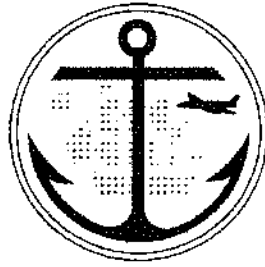


MUNICIPALITY OF



ANCHORAGE TRUST BOARD

May 17, 2024

Mayor Dave Bronson Municipal  
Assembly  
Municipality of Anchorage  
PO Box 196650  
Anchorage, AK 99519

RE: MOA Trust Board Annual Report – 2023

Dear Mayor Bronson and Assembly Members:

The Municipality of Anchorage Trust Board ("Board") is charged under enabling ordinance AO No. 2023-68 to act in a fiduciary capacity to the Administration and the Assembly on matters related to the Municipality of Anchorage ("MOA") Trust Fund ("Trust"). AO 2023-68 further requires that the Board report annually to the Mayor and the Assembly. The Annual Report for 2023 follows:

#### **MOA TRUST FUND HISTORY AND LONG-TERM RESULTS**

For the purposes of this section of the report, all information provided is limited to activities associated with the Municipal Trust, only. Although a portion of the ATU sale proceeds and the Police and Fire Retirement Settlement were deposited into a legally separate Trust Reserve Fund ("Reserve"), the Reserve was fully expended and terminated by action of the Municipal Assembly in 2003. The Reserve was closed/extinguished/spent almost 20 years ago and has not been part of the oversight of the Board since that time.

The MOA Trust Fund was established in May 1999. It was created in accordance with Anchorage Municipal Charter, section 13.11, after Anchorage voters approved the sale of the Anchorage Telephone Utility (ATU). The Trust was initially funded with a deposit of \$101.7 million from ATU net sale proceeds. Since the initial deposit in 1999; \$20.0 million from the Police & Fire Retirement Settlement was deposited in 2000, \$229.8 million from the sale of ML&P was deposited in 2020 and 2021, and \$5.9 million from four smaller sources were designated by the Assembly for deposit between 2000 and 2014. Additionally, a total of \$7.7 million was deposited between 2021 and 2023 in roughly monthly payments from Anchorage Hydropower Utility in accordance with the sale agreement between ML&P and Chugach Electric Association. As of December 31, 2023, a total of \$365.1 million has been deposited into the Trust.

Between its inception in 1999 and December 31, 2023, the Trust generated investment earnings of \$253.8 million, an annualized compound return of 5.67%. During this same period, the dividend payout rate of the Trust varied between 4% and 5%, resulting in total cash dividends paid to the MOA of \$205.1 million.

The market value of the Trust as of December 31, 2023 was approximately \$410.6 million. This exceeded the nominal amount of Trust deposits since inception by \$45.5 million, despite \$205.1M of dividends being paid out of the Trust, but it was \$101.2 million less than the inflation adjusted value of those same deposits. According to calculations performed by the Trust Investment Consultant, the inflation adjusted value of the nominal deposits as of December 31, 2023 was \$511.8 million. The inflation adjusted value of the Trust deposits reflects the purchasing power of the Trust.

On February 3, 2022, the then existent Investment Advisory Commission adopted its own Resolution recommending the Trust payout rate be limited to no more than 4% during the next five-year period. This resolution was transmitted to the Assembly through AIM 35-2022 and accepted by the Assembly at its March 1, 2022 regular meeting.

## **2023 TRUST RESULTS**

The Trust's investment time horizon is greater than five years; its risk tolerance is moderate to moderately high with a specific stated objective to maintain the purchasing power of the Trust while simultaneously generating earnings for distribution.

The Board believes the Investment Policy Statement adopted for management of the Trust during 2023 was fundamentally prudent and appropriate given the investment horizon and earning objectives of the Trust. The Investment Policy was based on modern portfolio theory to maximize expected returns while keeping risks within acceptable levels. Investable assets are allocated to a diversified mix of differentiated asset classes defined in the Investment Policy. The Policy was developed under the leadership of the former MOA Treasurer with expert advice and guidance provided by the Trust's Investment Consultant. The policy is executed by the MOA Chief Financial Officer with support from the Trust's Investment Consultant. All investments are managed by external portfolio managers. The Board participates in regular quarterly meetings. The primary focus of the meetings is to deliver on the fiduciary duty to supervise the Trust.

Overall, the Trust investments performed well during 2023. On an absolute basis, Trust investments returned a combined 11.71% in 2023. Domestic equity and real estate were both strong absolute performers. On a relative basis, the Trust underperformed slightly (0.36%) compared to its policy benchmark of 12.07%. The policy benchmark is comprised of market indices weighted in the same proportion as the Trust's asset allocation policy. Domestic equity and fixed income both outperformed their benchmarks, while international equity, emerging markets debt and real estate underperformed relative to their policy benchmarks.

The market value of the Trust Fund portfolio as of December 31, 2023 was approximately \$410.6 million. During 2023, the Trust dividend payout to the MOA was \$18.8 million. All portfolio returns for the Trust cited in this report are shown net of fees.

As per the Investment Policy Statement, the asset allocation for the Trust in 2023 covered four broad asset classes, namely: Domestic Equity, International Equity, Fixed Income, and Real Estate. These asset classes were managed by eleven individual managers, each tasked with a specific mandate for their respective asset class. The portfolio market value at year-end for each distinct asset class, percentage of total portfolio, annual return for 2023, and corresponding benchmark return as calculated by RVK, were as follows:

	<b><u>Market Value</u></b>	<b><u>Percent of Portfolio</u></b>	<b><u>2023 Return</u></b>
<b>DOMESTIC EQUITY COMPOSITE</b>	<b>\$135,802,203</b>	<b>33.08%</b>	<b>24.96%</b>
<i>Russell 3000 Index</i>			25.96%
<b>INTERNATIONAL EQUITY COMPOSITE</b>	<b>\$87,654,825</b>	<b>21.35%</b>	<b>16.14%</b>
<i>MSCI ACW ex-US Index (USD) (Net)</i>			15.62%
<b>FIXED INCOME COMPOSITE</b>	<b>\$91,569,729</b>	<b>22.30%</b>	<b>6.35%</b>
<i>Bloomberg US Aggregate Bond Index</i>			5.35%
<b>PRIVATE CREDIT</b>	<b>\$22,235,010</b>	<b>5.42%</b>	<b>6.70%</b>

<i>CS Leveraged Loan Index +2%</i>			15.30%
<b>EMERGING MARKETS DEBT COMPOSITE</b>	<b>\$20,806,320</b>	<b>5.07%</b>	<b>15.62%</b>
<i>EMD Blended Index</i>			11.09%
<b>REAL ESTATE COMPOSITE</b>	<b>\$50,841,806</b>	<b>12.38%</b>	<b>-9.73%</b>
<i>NCREIF ODCE Index (AWA) (Net)</i>			-12.73%
<b>CASH ACCOUNT</b>	<b>\$1,660,407</b>	<b>0.40%</b>	
<b>TOTAL TRUST</b>	<b>\$410,570,300</b>	<b>100.00%</b>	<b>11.71%</b>
<i>Policy Target</i>			<b>12.07%</b>

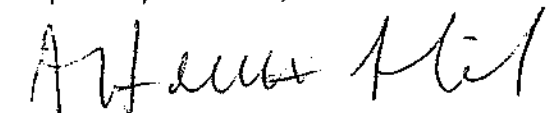
In 2024, the Board intends to focus on individual investment manager performance as well as completing the establishment of operating policies. The Trust also plans to work with the Trust's Investment Consultant to assess the impact of geopolitical events on the Trust's Investment Policy and the need for any policy changes.

#### CONCLUSION

The Board affirms its support of the core tenants of the Trust's investment policy – namely, that diversification and asset allocation remain the most effective strategy to achieve the long-term investment goals of the Trust. The Board also affirms that the Municipal CFO, with support from the Trust's Investment Advisor, are implementing the Board's instructions in a prudent and appropriate manner consistent with the Trust's Investment and Controlled Spending Policies.

This annual report was approved unanimously by the Board at its May 15, 2024 regular meeting.

Respectfully submitted,



/Alex Slivka/, Chair  
MOA Trust Board