

Trust

Alaska Mental Health Trust Authority

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Asset Management Policy Statement
Adopted: TBD, 2026

Asset Management Policy Statement

Purpose

The Asset Management Policy Statement (“AMPS”) delineates the asset management philosophy and policies of the Board of Trustees (the “Board”) of the Alaska Mental Health Trust Authority (“AMHTA”). It has been developed with the goal of ensuring and enhancing Trust assets for beneficiaries today and into future. The Board believes it is essential to adopt a long-term plan by which these assets will be prudently managed. The AMPS may be revised by action of the Board and should be reviewed annually. The Board has adopted the AMPS to serve as that long-term plan, in order that:

- there be a clear understanding on the part of the Board, staff, beneficiaries, and the public as to the objectives, goals, and restrictions with regard to the management of Trust assets;
- assets be structured and managed in a prudent manner; and
- there be a meaningful basis for performance evaluations of asset classes, managers, and strategies used to achieve the management objectives.

The management of Trust assets shall be conducted in accordance with the Uniform Prudent Investor Act (“UPIA”), Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and all applicable laws, legislation, regulations, governing statutes, and restrictions adopted by the State of Alaska. In the event the AMPS is inconsistent with UPIA, UPMIFA, or any constitutional, legal, or regulatory requirements adopted by the State of Alaska, those requirements will control.

Background

Creation of the Trust

The Alaska Mental Health Trust (the “Trust”) was established by Congress under the Alaska Mental Health Enabling Act of 1956 (“Act”). The Act included a grant to the State of Alaska of one million acres of land to be held in trust and used to generate revenues to ensure the development of an Integrated Comprehensive Mental Health Program for the State of Alaska. In the mid-1980s, a class-action citizen lawsuit, Weiss v. State, was filed, alleging the mismanagement of these lands. In 1994, the Alaska Legislature passed legislation that was subsequently approved by the Courts as a settlement of the litigation (the “Settlement”).

Settlement Framework

The Settlement reconstituted the Trust with an initial \$200 million in cash and nearly one million acres of land. The Board consists of seven members (“Trustees”) and it was created and charged with the fiduciary responsibility of administering the Trust. The Settlement included statutory language (AS 37.14.009(a)) that assigned the Alaska Permanent Fund Corporation (“APFC”) management of the Mental Health Trust Fund and assigned the Department of Natural Resources (“DNR”) management of Trust land, natural resource assets, and associated improvements. In accordance with the Settlement and State Statute, DNR established a separate unit, the Trust Land Office (“TLO”), for this purpose.

Other Trust funds, such as Trust income allocated for annual mental health program spending, a portion of budget reserves, and, on a short-term basis, cash receipts generated by the TLO are managed by the Department of Revenue (“DOR”).

The Board directs the financial management of the earnings from the assets of the Trust, which are used to improve the lives of current and future Trust beneficiaries as set forth in AS 44.25.290 and 20 AAC 40.

Mission Statement

The Board has adopted the following mission statement for the Trust:

The Alaska Mental Health Trust Authority and the Trust Land Office work together to improve the lives of Trust beneficiaries by strengthening Alaska’s system of care, prudently managing Trust assets, and driving lasting, positive change across the state.

Roles and Responsibilities

Board of Trustees

Established by AS 44.25.210, the Board is the governing body for AMHTA. The Board has the responsibility of establishing and maintaining policies and objectives for the prudent management of Trust assets. Trustees are fiduciaries of the Trust. The Board establishes broad policies and sets the direction for asset management in this AMPS. The Board delegates the implementation of these policies to staff. In doing so, the Board maintains a “top-down” perspective, focusing on important policy-level issues, and maintaining the proper fiduciary perspective and time horizon for analysis of the performance of Trust assets. The Board has established a Finance Committee to review this policy and others and to make recommendations to the Board to consider for adoption. The Board may, from time to time, seek the input of third-party experts, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.

Finance Committee

The Board has established a Finance Committee to assist the Board with the financial oversight and strategic financial planning for the Trust. This Committee consists of three current voting members of the Board and the Board Chair as a non-voting member. The Finance Committee considers the overall financial performance of Trust assets, including the real estate and natural resource development projects managed by the Trust Land Office, and makes recommendations to the Board when necessary. The Finance Committee evaluates and makes recommendations to the Board on prospective capital investments from the Trust, including land and natural resource development projects managed by the TLO that require capital investment from the Trust. The Finance Committee will consult with the Chief Financial Officer and Chief Executive Officer to oversee the implementation of this AMPS. Additional responsibilities may be found in the Finance Committee charter. The Finance Committee may, from time to time, seek the input of third-party experts, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.

Resource Management Committee

The Board has established a Resource Management Committee to assist the Board in the oversight and strategic planning for the land, natural resource assets, and associated improvements held by the Trust. This Committee consists of three current voting members of the Board and the Board Chair as a non-voting member. The Resource Management

Committee will consult with the Chief Executive Officer and the Trust Land Office to oversee the Trust's land, natural resource assets, and associated improvements by the Department of Natural Resources. Additionally, the Resource Management Committee evaluates and makes recommendations to the Board on land and natural resource development projects managed by the TLO that require capital investment from the Trust. Additional responsibilities may be found in the Resource Management Committee charter. The Committee may, from time to time, seek the input of third-party experts, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.

Chief Executive Officer

As defined by AS 44.25.230, the Chief Executive Officer ("CEO") is the staff position that is responsible for the day-to-day management of AMHTA and serves the Board. The CEO implements the policies established by the Board according to the authorities and guidelines provided in state statute, regulations, AMHTA bylaws, and the CEO charter. Additionally, the CEO serves as the manager of the Commercial Real Estate Limited Liability Corporations, if any, and may utilize the expertise of a third-party asset managers, listing agents, real estate brokers, leasing agents, and others retained by AMHTA to assist with this responsibility.

Chief Financial Officer

The Chief Financial Officer ("CFO") provides reports on investment activity and results, as well as provides general oversight of the Trust investments. As part of the annual budgeting process, the CFO will make a calculation and a recommendation to the Finance Committee regarding the amount of money that should be withdrawn from the investment accounts to fund Trust activity. Where investment managers require administrative direction from the Trust to implement the investment policies and strategies (such as rebalancing activities), the CFO provides that direction in accordance with established Board policies.

Department of Natural Resources (DNR)

As a result of the 1994 settlement of the Weiss v. State litigation, the state legislature directed the Trust to contract with the Department of Natural Resources to manage trust lands.¹ By statutory directive, the Trust contracts with the DNR, and under that contract, the Trust compensates DNR to manage the Trust lands in the best interests of Trust beneficiaries.

¹ AS 37.14.009; AS 38.05.801.
AHMTA Investment Policy Statement, TBD, 2026

Trust Land Office (TLO)

The Trust Land Office is a division within DNR. Through regulations and the Commissioner of the Department of Natural Resources delegating their authority to the Trust Land Office Executive Director, DNR established the Trust Land Office.² The TLO's land management responsibilities include management of the Trust's land, real estate, natural resource assets, and associated improvements in the best interests of the Trust beneficiaries.³

Trust Land Office (TLO) Executive Director

The TLO Executive Director has overall responsibility for the management of approximately one million acres of Trust land with accountability to the Trust and its beneficiaries and reports to the CEO.

Alaska Permanent Fund Corporation (APFC)

APFC manages assets for the Mental Health Trust Fund as agreed by the Board and APFC in accordance with AS 37.14.009.

Department of Revenue (DOR)

The DOR manages funds for the State of Alaska, including AMHTA budget reserves and other short-term investments.

² See Director's Order 3 (DNR); 11 AAC 99.010.

³ AS 38.05.801

Statement of Asset Management Philosophy

The AMPS serves as a framework to enable prudent management of Trust assets so that they remain available to current and future beneficiaries. The AMPS helps the Board effectively supervise, monitor and evaluate the investment and management of both the Trust's financial assets and land, natural resource, and real estate development assets. The short-term cash, financial investment, and land/natural resource/real estate development programs are defined in the various sections of the AMPS by:

- stating in a written document the Board's expectations, objectives, and guidelines for management of the short-term cash, financial and land/natural resource/real estate development assets;
- complying, or ensuring compliance, with all applicable fiduciary, prudent investor, and due diligence requirements, including the requirements of AS 37.10.071, that experienced investment professionals and land managers would reasonably utilize, and with all applicable laws, rules, and regulations that may impact Trust assets;
- setting forth an overall structure for the Trust's investment program; this structure includes various accounts, asset classes, investment management styles, risk tolerance, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term;
- establishing guidelines for management of the Trust's land, natural resource, and real estate development assets developed by the TLO, utilizing Trust capital, consistent with the TLO's long-term asset management strategy as defined in 11AAC 99.090(c). This document does not govern the land and natural resource management activities of the TLO, which are overseen by the Resource Management Committee;
- monitoring, evaluating, and comparing the investment performance results achieved by APFC, DOR, and TLO on a regular basis;
- encouraging effective communication between the Board, staff, APFC, DOR, and TLO;
- establishing a framework to aid the Board in determining the annual available funding amount for spending on behalf of the beneficiaries in mental health programs and projects, and protecting and enhancing the value of the Trust for future beneficiaries; and
- establishing policies and procedures for systematic evaluation of relative risk and returns for prospective investments, including land and natural resource development projects, as compared to the best available alternate investments.

This AMPS is formulated upon the Board's consideration of the financial

implications of a wide range of policies and describes the prudent investment processes that the Board deems appropriate.

The Board recognizes that even though its investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. This prevents ad-hoc revisions to the Board's philosophy and policies in reaction to either speculation or short-term market fluctuations.

The Board recognizes that the Trust has many stakeholders with differing levels of expertise and will make reasonable efforts to develop policies that are easily communicated to statutory boards, advisors and other stakeholders, so that the framework for decision making is clear and transparent.

Asset Management Objectives

The asset management objectives of the Trust have been established by the Board in conjunction with a comprehensive review of the Trust's current and projected financial requirements. The investment earnings from financial assets and income produced from land/natural resource/real estate development assets may be used to implement annual mental health program funding strategies and to protect the enhance the value of the Trust for future beneficiaries. Accordingly, investment results and Trust land resource management decisions are critical elements in achieving the outcome objectives of the Trust.

Short-Term Cash Management Objectives

Specific short-term cash management objectives are to:

- primarily protect the Trust's short-term capital requirements;
- achieve a rate of return comparable to that offered by short-term savings accounts such as money market funds or investment grade short duration bonds; and
- allow for as-needed liquidity to meet the cash flow needs of the Trust.

Financial Asset Management Objectives

Specific financial asset management objectives are to:

- preserve and enhance the purchasing power of the Trust's cash principal; and
- provide a steady, reliable payout stream to ensure funding of program spending goals while maintaining sufficient liquidity in all market environments.

Land, Natural Resource, and Real Estate Development Asset Management Objectives

Specific land, natural resource development projects and Commercial Real Estate objectives are to:

- protect and enhance the non-cash asset value and productivity of Trust property;
- maximize revenues from Trust land, natural resource, and real estate development assets over time;
- encourage a diversity of revenue-producing uses of Trust land, natural resource, and real estate assets;
- manage Trust land prudently, efficiently, and with accountability to the Trust and its beneficiaries; and
- use Trust land, natural resource, and real estate assets for

beneficiary purposes, when such use is found to be in the best interest of the Trust and its beneficiaries.

Guidelines and Investment Policy

Time Horizon

The investment time horizon is one of the major considerations when evaluating an investment policy. AMHTA considers several time horizons:

Short-Term: AMHTA maintains funds that are held temporarily, pending use by its programs or other investment decisions. These investments have an approximate time horizon of up to two years with an emphasis on preservation of capital rather than growth. Investments in this area include the funds held in the General Fund and Other Non-Segregated Investment (“the GeFONSI”) account managed by the Department of Revenue⁴. The GeFONSI is intended to produce cash-like returns with low levels of risk; accordingly it invests in a mix of high-quality, short-term securities and holds the regular operating funds used by AMHTA. AMHTA’s investments in the GeFONSI include the following

- Trust Settlement Income Account (“SIA”): GeFONSI Fund 1092
- Trust Authority Development Account (“TADA”): GeFONSI Fund 3320
- Trust Land Office Development Account (“TLODA”): GeFONSI Fund 3322

From time to time, as part of the operations of the Commercial Real Estate portfolio, AMHTA may also hold cash, certificates of deposit, or money market accounts in federally insured banks. These funds are generally invested in low-risk, highly liquid accounts and include:

- Operating Accounts for Building management
- Property Reserves for Capital Improvements

Medium-Term: AMHTA invests funds that may be needed in the future for use by its programs. These investments have an approximate time horizon of five to seven years with an emphasis on balancing preservation of capital while still achieving growth. Investments in this area include:

- Budget Reserves managed by DOR

Long-Term: AMHTA also invests funds for the benefit of future beneficiaries. These investments are managed for long term growth, with a time horizon of seven years and beyond. Investments in this area include:

- The Mental Health Trust Fund, as defined in AS 37.14.031, including Budget Reserves managed by APFC

⁴ Additional information regarding the GeFONSI pool can be found at <https://treasury.dor.alaska.gov/home/investments/gefonsi>
AHMTA Investment Policy Statement, TBD, 2026

- Commercial Real Estate holdings managed by the CEO
- Land and natural resource development projects, funded from TLODA- and managed by the TLO

Asset Allocation

Careful allocation of Trust capital is an essential component of managing the overall prospective return and risk profile of the Trust. Asset allocation is the framework for managing investment decisions to achieve the desired result within an acceptable range of risk. Overall investment decisions should be made after conducting a thorough and systematic comparison of the projected investment return and risk levels versus those of available alternatives, which may include investing additional capital with APFC. Additionally, any potential labor or resource demands on Trust Authority Staff and the Board, along with the institutional expertise required of the Staff and Board for any necessary oversight, must be considered.

The AMHTA has unique features when considering asset allocation:

- By investing as a commingled account at the Alaska Permanent Fund, the Trust benefits from substantial economies of scale and reduced costs. However, the AMHTA cannot adjust the asset allocation or the investment strategies employed by APFC and is subject to periodic changes to the return and risk targets adopted by APFC.
- Through the Settlement the Trust holds approximately one million acres of land throughout Alaska. This is a substantial asset for the Trust, but it has limited liquidity and is concentrated in Alaska. Associated with the land holdings, the AMHTA participates in natural resource development (including harvesting timber, mining, oil & gas production, etc.). This creates some sensitivity to commodity prices, foreign exchange rates, and the overall economic environment.
- The Trust holds direct commercial real estate investments in several commercial properties. The funds invested in these assets represent less than 5% of total Trust assets and have limited liquidity. The Commercial Real Estate (“CRE”) portfolio has entered wind-down/liquidation and no new properties will be added to the program.
- The Trust maintains a commitment to serving beneficiary needs through the provision of facilities at lease rates that may differ from market rates. These program-related assets generate limited financial return to the Trust and should be excluded from asset allocation calculations.

Considering these factors, the Finance Committee shall review the asset allocation annually following completion of the annual financial statement audit and recommend any prudent adjustments to the asset allocation between the various accounts to the Board, along with a target risk profile of the Department of Revenue Budget Reserves portfolio as necessary to

achieve the Trust's long-term objectives. The CFO, in coordination with external consultants, will provide the Finance Committee with an aggregate report of current asset valuations and make recommendations for Board consideration. The Trust assets are categorized as follows:

Investment Manager	Account	Risk Profile (1=Low, 5=High)	Asset Allocation
Department of Revenue	GeFONSI	1	Established by the Manager ⁵
Department of Revenue	Budget Reserves	2	Established by the Manager with Trust direction ⁶
Alaska Permanent Fund Corporation	Trust Fund and Reserve Balances	3	Established by the Manager ⁷
Commercial Real Estate LLCs (CEO and Third-Party Manager(s))	Commercial Real Estate	4	Established by the Trust ⁸
Trust Land Office	TLODA-Funded Development Projects	Varies by Project (3-5)	Established by the Trust

Performance Expectations

Significant factors in achieving positive long-term investment results include the costs and fees associated with investment services. The Trust has two external managers that handle financial investments: the APFC and the DOR. Because of the substantial assets managed by the APFC⁹ and the GeFONSI investment pool¹⁰ the Trust receives the benefit of their purchasing power and economies of scale. This relationship allows for investments to be made at a lower cost than what would otherwise be available to the Trust and contributes to the long-term growth of Trust investments. Accordingly, the AMHTA seeks to work with these agencies as our investment managers whenever possible.

Short-Term and Financial Asset Managers

Alaska Permanent Fund Corporation

APFC management responsibilities for the Trust Fund are provided for in APFC statute and a memorandum of agreement between the Trust and the

⁵ Department of Revenue investment policies and allocations are published on line at:

http://treasury.dor.alaska.gov/Portals/0/docs/blue_book/investment_policies_and_procedures.pdf

⁶ The AMHTA gives broad guidance around which DOR investment funds the Trust should participate in. Descriptions of the allocations and investment pools are published on line at:

http://treasury.dor.alaska.gov/Portals/0/docs/blue_book/investment_policies_and_procedures.pdf under the section Z-1.

⁷ The Permanent Fund Asset Allocation framework and targets are published at:

<https://apfc.org/diversification-framework-asset-allocation/>

⁸ Current allocation is four properties, with approximately \$25 million in invested funds.

⁹ \$90.5 Billion as of January 2025

¹⁰ \$3.6 Billion as of January 2026

APFC (APFC MOA).

The Board reviews the long-term performance, risk, and liquidity characteristics of the APFC-managed investments on a periodic basis (but not less than annually). The Finance Committee will meet with representatives from the APFC on a periodic basis (but not less than annually) to review the APFC's investment strategy and adherence to its internally adopted investment policy and guidelines.

The performance target for the APFC investments will be APFC's current custom Performance Benchmark, as outlined by the APFC.

Department of Revenue

The asset allocation for Budget Reserves under management of the Treasury Division is directed by the Board.

The DOR Treasury Division holds and manages 75% of the Budget Reserve, cash balances of the TLODA, cash balances of the TADA, and on a short-term basis the income generated by the TLO and Trust income allocated by the Board for spending on the Integrated Comprehensive Mental Health Program held within the SIA.

Investments within the Budget Reserves are made pursuant to guidance provided by the CFO under the fiduciary direction of the Board. In executing their duties, the Finance Committee shall periodically (not less than every three years) review asset allocation independently or request consultation from outside entities and, if appropriate, recommend the Board adopt changes.

The TLODA, TADA, and SIA are currently invested in the GeFONSI.

The performance target for the Budget Reserves managed by the DOR is reviewed by the Board on at least an annual basis, with any revisions approved by the Board. The performance target for the GeFONSI is specified in the Investment Policy Statement that is approved by the Commissioner of Revenue on an annual basis.

Land, Natural Resource, and Real Estate Development Asset Managers

Trust Land Office

The TLO manages the Trust's land, natural resource, and real estate development assets with the exception of the Commercial Real Estate portfolio, in accordance with applicable statutes, regulations, and a memorandum of understanding between the AMHTA and DNR ("DNR MOU"). The land resource component of the Trust is made up of Alaskan land parcels, natural resource assets, and associated improvements. TLO

management responsibilities are provided for in AS 38.05.801, 11 AAC 99, the Resource Management Strategy, Settlement Agreement, and the DNR MOU.

The AMPS is focused exclusively on development projects funded through TLODA and does not govern ongoing management of existing land and natural resource assets managed by the TLO. With the understanding that the TLO must manage Trust lands to maximize long-term financial returns, it is to be anticipated that reinvestment of funds in the development of Trust land and natural resource assets through TLODA will be necessary.

The performance of any projects funded through TLODA will be presented to the Board by TLO and the CFO on at least an annual basis, including the calculation of financial metrics such as an internal rate of return (IRR) along with multiple on invested capital (MOIC) and distributions to paid-in capital (DPI) ratios. Such calculations are to be performed by the Chief Financial Officer, with the assistance of the TLO and third-party experts retained by AMHTA on an as-needed basis. TLODA projects should also be compared on a time-weighted basis versus a commodity-sensitive performance index, such as the FTSE CoreCommodity CRB® Index or similar. TLODA project performance will be reported to the Board no less than annually.

General operating expectations for the TLO are governed by the Resource Management Strategy document. Of note:

- lands, structures, and resources may be acquired when the acquisition will add value to the Trust's land, natural resource, and real estate portfolio through TLODA or will contribute to the mission of the Trust as a program-related investment, upon approval of the Board;
- investments in Trust land funded by TLODA should be consistent with the guidelines in the Resource Management Strategy and, when expected to generate increased value for the Trust, the projected investment risk and results should compete favorably, or offer the benefit of diversification through reduced projected correlation, when compared against the projected long-term total rate of return and risk (standard deviation) of the APFC; and
- if beneficiary program uses of Trust lands are proposed at rents below fair market value, the increment between proposed rents and fair market value rents will be considered an allocation of Trust revenue and must be approved by the Board.

In accordance with 20 AAC 40.610TLO revenue will be allocated as follows:

- To Principal: Land sale revenues; royalties from coal, gas, materials, minerals, and oil; perpetual easements; and 85% of revenues from timber sales.
- To Income: Interest from land sale contracts; bonus bids; rents; and

15% of revenues from timber sales.

Commercial Real Estate Investments

The CEO monitors and manages the CRE investment assets of the Trust. The CEO may engage a third-party asset management firm and others to assist with the monitoring and management of these assets. The third-party asset management firm and others will provide advice and recommendations regarding Trust's CRE investments to the Board when considering investment decisions.

The Board reviews the long-term performance, risk, and liquidity characteristics of the real estate investments on a periodic basis (but not less than annually).

The performance target for the assets is the NCREIF Office Sector Return and the performance of the APFC.

Revenue from the CRE portfolio in the form of rents, net sale proceeds, rebates and all other revenue shall be allocated to income.

Control Procedures

AMPS Revisions

It is not expected that the AMPS will change frequently. In particular, short-term changes in the financial, real estate and natural resource markets and associated operating arenas should not require adjustments to the AMPS. However, the Board will review the AMPS at least annually to confirm it remains relevant. Additionally, the AMPS shall be reviewed if there is a fundamental change to how APFC manages its portion of the Trust's financial assets, alterations to the AMHTA's spending policy, or if the AMHTA is impacted by statutory revisions. All revisions or amendments to the AMPS should be performed in consultation with external advisors.

Short-Term and Financial Assets

APFC & DOR performance will be reviewed quarterly by the Finance Committee who will report all performance to the Board to determine the continued feasibility of achieving the investment and Trust land management objectives and the appropriateness of the AMPS for achieving those objectives.

Land, Natural Resource, and Real Estate Development Assets

The TLO will maintain a level of management capacity necessary to prudently manage and develop Trust land, natural resource, and real estate assets over time. It is understood that this component of Trust land, natural resource, and real estate development/asset management represents a significant expense to the Trust. Necessary management expenses will be reviewed and approved by the Resource Management Committee, Finance Committee, and the Board on an annual basis.

The duties and responsibilities of the TLO are generally provided for in AS 38.05.801 and more specifically provided for in 11 AAC 99 and the DNR MOU. The specific management principles are provided for in 11 AAC 99.

TLO financial performance will be reviewed at least annually by the Finance Committee which will report all performance to the Board.

A review of the Commercial Real Estate portfolio will be presented to the Finance Committee at least annually by the CEO and/or the third-party asset management firm.

Total Trust Performance

On at least an annual basis, the total financial performance of the Trust assets will be presented by the CFO to the Board. Performance will be based upon data from the Trust's investment managers (DOR, APFC, and

TLO) along with the audited financial data for the CRE portfolio. Performance will be compared to a blended benchmark consisting of the following indices (weighted based upon the Trust's allocation to each category as of the beginning of each fiscal year):

- APFC Allocation: APFC's Performance Benchmark
- DOR Budget Reserves: Blended Benchmark as approved by the Board
- DOR GeFONSI: the GeFONSI's Custom Performance Benchmark
- TLODA Projects: Actual performance of the TLODA Project program
- Commercial Real Estate: NCREIF Office Sector Return

Investment Guideline Monitoring

On at least an annual basis, the investment accounts of the Trust should be reviewed by the CFO to confirm they are being managed in accordance with all applicable investment guidelines. Any areas of deviation from stated guidelines should be noted by the CFO and reported to the Board on a quarterly basis, with an understanding that immediate correction may not be financially prudent. Once any guideline breach has been corrected, the Board may return to annual investment guideline reviews. Investment guidelines are as follows:

- APFC: The APFC Board of Trustees approves the APFC Investment Policy, which can be found on its website¹¹. Confirmation of adherence to this policy should be part of the Board's annual review with the APFC.
- DOR Budget Reserves: DOR manages the Budget Reserves account in accordance with a long-term asset allocation target established by the Board. This portfolio invests in a mixture of active and passive commingled investment vehicles and is rebalanced at least quarterly based upon cash flows in and out of the Trust. Any deviation from the long-term asset allocation targets should be minimal.
- DOR GeFONSI: Governed by the Investment Policy Statement approved by the Department of Revenue¹². It is anticipated that the GeFONSI will not materially deviate from its stated investment guidelines.
- TLODA Projects: The TLO will implement all TLODA projects in accordance with the parameters for each project approved by the Board. The TLO will present an update on TLODA Projects to the Board on a periodic basis (but no less than semi-annually).
- Commercial Real Estate: The CRE program is in wind-down/liquidation and no new properties will be added to the portfolio.

¹¹ The APFC Investment Policy can be found under the "Governance and Corporate Policies" archive online at: <https://apfc.org/report-archive/#14-35-governance-and-corporate-policies>

¹² The GeFONSI Investment Policy Statement can be found in section XII.A of the State of Alaska Department of Revenue Treasury Division Investment Policies and Procedures found at: http://treasury.dor.alaska.gov/Portals/0/docs/blue_book/investment_policies_and_procedures.pdf

Cash Management Procedures

The Trust has elected to utilize the GeFONSI, managed by DOR, as its short-term cash management investment vehicle. The Trust has three primary cash management accounts that utilize the GeFONSI: TADA (account 3320), TLODA (account 3322) and SIA (account 1092). In general:

- TADA receives cash flows generated by TLO asset sales.
- TLODA receives capital from Trust reserves to fund TLODA activity and any other TLO-related expenditures as approved by the Board.
- SIA is the account from which income available for appropriation and expenditure is deposited. SIA ultimately funds the Mental Health Trust Authority Authorized Receipts (“MHTAAR”), AMHTA agency budget, TLO annual budget, and other authorized grants. SIA is expected to maintain a working balance of the current fiscal year’s withdrawal plus any residual balances from withdrawals yet to be spent.

Spending Policies

The Board has the authority to authorize the expenditure of Trust funds to award grants and contracts in fulfillment of the Trust's purpose to ensure an Integrated Comprehensive Mental Health Program, to protect and enhance the value and productivity of Trust assets, and, with legislative approval, the operating expenses of the Trust Authority Office ("TAO") and TLO. This spending policy outlines five Board objectives:

1. follow a spending policy based upon a sustainable percentage of investment net asset values;
2. apply smoothing mechanisms to mitigate the effects of short-term market volatility on spending and maintain a reliable funding stream to ensure the support of an Integrated Comprehensive Mental Health Program for the beneficiaries;
3. maintain the purchasing power of the Trust principal, including addressing the effects of inflation, by using the reserve model consisting of the Budget Reserve account originally recommended by Callan LLC in 1996 and updated in 2025;
4. establish a Budget Reserve account to ensure funding support for the Integrated Comprehensive Mental Health Program is maintained in a difficult market environment; and
5. so that resources are available to current and future beneficiaries by allocating sufficient resources to ensure that Trust assets are properly managed, including the use of funds allocated to the TLODA, where appropriate and approved by the Board, to maximize the value and productivity of Trust land, natural resource, and real estate assets.

The Board recognizes achieving Trust asset management objectives requires adequate resources be allocated for that purpose by reimbursing APFC and DOR, DNR for the reasonable costs of managing Trust assets.

Annual Available Funding Framework

Having a relatively consistent and predictable funding stream is paramount to ensuring an effective Integrated Comprehensive Mental Health Program. To mitigate the effects of periodic market volatility on funding, the Board utilizes smoothing mechanisms to maximize funding consistency.

The following components have been established as a framework to aid the Board in determining the annual available funding amount:

- An annual withdrawal calculation consisting of 4.50 percent of the

rolling four year-end¹³ average of the actual net asset value (“NAV”) at the end of fiscal year for the aggregate of the following:

- Principal Invested at APFC¹⁴
 - Budget Reserve invested at APFC
 - Budget Reserve invested at DOR
- The rolling two year-end average of known and termed lapsed appropriations funded from the SIA¹⁵, or other process approved by the Board to capture the value of prior year unused funds;
 - The most recent finalized rolling two year-end average of income generated by TLO operations;
 - The income distributed from the CRE to the trust for the most recent fiscal year;
 - The interest earned on cash held with the GeFONSI managed by DOR for the most recent fiscal year;
 - The unobligated/unallocated funds that could have been authorized in previous fiscal years under this framework calculation; and
 - Other miscellaneous unrestricted revenues properly deposited into the Trust SIA such as contributions from partner agencies and the recovery of prior year expenditures received after the funding appropriation lapsed.

The Board reserves the right to expend additional funds when circumstances warrant. Concurrently, the Board acknowledges that principal assets are not available for expenditure.

The annual withdrawal calculation amount will be transferred to the SIA and invested with the GeFONSI in one or more transactions during each fiscal year by the CFO.

¹³ To ensure clarity and consistency in calculations, the year-end amounts referred to in the Annual Available Funding Framework are defined as the amounts/values as of the end of the fiscal year (June 30th) rather than the end of the calendar year (December 31).

¹⁴ Funds in the Trust operating accounts are not included in the payout calculation unless Trustees approve otherwise.

¹⁵ Settlement Income Account fund 1092 only. Lapsed appropriations funded from other sources are not included in the calculation.

Investment Account Guidelines

Budget Reserve Guidelines

In order to fulfill funding requirements during market downturns, a Budget Reserve account will be maintained to help ensure funding availability. Based on a Callan LLC study of the Alaska Permanent Fund and the Alaska Mental Health Trust Fund, the Budget Reserve is set at 400% of the targeted annual withdrawal calculation amount. This reserve amount should be adequate to provide maximum assurance that the Trust will be able to meet annual funding goals.

Approximately 75% of the Budget Reserve shall be invested by the DOR. The remainder of the Budget Reserve shall be invested by the APFC in the same manner as the principal.

When the APFC Budget Reserve allocation exceeds 100% for a given year, the Budget Reserve at DOR will first be adjusted up to 300% of the current year's targeted annual withdrawal calculation (if needed). When the Budget Reserve is fully funded at both DOR and APFC, funds may be used to help offset the effects of inflation ("inflation proofing") by adjusting the Principal balance at APFC. The effect of inflation will be estimated by using U.S. Department of Labor Bureau of Labor Statistics CPI-U index¹⁶.

When the APFC or DOR experiences losses for a given year, the Budget Reserve at DOR may be maintained or adjusted to 300% of the annual withdraw calculation from the Budget Reserve at APFC.

In the event of severe and/or sustained losses or withdrawals whereby the Budget Reserve is insufficient to meet the annual payout while maintaining at least 300% of the current year's annual withdrawal calculation then the withdrawal rate or amount may be reviewed by the Trustees.

Full or partial inflation proofing may be facilitated by the following method:

- Inflation proofing permanent transfer (official non-spendable transfer)
 - Upon notification by the CFO that the Board has approved an official and permanent inflation proofing transfer, APFC will initiate an accounting entry to irretrievably transfer funds from Budget Reserves to the Mental Health Trust Fund Principal.

Trust Land Office Development Account Guidelines

The value and productivity of Trust's assets will be maximized through the reinvestment of Trust income where appropriate. This includes investments made through Program Related Real Estate ("PRRE"), Program Related Investments ("PRI"), the Resource Management Strategy ("RMS") or other

¹⁶ Consumer Price Index All Urban Consumers; U.S.; All Items; 1967=100
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programs approved by the Board. So that resources are available to current and future beneficiaries, the Board will maintain a TLODA to use Trust income to:

- exchange one land/natural resource/real estate asset for another, or;
- to maintain or enhance the value of the Trust's existing land/natural resource/real estate portfolio, either through prudent investments in assets already owned by the Trust or through the acquisition of additional assets.

Assets in the TLODA may also be used to acquire assets that enhance the capacity of the state's mental health program, such as facilities for delivering services to beneficiaries. This may be accomplished through the financing of projects, purchase/lease of assets, exchange or resale.

All recommendations for expenditure from TLODA for non-PRI or non-PRRE investment must be presented by the TLO to both the Finance and Resource Management Committees for review, with recommendations from both committees being presented to the Board for final approval. Recommendations for expenditure from the TLODA will be noticed in the same manner as other Trust expenditures, including presentation to the Finance and Resource Management Committees and final approval by the Board. Recommendations will be based upon a specific investment plan with identified priorities. Such presentations should clearly detail the investment case for each TLODA project, including:

- Expected rate of return versus risk, including financial, operational, legal and macroeconomic risks
- Liquidity and market conditions
- Strategic fit
- Alignment with Trust principals

Generally, these investments are expected to compare favorably with the projected long-term total rate of return and risk profile of the APFC or offer sufficient diversification benefits through reduced correlation with APFC.

Where TLODA funds are used to enhance the value of the Trust's existing land, natural resource, and real estate assets, each project will be accounted for individually and the earnings from the project will be used to calculate performance metrics such as an IRR, multiple on invested capital ("MOIC"), and distributions to paid-in capital ("DPI").

The Board may adjust the TLODA IRR target on a case-by-case basis, reflecting the unique circumstances and attributes of each project. Classifying these cash flows between principal and income shall be done at the direction of the Board, in accordance with 20 AAC 40.610.

The TLODA projects may involve land and natural resource development, asset classes that can be illiquid or exposed to fluctuating commodity prices. Accordingly, the Board should expect TLODA projects to provide beneficial return, risk, and correlation characteristics when compared to APFC. Additionally, sizing of TLODA projects must be considered in terms of the total Trust portfolio's overall asset allocation.

Additional investments may be made in the future, depending upon the needs of the Trust. The above guidelines apply only to development projects funded by TLODA, and do not apply to existing land and natural resource assets managed by the TLO that do not require capital commitment from the Trust.

Commercial Real Estate Guidelines

The Commercial Real Estate investments held by the Trust generate income through lease payments. These assets also have the potential to create value through appreciation, through a combination of property improvements, lease renewals, and overall economic growth. Management of these assets are handled by the CEO. The CEO may choose to hire a third-party asset management firm and others to assist with the management and oversight of the CRE investments, including the ongoing evaluation of potential property sales.

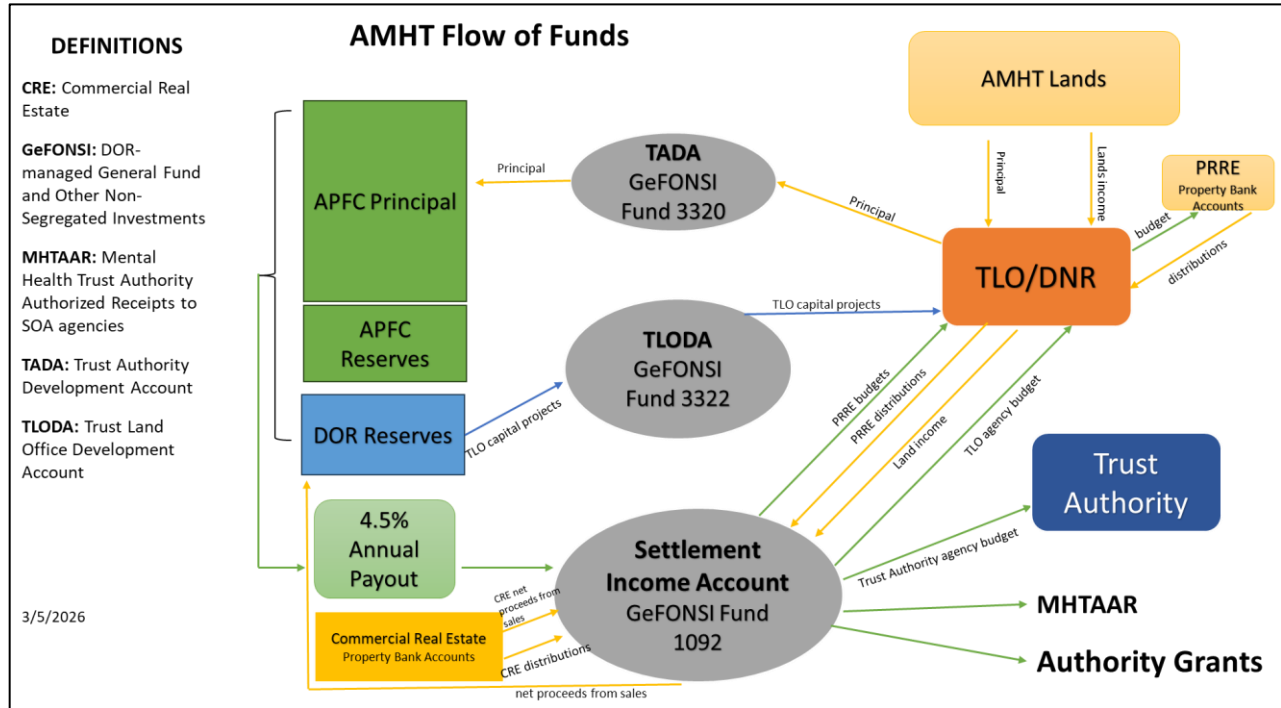
There are two key features associated with the CRE investments that should be considered as part of the AMPS:

- Each property has an annual budget for operations, debt service, and maintenance/capital improvements. Income generated by the properties will be used to fund these costs first, prior to making distributions to fund beneficiary programs.
- Certain properties have outstanding debt. These loans are structured as non-recourse debt, which limits the overall liability of the Trust. The terms of each mortgage, especially the timing of any balloon payment requirements, should be carefully considered as part of the overall investment strategy.

These assets compose less than 5% of the Trust's overall investments. Each property has a commercial property manager that prepares an annual budget, collects the rents, and handles day-to-day operations. Expenditures must be part of the Board approved annual budget.

Flow of Funds Diagram

The following chart serves as a high-level illustration of the general flow of funds among the various Trust accounts.



Definitions

For purposes of ease of administration and understanding of this Asset Management Policy Statement, the following terms are defined or clarified:

THE ALASKA PERMANENT FUND CORPORATION (“APFC”): The Alaska Permanent Fund Corporation manages the majority of the financial assets of the Alaska Mental Health Trust Authority under the APFC’s asset allocation policy as approved by the APFC Board of Trustees and its investment policies and guidelines for major asset classes.

ASSETS: Consists of the financial and land/natural resource/real estate assets of the Alaska Mental Health Trust Authority, including property and resource assets acquired by the TLO on behalf of the Trust.

BOARD: The governing body of the Alaska Mental Health Trust Authority established by AS 44.25.210.

BUDGET RESERVE: Budget Reserve is set at 400% of the targeted annual withdrawal amount. This reserve amount should be adequate to ensure the Trust’s ability to meet its spending goals in a difficult market environment and to provide liquidity in future years. The budget reserve is maintained both within the Department of Revenue Budget Reserve as well as the Alaska Permanent Fund Corporation.

CHIEF EXECUTIVE OFFICER (“CEO”): The staff position as defined by AS 44.25.230 serving the Board as the chief executive officer of the Alaska Mental Health Trust Authority.

CHIEF FINANCIAL OFFICER (“CFO”): The staff position serving as the chief financial officer of the Alaska Mental Health Trust Authority.

COMMERCIAL REAL ESTATE (“CRE”) PORTFOLIO: A portfolio of commercial real estate properties held by the AMHTA. The CEO is responsible for management and potential disposition of the CRE portfolio. At this time, no new properties are to be added to the CRE portfolio.

FINANCIAL ASSETS: Assets of the Alaska Mental Health Trust Authority that are invested through the Department of Revenue (DOR), under management of the Treasury Division, and through the Alaska Permanent Fund Corporation (APFC).

GENERAL FUND AND OTHER NON-SEGREGATED INVESTMENT (“GeFONSI”): An investment pool managed by the Alaska Department of Revenue Treasury Division. The pool buys fixed income securities on behalf of the Trust and tracks the earnings and value of the Trust’s share of the pool.

LAND, NATURAL RESOURCE, AND REAL ESTATE DEVELOPMENT ASSETS: Assets of the Alaska Mental Health Trust Authority that consist of property and natural resource assets. Such assets are managed for the Trust by the Trust Land Office (TLO), apart from the Commercial Real Estate portfolio.

SETTLEMENT: The statutes, settlement agreement, letters clarifying the settlement agreement, and the final Superior Court order creating and approving the settlement of Weiss v. State of Alaska.

SETTLEMENT INCOME: Income generated by the Trust Land Portfolio, distributions from any Program Related Real Estate, income from the Commercial Real Estate portfolio, and any net proceeds from CRE asset sales. This income is transferred to the Trust Settlement Income Account for appropriation and expenditure.

SETTLEMENT LAND: The properties and associated improvements transferred to the Trust as part of the original Mental Health Enabling Act (PL 94-830) as well as the properties subsequently transferred to the Trust as replacement lands via the Settlement.

TRUST: The Alaska Mental Health Trust established by Congress under the Mental Health Enabling Act of 1956.

TRUST AUTHORITY: The Alaska Mental Health Trust Authority established by AS 44.25.200.

TRUST AUTHORITY DEVELOPMENT ACCOUNT (“TADA”): The holding place for cash principal until it is transferred to the APFC for investment by the Alaska Permanent Fund. The account is maintained on the state accounting system as GASB fund 3320. Prior to September 2014, this account was referred to as the Trust Land Development Account.

TRUST AUTHORITY OFFICE (“TAO”): The office with responsibility for providing support to the chief executive officer and Board of Trustees in management of Trust financial assets and in assuring development of the Integrated Comprehensive Mental Health Program.

TRUST AUTHORITY STAFF: The CEO, CFO, and all employees of the AMHTA.

TRUST LAND OFFICE (“TLO”): The office with responsibility for management of the Trust land assets, natural resource assets and associated improvements established within the Department of Natural Resources under AS 44.37.050.

TRUST LAND OFFICE DEVELOPMENT ACCOUNT (“TLODA”): where a

portion of spendable income has been assigned for future use on natural resource development projects or other activities authorized by the Trustees. The account is maintained on the state accounting system as GASB fund 3322.

TRUST LAND OFFICE (“TLO”) EXECUTIVE DIRECTOR: In fulfilling the contract with the Board described in AS 37.14.009, this staff position serves the commissioner of the Department of Natural Resources as the Executive Director of the Trust Land Office. Per the Memorandum of Understanding with the Department of Natural Resources, the Commissioner has delegated the authority to select/replace the Executive Director to the Trust with concurrence of the Commissioner.

TRUST LAND OFFICE STAFF: The Trust Land Office Executive Director and all employees of the TLO.

TRUST LAND PORTFOLIO: The land, natural resource, and real estate assets of the Alaska Mental Health Trust Authority that are managed by the Trust Land Office, including improved properties and facilities. The land portfolio includes properties acquired through the Settlement as well as other properties acquired for program related investment (PRI) or other land transactions, including exchanges.

TRUST SETTLEMENT INCOME ACCOUNT (“SIA”): The GeFONSI account in which income available for appropriation and expenditure is deposited (and from which agencies receiving MHTAAR funded appropriations expend). The account is maintained on the state accounting system as GASB fund 1092.

TRUSTEE(S): The Board of Trustees of the Trust Authority, either collectively or individually.