

Discussion / Direction

of the Investment Committee recommendation to add
infrastructure exchange-traded funds as an authorized
investment asset class



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members
Keith Brady, Municipal Administrator *KB*

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: February 6, 2019

Subject: Addition of Infrastructure Exchange-Traded Funds as Authorized Investment for the Sitka Permanent Fund

Issue

The City and Borough of Sitka Investment Committee is requesting that the Assembly approve its decision to allow investment of Permanent Fund assets in an additional asset class, infrastructure exchange-traded funds (ETFs).

Facts

1. At its meeting on December 17, 2018, the Investment Committee viewed a presentation by its investment manager, Alaska Permanent Capital Management (APCM), wherein APCM recommended the Permanent Fund portfolio be diversified by allowing investment in infrastructure equities through exchange-traded funds (ETFs).
2. Infrastructure ETFs invest in large privately-owned companies with large infrastructure assets such as railroads, electric utilities, pipelines, toll bridges, toll roads, and high speed railways which generate well-defined cash flows.
3. After hearing the presentation, the Investment Committee has determined that an additional asset class, exchange traded funds (ETFs) investing in infrastructure, will diversify the Permanent Fund, reduce risk, and increase portfolio performance over the long run.
4. The Investment Committee voted unanimously at its meeting on December 17, 2018, to recommend to the Assembly that investment in infrastructure ETFs, be approved.
5. Per SGC 4.28.120 c, sub-allocations of investments within asset classes shall be determined by the investment committee, as necessary and appropriate, and shall be recommended to the assembly for adoption by resolution.

Recommendation

Staff recommends that the Assembly approve the recommendation of the Investment Committee to allow investment in infrastructure ETFs.