

# Haines Borough

## INVESTMENT REVIEW

*for period ending December 31, 2013*



# Account Summary

Account Inception	<b>January 31, 1996</b>
Initial Balance*	<b>\$3,106,856</b>
Cumulative Withdrawals	<b>\$1,514,349</b>
Current Market Value <i>December 31, 2013</i>	<b>\$8,187,362</b>
Annualized Account Return <i>January 31, 1996 – December 31, 2013</i>	<b>+5.95%</b>
Current Allocation	<b>20% Equity / 80% Bonds</b>
2013 Management Fees	<b>\$20,029</b>
Fee Schedule	<b>0.25% on first \$10MM, 0.15% thereafter</b>

\* Account balance on February 28, 1996 after being fully invested.

# Agenda

- 2013 Market Recap
- Portfolio Review
- Asset Allocation

# 2013 Market Recap

# 2013: Three Themes

- Improving macroeconomic fundamentals
  - U.S. unemployment rate dropped from 7.9% to 6.7%
  - Improving housing market and strong auto sales
  - Eurozone emerged from recession
  - China's growth slowed as it transitions to domestic consumption
- Monetary easing by central banks around the world
  - “Abenomics” in Japan has given inflation a much needed boost
- P/E expansion pushed U.S. equities to record highs
  - Ratio went from 12x to 15x forward earnings during the year

# P/E Expansion Drove Markets in 2013

S&P 500 Index

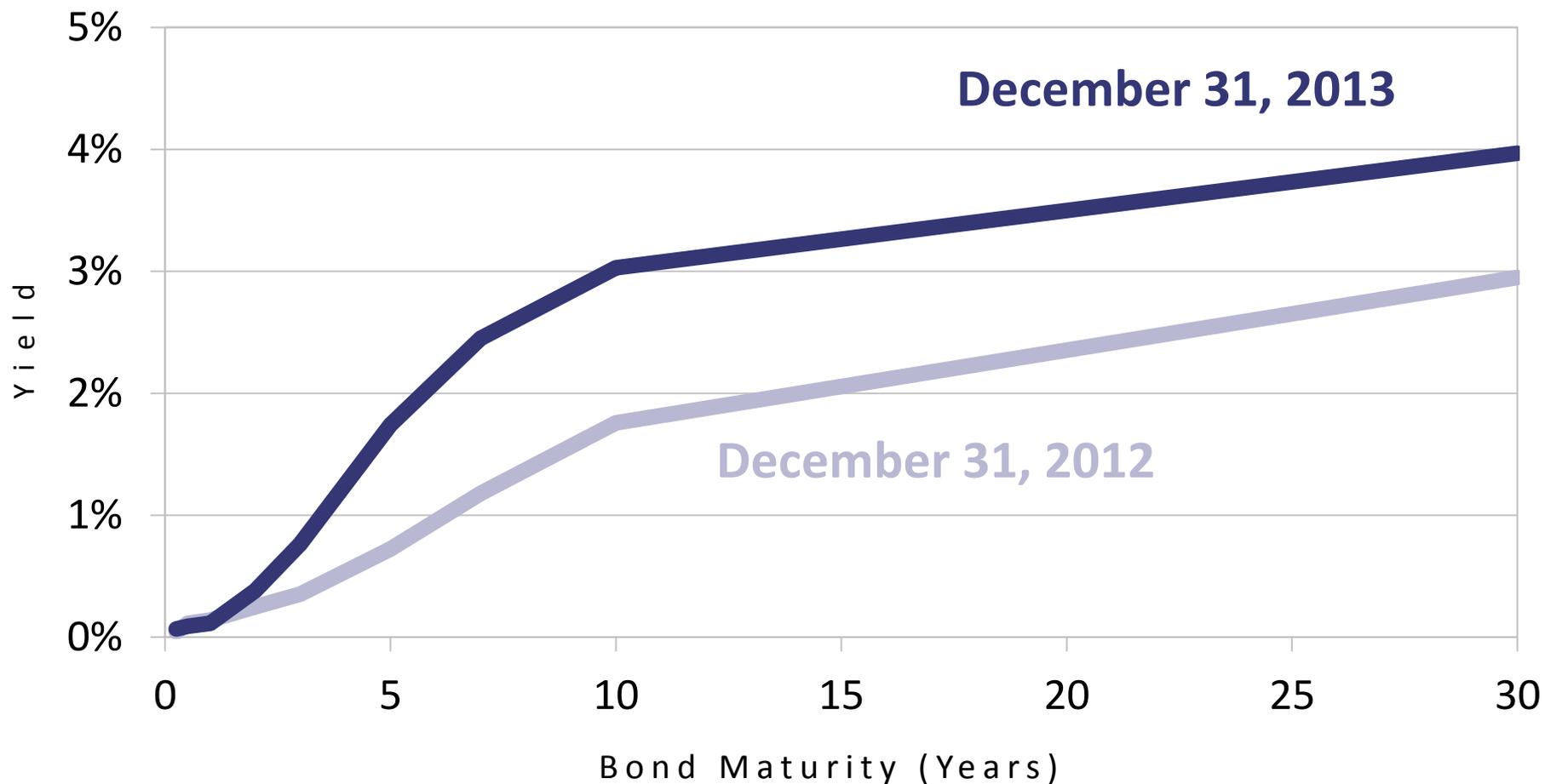
Characteristic	Mar-2000	Oct-2007	Dec-2013
Index level	1,527	1,565	1,848
P/E ratio (fwd.)	25.6x	15.2x	15.4x
Dividend yield	1.1%	1.8%	1.9%
10-yr. Treasury	6.2%	4.7%	3.0%



Source: J.P. Morgan Asset Management

# Bond Yields Rose in 2013

## U.S. Treasury Yield Curve

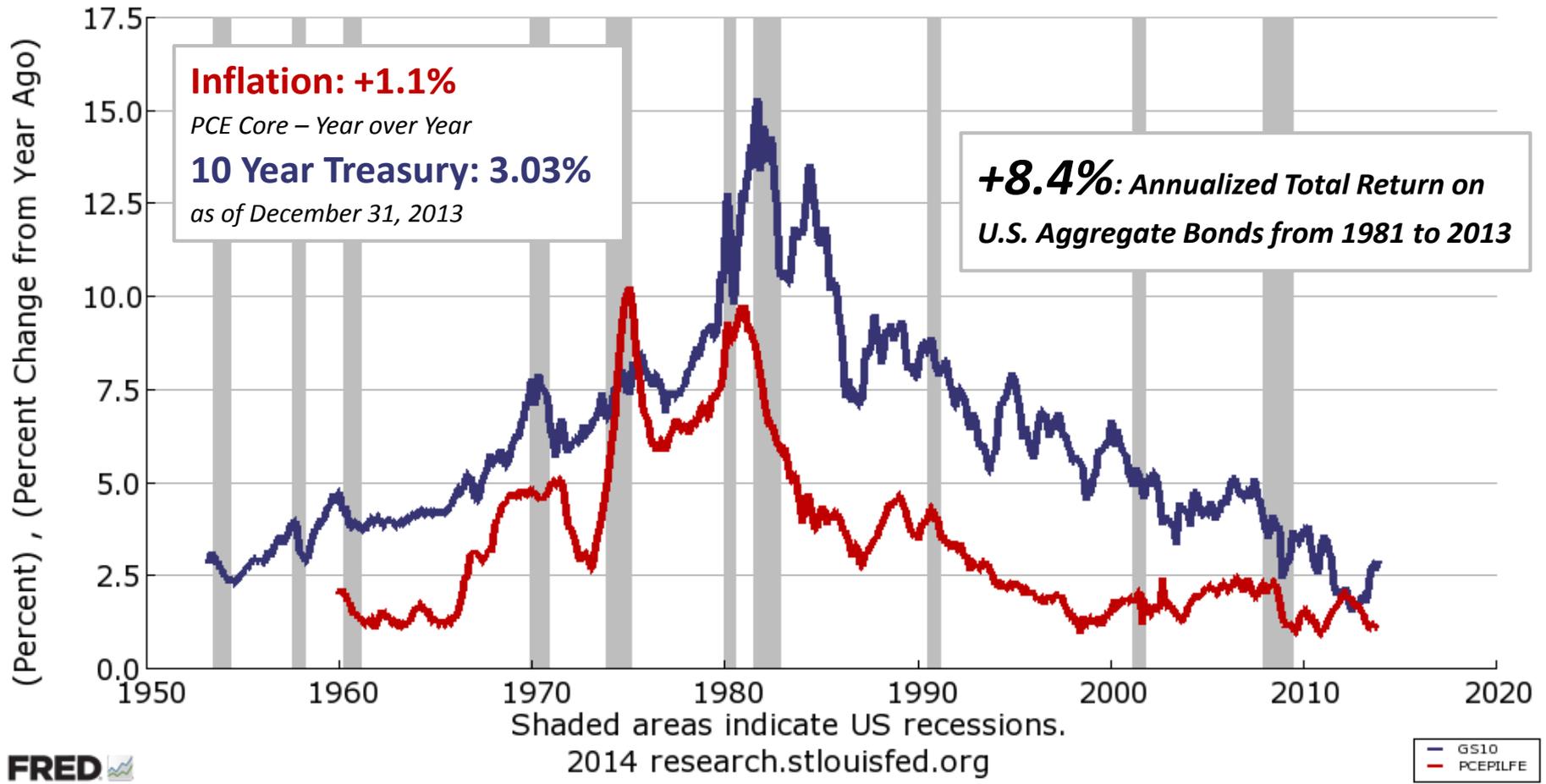


Data: Bloomberg

# Interest Rates and Inflation Near Historic Lows

10-Year Treasury Constant Maturity Rate (GS10)

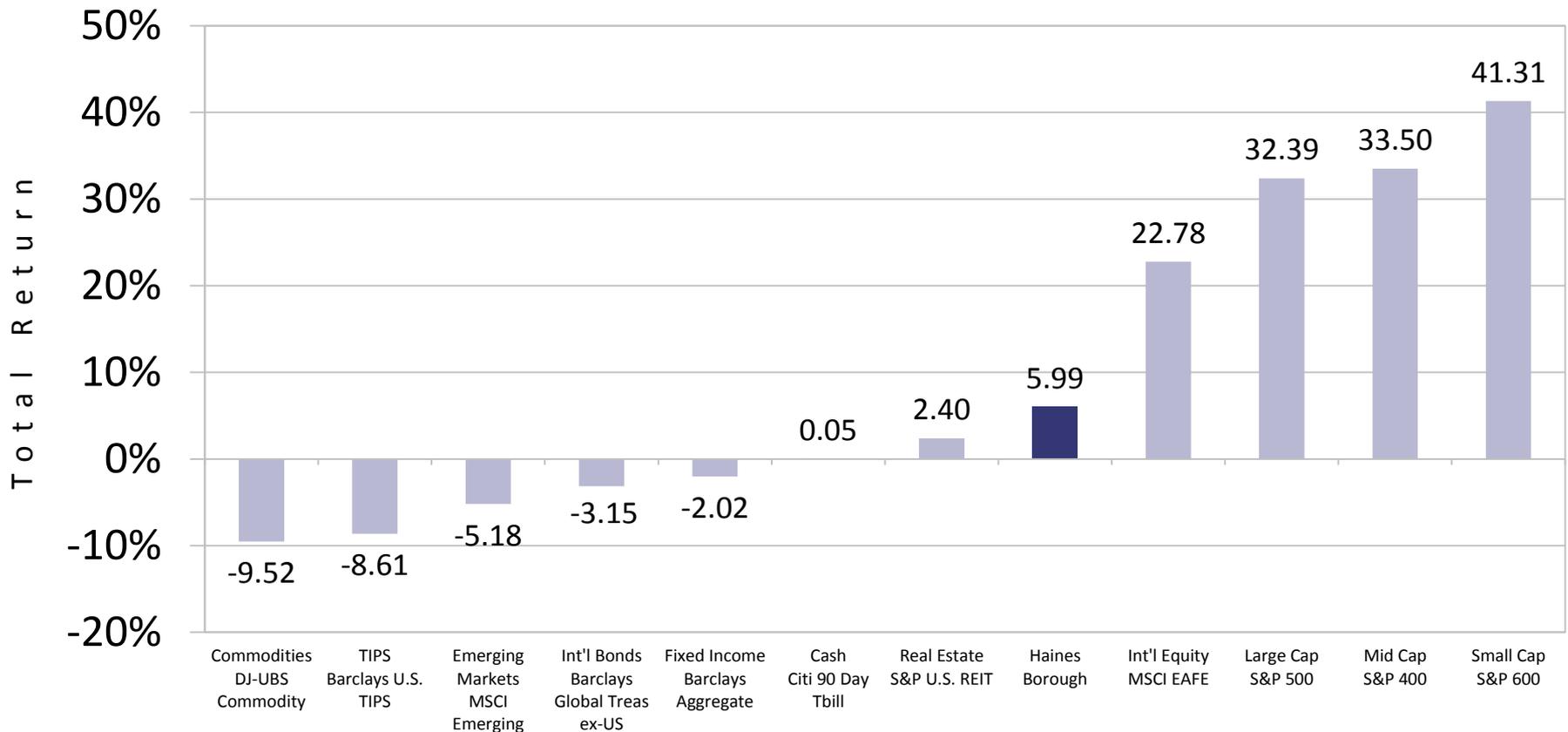
Personal Consumption Expenditures Excluding Food and Energy (Chain-Type Price Index)  
(PCEPILFE)



# Asset Class Returns

## Account Performance

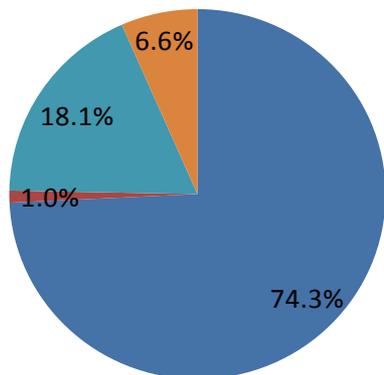
*Calendar Year 2013*



Account performance is gross of fees. Individual asset class performance is represented by a respective index.

# Portfolio Review

## Asset Allocation for Haines Borough *as of December 31, 2013*

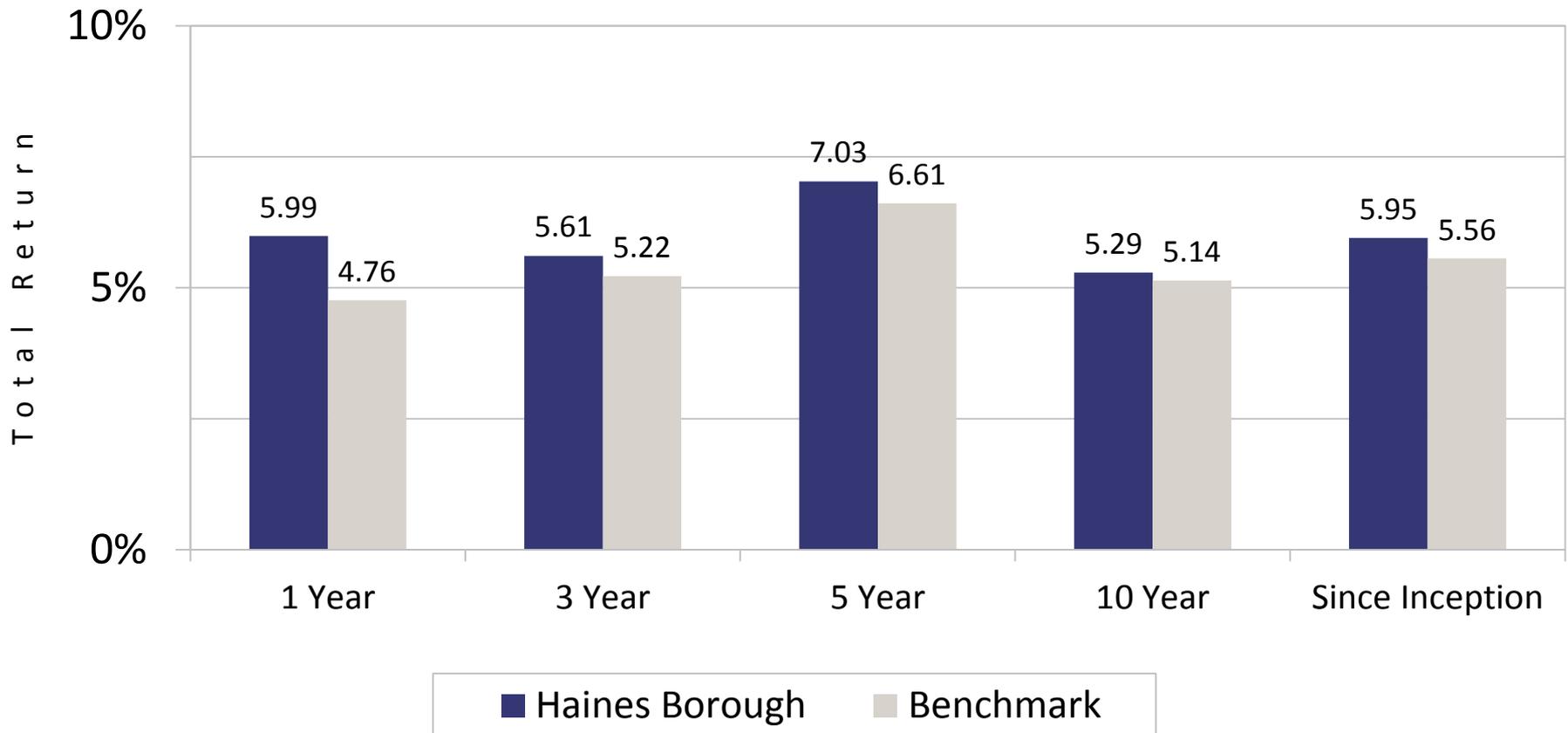


■ U.S. Fixed Income    ■ Cash  
■ Large Cap            ■ International

Asset Class	% Assets	Strategic Benchmark	Range	Market Value
<b>Fixed Income</b>	<b>75.3%</b>	<b>80%</b>	<b>75-85%</b>	<b>\$6,165,153</b>
U.S. Fixed Income	74.3%			\$6,080,242
Cash	1.0%			\$84,911
<b>Equities</b>	<b>24.7%</b>	<b>20%</b>	<b>15-25%</b>	<b>\$2,022,209</b>
Large Cap	18.1%	15		\$1,483,245
International	6.6%	5		\$538,964
<b>Total</b>				<b>\$8,187,362</b>

## Account Performance

*as of December 31, 2013*



Performance is gross of fees and annualized for periods greater than one year. Inception performance begins on January 31, 1996.

# Asset Allocation

# APCM's Annual Asset Allocation Review

## Annual Review of ETFs and Funds

*Examine performance, tracking error, tradability, and expense ratios of existing and prospective vehicles.*

Change in benchmark on two international Vanguard ETFs.

## Asset Class Review

*Ensure adequate coverage of the investable marketplace and consider role of opportunistic asset classes.*

Exposure to 3 asset classes. APCM covers 11 strategic and 4 opportunistic asset classes which could be added to effectively balance risk/return.

## Review Allocation with Clients

*Present new return/risk assumptions, downside risks, and wealth simulations.*

*Discuss changes in client circumstances.*

**Affirm allocation or change as needed.**

## Update Capital Market Projections

*Seven year return outlook based on changing economic conditions and valuations in the market.*

**Slow GDP growth with muted inflation likely to suppress real & nominal returns.**

# Portfolio Review

## Actual Historical Allocation

*as of December 31, 2013*

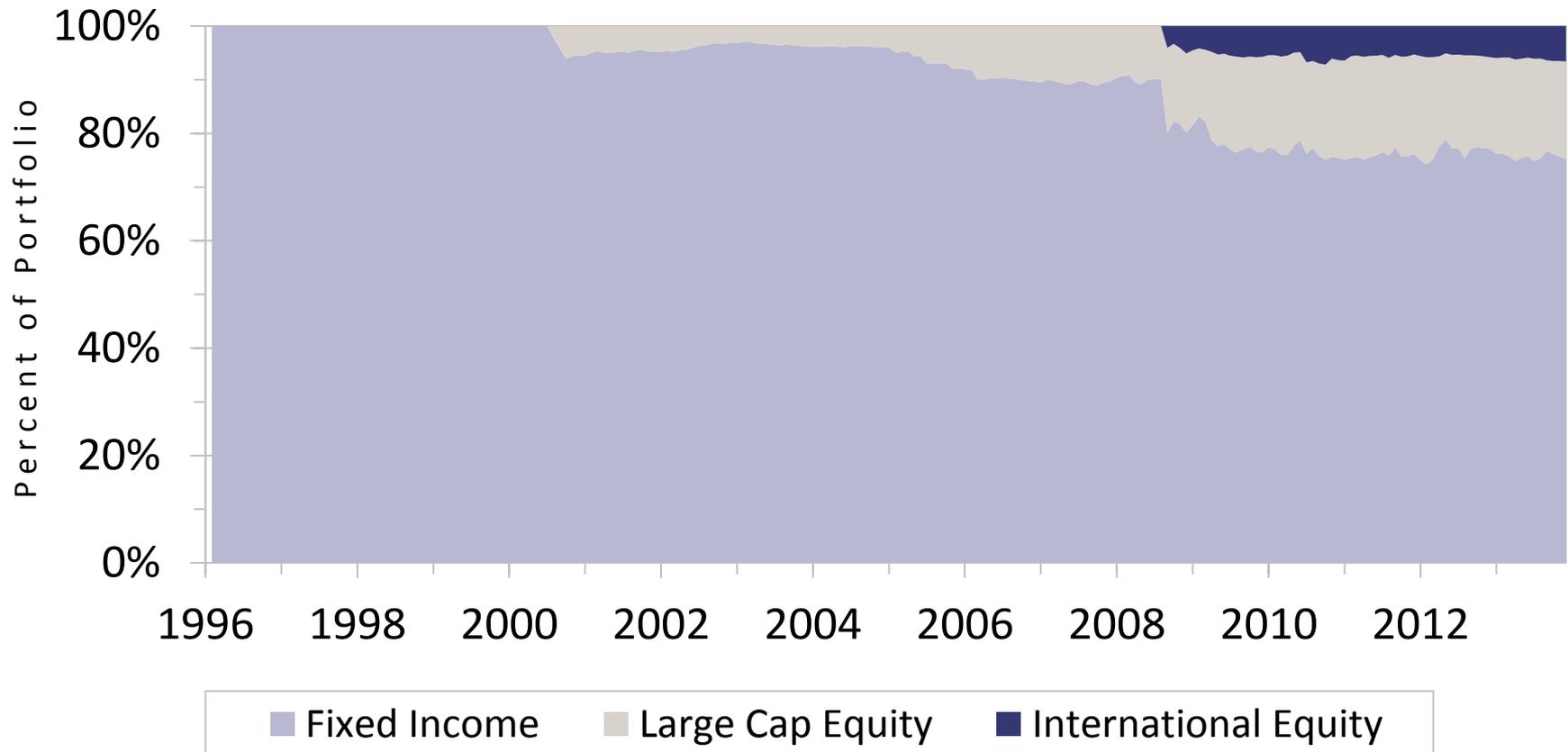
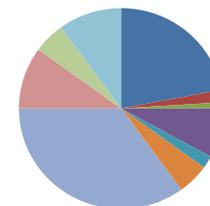
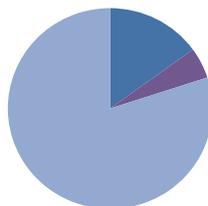


Chart shows month end data based upon portfolio market value.

# Asset Allocation



Asset Class		Haines Borough	40% Equity
Large Cap Equity		15.0%	22.0%
Mid Cap Equity		-	2.0%
Small Cap Equity		-	1.0%
International Equity		5.0%	8.0%
Emerging Markets Equity		-	2.0%
REITs		-	5.0%
U.S. Fixed Income		80.0%	35.0%
TIPS		-	10.0%
International Bonds		-	5.0%
Commodities		-	0.0%
Cash		-	10.0%
<b>APCM's Forward Looking Assumptions</b>	<b>Return</b>	<b>3.5%</b>	<b>5.0%</b>
	<b>Risk</b>	5.8%	8.0%
	<b>Ratio</b>	0.61	0.62
<b>Annualized Historical Returns 3/1997 - 12/2012</b>	<b>Return</b>	<b>6.6%</b>	<b>6.9%</b>
	<b>Risk</b>	4.4%	7.2%
	<b>Ratio</b>	1.48	0.96
<b>Best 12 Month Period</b>		18.3%	30.2%
<b>Worst 12 Month Period</b>		-8.4%	-18.9%

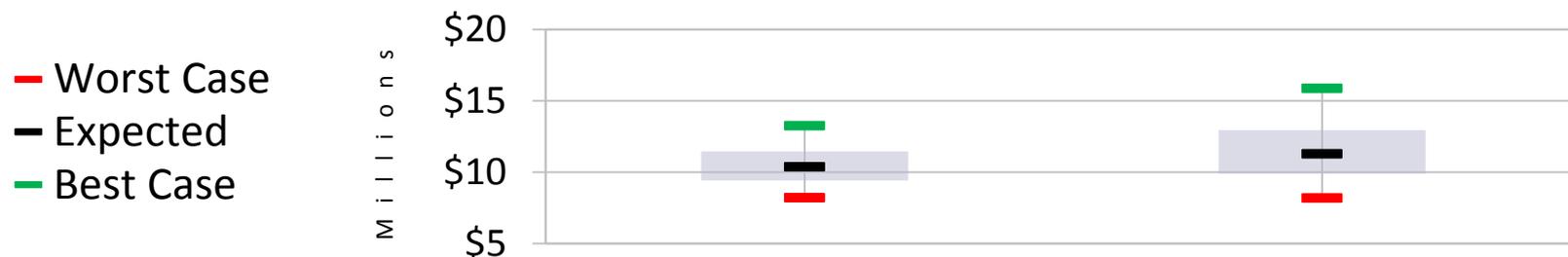
Risk and return data from Windham Portfolio Advisor.

# Expected Return of Current Allocation

	2008	2013
Average Annual Expected Return	+5.53%	+3.54
Standard Deviation of Expected Return	7.45%	5.78%
Inflation Assumption	+3.0%	+2.5%

# Wealth Simulation

## Ranges of Expected Real Portfolio Value Over 7 Years



Confidence Level			Haines Borough	40% Equity
<i>Likelihood of Achieving this Market Value or Better Out of 5,000 Trials</i>				
<b>Best Case</b>	5%	250/5,000	\$13,245,030	\$15,852,970
	25%	1,250/5,000	\$11,445,660	\$12,933,150
<b>Expected</b>	50%	2,500/5,000	<b>\$10,362,910</b>	<b>\$11,269,530</b>
	75%	3,750/5,000	\$9,410,115	\$9,874,392
<b>Worst Case</b>	95%	4,750/5,000	\$8,187,934	\$8,176,278

Data: Windham Portfolio Advisor. Portfolio starting value of \$8.2 million.

# Asset Allocation Considerations

Factors	Haines Borough
<b>T</b> Time Horizon	Long Term
<b>R</b> Risk Tolerance	Commensurate with Return Objective
<b>E</b> Expected Return	Maintain Principal While Maximizing Total Return
<b>A</b> Asset Class Preference	Domestic Large Cap Equity, International Developed Equity, REITs, U.S. Intermediate Bonds
<b>T</b> Tax Status	Tax Exempt

- Current allocation has 20% equity exposure and 80% bonds with an **expected long-term annual return of +3.5%**

# Summary

- Expected return from 2008 of +5.53% has been revised down to +3.54% due to changes in the financial markets and asset class valuations
- Inflation assumption of +2.5% per year leaves room for +1.04% real growth
- Given changes in projected return/risk, does the current allocation meet the objectives for Haines Borough?

ALASKA  
PERMANENT  
CAPITAL MANAGEMENT COMPANY

IS RELATIONSHIP DRIVEN AND VIEWS ITSELF AS  
A LONG-TERM PARTNER WITH ITS CLIENTS

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# Appendix

# APCM Investment Staff



**Evan Rose**  
**Chief Executive Officer**

Alaska Permanent Capital Management 1998-Present  
Dain Rauchsger, Vice President, Corporate Finance 1991-1998  
Pacific Securities, Vice President, Corporate Finance 1987-1990

University of Washington, MBA  
University of Oregon, BS Finance  
Series 65 License



**Julee Duhrsen, CFA, CPA®**  
**Vice President, Operations**

Alaska Permanent Capital Management 2004-Present  
Arctic Slope Consulting Group 2003  
Cook Inlet Region, Inc. 1998-2002  
KPMG International 1996-1998

University of Alaska Fairbanks, MBA  
University of Houston, BS Mathematics  
Certified Public Accountant  
Chartered Financial Analyst  
Accredited Investment Fiduciary



**Amber Frizzell**  
**Client Relationship Manager**

Alaska Permanent Capital Management 2013 – Present  
Alaska Humanities Forum, Project Director 2009-2013

Whitworth University, BA Business Management/Internat



**Jeff Pantages, CFA®**  
**Chief Investment Officer**

Alaska Permanent Capital Management 2005-Present  
Members Capital Advisors, Senior Vice President, Director of Fixed Income 1998-2004  
Security Benefit Group, Senior Vice President, Chief Investment Officer 1992-1998  
Prudential Insurance, Managing Director 1985-1992  
Alliance Capital Management, Mellon Bank, Armco Insurance

Massachusetts Institute of Technology, MBA  
University of Wisconsin, MA  
Simon Fraser University, BA  
Chartered Financial Analyst



**William Lierman, CFA®**  
**Vice President, Portfolio Manager**

Alaska Permanent Capital Management 2002-Present

Western Washington University, BA Economics/Chemistry  
Chartered Financial Analyst



**Arlou Bartlett**  
**Securities Operations Officer**

Alaska Permanent Capital Management 2002-Present  
Wells Fargo, National Bank of Alaska: Investments, Loan Administration, Cash Management 1982-2002

University of Alaska, Associate in Accounting  
American Institute of Banking



**Jason L. Roth**  
**Senior Vice President, Investments**

Alaska Permanent Capital Management 2011 – Present  
First National Bank Alaska 1979 – 2011  
SVP & CFO, Anchorage, AK 1992 – 2011  
Comptroller, Anchorage, AK 1987 – 1992  
Area VP, Southeast Alaska, Juneau, AK 1983 – 1987

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**Brandy Niclai, CFA®**  
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Alaska Permanent Capital Management 2005-Present  
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WAVE Wholesale Co., LLC, Human Resources Manager 1998-2000

Washington State University, Cum Laude BA Business Administration  
University of Alaska Anchorage, MBA  
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Chartered Financial Analyst



**Laurie Ford**  
**Administrative Office Manager**

Alaska Permanent Capital Management 1998-Present  
Carr-Gottstein Foods, Inc. Payroll Accountant 1994-1998  
Owens & Turner 1985-1993

St. Cloud State University



**Bertram Wagnon**  
**Senior Vice President, Investments**

Alaska Permanent Capital Management 1995-Present  
Kemper Securities, Vice President, Public Finance 1994-1995  
Mark Air, VP Finance 1992-1993  
Alaska Industrial Development Authority, Executive Director 1982-1991

University of Alaska, BA Business Administration



**Cathie Straub, CPA, CFP®**  
**Vice President, Private Wealth**

Alaska Permanent Capital Management 2009-Present  
Financial Resources, Inc. 1991-2009  
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Certified Public Accountant  
Series 65 License



**Gail Garber**  
**Administrative Assistant**

Alaska Permanent Capital Management 2003 – Present



**Laura Bruce, CFP, ChFC®**  
**Senior Vice President, Director of Client Relations**

Alaska Permanent Capital Management 2007-Present  
1st National Bank of Anchorage, Trust Officer/Portfolio Development 2002-2007  
Legacy Wealth Strategies, Owner/Consultant 2002-2007  
Wachovia Securities, Financial Advisor/Institutional Relationship Mgr. 1999-2003  
Bank of America, VP Private Bank Portfolio Mgr. 1994-1999

University of Wisconsin-Whitewater, BBA  
Certified Financial Planner, American College  
University for International Studies, Madrid Spain



**Nicholas Case**  
**Senior Investment Analyst**

Alaska Permanent Capital Management 2008-Present

University of Alaska Anchorage, BBA Finance



**Mary Kate Herndon**  
**Sales Assistant**

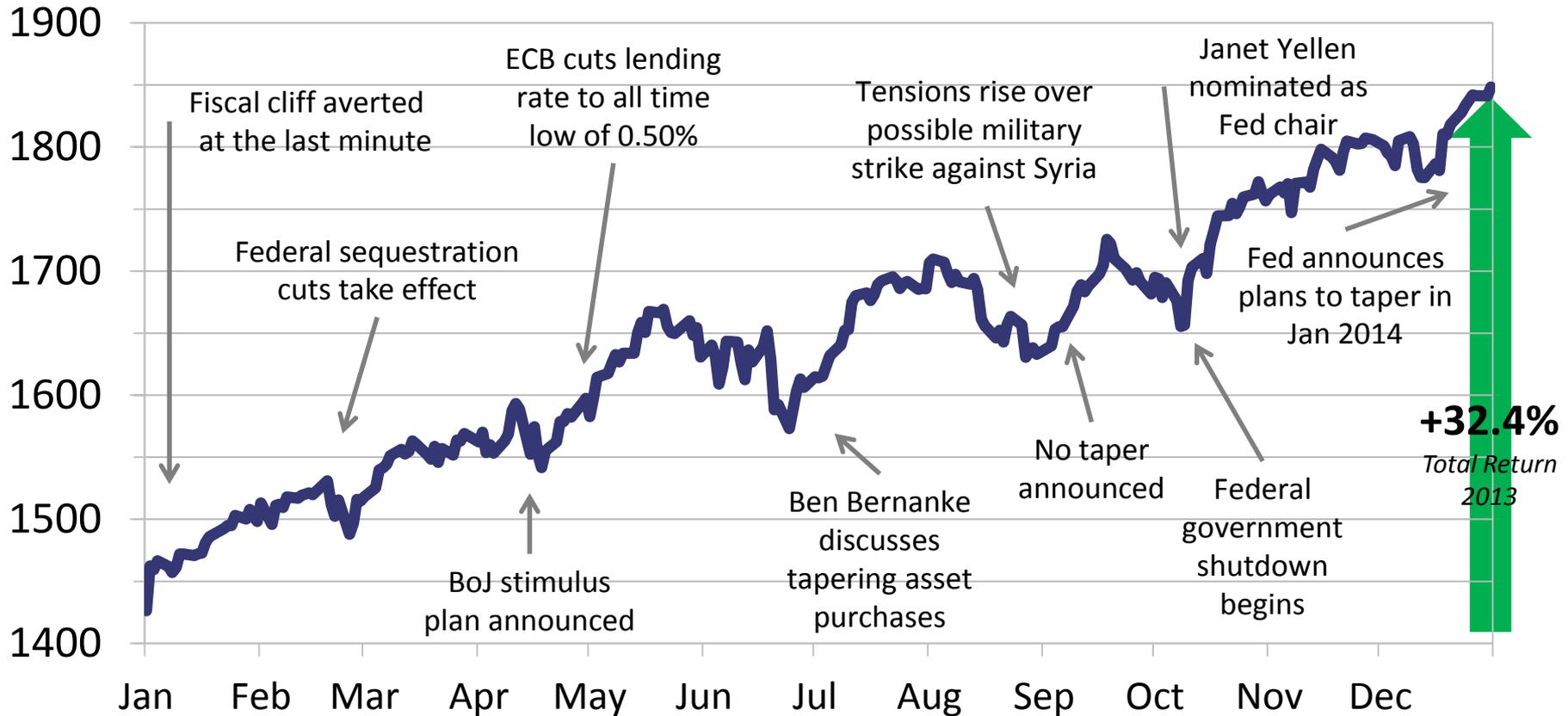
Alaska Permanent Capital Management 2011-Present

University of Alaska Anchorage, BA Psychology

# 2014 Economic and Market Outlook

- The IMF is forecasting **global growth of +3.6% in 2014**, an improvement over the +2.9% in 2013 and +3.2% in 2012. They expect **U.S. growth to improve to +2.6% in 2014**.
- **Global monetary easing remains in place.** While the Fed is “tapering” its bond purchases, it has pledged to **keep short rates close to zero until 2015** given high unemployment (6.7%) and low inflation (+1.3% YoY).
- The **U.S. equity markets** were up strongly in 2013 but it was **mainly multiple expansion and not earnings driven**, so stocks are a bit pricey. The overseas markets have better valuations.
- **The jump in yields last year** – from 1.75% to 3% on 10 year Treasuries – has **improved bond valuation**, especially given low inflation. Bonds provide ballast in portfolios. Still, a shorter maturity structure is warranted in some portfolios.
- Wildcards include ongoing **European integration and deflation risks**, another false dawn in **Japan**, a debt induced slowdown in **China**, and the possibility of a **spike in U.S. interest rates** if the economy improves and the Fed changes course. (All of these are unlikely, but possible.)

# S&P 500: 2013

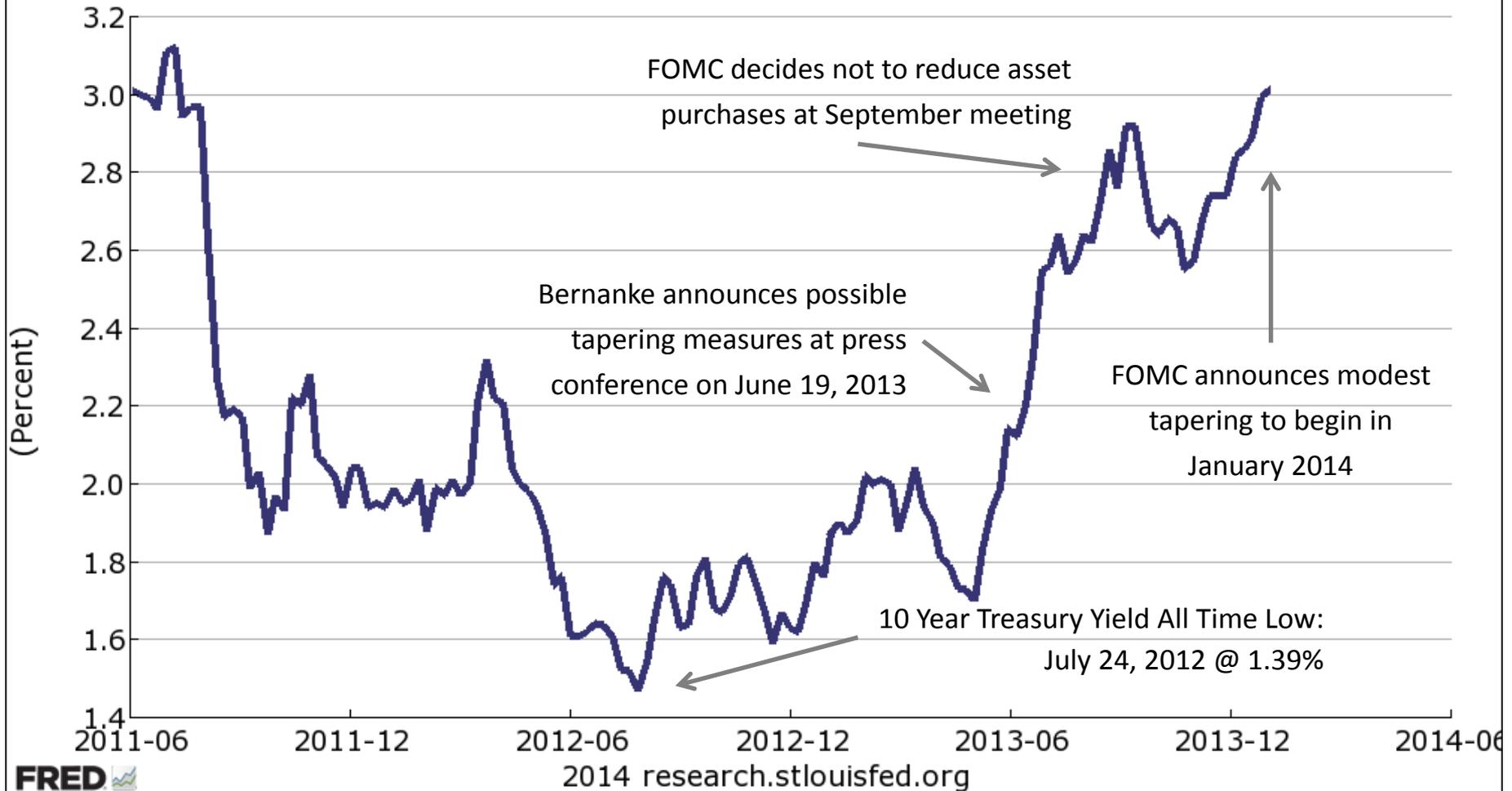


Quarter	S&P 500	Jobs	U.S. GDP
Q1	+10.6%	+547k	+1.1%
Q2	+2.9%	+499k	+2.5%
Q3	+5.2%	+502k	+4.1%
Q4	+10.5%	+598k*	+1.5%*

Data Through December 31, 2013. \* Bloomberg Consensus Estimate

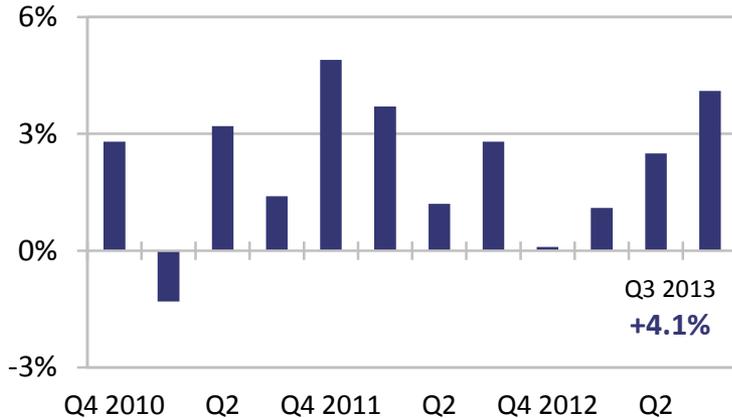
# Bond Yields Rose in 2013

10-Year Treasury Constant Maturity Rate (DGS10)  
Source: Board of Governors of the Federal Reserve System



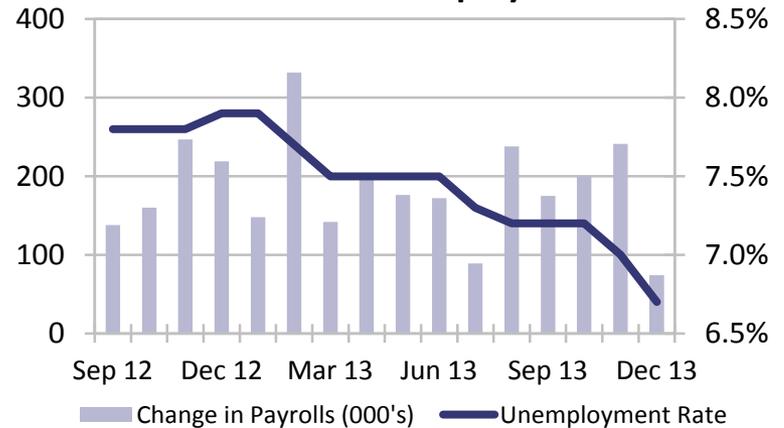
# Economy & Financial Markets

### Gross Domestic Product



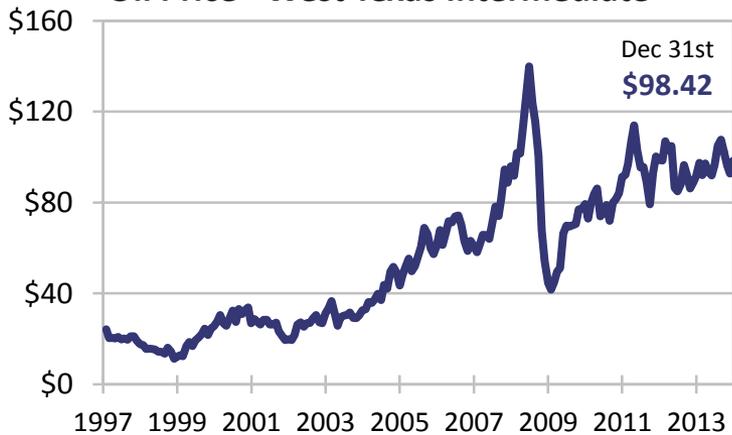
Bureau of Economic Analysis

### Job Growth and Unemployment Rate



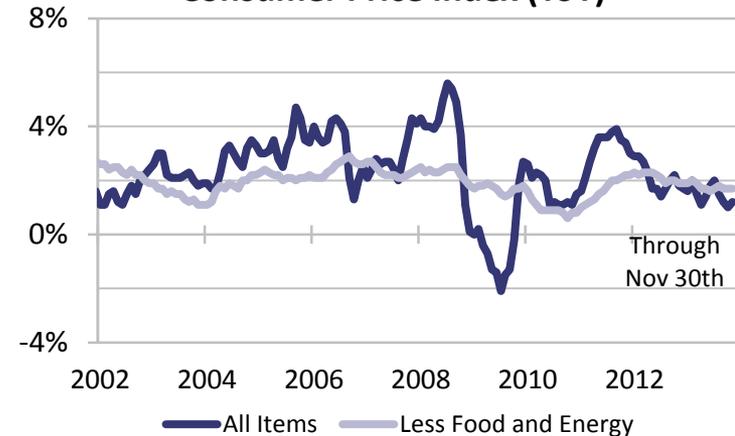
Bureau of Labor Statistics

### Oil Price - West Texas Intermediate



Bloomberg

### Consumer Price Index (YoY)



Bureau of Labor Statistics

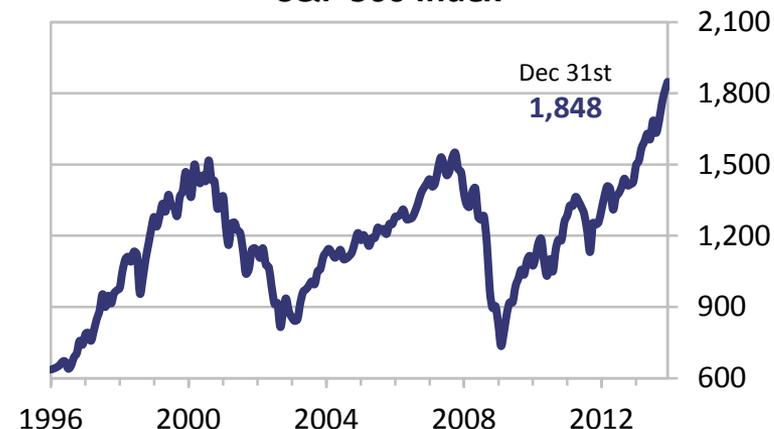
# Economy & Financial Markets

## Total Return (%) as of December 31, 2013

	Q4 2013	1 Year	3 Years	5 Years
<b>Domestic Equities</b>				
Large Cap S&P 500	10.5	32.4	16.2	17.9
Mid Cap S&P 400	8.3	33.5	15.6	21.9
Small Cap S&P 600	9.8	41.3	18.4	21.4
<b>International Equities</b>				
Developed MSCI EAFE	5.7	22.8	8.2	12.4
Emerging MSCI Emerging Markets	1.8	-2.6	-2.1	14.8
<b>Other</b>				
Commercial Property S&P U.S. REIT	-0.7	2.4	9.4	16.7
Commodities DJ-UBS Commodity	-1.1	-9.5	-8.1	1.5
<b>Fixed Income</b>				
Total Bond Market Barclays Aggregate	-0.1	-2.0	3.3	4.4
1-3 Yr U.S. Treasury/Agency Barclays 1-3 Gov	0.1	0.4	0.8	1.3
Int'l Treasury Barclays Global Tsy ex-US	-0.4	-3.2	2.4	3.8

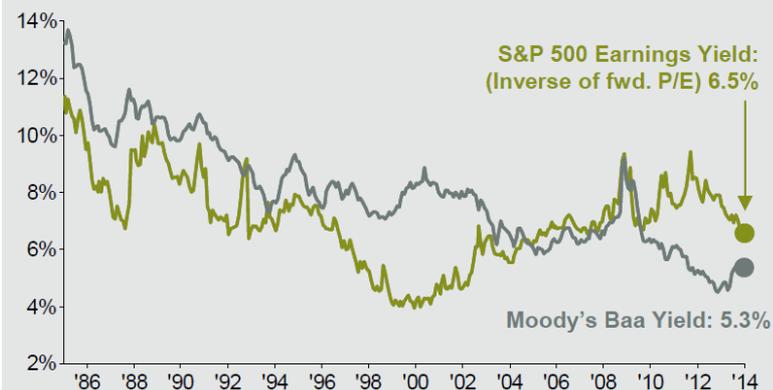
Returns are annualized for periods greater than one year

## S&P 500 Index



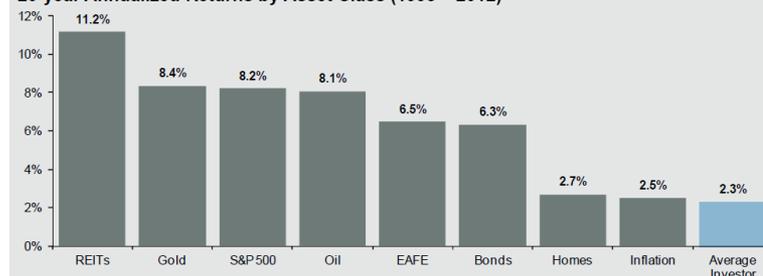
Bloomberg

## S&P 500 Earnings Yield vs. Baa Bond Yield



Sources: Standard & Poor's, Moody's, J.P. Morgan Asset Management  
Data as of 12/31/2013.

## 20-year Annualized Returns by Asset Class (1993 – 2012)

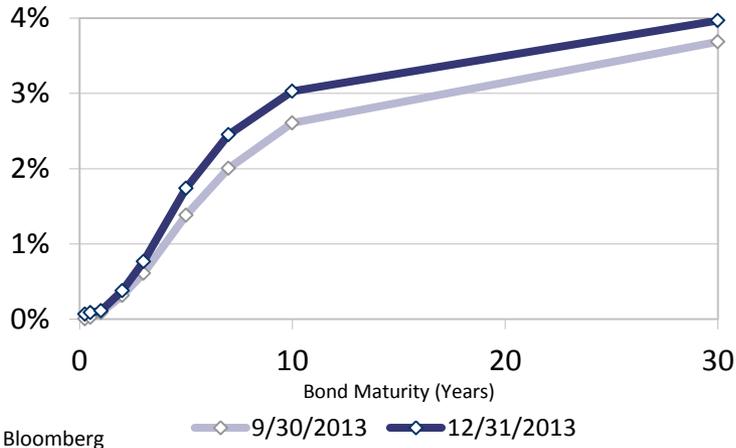


Source: J.P. Morgan Asset Management

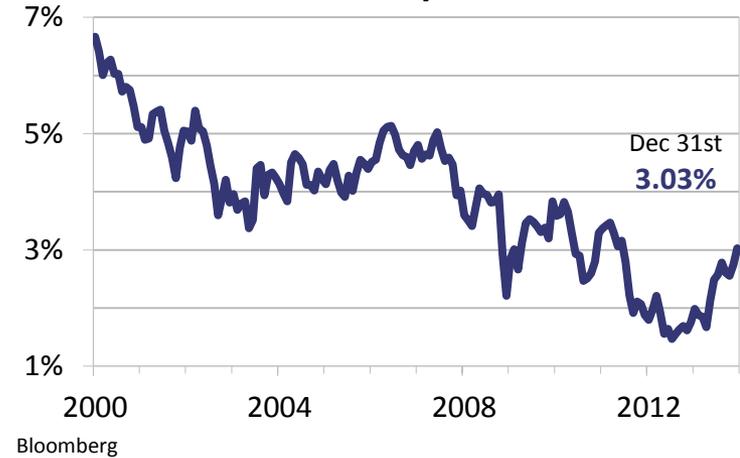
Average asset allocation investor return is based on an analysis by Dalbar Inc. All returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/12 to match Dalbar's most recent analysis.

# Economy & Financial Markets

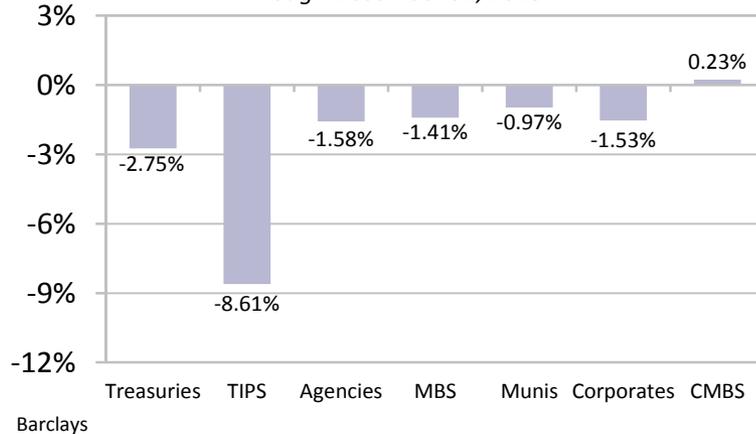
### U.S. Treasury Yield Curve Comparison



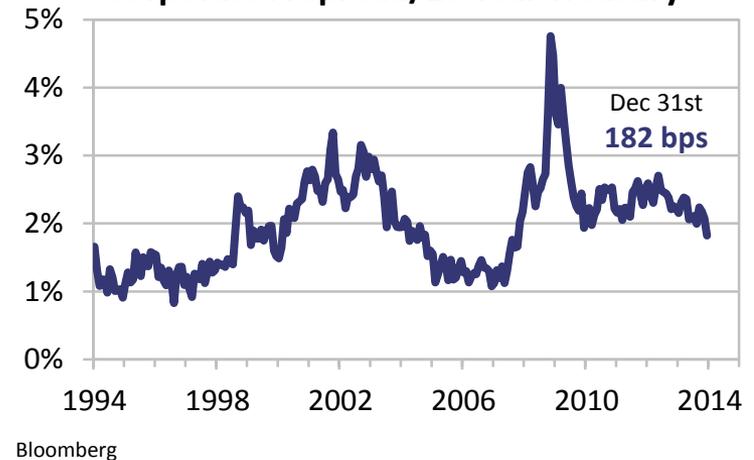
### 10 Year Treasury Note Yield



### 2013 Bond Total Return Through December 31, 2013



### Corporate A Spread/10 Year Treasury



# Current Outlook

## Economic Outlook

The U.S. economy is expanding slowly as decent private sector growth is offset by a contraction in government spending. The economy grew at +4.1% in the third quarter, however inventory building added to growth and final demand posted a more modest +2.0% gain. Rising interest rates have crimped the housing market and policy uncertainties have made consumers and businesses wary.

The unemployment rate fell from 7.0% to 6.7% in December (the lowest level in 5 years) as payroll employment rose a disappointing 74,000. Job gains for the year have been respectable, averaging just over 180,000 per month in 2013.

The Bloomberg consensus among economists calls for +2.6% growth next year. The recovery remains modest and the economy is growing at about ½ the rate one normally expects coming out of a recession.

Over the summer, the OECD revised its growth forecasts to reflect a better outlook for developed countries and the widespread “loss of momentum” in emerging markets. It expects output in the U.S., Germany, and Japan to expand at +2.5% in Q3 and Q4. They noted that “growth in China has seemingly already passed the trough and looks set to recover in the second half.”

In early October, the IMF cut its world growth forecast for 2013 by 0.3% to +2.9% and lowered next years by 0.2% to +3.6% compared to the July forecast. Deteriorating emerging market prospects and the eventual Fed exit from easy money were the rationale. It lowered its forecast for U.S. growth next year to +2.6%.

## Inflation Outlook

The CPI inflation rate rose +1.2% over the last 12 months through November. That compares to +2.1% in 2012 and +3.2% in 2011. Given the still high unemployment rate (modest wage pressure) and unused capacity in the U.S., tepid signs of recovery in the Eurozone, and slowing growth in China, inflation is unlikely to be a problem near term despite money printing by most of the world’s central banks. The consensus forecast compiled by Bloomberg calls for global inflation of roughly +2.7% in 2014, up slightly from the year before.

Commodities as measured by the broad based DJ-UBS Commodity Index were up +1.2% in December, but declined nearly -10% in 2013. Agriculture and precious metals were the sectors with the worst returns. Spot gold closed December at \$1,202 per ounce, down almost \$475 (or -28%) for the year. WTI oil closed 2013 at \$98 per barrel, down from its September peak of more than \$110.

## Policy Actions

The Federal Reserve is worried about slow growth and high unemployment and is maintaining a ZIRP (zero interest rate policy). The Fed has stated that short term rates would remain low as long as the unemployment rate was 6.5% or higher and core inflation remained +2.5% or lower. That may be until 2015.

In December the Federal Reserve signaled its intentions to begin tapering the amount of assets purchased under its quantitative easing program. Starting in January 2014 the Fed will reduce monthly purchases by \$10 billion from the current level of \$85 billion, and expects similar sized reductions to be announced at future FOMC meetings. However the Fed continues to stress that the amount of purchases is data dependent and can be adjusted if necessary. In early January 2014 the Senate confirmed Janet Yellen as the next chair of the Federal Reserve. She is quite dovish and shares similar views with outgoing chair Ben Bernanke.

Democratic and Republican negotiators agreed on a budget compromise in early December that would increase domestic and military spending over the next two years and narrow the deficit by extending an already-approved 2% cut in Medicare spending through 2023. Its approval has reduced policy uncertainty and at least prevents the prospect of another government shutdown for 24 months. The next fight will be over the debt ceiling, which is scheduled to be reached in February.

January 2014

# Current Outlook

## International Developments

Europe continues to grapple with a banking system that was more levered than the U.S. The ECB and IMF have taken significant steps to shore up confidence and provide liquidity to EU governments struggling with deficit/debt problems. ECB President Mario Draghi has said that he will do “whatever it takes” to stabilize bond markets and save the euro. This has taken “tail risk” off the table and eased financial conditions (credit spreads have narrowed considerably and rates have fallen). Recent evidence of very low inflation (+0.8% year over year) prompted the ECB to cut interest rates in October.

The Eurozone emerged from recession in the second quarter but the unemployment rate there is 12.1% and the youth unemployment rate is close to 24%. Of note is recent talk to put “austerity” on the backburner and “go for growth.” There is also recognition that a banking union is necessary and work in Europe is underway towards that end. Europe is shaky but it does show some signs of bottoming.

Japan has initiated more fiscal stimulus and monetary easing to get inflation to a +2% target. The Japanese central bank has undertaken a monetary stimulus three times that of the U.S. in relative terms. Japanese equities have rallied sharply, amidst considerable volatility, since the stimulus measures were announced. Economic growth has improved and inflation has moved to over 1%.

Economic growth in China for Q3 was only +7.8%, down from +8% last year and the +10% growth investors had come to expect. It is worth noting that because the economy in China has doubled since 2006; growth today of +7% lifts the level of GDP by the same as +14% did in 2006. Over the past year, China’s real GDP has increased roughly \$0.8 trillion, while U.S. real GDP has increased \$0.3 trillion.

## Bond Outlook

Treasury yields are up sharply since June despite good news on the inflation front. Taper talk by the Federal Reserve was the culprit. Ten year Treasury yields ended the month at 3.03%, up over 100 basis points since the start of 2013. The Barclays Aggregate bond index lost -0.46% in December, and was down -2.0% last year.

APCM remains overweight spread product including corporate bonds (especially financials) and CMBS securities. Spreads have narrowed recently. The run up in rates has certainly improved the valuation of the bond market. While interest rates are low by historical standards, so is inflation.

## Equity Outlook

Domestic equity markets continued to rally in December, with the S&P 500 adding another +2.5% to an already stellar year of returns. For 2013 the large cap index was up +32.4%, its best performance since 1997. Mid and small cap companies did even better in 2013, returning +33.5% and +41.3% respectively. Stock appreciation has come mainly from multiple expansion as the P/E ratio on large cap stocks has risen from 12x to 15x over the year. Stocks are reasonable value but not cheap by any means, especially given the modest +3% sales growth and +4% earnings growth (year over year) we have seen of late. Stock buybacks have pushed earnings per share to +5% or so.

In overseas markets, the EAFE developed country index gained +1.5% in December, bringing its 2013 return to +22.8%. Japanese equities were up a whopping +59.3% in yen last year, however Yen depreciation trimmed those gains to a slightly more modest +30.5% in dollars.

The MSCI Emerging Markets lost -1.5% in December and returned -2.6% in 2013. Political turmoil, worries about sustainable growth, and increasing U.S. interest rates had undermined the case for emerging market equities. But stocks here still trade at a 10x P/E ratio, and while their economies are slowing, policymakers have room to ease and these countries are in better fiscal shape than the developed nations.

While APCM pared back equity exposure in September we still believe stocks are reasonable value and should do better than bonds going forward. Basic risk management principals and fuller valuations led us to cut U.S. stocks in favor of cash/bonds.

January 2014

# Portfolio Appraisal

**HAINES BOROUGH**

December 31, 2013



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
<b>U.S. TREASURY</b>									
75,000	US TREASURY NOTES 2.250% Due 05-31-14	97.59	73,193	100.87	75,656	0.92	1,687	148	0.14
140,000	US TREASURY NOTES 2.625% Due 06-30-14	100.45	140,624	101.24	141,739	1.73	3,675	10	0.14
750,000	US TREASURY NOTES 0.250% Due 02-28-15	100.01	750,059	100.06	750,472	9.17	1,875	637	0.20
100,000	US TREASURY NOTES 2.500% Due 04-30-15	101.73	101,727	103.02	103,019	1.26	2,500	428	0.23
150,000	US TREASURY NOTES 1.250% Due 10-31-15	99.70	149,549	101.66	152,484	1.86	1,875	321	0.34
500,000	US TREASURY NOTES 0.625% Due 05-31-17	99.59	497,949	98.69	493,475	6.03	3,125	275	1.01
150,000	US TREASURY NOTES 1.875% Due 09-30-17	103.03	154,541	102.55	153,832	1.88	2,812	719	1.18
275,000	US TREASURY NOTES 2.750% Due 02-15-19	95.63	262,970	104.78	288,148	3.52	7,562	2,856	1.77
300,000	US TREASURY NOTES 1.375% Due 05-31-20	97.81	293,424	94.77	284,319	3.47	4,125	363	2.25
200,000	US TREASURY NOTES 2.625% Due 11-15-20	104.45	208,910	101.62	203,250	2.48	5,250	682	2.37
125,000	US TREASURY NOTES 1.625% Due 11-15-22	98.63	123,283	90.27	112,832	1.38	2,031	264	2.88
350,000	US TREASURY NOTES 2.500% Due 08-15-23	97.85	342,480	96.03	336,108	4.11	8,750	3,305	2.98
	Accrued Interest				10,008	0.12			
			3,098,708		3,105,344	37.93		10,008	
<b>AGENCIES</b>									
275,000	FHLB 4.875% Due 05-17-17	101.65	279,546	112.90	310,467	3.79	13,406	1,639	0.98
150,000	FNMA* 0.800% Due 02-28-18	98.26	147,390	97.45	146,178	1.79	1,200	410	1.43
	Accrued Interest				2,049	0.03			
			426,936		458,693	5.60		2,049	
<b>FNMA &amp; FHLMC</b>									
51,722	FHLMC 4.00% POOL G14203 4.000% Due 04-01-26	104.56	54,082	105.63	54,635	0.67	2,069	172	2.29

# Portfolio Appraisal

**HAINES BOROUGH**

*December 31, 2013*



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
	Accrued Interest				172	0.00			
			54,082		54,808	0.67		172	
<b>CMO's</b>									
333	FNMA SERIES G15 A 0.000% Due 06-25-21	80.25	267	95.75	319	0.00	NA	0	1.91
	Accrued Interest				0	0.00			
			267		319	0.00		0	
<b>CORPORATE BONDS</b>									
100,000	CATERPILLAR FINANCIAL 6.125% Due 02-17-14	99.88	99,879	100.70	100,701	1.23	6,125	2,280	0.61
100,000	JP MORGAN CHASE & CO 4.750% Due 03-01-15	90.72	90,717	104.62	104,622	1.28	4,750	1,583	0.76
150,000	MORGAN STANLEY 6.000% Due 04-28-15	91.45	137,175	106.50	159,754	1.95	9,000	1,575	1.04
100,000	CITIGROUP INC 4.750% Due 05-19-15	104.97	104,975	105.22	105,225	1.29	4,750	554	0.94
150,000	HSBC FINANCE CORP 5.500% Due 01-19-16	97.27	145,909	108.41	162,622	1.99	8,250	3,712	1.32
125,000	BRITISH COLUMBIA PROV OF 2.100% Due 05-18-16	99.98	124,976	103.26	129,075	1.58	2,625	314	0.72
100,000	BANK AMER CORP 5.625% Due 10-14-16	106.53	106,527	111.44	111,438	1.36	5,625	1,203	1.42
100,000	CONOCOPHILLIPS CANADA 5.625% Due 10-15-16	94.17	94,168	111.89	111,887	1.37	5,625	1,187	1.27
100,000	STATOIL ASA 3.125% Due 08-17-17	107.07	107,066	104.97	104,973	1.28	3,125	1,163	1.70
100,000	INTERNATIONAL BUSINESS MACHS 5.700% Due 09-14-17	114.87	114,874	114.83	114,830	1.40	5,700	1,694	1.56
100,000	EXELON GENERATION CO LLC 6.200% Due 10-01-17	114.97	114,966	113.00	113,005	1.38	6,200	1,550	2.54
100,000	UNITED PARCEL SERVICE 5.500% Due 01-15-18	121.23	121,230	114.39	114,390	1.40	5,500	2,536	1.79
150,000	WACHOVIA CORP GLOBAL MEDIUM 5.750% Due 02-01-18	99.57	149,358	115.31	172,962	2.11	8,625	3,594	1.84
100,000	BERKSHIRE HATHAWAY FINANCE 5.400% Due 05-15-18	117.86	117,857	114.74	114,737	1.40	5,400	690	1.87
81,000	GLAXOSMITHKLINE CAP INC 5.650% Due 05-15-18	89.74	72,693	115.11	93,242	1.14	4,576	585	2.02

# Portfolio Appraisal

**HAINES BOROUGH**

*December 31, 2013*



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
125,000	JOHNSON & JOHNSON 5.150% Due 07-15-18	99.79	124,742	113.79	142,237	1.74	6,437	2,968	1.96
150,000	GOLDMAN SACHS GROUP INC. 7.500% Due 02-15-19	116.51	174,771	121.80	182,695	2.23	11,250	4,250	2.89
100,000	PROCTER & GAMBLE CO. 4.700% Due 02-15-19	99.82	99,824	111.69	111,694	1.36	4,700	1,776	2.27
	Accrued Interest				33,215	0.41			
			2,101,708		2,283,307	27.89		33,215	
<b>MUNICIPAL BONDS</b>									
150,000	FAIRBANKS NORTH STAR BORO AK 5.000% Due 09-01-22	120.54	180,808	116.85	175,272	2.14	7,500	2,500	2.80
	Accrued Interest				2,500	0.03			
			180,808		177,772	2.17		2,500	
<b>DOMESTIC LARGE CAP EQUITY FUNDS/ETF</b>									
8,031	SPDR S&P 500 ETF TRUST	117.17	940,991	184.69	1,483,245	18.12	NA		
<b>INTERNATIONAL FUNDS/ETF</b>									
12,931	VANGUARD MSCI EAFE ETF	31.58	408,309	41.68	538,964	6.58	NA		
<b>CASH AND EQUIVALENTS</b>									
	DIVIDEND ACCRUAL		7,872		7,872	0.10			
	FEDERATED TREASURY OBLIGATION		77,038		77,038	0.94			
			84,911		84,911	1.04			
<b>TOTAL PORTFOLIO</b>			<b>7,296,721</b>		<b>8,187,362</b>	<b>100</b>	<b>177,708</b>	<b>47,944</b>	



Alaska Permanent Capital Management Co.  
**PERFORMANCE HISTORY**

**GROSS OF FEES**

*Haines Borough  
 Gross of Fees*

Time Period	Percent Return Per Period								
	Total Account	BLENDED BENCH	Fixed Income	BARC INT G/C BENCH	BARCLAYS INT GOV BENCH	Domestic Large Cap Equity	S&P 500 LARGE CAPS BENCH	Int'l Equity	EAFE BENCH
12-31-12 to 01-31-13	0.87	0.75	-0.29	-0.36	-0.38	5.12	5.18	3.83	5.27
01-31-13 to 02-28-13	0.51	0.54	0.46	0.48	0.41	1.28	1.36	-1.15	-0.95
02-28-13 to 03-31-13	0.80	0.72	0.06	0.14	0.12	3.80	3.75	1.19	0.84
03-31-13 to 04-30-13	1.06	1.05	0.53	0.63	0.44	1.92	1.93	5.22	5.19
04-30-13 to 05-31-13	-0.47	-0.68	-1.00	-1.13	-1.01	2.50	2.34	-2.97	-2.41
05-31-13 to 06-30-13	-1.20	-1.34	-1.04	-1.20	-0.80	-1.34	-1.34	-2.81	-3.55
06-30-13 to 07-31-13	1.50	1.27	0.32	0.31	0.12	5.17	5.09	5.20	5.28
07-31-13 to 08-31-13	-0.95	-0.90	-0.37	-0.50	-0.45	-3.00	-2.90	-1.60	-1.32
08-31-13 to 09-30-13	1.76	1.49	0.88	0.81	0.74	3.41	3.14	7.86	7.39
09-30-13 to 10-31-13	1.40	1.35	0.54	0.62	0.38	4.63	4.60	3.21	3.36
10-31-13 to 11-30-13	0.55	0.49	-0.01	-0.01	-0.04	2.96	3.05	0.66	0.77
11-30-13 to 12-31-13	0.06	-0.05	-0.69	-0.63	-0.75	2.59	2.53	1.88	1.50
<b>Date to Date</b>									
12-31-12 to 12-31-13	5.99	4.76	-0.62	-0.86	-1.25	32.79	32.39	21.77	22.78