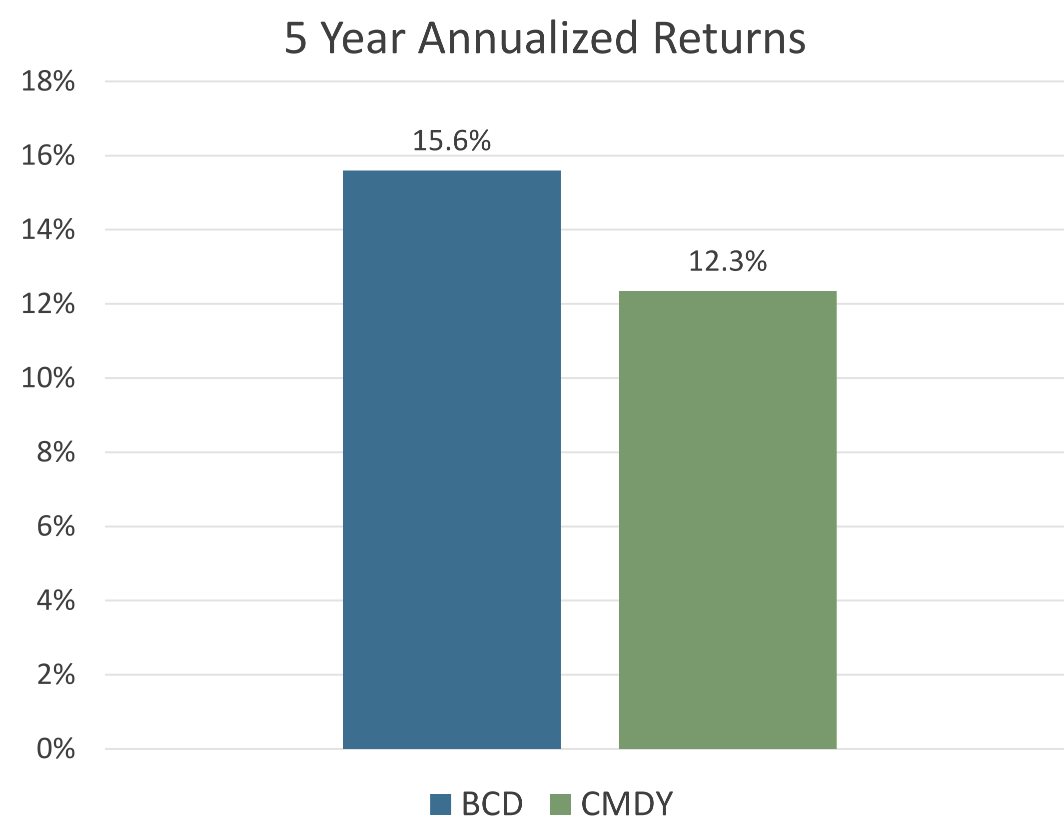
Key changes:

Commodities:

Within commodities, **roll yield** is an important factor in the total return. Further research indicates BCD has an **excellent track record**, **slightly higher returns**, and **straightforward approach** that aligns well with a **broad range of market conditions**. It has shown it can "win by not losing" in contango periods and still keep up in inflationary booms – an ideal profile for generating **steady risk-adjusted alpha** net of expenses.

Alternative Beta:

Within Alternative Beta, we identified a hedged equity fund, **HELO**, that generates the **same return profile as JHEQX in a more tax efficient and lower cost vehicle (0.50% expense ratio vs. 0.58%).**



Qualitative αlpha:
Persistent outperformance requires additional due diligence

Within some asset classes, data indicates that active management is more likely to consistently outperform the broad market. **When evaluating any active manager, APCM's fundamental goal is to determine whether active management can provide a consistent risk-adjusted benefit, net of fees.** In addition to our standard review, APCM's due diligence process for any active management is more in depth, **focusing on the managing firm's philosophy, process, personnel and performance**. To select an active manager, APCM must have conviction that the decision will generate persistent, explainable, and stable alpha over the long run.

Municipal Bonds:

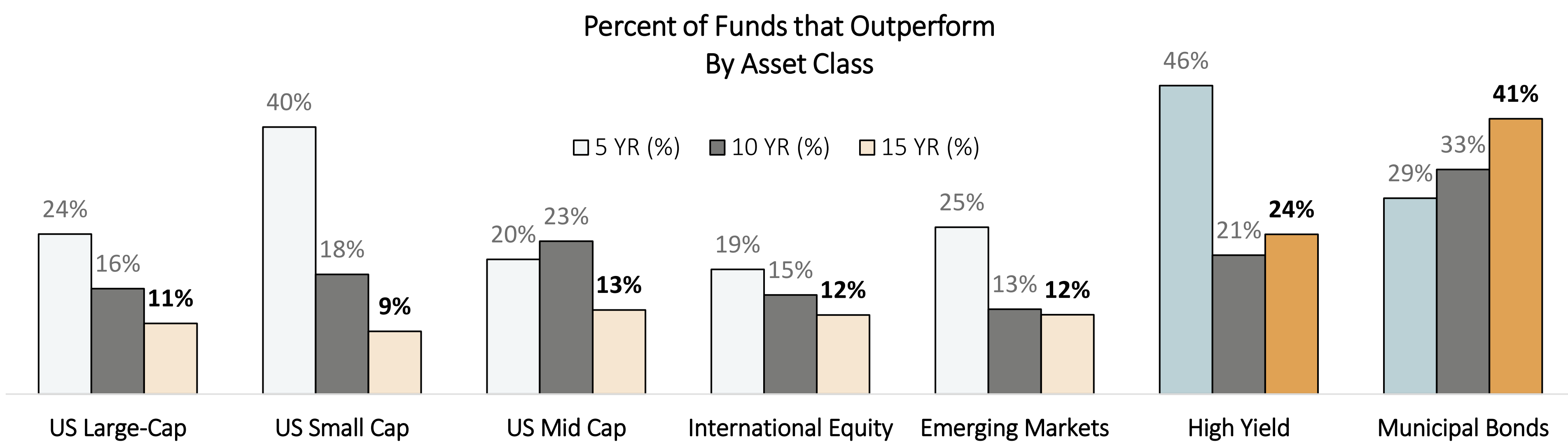
Within municipal fixed income, APCM utilizes two separate actively managed funds to achieve the desired exposure, BMNIX and VWIUX. Over the last five years, both funds have **outperformed the benchmark by 0.64% and 0.33% annualized**, respectively.

High Yield:

Over the same time period, the actively managed High Yield Fixed Income fund has trailed the benchmark slightly (0.32%) due to a tilt towards higher quality bonds. Given historically tight credit spreads, APCM is maintaining this up-in-quality exposure.

Private Markets:

APCM's private equity and private credit managers have a track record of delivering excess returns over the long-term.



APCM

Appendix

City & Borough of Sitka - Operating

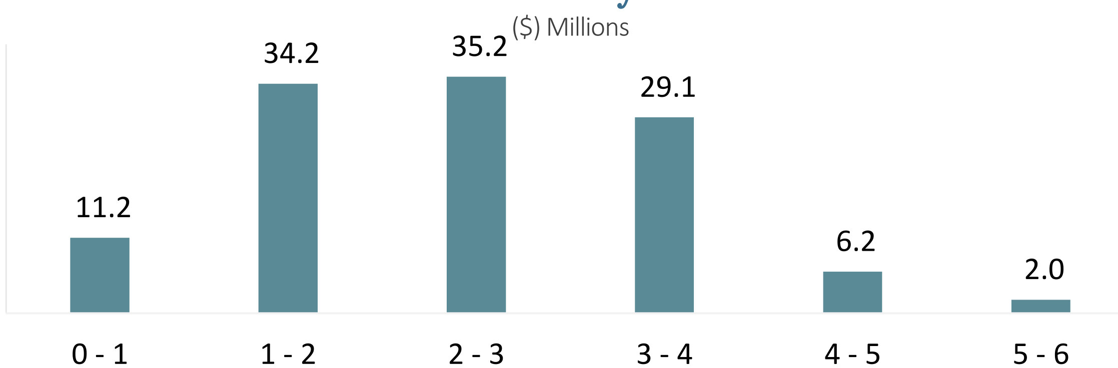
As of May 31, 2025

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, 2025*	$117,895,492
Benchmark	Bloomberg 1-5 Yr Gov Index

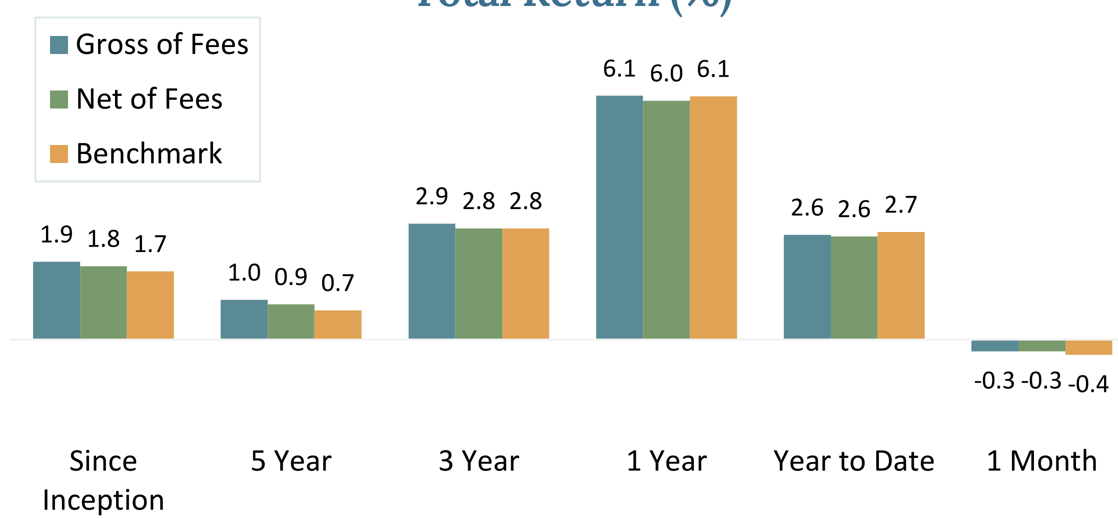
Sector Allocation	Account	Benchmark
Cash and Certificates of Deposit	4.9%	-
Commercial Paper	-	-
Treasuries	71.6%	98.2%
Agencies & Mortgage Backed Securities	23.5%	1.8%
Corporates	0.0%	-
Municipals	-	-

Summary Statistics	Sitka 10/31/24	Sitka 02/28/25	Sitka 05/31/25	Benchmark 05/31/25
Yield to Maturity	4.24%	4.14%	4.10%	3.94%
Avg. Quality	AA+	AA+	AA+	AA+
Avg. Maturity (yrs)	2.98	2.98	3.17	2.80
Effective Duration	2.58	2.41	2.51	2.60

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

APCM's 2025 initial outlook summary

APCM

Outlook Drivers

U.S.-Led Growth: Global GDP expected to trend near potential, supported by strong U.S. demand and labor market strength

Inflation Moderating: Creating room for rate cuts, though pace may vary by region

Earnings Tailwind: Positive corporate earnings outlook supports equity returns

Valuation Headwinds: Elevated equity valuations pose a challenge for forward returns

Rising Policy Uncertainty: Trade and fiscal policy shifts add risk to the macro environment

Fixed Income

Neutral allocation with favorable total return outlook.

4.9% yield cushions return in a reflation scenario.

Offers downside protection if growth slows and rates fall

Alternatives

Overweight to gold as a hedge against inflation, fiscal risks, and geopolitics

Added Calamos Market Neutral Fund to reduce equity beta and diversify return sources

Equity Strategy

Neutral Overall: Balanced across U.S. and international equities, with focus on select opportunities

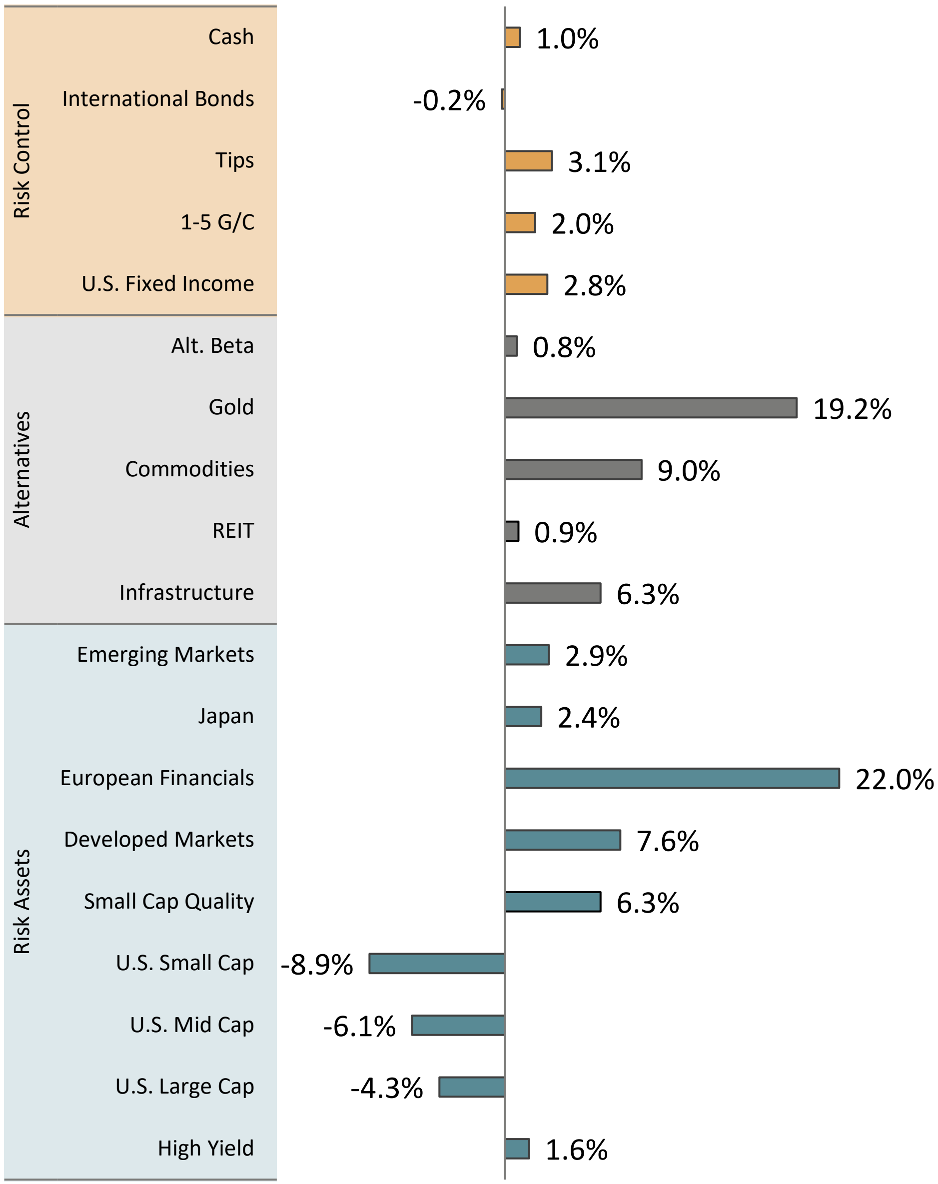
U.S. Equities: Large caps valuations have some support from strong fundamentals; small-cap quality added for targeted exposure

European Financials: Key overweight — benefiting from strong earnings, higher rates, and more attractive valuations relative to U.S. peers

Diversification Remains Central: Positioning reflects macro awareness, valuation sensitivity, and sector-level opportunities

Q1 surprises – policy uncertainty reshapes the landscape

YTD Total Return by Asset Class
as of 3/31/2025



A stable start, then a sharp turn

In early April, the U.S. announced sweeping tariffs under the banner of "Liberation Day":

- 10% universal tariff on all imports (April 5)
- Up to 50% reciprocal tariffs on key trade partners (April 9)
- The announcement initiated the peak to trough **decline in global stocks of nearly 17%**

If implemented fully, these measures would push the average effective tariff rate to 24% — exceeding even 1930s-era levels

- Estimated to **add 1.5% to consumer prices and stall growth** in 2025
- Reciprocal tariffs projected to lower U.S. GDP growth to 1.3%, a 0.7% decline from prior forecasts
- Economy would slow in Q2, contract in Q3, then stabilize — avoiding technical recession, but never returning to March baseline levels
- Long-term drag on potential growth via **reduced investment and trade efficiency**

A sharp reversal — then a rally

On April 9, President Trump announced an escalation and partial reversal:

- Tariffs on China raised to 125% "effective immediately"
- Simultaneously, a **90-day pause** and temporary 10% reciprocal tariff granted to other countries showing willingness to negotiate
- **Global equities rallied 8% in one day** following the pause announcement

Source: Bloomberg and Oxford Economics

Positioning going forward — staying adaptive in a shifting environment

Looking Ahead

We **expect continued market volatility as trade negotiations evolve.** Tariffs may weigh on growth and increase the likelihood of recession-driven rate cuts. APCM is focused on maintaining portfolio flexibility with diversified exposure to bonds, real assets, and alternative strategies.

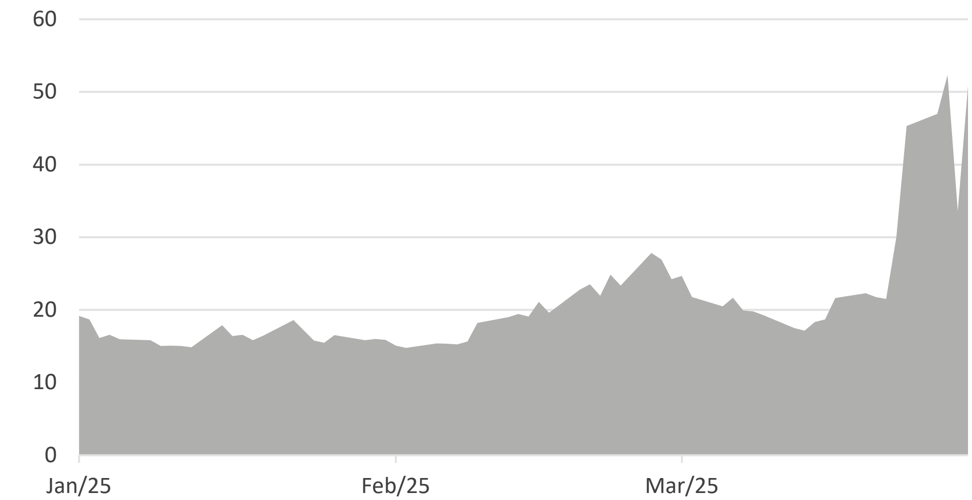
Monitoring for Signs of Broader Stress

We are closely watching the health of financial markets. For now, **spreads and interbank stress measure remain contained**, but we are watching them closely. **If the sell-off resumes, broader financial stress may emerge**. In a market driven by shifting policy dynamics, our emphasis remains on risk-aware positioning and tactical responsiveness.

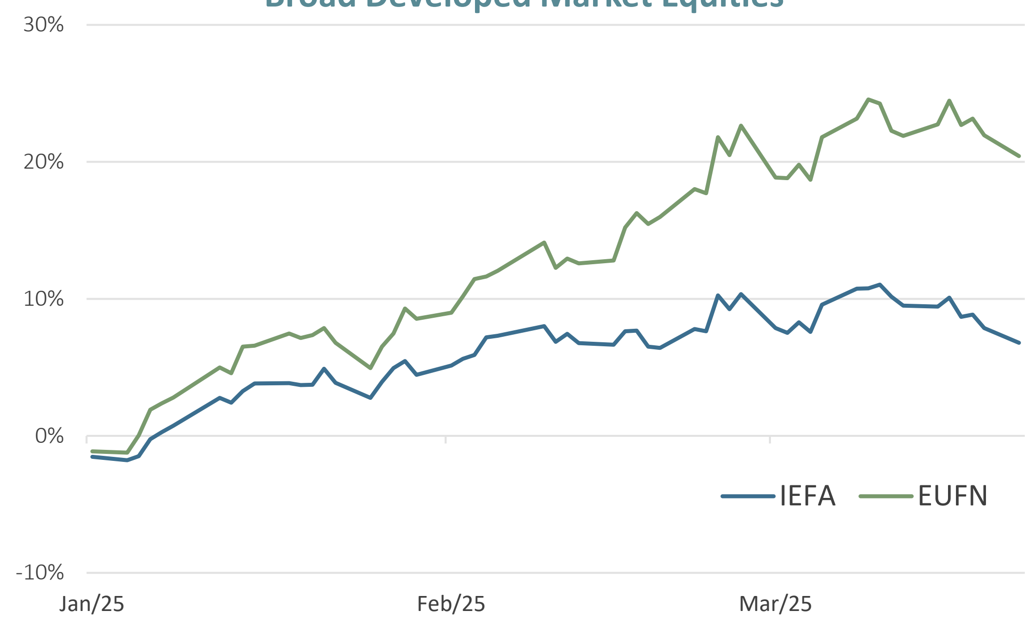
Recent Adjustments Proved Beneficial

We remain defensively positioned: underweight equities, overweight fixed income and gold. Within alternatives an **overweight to gold contributed positively** as volatility increased. In equities, we **took profits on an overweight to European financials** as the sector outperformed our core developed international holding by +10% over the life of the trade. The sector now faces macro headwinds from slowing growth.

Volatility (VIX Index)



European Financials Outperformed Broad Developed Market Equities



Disclosures

APCM

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.