

**City and Borough of Sitka
Investment Advisory Committee Meeting
November 20, 2024 3:00 p.m.
Harrigan Centennial Hall**

AGENDA

- I. Roll Call**
- II. Approval of the minutes**
 - A. March 21, 2024
- III. Person's to be Heard**
- IV. Reports**
 - B. APCM Portfolio Review
- V. Unfinished Business**
- VI. New Business**
- VII. Adjourn**

Investment Committee Minutes

Thursday, March 21, 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,
Kenneth Cameron (Alternate)
Thor Christianson (Assembly Liaison)

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

I. Roll Call

Present: Michael Reif, Kenneth Cameron, Bert Stedman

Absent: None.

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

Assembly Liaison: Thor Christianson

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

II. Approval of the minutes

A. August 3, 2023

M – Stedman / S - Reif– moved to approve the minutes from August 3, 2024. Motion carried unanimously by the two members present.

III. Persons to be Heard

None.

IV. Reports

B. APCM Portfolio Review

Brandi Nicali with APCM reviewed current funds' status, origins, contributions, withdrawals, values, long-term outlook, and strategy. She suggested reallocating the permanent fund due to high interest rates. Bill Lierman compared fixed income benchmarks and outlined portfolio sector breakdown. Nicali discussed market trends, stressing maintaining a 4% spending policy amid rate changes. They considered shifting to US Aggregate for the permanent fund, with Lierman leading research. She proposed a longer benchmark for more annual funds. They planned to adjust investments for the Perm fund, focusing on duration. Brandy reported Perm fund's 13.35% return, \$25.88M value. Lierman noted \$99.5M in the operating account. Lierman stated that 4.65% yield, active management success. He predicted 2024 rate cuts would boost returns. Nicali noted US economy's 2023 strength, 2024 outlook, potential Permanent fund gains. She cited Permanent fund changes, inflation-proofing, proposed 4% policy codification, bond adjustments.

Lierman explained the differences between the two fixed income benchmarks and provided an overview of the current sector's breakdown of their investment portfolio. Lastly, Nicali discussed the current market environment and the implications for a long-term investment Reif and Stedman thanked Alaska Permanent Capital for their work.

V. Unfinished Business

None.

VI. New Business

None.

VII. Adjourn

M – Cameron / S –Stedman- moved to adjourn. Seeing no objection, the meeting adjourned at 4:40 p.m.

Attest:
Jessica Earnshaw, Deputy Municipal Clerk



ALASKA PERMANENT
CAPITAL MANAGEMENT

Registered Investment Adviser

City & Borough of Sitka

As of October 31, 2024



Investment success starts with a plan:

Monitoring the path toward achieving your financial goals....

Making progress toward your growth objectives...



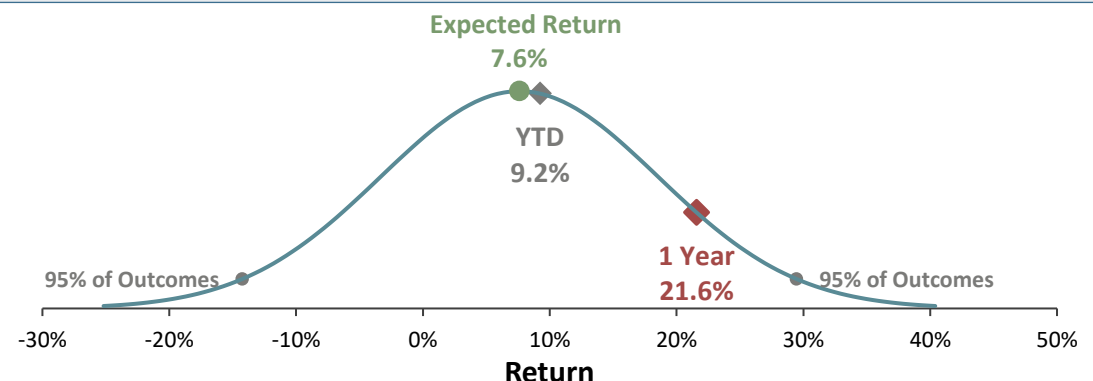
Sitka Permanent Fund October 2024

Account Inception	June 2015	
Total Contributions	\$ 41,457,416	
Withdrawals <i>Does not include custodial or management fees</i>	\$ 28,503,304	
Current Market Value <i>October 31, 2024</i>	\$ 27,237,111	
Account Return <i>Gross of Fees Inception – October 31, 2024</i>	+ 6.35%	
Account Return <i>Net of Fees Inception – October 31, 2024</i>	+ 6.18%	
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):

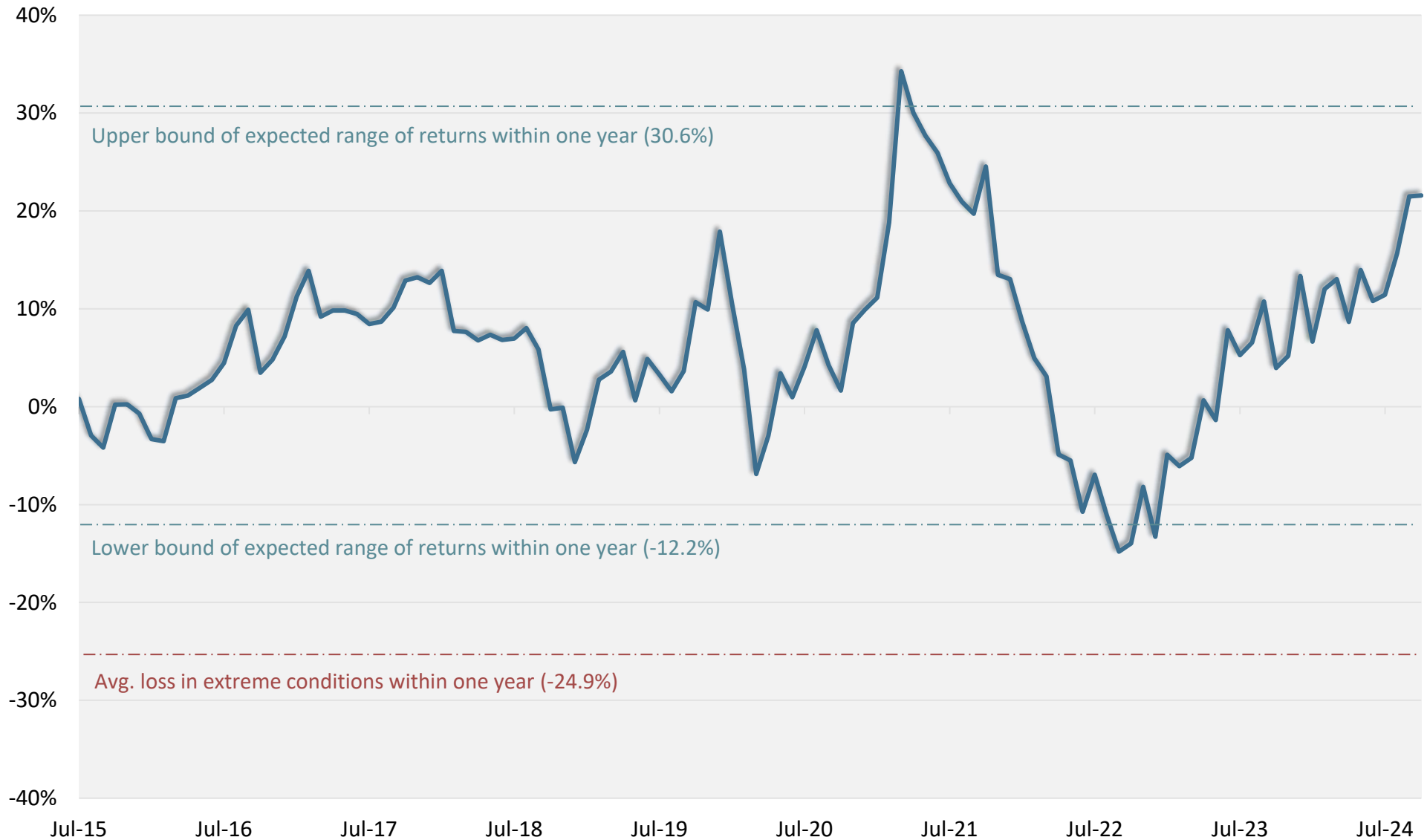
- A. Growth.** The permanent fund should provide for growth of the fund through investment in assets that have the probability of appreciating in value.
- B. Income.** The permanent fund should produce sufficient current and continuing income from investment returns to support the transfers to the general 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.)



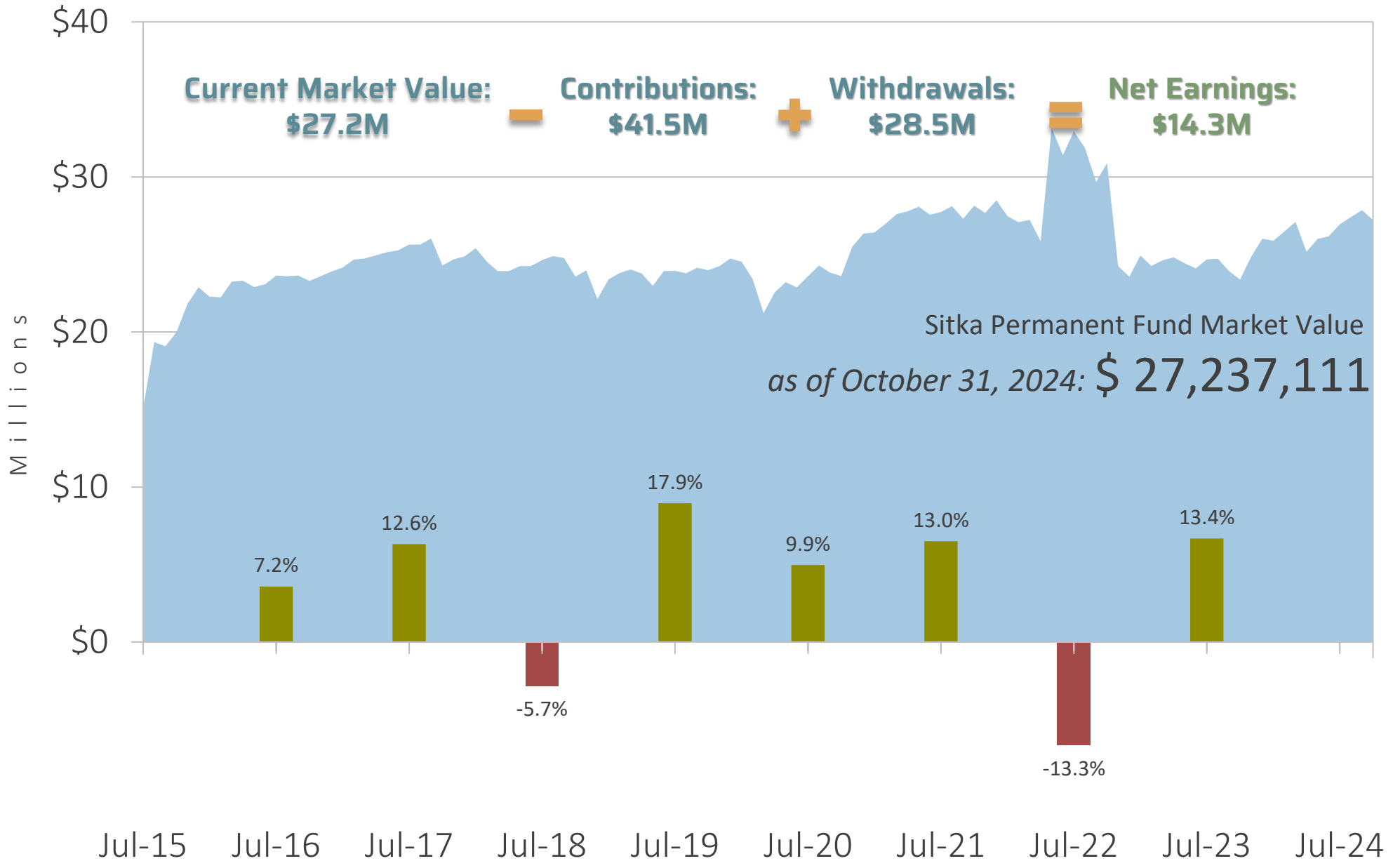
*Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year. Expectations as presented Q1 2024.

Realized returns remain within projections, keeping us on track...

Rolling 12 Month Total Return
Since Inception



Steady gains: the power of consistency in cumulative earnings...

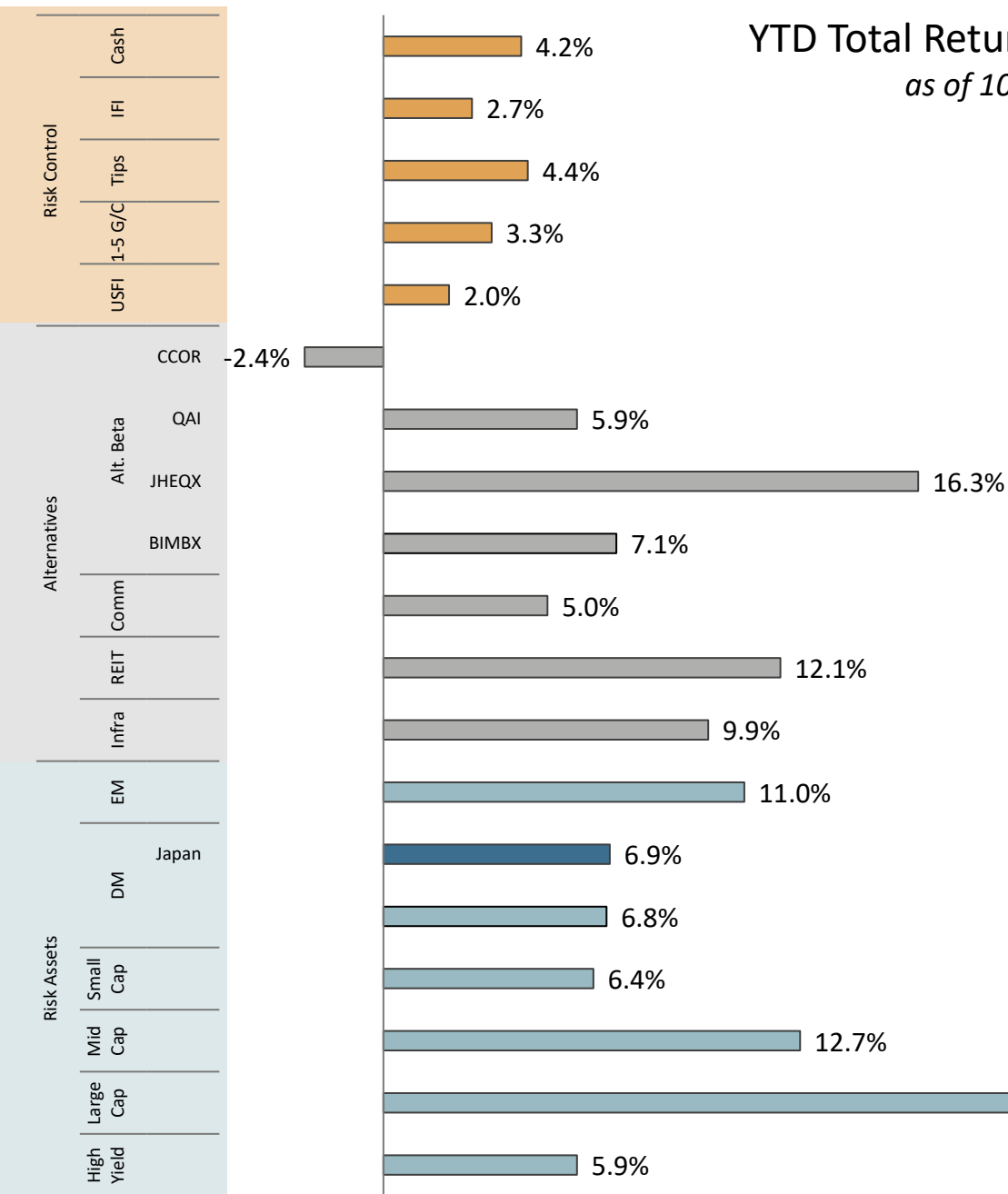




Navigating Short-Term Trends and Their Impact on Your Portfolio Strategy

Economic growth and inflation are slowing but recent returns have been positive

Maintaining long-term equity targets in 2024 has contributed positively to performance...



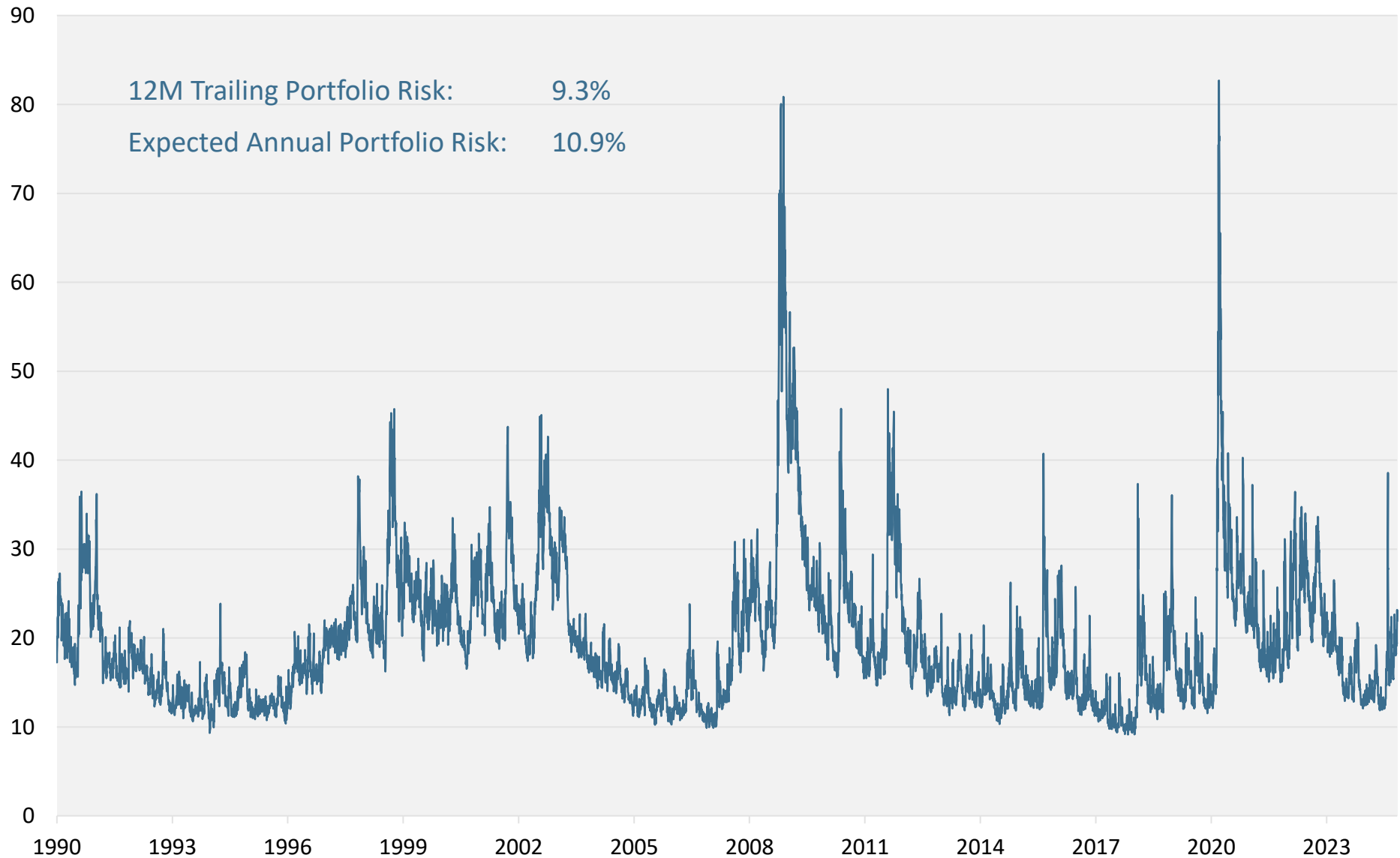
YTD returns have been in the upper range of APCM’s expectations given that asset classes across the board have benefited from easing monetary policy, generally robust corporate earnings, AI optimism, and economic resilience.

APCM has held high-quality Large Cap U.S. stock exposure as a tactical position throughout 2024. This position outperformed the broad S&P 500 through September. In October, APCM took profits and sold the position due to a shifting valuation picture.

Within the Real Estate Allocation, Industrials have underperformed and APCM recently closed the position due to deteriorating fundamentals in the sector.

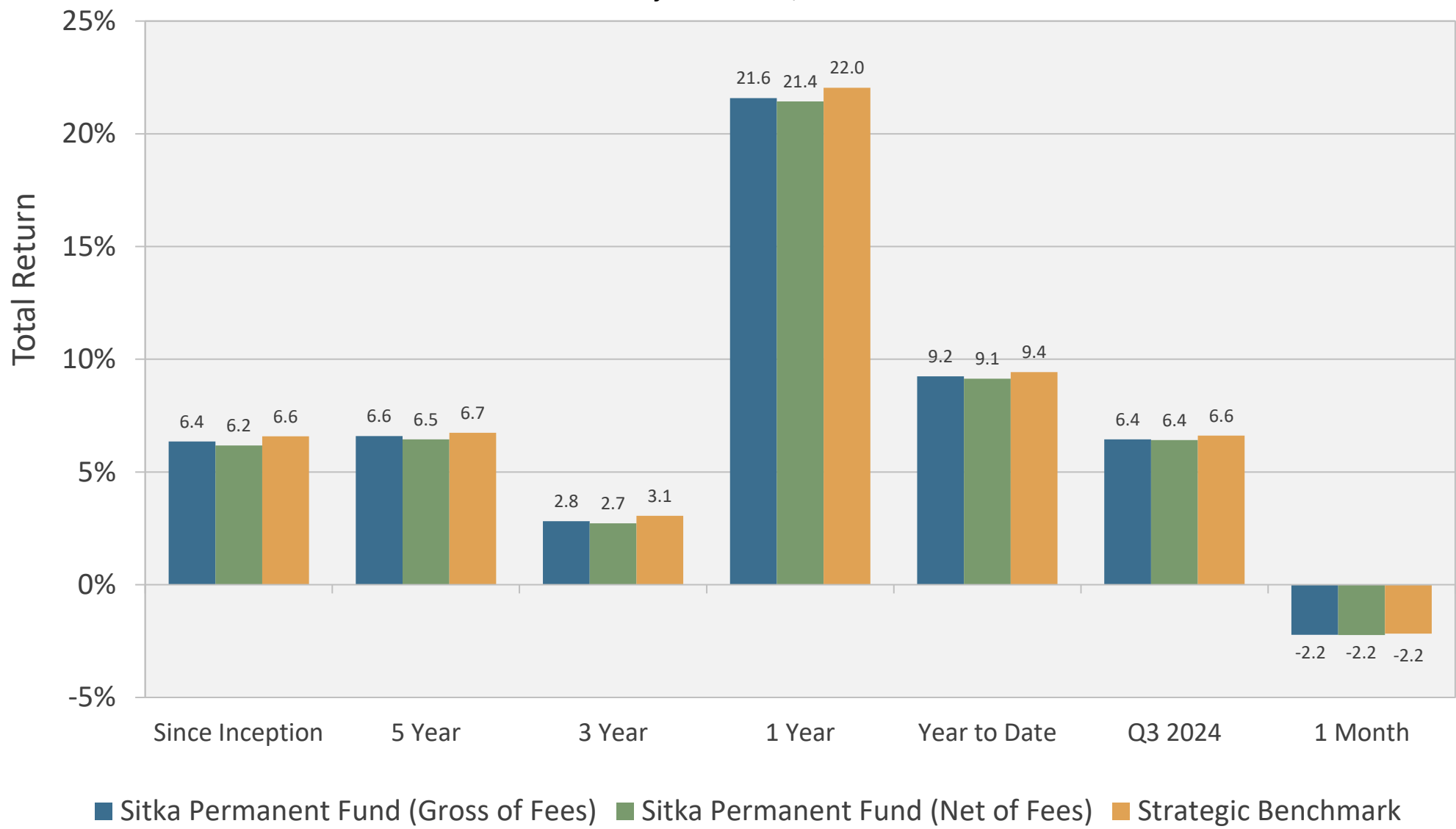
Your portfolio volatility has been within expectations for your risk profile...

Historical Market Risk *VIX Price Index*



After a strong third quarter, global equities are up 16% year-to-date, building on last year's 23% gain...

Account Performance
as of October 31, 2024



We are balancing risk and opportunity: overweight bonds, equities positioned for supportive market conditions...

		Asset Class	Strategic Weight	Overweight / Underweight	Current Allocation	Range
Risk Control	U.S. FIXED INCOME	Risk Control	35%	-0.3%	34.7%	
	CASH		30%	0.6%	30.6%	20 - 40%
	CASH		5%	-0.8%	4.2%	0 - 10%
Risk Assets	U.S. LARGE CAP EQUITY	Risk Assets	55%	0.5%	55.5%	
	U.S. MID CAP EQUITY		20%	0.7%	20.7%	10 - 30%
	U.S. SMALL CAP EQUITY		10%	0.2%	10.2%	5 - 15%
	U.S. SMALL CAP EQUITY		5%	0.0%	5.0%	0 - 10%
	DEVELOPED INTERNATIONAL EQUITY		13%	-0.5%	12.5%	8 - 18%
	EMERGING MARKET EQUITY		7%	0.1%	7.1%	2 - 12%
	EMERGING MARKET EQUITY					
Alternatives	REITS	Alternatives	10%	-0.3%	9.7%	
	INFRASTRUCTURE		5%	-0.2%	4.8%	0 - 10%
	INFRASTRUCTURE		5%	-0.1%	4.9%	0 - 10%
	ALTERNATIVE BETA		0%	0.0%	0.0%	0 - 10%

■ Tilt Weight
■ Core Weight

Administrative updates and future priorities...



- As we approach the end of 2024, APCM's Multi-Asset Team is beginning to formulate our 2025 market outlook for short term portfolio positioning considerations.
- APCM is continuing due diligence to expand its private market offering to include private credit in 2025.
- Our firm's ten-year forward looking Capital Market Expectations utilized for long-term forward-looking projections will be completed Q1 2025.
- To help us prepare thoroughly for your upcoming meeting, please let us know as soon as you determine the meeting date, along with the deadline for when you'd like to receive the meeting materials. This will ensure we can provide you with the best possible support and insights.

Dedicated to Client Service

We are here to support you with anything you may need.

For assistance with:

- Arranging future meetings
- One-on-one educational or Q&A sessions
- Questions about invoices or statements

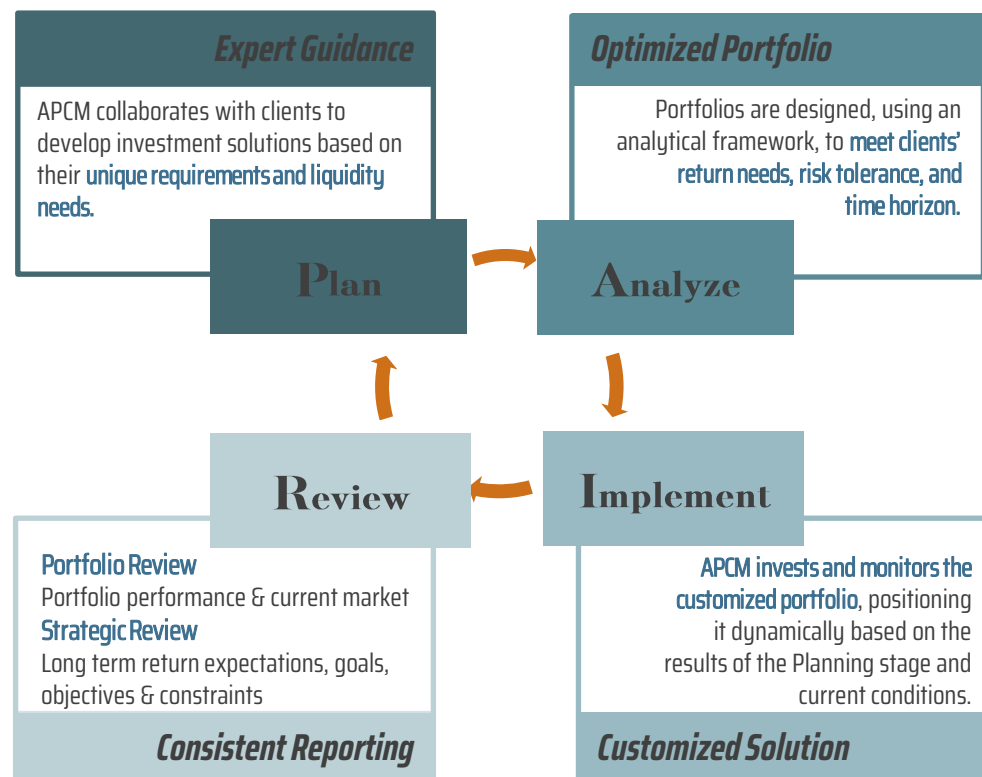
Please contact:

Blake Phillips
907-646-3505
blake@apcm.net

Lindsey Cashman:
907-646-3532
lindsey@apcm.net

If they cannot answer your question directly, they will connect you with the right team member at APCM who can.

Value in Process

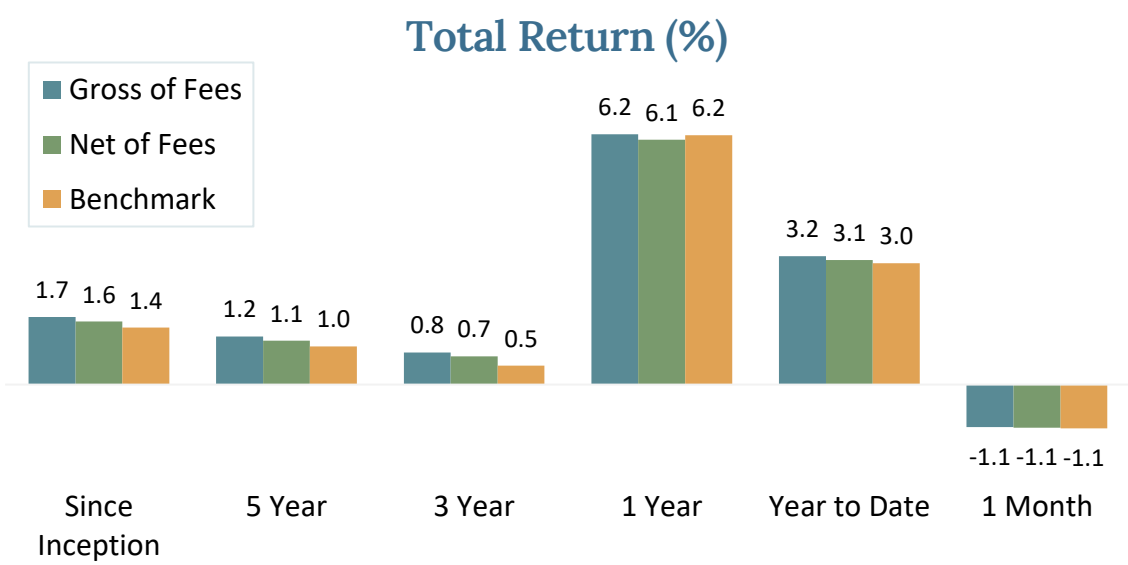
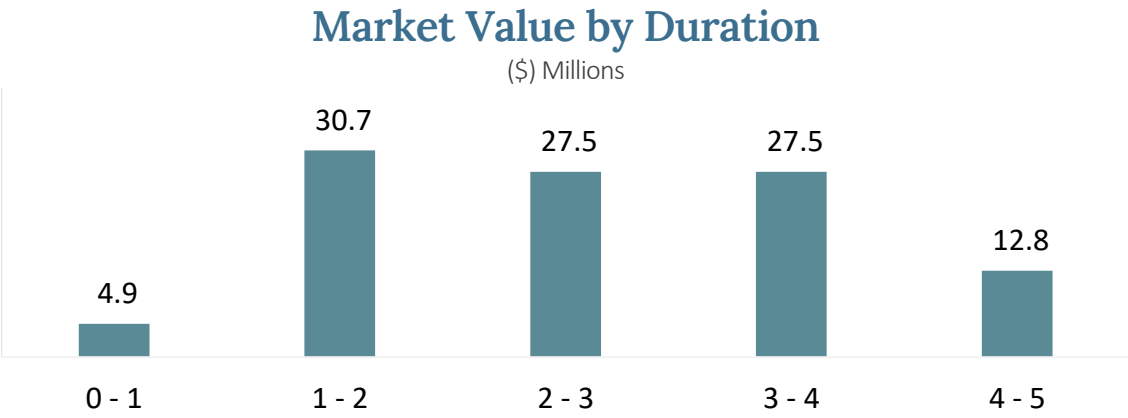




Appendix

City & Borough of Sitka - Operating		
<i>As of October 31, 2024</i>		
Account Inception		September 2017
Total Contributions		\$122,314,335
Withdrawals <i>Does not include custodial or management fees</i>		\$28,231,785
Current Market Value <i>October 31, 2024</i>		\$103,541,605
Benchmark		Bloomberg 1-5 Yr Gov Index
Sector Allocation	Account	Benchmark
Cash and CDs	6.2%	-
Commercial Paper	-	-
Treasuries	77.9%	97.9%
Agencies & MBS	14.1%	2.1%
Corporates	1.8%	-
Municipals	-	-

Summary Statistics	Sitka 06/30/23	Sitka 01/31/24	Sitka 10/31/24	Benchmark 10/31/24
Yield to Maturity	4.86%	4.23%	4.24%	4.18%
Avg. Quality	AAA	AA+	AA+	AA+
Avg. Maturity (yrs)	2.57	2.84	2.98	2.80
Effective Duration	2.38	2.53	2.58	2.60



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

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.