Aleutians East Borough Permanent Fund

As of February 28, 2025

Staying focused on your goals

APCM

Aleutians East Borough Permanent Fund

February 2025

Account Inception		July 1993
Net Deposits (Deposits less withdrawals) *Since Inception*		-$9.9M
Current Market Value *February 28, 2025*		$47,922,816
Annualized Account Return* *Inception – February 28, 2025*		+6.55%
Strategic Asset Allocation	Risk Control	27%
	Risk Assets	52%
	Alternatives	21%

Goals:

The **primary goal of the Permanent Fund is to grow in perpetuity** and provide a permanent, potential source of fiscal support to further the AEB's goals and needs.

Withdrawals have exceeded contributions since inception by $9.9M and net earnings are $57.9M.

The **secondary goal of the Permanent Fund is to preserve purchasing power** over time.

The initial target market value of the Permanent Fund ($20M) adjusted for inflation is approximately $45M, which is below the current market value.

Spending Policy:

Withdrawal amount not to exceed **four percent of the five-year average fund market value**, to be computed using the five prior calendar years ending market value.

This spending policy attempts to **smooth the effects of market volatility and preserve the purchasing power** of the fund.

Average spending over the last ten years has been 4.8% of 5-year average market value.

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

Modeling Assumptions:

Starting Market Value
$47.9M

Contributions
None

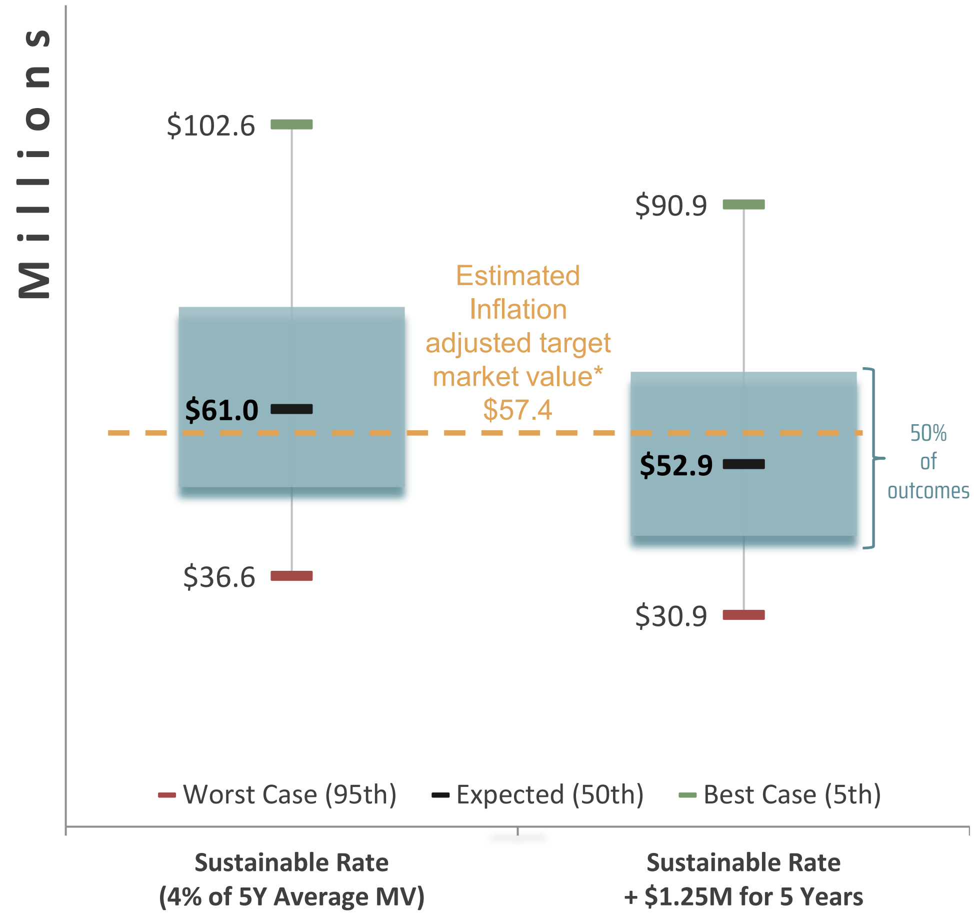
Balancing Present Needs with Future Sustainability:

The challenge of managing a permanent fund mirrors that of endowments—how to *provide meaningful financial support today while ensuring the fund remains viable for future generations.* Drawing beyond the sustainable withdrawal rate may address immediate needs but risks eroding the principal, ultimately reducing the fund's ability to fulfill its long-term mission.

Aligning with Endowment Best Practices:

Endowments address this issue by implementing disciplined spending policies, typically limiting withdrawals to 4–5% of a multi-year average fund value, using smoothing formulas to mitigate market volatility, and ensuring that spending maintains purchasing power over time. AEB's current spending policy—limiting withdrawals to 4% of a five-year average market value—is in line with how endowments approach sustainable distributions while balancing present and future financial needs.

Aleutian East Borough Permanent Fund
Distribution Scenario Analysis



Distributions ($Millions)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Sustainable Rate (4%)	$1.96	$2.00	$2.03	$2.05	$2.11	$2.17	$2.23	$2.28	$2.33	$2.39	**$21.55**
Sustainable Rate + $1.25M for 5 years	$3.21	$3.23	$3.24	$3.24	$3.25	$2.00	$2.01	$2.02	$2.04	$2.07	**$26.30**

Simulation data from Windham Portfolio Advisor.
*Initial target market value of the Permanent Fund ($20M) increased by actual inflation from 12/31/1992 through 01/31/2025 and increased by APCM's expected long-term annualized inflation rate of 2.5% thereafter.

The power of consistency in cumulative earnings

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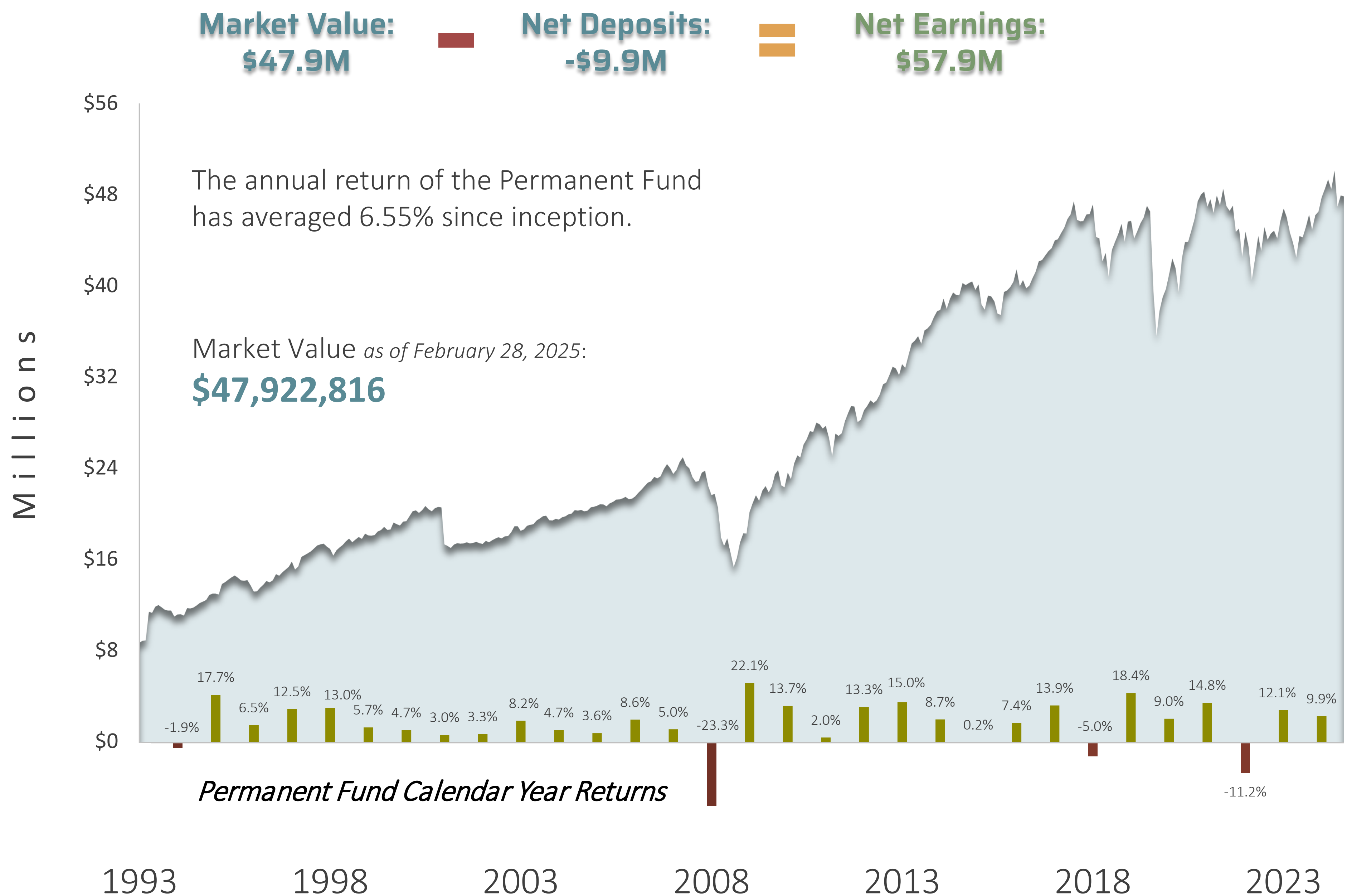
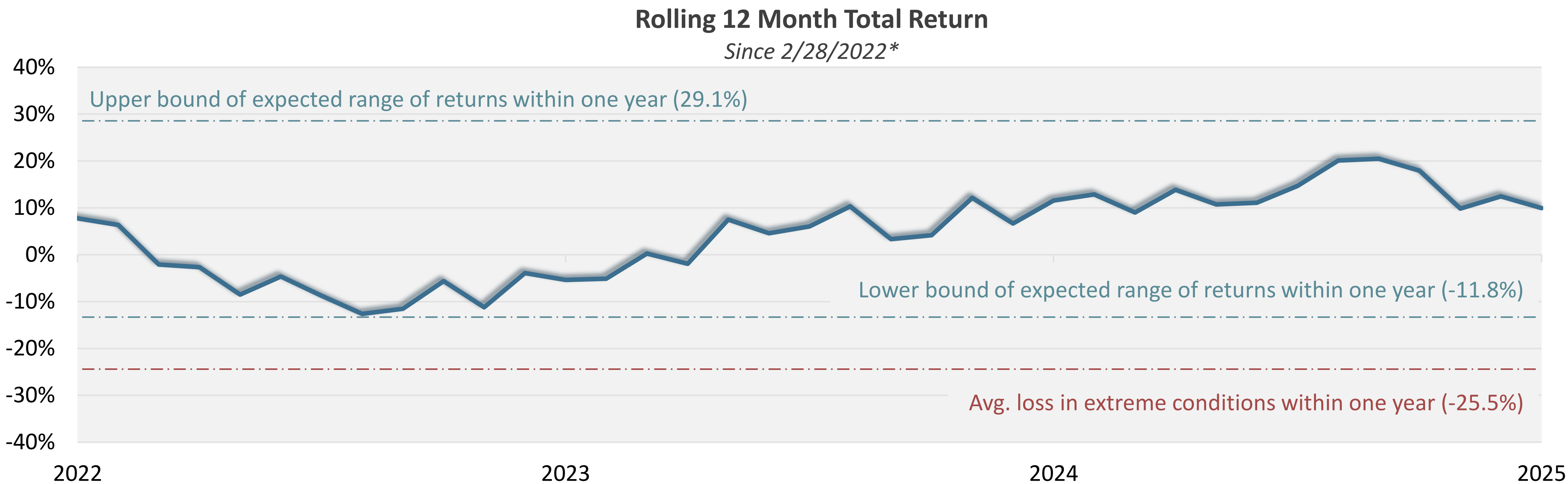
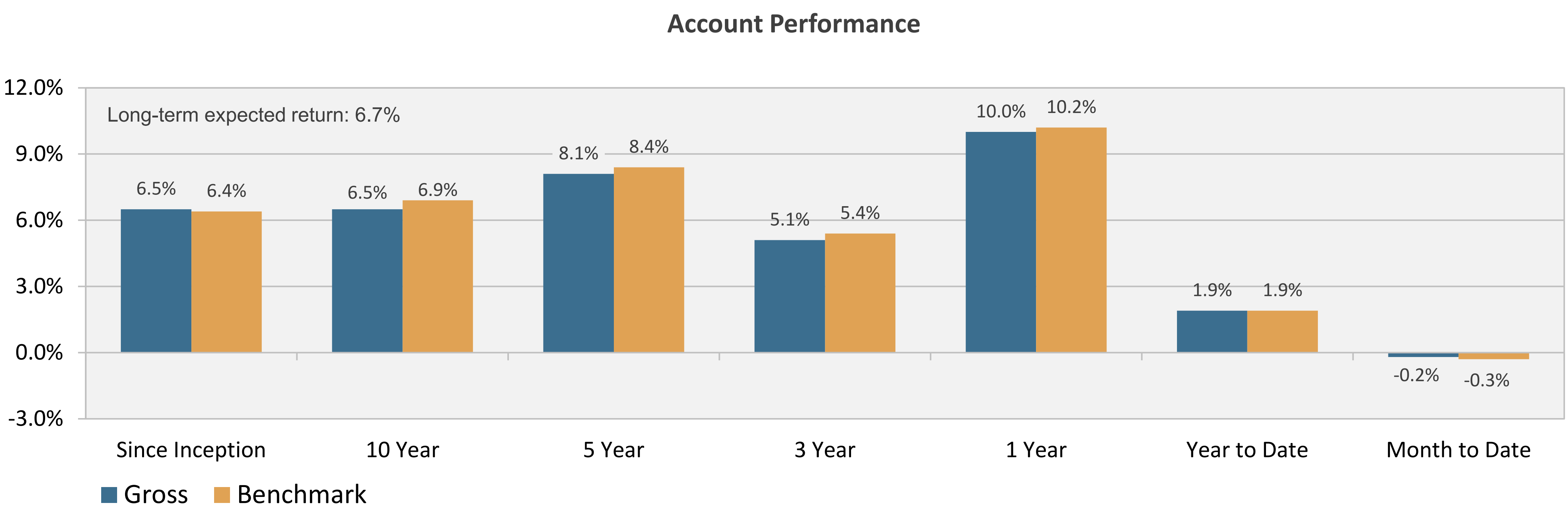


Chart shows month-end portfolio market value from inception to February 28, 2025, and annual returns from December 1993 to December 2024. Performance is gross of management fees and net of internal fund fees.

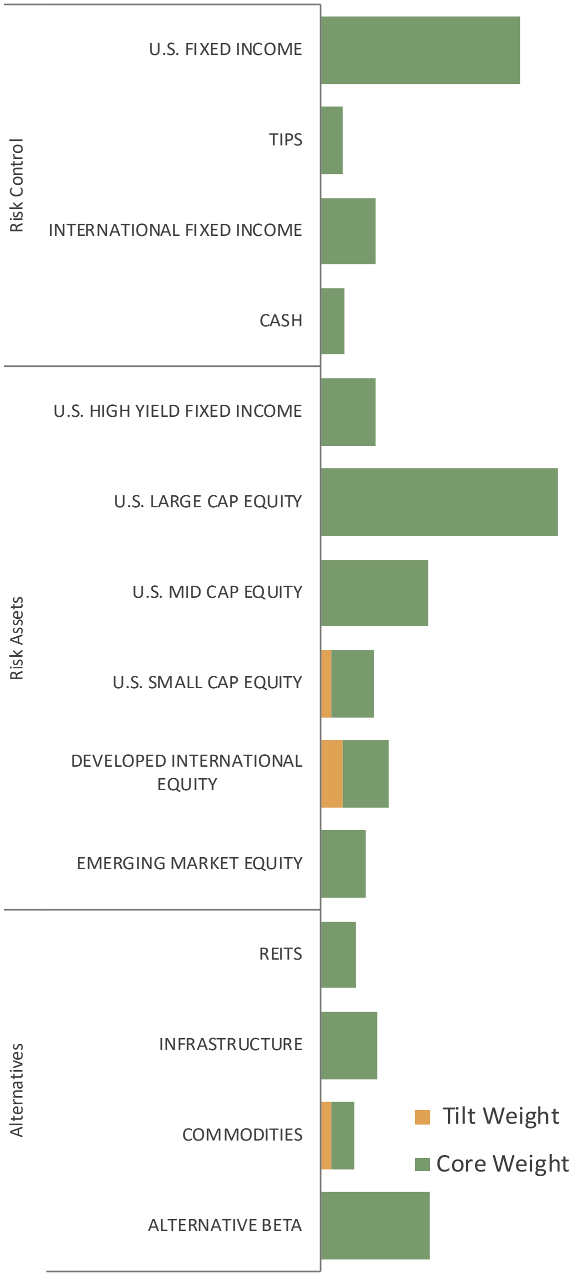
Evaluating returns against strategic goals





*2/28/2022 represents the date the Permanent Fund transitioned to its current asset allocation.
Portfolio performance is gross of management fees and net of fund fees.

Aligning near-term tactical adjustments with your long-term strategy



Asset Class	Strategic Weight	Overweight / Underweight	Current Allocation	Range
Risk Control	**27%**	**0.4%**	**27.4%**	
U.S. FIXED INCOME	18%	0.3%	18.3%	8 - 28%
TIPS	2%	0.0%	2.0%	0 - 10%
INTERNATIONAL FIXED INCOME	5%	0.0%	5.0%	0 - 10%
CASH	2%	0.1%	2.1%	0 - 10%
Risk Assets	**52%**	**-0.7%**	**51.3%**	
U.S. HIGH YIELD FIXED INCOME	5%	-0.1%	4.9%	0 - 10%
U.S. LARGE CAP EQUITY	22%	-0.3%	21.7%	12 - 32%
U.S. MID CAP EQUITY	10%	-0.2%	9.8%	5 - 15%
U.S. SMALL CAP EQUITY	5%	-0.2%	4.8%	0 - 10%
DEVELOPED INTERNATIONAL EQUITY	6%	0.2%	6.2%	0 - 12%
EMERGING MARKET EQUITY	4%	0.0%	4.0%	0 - 8%
Alternatives	**21%**	**0.3%**	**21.3%**	
REITS	3%	0.2%	3.2%	0 - 6%
INFRASTRUCTURE	5%	0.1%	5.1%	0 - 10%
COMMODITIES	3%	0.1%	3.1%	0 - 6%
ALTERNATIVE BETA	10%	0.0%	10.0%	0 - 15%

The macro backdrop at year-end 2024

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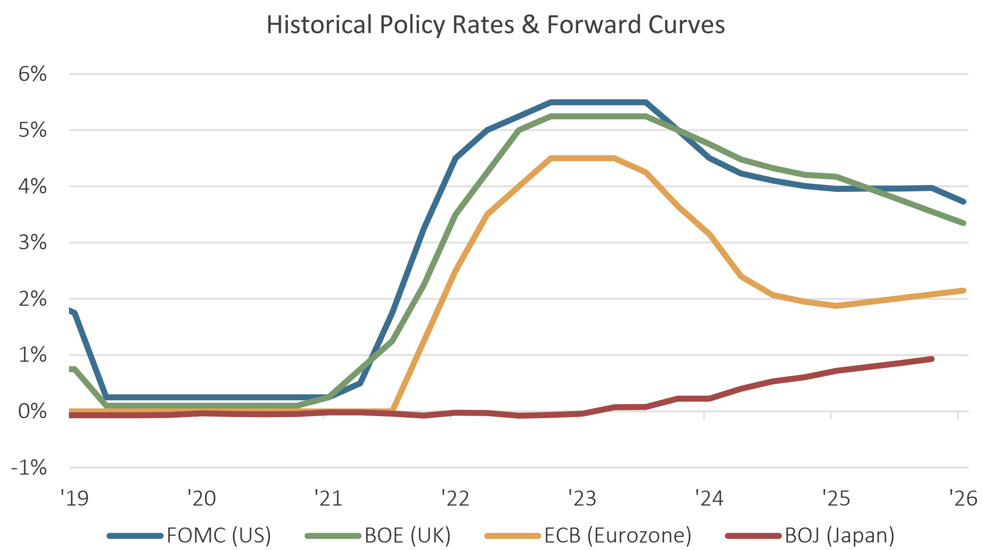
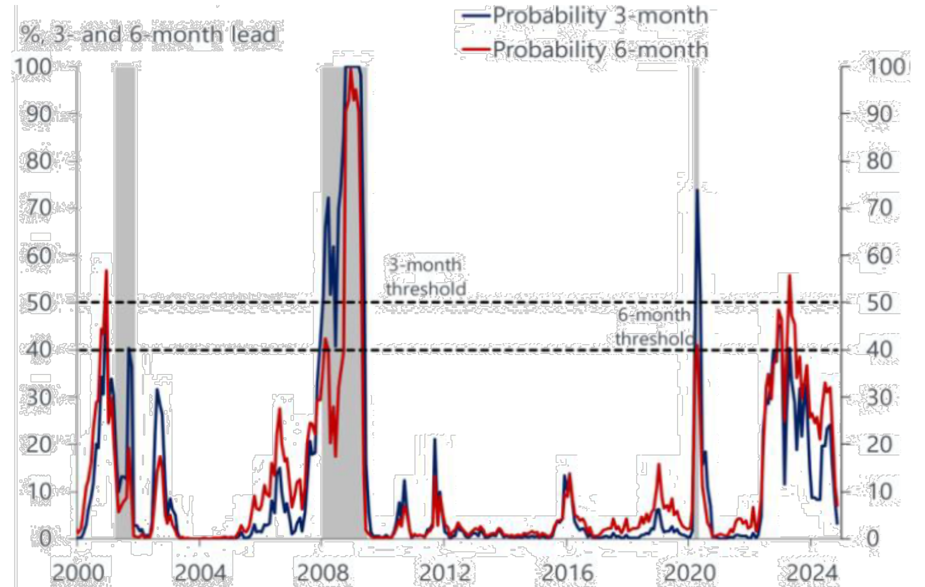
Central Banks Ease as Inflation Moderates



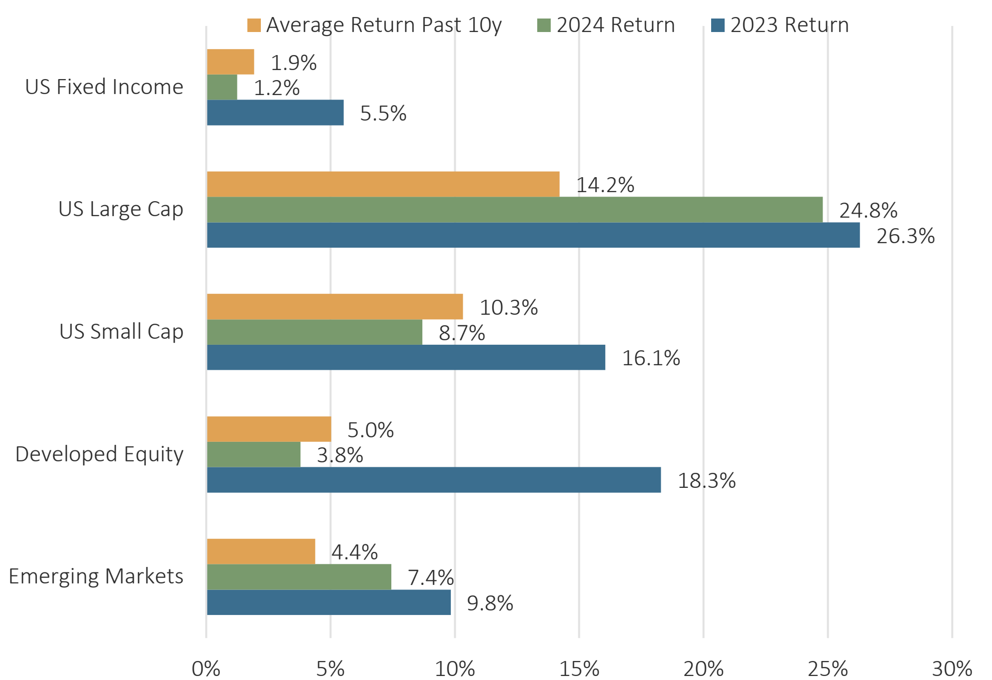
Source: JP Morgan

Recession Risks Stay Low Despite Expectations



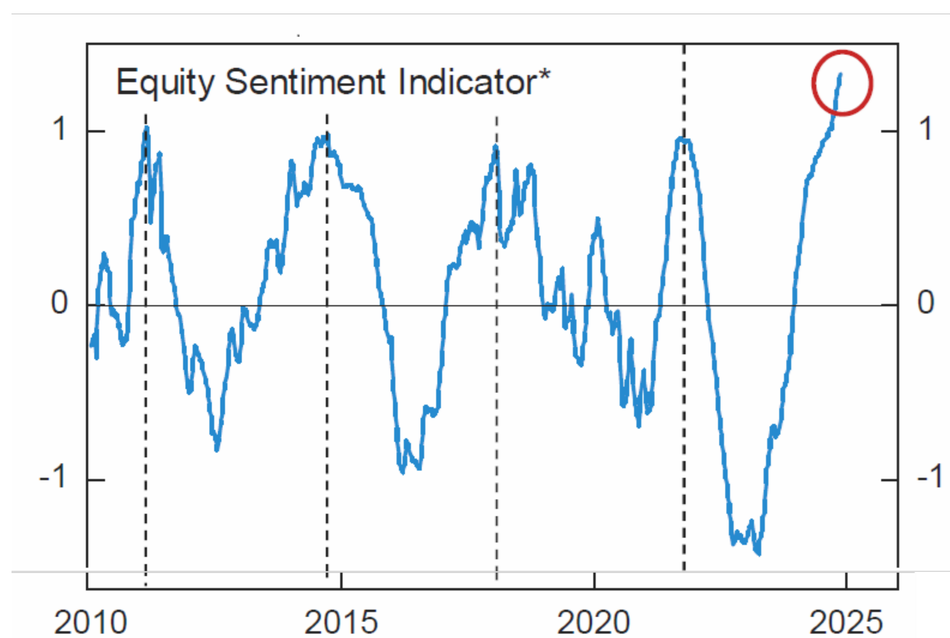
Source: Oxford Economics

Strong Performance Amid Positive Fundamentals



Source: Bloomberg

Investor Sentiment Peaks at Year-End



Composite Indicator;
Source: Alpine Macro

Key drivers of the 2025 outlook

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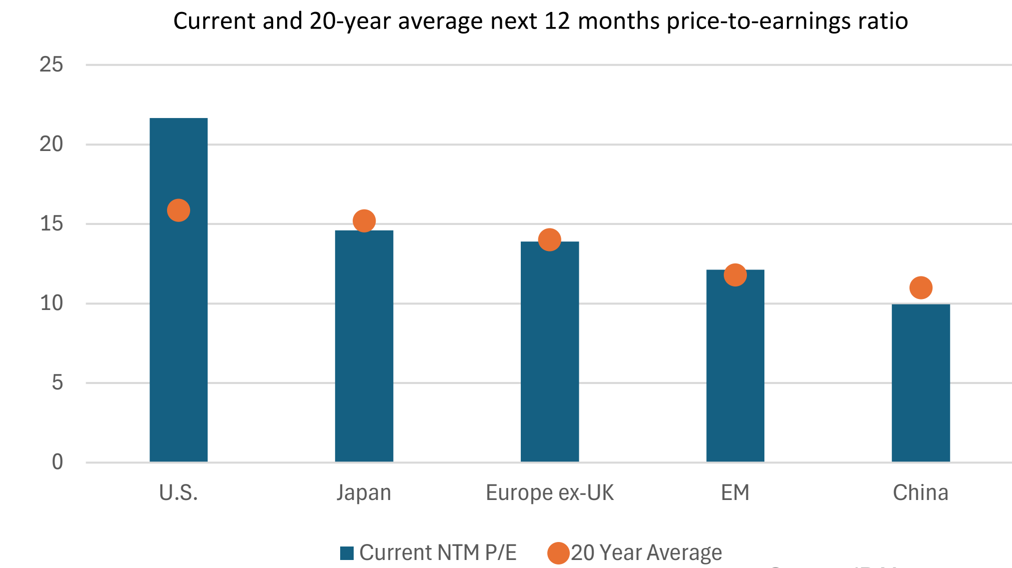
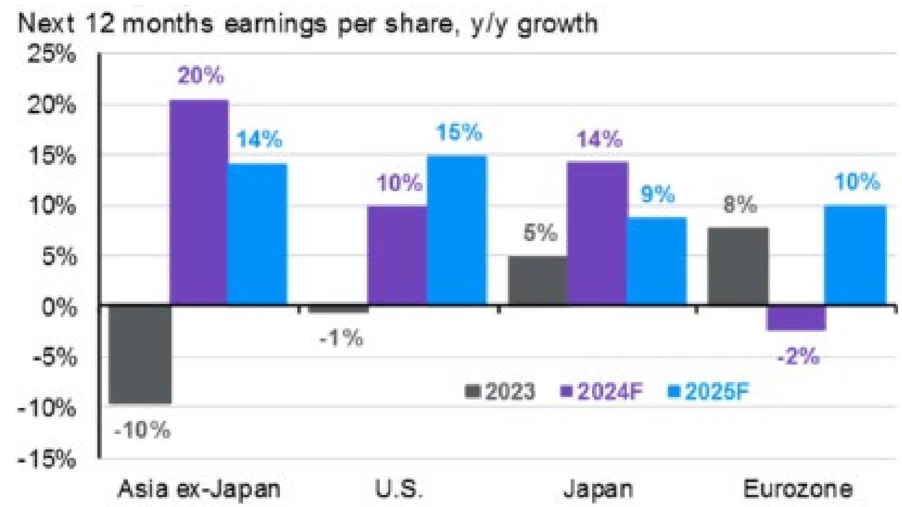
Elevated Valuations Signal Headwind for U.S. Equity Returns



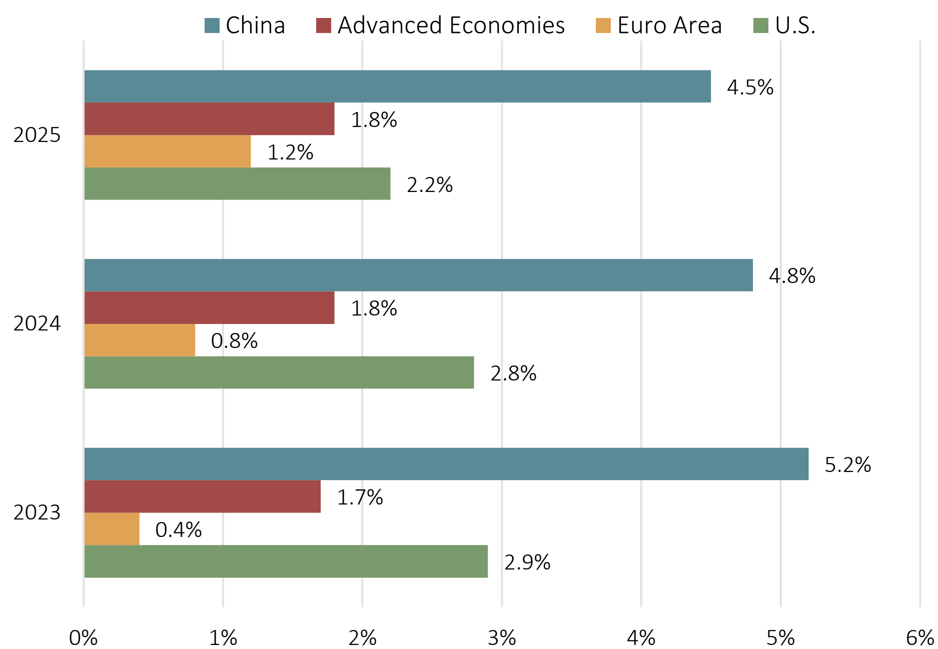
Source: JP Morgan

Earnings Growth Key to Sustaining Equity Gains



Source: JP Morgan

Positive Growth Projected Across Key Economies



Source: World Economic Outlook

Rising Policy Uncertainty Poses Market Risks

Source: Bloomberg US Economic Policy Uncertainty Index

Neutral stance on risk control assets with strong income cushion

APCM is maintaining a strategic weight within Risk Control asset classes, including US bonds, international bonds, and cash.

Our base case expects global growth to settle near trend, supported by resilient US economic activity, a strong labor market, and easing inflation toward 2%. This environment should allow central banks to continue lowering policy rates, though the pace may vary regionally. **Maintaining duration exposure aligns with this outlook, offering potential for total return as yields decline.**

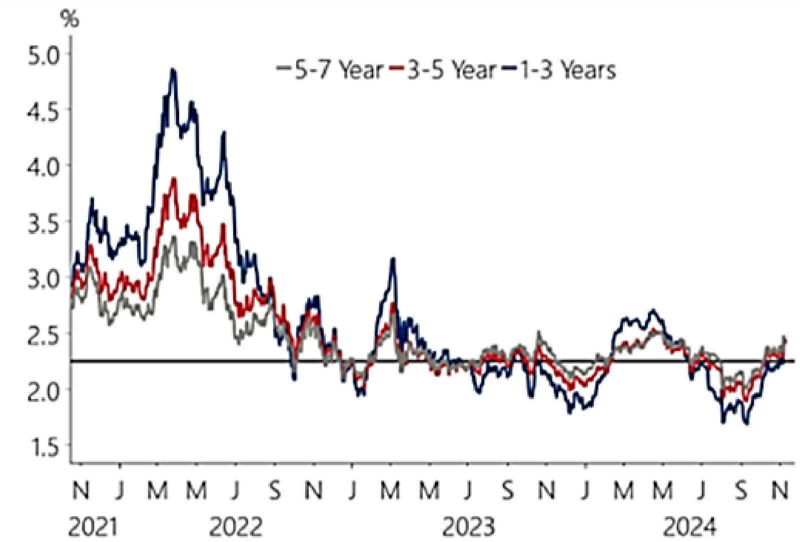
In a reflation scenario, where stimulative policies drive persistent inflation and delay Fed rate cuts, we believe bond **coupon income (4.9%) can offset price declines from rising rates**.

Conversely, if supply-side constraints slow economic activity and reignite recession fears, fixed income holdings should provide stability, with longer-duration (6.0) **bonds benefiting from potential interest rate declines.**

This balanced approach seeks to manage portfolio risks while capturing income and defensive qualities across various market environments.

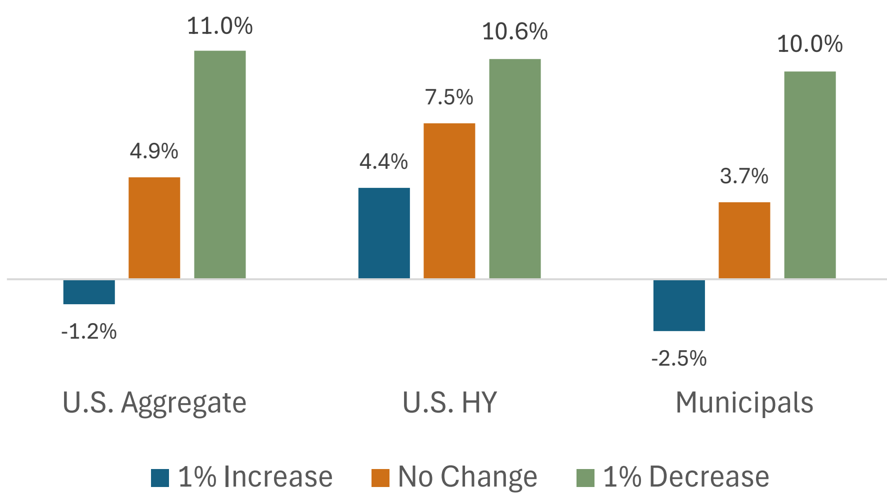
Markets Are Pricing Inflation Implications Roughly Consistent With Target Inflation

ILB-implied average US inflation rates



Fixed Income Returns in Different Interest Rate Scenarios

Potential total return: assumes a parallel shift in the yield curve



Source: Oxford Economics/Macrobond
JP Morgan

Neutral risky assets with earnings expected to drive returns and select opportunities in Europe and small caps

High-Yield Bonds

APCM maintains a **neutral weight in high-yield bonds** relative to long-term targets. Tight spreads, supported by refinancing at historically low rates in 2020–2021, may widen as issuers face a maturity wall in 2025–2026. However, **healthy corporate fundamentals and a supportive economic backdrop should limit default risks**, balancing the outlook.

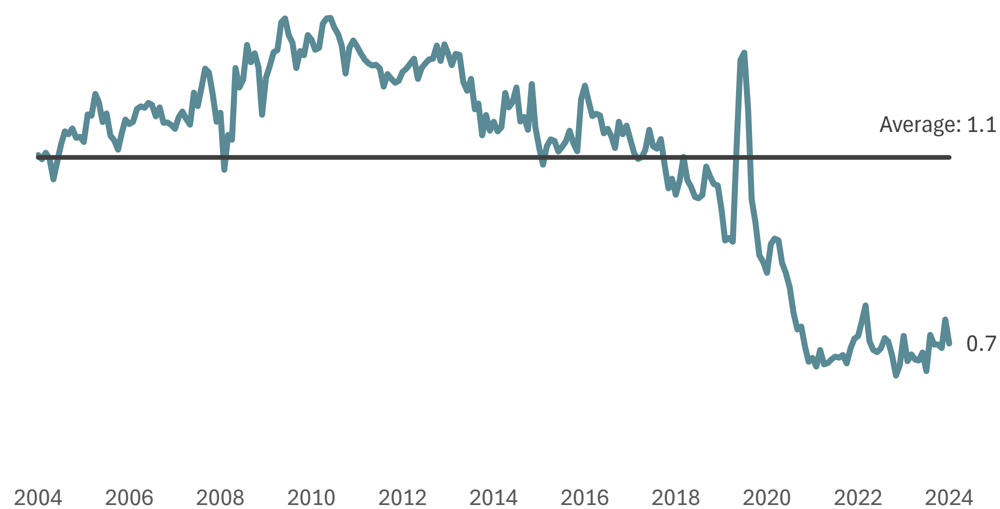
US Equities

APCM is neutral on equities across regions and market caps, with varied attractiveness. **U.S. large-cap stocks remain expensive but are supported by strong fundamentals** and growth opportunities, such as AI. Mid- and small-caps may benefit from domestic policy changes, though tariff uncertainty and softening small-cap corporate health pose risks. A **small-cap quality fund** has been added to balance exposures.

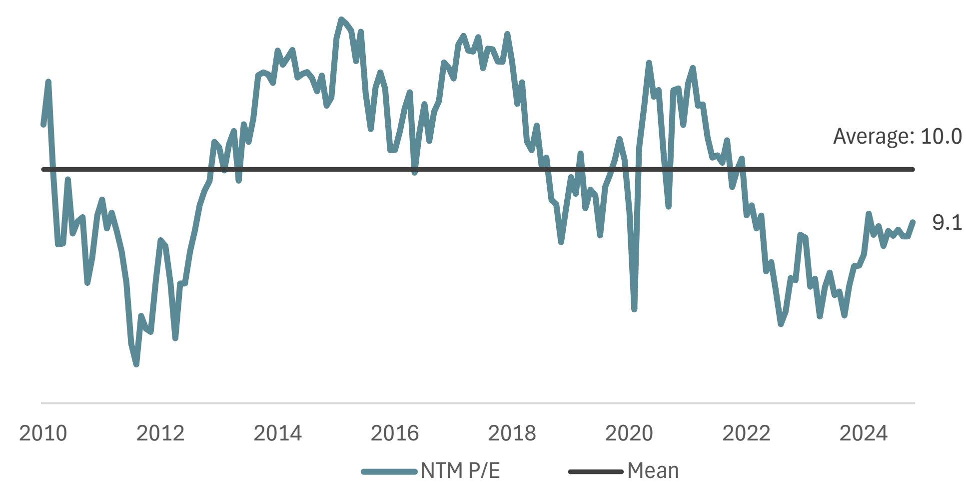
International Equities

While APCM is neutral overall, **European financials present an opportunity**, supported by strong earnings growth, profitability, and reasonable valuations. **Broader international equities remain attractive relative to U.S. markets but lack clear catalysts to unlock value**, such as European debt reform or China stimulus.

U.S. Small Cap vs. U.S. Large Cap Valuations
NTM P/E



European Financials Valuations
NTM P/E



Source: FactSet

Source: FactSet, MSCI, Standard & Poor's, as of December 31, 2024.

Selective positioning in alternatives with gold as a hedge and market neutral for stability

Infrastructure & REITs

APCM maintains a **neutral stance on infrastructure and REITs, as these asset classes are fairly priced with stable income profiles**. Their high domestic revenue exposure reduces risks from geopolitical events or tariffs. While they provide steady cash flows, interest rate volatility in the current market environment supports a neutral stance.

Commodities (Gold)

APCM has funded an **overweight to gold, leveraging its role as a hedge against uncertainty and fiscal risks**. A recent correction has improved its positioning for upside, supported by rising global demand from central banks and investors. **Key drivers include concerns about sanctions, high U.S. debt levels, and potential shifts from Chinese investors. Gold offers a hedge to some key risks in 2025**.

Market Neutral Strategy

To **enhance portfolio resilience, APCM has added the Calamos Market Neutral Income Fund**. This strategy aims to **deliver consistent returns, manage equity risk, and diversify fixed-income exposures**. By leveraging volatility, it complements broader alternative allocations and provides downside protection in uncertain markets.

Calamos Market Neutral Income Mutual Fund Return Comparison

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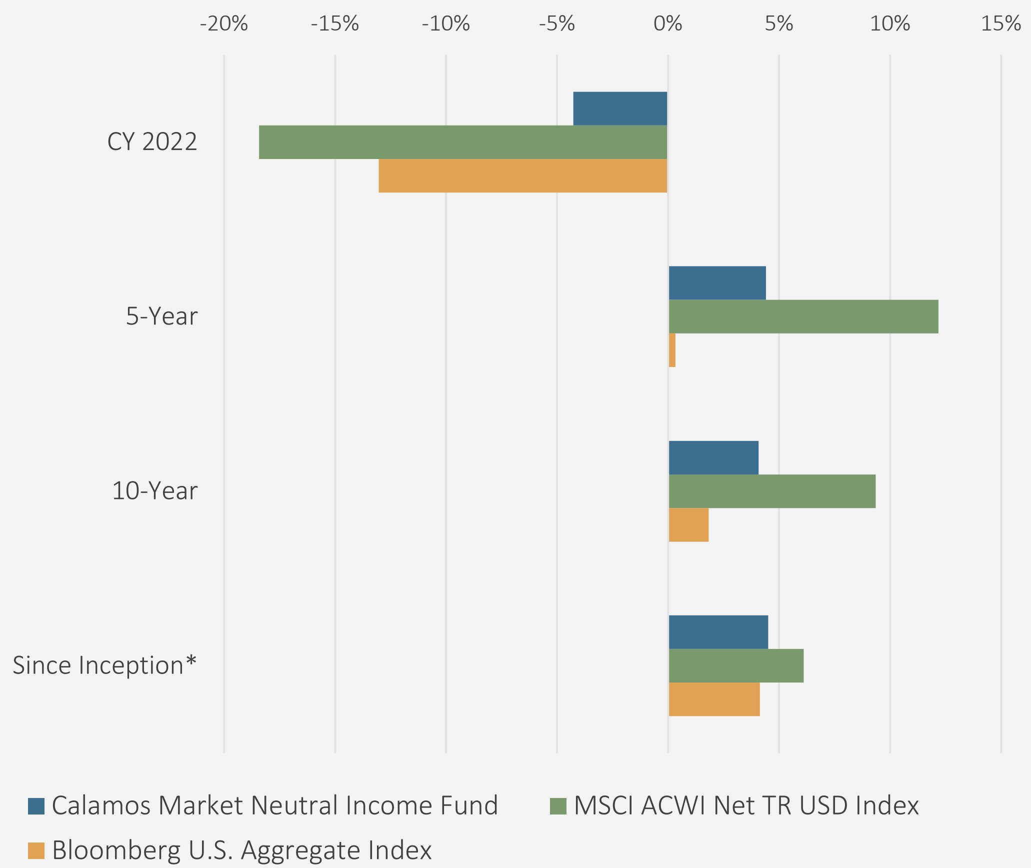

IAU iShares Gold Trust ETF

- Exposure to the day-to-day movement of the price of gold bullion.
- Convenient, cost-effective access to physical gold.
- Portfolio diversification and inflation protection.

*Fund Inception is 5/10/2000; performance is as of 9/30/2024
Source: Calamos

Preparing for what's next

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- APCM's Multi-Asset Team has formulated our 2025 market outlook. In January, APCM implemented the tactical asset allocation aligned with our views.
- Our firm's ten-year forward looking Capital Market Expectations utilized for long-term forward-looking projections will be completed Q1 2025.
- APCM recommends scheduling a Strategic Review meeting to confirm that the current strategy is still optimal for the goals and circumstances of the Permanent Fund.
- APCM is expanding its private market offerings to include private debt, allowing clients access to both private equity and debt to further enhance strategic asset allocations.
- 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.

We're Growing Together: APCM's Next Chapter

Questions? Please reach out to your APCM contact.
We are here to support you every step of the way.

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Acquisition Overview

- Alaska Permanent Capital Management (APCM) is proud to announce its acquisition by **Blue Umbrella**, a private holding company based in Anchorage, Alaska.
- Minority shareholders include prominent Alaskan leaders and investors, such as Jonathan Rubini, Mark Kroloff, Bob Kaufman, Avi Naider, Todd Dow, Jeff Ripley, and current APCM executives Evan Rose, Bill Lierman, and Brandy Niclai.

What This Means for You

- APCM will continue to operate as usual, with no changes to daily operations or the team you trust.
- **Our key leadership remains in place** to guide APCM forward. Blue Umbrella and its partners bring resources, networks, and strategic tools to help APCM grow sustainably while maintaining its mission.

Why Blue Umbrella?

- Blue Umbrella values APCM's legacy and reputation. With a track record of fostering growth, they **focus on ensuring smooth transitions and aligning with client-first values.**

Commitment to Clients

- **Your trust is our priority**. This partnership strengthens APCM's ability to deliver consistent, high-quality services while positioning the firm for future success.

About Blue Umbrella

Who We Are:

- A private holding company based in Anchorage, Alaska, specializing in acquiring and growing lower-middle-market businesses.
- Founded by experienced professionals Jimmy Miner and Dan Perpich, with a proven track record of over $30 million in acquisitions in Alaska.

Our Mission:

- Focused on preserving the legacy and success of the businesses we acquire.
- Providing resources, capital, and strategic tools to foster long-term growth.
- Solving ownership succession challenges with structured transition plans.

Key Strengths:

- Strong emphasis on stability through transitions, ensuring operational continuity and alignment with key personnel.
- Extensive networks in Alaska and beyond to support growth and expansion.
- A patient, long-term approach to business development and investment.

Disclosures

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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.