

May 28, 2025
Mayor Suzanne LaFrance
Municipal Assembly
Municipality of Anchorage
PO Box 196650
Anchorage, AK 99519

RE: MOA Trust Board Annual Report: 2024

Dear Mayor LaFrance and Assembly Members:

The Municipality of Anchorage Trust Board ("Board") is required under AMC 4.40.170.E.4 to provide an annual report which summarizes major performance and operational highlights of the trust during the previous year, as well as commentary on market conditions and potential significant initiatives for the trust in the coming year.

GENERAL MATTERS

Calendar 2024 was the first full year of operation for the MOA Trust Board of Trustees. Accordingly, the Board focused much of its effort on reviewing and understanding the MOA Trust Investment Governance and Management Program, as defined by Section 13.11 of the Anchorage Charter, and Chapters 4.40.170 (MOA Trust Board of Trustees), 6.50.010-030 (Chief Fiscal Officer), and 6.50.060 (MOA Trust Fund) of the Anchorage Municipal Code. This included a special Board orientation meeting on April 17, 2024 during which Jim Voytko, President at RVK, provided an overview of the key observations and recommendations contained in their 2022 MOA Trust Investment Program Review Project Report. In particular, Mr. Voytko stressed the importance of a highly qualified internal Trust Manager. Also during 2024, the Board continued to adopt basic operating policies and procedures, conducted an initial review and approval of the Trust's existing Investment Policy Statement (IPS), initiated an in-depth review of the IPS to be completed by mid-2025, approved a dividend payment policy as recommended by the former CFO consisting of two equal dividend payments on June 15 and December 15 of each year, established a new strategic asset allocation to cash of 2%, approved a two-year extension of the investment consulting contract with RVK, welcomed a new CFO to the Board in November, worked collaboratively with the former and new CFO to implement a Trust Manager staffing plan as recommended by the former CFO, and conducted regular quarterly reviews of capital markets, Trust portfolio performance and external investment manager performance. Although the new Board of Trustees accomplished much during its first full year of operation, progress was limited by the lack of a fully qualified internal Trust Manager.

MOA TRUST FUND STRATEGY

Per AMC 6.50.060.G, "the investment objective of the Trust is to utilize a balanced investment approach, combined with a controlled spending policy, *to preserve the purchasing power of the corpus and to maximize the rates of return over time* by investing in equity and fixed income

instruments, real estate and alternative investments and strategies, within prudent levels of risk and consistent with established endowment investment practices.” The Trust’s investment time horizon is greater than five years; its risk tolerance is moderate to moderately high.

The Board believes the current Investment Policy Statement (IPS) is fundamentally prudent and appropriate given the investment horizon and earnings objectives of the Trust. The Trust Investment Program is defined in the IPS. It utilizes modern portfolio theory techniques to build a diversified investment portfolio of investable asset classes expected to achieve a target rate of return with the lowest level of risk possible. During 2024, the IPS was reviewed and updated by the Board. The Trust Investment Program is executed by the Trust Manager under direction of the MOA Chief Financial Officer, through a group of external investment managers. The Board and Trust Manager are supported by the Investment Consultant, RVK. The Board meets quarterly to review market conditions, and the performance of Trust investments relative to established market benchmarks and peer groups. In addition to four regular quarterly meetings, the Board held five special purpose meetings during 2024. The frequency of special meetings was driven by first year issues and need for specific Board actions such as: contract expiration and extension for the investment consultant; Trustee orientation; budget approval; and, Trust Manager staffing.

The Trust Board largely maintained a stable asset allocation during 2024. The only change was a new allocation to strategic cash of 2%, to facilitate recurring Trust income coming from the Anchorage Hydropower Utility and a new dividend payment policy providing that the Municipal Dividend be paid in two equal payments on June 15 and December 15 of each year. The new strategic cash allocation is offset by a reduction in the allocation to core fixed income. The Board plans to initiate a more in depth review of the strategic asset allocation and the investment program execution strategy during 2025.

In 2024, the Board reviewed the performance of the Trust investment portfolio and external investment managers during each regular quarterly Board meeting as tracked and reported to the Board by RVK. Although there were some real estate investment liquidity issues addressed by the Board, there were no changes to the lineup of external investment managers during 2024.

2024 TRUST FUND PERFORMANCE

The Trust started 2024 with a market value of \$410.7 million. During 2024, the Trust received new deposits of \$2.3 million from the ML&P sale, paid cash dividends to the MOA of \$16.3 million, and generated investment returns of \$36.9 million, or 9.0%. As of the end of 2024, the market value of the Trust had increased by 5.7% to \$434.0 million.

In total, Trust investments underperformed slightly (0.27%) relative to the Trust’s performance benchmark, which indicated a possible return of 9.24% for the year. The performance benchmark is comprised of a collection of market indices weighted to match the Trust’s target asset allocation. The negative variance was primarily the result of external investment manager underperformance within the Trust allocation to equities and private credit. Core fixed income, emerging markets debt

and real estate all outperformed their benchmarks during 2024. The performance of each asset class during 2024 is shown in the following chart.

2024 Trust Investment Performance (net of fees)

	<u>Market Value</u>	<u>Percent of Portfolio</u>	<u>2024 Return</u>
Domestic Equity Composite	\$138,661,387	31.95%	23.35%
<i>Russell 3000 Index</i>			23.81%
International Equity Composite	\$90,308,467	20.81%	3.03%
<i>MSCI ACW ex-US Index (USD) (Net)</i>			5.53%
Domestic Core/Plus Fixed Income Composite	\$100,856,863	23.24%	1.21%
<i>Bloomberg US Aggregate Bond Index</i>			1.25%
Private Credit Composite	\$24,074,952	5.55%	8.28%
<i>S&P UBS Leveraged Loan Index +2%</i>			11.23%
Emerging Markets Debt Composite	\$22,245,087	5.13%	6.92%
<i>EMD Blended Index</i>			6.54%
Real Estate Composite	\$48,776,174	11.24%	-1.14%
<i>NCREIF ODCE Index (AWA) (Net)</i>			-2.27%
Cash Account	\$9,076,818	2.09%	5.17%
<i>ICE BofAML 3-Mo US T-Bill Index</i>			5.25%
Total Trust	\$433,999,748	100.00%	8.98%
<i>Policy Target</i>			9.24%

LONG-TERM TRUST FUND PERFORMANCE

Since the Trust was established in 1999, the MOA has made deposits of \$368 million. This total consisted of an initial deposit of \$102 million from the sale of ATU, followed by several smaller deposits totaling \$26 million from other sources individually approved by the Assembly, \$230 million from the sale of ML&P, and \$11 million in monthly payments from Anchorage Hydropower Utility in accordance with the sale agreement between ML&P and Chugach Electric Association. Since inception in 1999, the Trust has generated average annual investment returns of 5.8%, totaling roughly \$287 million in investment earnings. During its 26 year life, the Trust has paid cash

dividends to the MOA totaling \$221 million. The market value of the Trust was \$434 million as of December 31, 2024.

2025 INITIATIVES

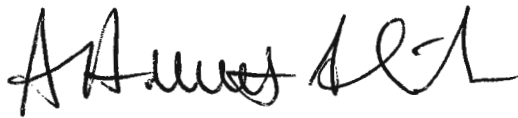
During 2025, the Board intends to continue its in-depth review and update of the Trust IPS, with an emphasis on the strategic asset allocation and execution strategy. In addition, the Board will work with the Municipal Purchasing Department to complete a request for proposal (RFP) process for Trust investment consulting services. The current investment consulting contract with RVK expires at the end of 2025. The Board expects to continue working with the CFO to hire a fully qualified Trust Manager during 2025. Completion IPS review and update will likely extend into 2026 depending on the results of the investment consulting RFP and timeline for hiring a Trust Manager.

CONCLUDING BOARD OBSERVATIONS

The Board affirms its support of the core tenants of the Trust's investment policy – namely that diversification and stable asset allocation remain the most effective strategy to achieve the long-term goals of the Trust. The Board observes that the Municipal CFO, even with support from the Trust's Investment Consultant, will be unable to implement the Board's instructions in a manner consistent with the provisions of the Municipal Charter and Code without the addition of an experienced and appropriately qualified Trust Manager.

This annual report was approved unanimously by the Board at its May 30, 2025 regular meeting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Alex Slivka', written in a cursive style.

/Alex Slivka/, Chair

MOA Trust Board