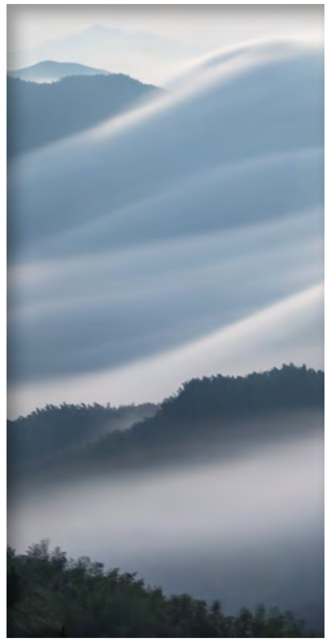

BALANCE

ANNUAL REPORT | 2019

APFC ALASKA PERMANENT FUND CORPORATION

OUR MANDATE

The Alaska Permanent Fund is a globally recognized sovereign wealth fund, established in 1976 by Alaskans as a public trust to preserve and convert the State's non-renewable oil and mineral wealth into a renewable financial resource for all generations of Alaskans.

The Alaska Permanent Fund Corporation (APFC) was created by the Alaska State Legislature in 1980 as an independent state entity tasked with the mission *to manage and invest the assets of the Permanent Fund and other funds designated by law.*

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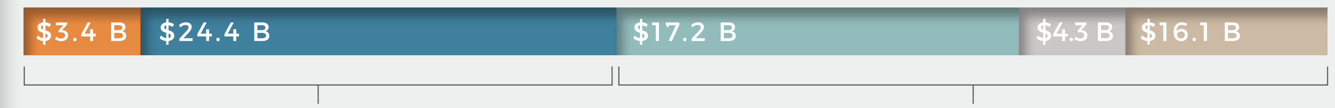
USE OF FUND EARNINGS
(SINCE INCEPTION)

$65,412,800,000



PAID OUT TO CURRENT GENERATIONS | 42.5% | $27.8 B
- GENERAL FUND | 5.2%
- DIVIDEND APPROPRIATIONS | 37.3%

SAVED FOR FUTURE GENERATIONS | 57.5% | $37.6 B
- INFLATION PROOFING | 26.4%
- SPECIAL APPROPRIATIONS | 6.6%
- UNDISTRIBUTED REALIZED INCOME | 24.5%

ASSETS UNDER MANAGEMENT
(AS OF JUNE 30, 2019)
$66,300,267,000

FY19 TOTAL FUND RETURN
6.32%

ANNUALIZED FUND RETURN SINCE INCEPTION
8.79%

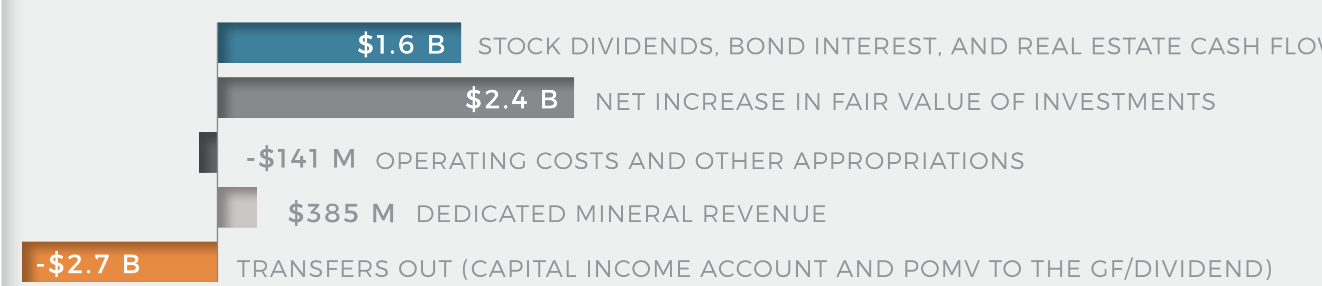
PRINCIPAL
$47,819,610,000

- CONSTITUTIONALLY PROTECTED DEPOSITS
- UNREALIZED GAINS

EARNINGS RESERVE ACCOUNT (ERA)
$18,480,657,000

- REALIZED EARNINGS
- FY20 COMMITMENT TO THE GENERAL FUND
- UNREALIZED GAINS
- FY20 COMMITMENT TO PRINCIPAL

FY19 SOURCES OF CHANGE IN FUND VALUE



APFC Board of Trustees 2019: Chair Richards, Vice Chair Brady, Trustee Rutherford, Trustee Moran, Trustee Tangeman, Trustee Feige

MESSAGE FROM

THE BOARD CHAIR

Like so many of us, I have a life-long admiration for the uniquely Alaskan concept and institution that is the Alaska Permanent Fund. Steeped in history, vision, and stewardship, our Fund is premised on an equitable sharing of state resource wealth among all generations. The debate of the past was forward looking. It focused on saving a percentage of revenues from oil, gas, and mineral resources to generate renewable wealth in the form of income-producing investments, while paying a share of that income to the people of Alaska. The debate of today is grounded not just in the future but in the present. It is focused on attaining a balance between utilizing the earnings from those savings to provide for current government and dividend spending, and ensuring that the intergenerational value of the Fund is preserved into the future.

For the first time in state history, the Legislature has adopted a mechanism whereby Fund earnings are used not just to pay dividends, but to also contribute to state government under a percent of market value (POMV) methodology. The POMV is calculated on the average market value of the Fund for the first five of the preceding six fiscal years and is subject to annual appropriation by the Legislature. Under this rules-based framework, the state operating budget for Fiscal Year 2019 included a $2.7 billion POMV draw from the Fund for the payment of dividends and to support government services. In recognition of this transition period, when state revenues from oil development are unlikely to fully fund state revenue needs in the future, as a pivotal time for the Fund and Alaska, the Board of Trustees passed Resolution No. 18-04.

This resolution affirms the importance of formulaic management of transfers into and out of the Fund to ensure its sustainability and long-term growth. In addition to the POMV structure, other elements are essential in achieving a balance between current demands on the Fund and the protection of intergenerational value: Adherence, Sustainability, Inflation Proofing, and Real Growth.

Adherence to the rules provided in state law for transfers into and out of the Fund, as opposed to one-time ad hoc expenditures, increases the likelihood that systematic draws from the Permanent Fund will be sustainable over time and will allow for more prudent investment due to the predictability of liquidity needs.

Sustainability requires that formulaic withdrawals are set at an amount that the portion of the Fund available for appropriation can provide, which requires periodic review of the draw rate as market conditions change.

Inflation proofing has long been recognized as critical to ensuring the Fund has at least an equal value in the future, as it does today. In the early years of the Fund, Chair Elmer Rasmuson led the charge to ensure the Principal maintained an inflation protected value, recognizing inflation as "a thief in the night." We remain ever vigilant, knowing that for the Fund to have equal value for future generations of Alaskans it must maintain its purchasing power through guaranteed annual inflation proofing.

ALASKA CONSTITUTION ARTICLE IX, SECTION 15 — ALASKA PERMANENT FUND

At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

Real growth, or growth in Fund value beyond inflation proofing, is also a critical component in striking the balance between spending from the Fund for current needs and providing equitably for future generations. Real growth will not only result in more income and thus higher sustainable draws, it is necessary to preserve intergenerational wealth as Alaska continues extraction of its finite, depletable natural resources.

As Alaskans collectively work to achieve balance in using the Fund to meet present and future needs, we run the risk of compromising our intergenerational mandate in favor of short-term expediency. The Board of Trustees is committed to serve the next generation as equitably as the current one.

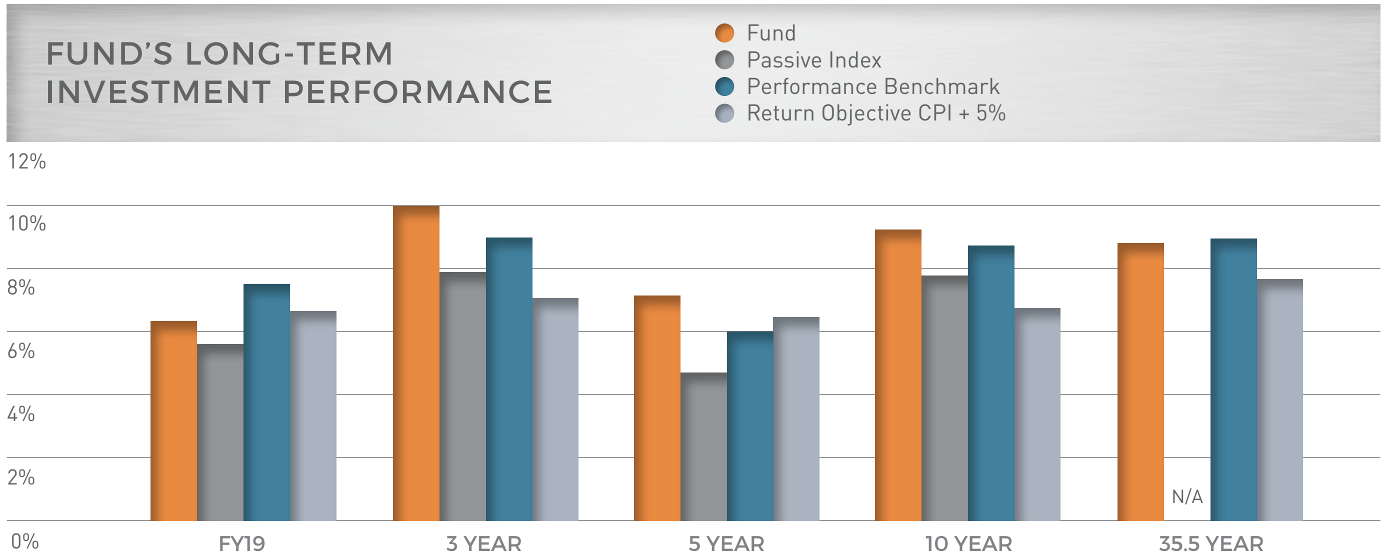
This year the Board welcomed two new Trustees: Commissioner Bruce Tangeman with the Department of Revenue and Commissioner Corri Feige with the Department of Natural Resources. They each bring a wealth of experience and knowledge to the Board, as well as years of public service to Alaska. I would also like to thank outgoing Trustees Sheldon Fisher and Andrew Mack for their service to the Fund.

Alaskans can be assured that the Board of Trustees and staff of the Alaska Permanent Fund Corporation are committed to ensuring that the Alaska Permanent Fund is viable to support the needs of Alaska today and in the future. We continue to draw on the wisdom and foundation of those before us to lead in protecting the long-term sustainability of our permanent financial resource.

Craig Richards, Chair

OUR PERFORMANCE

FUND'S LONG-TERM INVESTMENT PERFORMANCE



APFC's stewardship of the Fund is founded on governing principles that include: fiduciary oversight by a Board of Trustees, defined legal and regulatory responsibilities, strict adherence to accountability measures, and use of recognized best practice standards.

Strategic performance benchmarks are set by the Board of Trustees and are an integral part of managing the Fund, as they allow for a balanced approach to evaluating asset class performance. The Fund's portfolio is measured against three benchmarks that are incorporated into APFC's Investment Policy:

- **PASSIVE INDEX BENCHMARK**
  This short-term performance indicator for the Fund is based on a blend of passive indices reflective of a traditional portfolio consisting of public equities, fixed income, and real estate investments.

- **BLENDED PERFORMANCE BENCHMARK**
  This indicator is a blend of indices reflective of the target asset allocation and is used to assess the Fund's performance against peer investor results.

- **TOTAL FUND RETURN OBJECTIVE**
  The Board's long-term investment goal for the Fund is to achieve an average real rate of return of five percent per year, CPI/Inflation +5%, at risk levels consistent with large public and private funds.

The APFC team works to actively manage the Fund and meet or exceed the established benchmarks. The outperformance of the Total Fund versus the Passive Index Benchmark represents the value-added growth to the Fund that APFC's staff generates through active asset allocation and portfolio management. This value-added performance is reflective of APFC's commitment to actively manage the portfolio on a global scale to maximize returns for Alaska.

VALUE ADDED IN FY19 RETURNING OVER THE PASSIVE INDEX BENCHMARK

$473.7M | 0.73%

VALUE ADDED OVER 5 YEARS RETURNING OVER THE PASSIVE INDEX BENCHMARK

$6.2B | 2.44%

LETTER FROM

THE CEO

When I began my role as CEO four years ago, we were preparing to mark the 40th year of the Alaska Permanent Fund. The anniversary came with both excitement and trepidation, as there were clear storms on the horizon and we knew we needed to position the Fund to weather many of those storms. In the coming year, we will commemorate the 40th anniversary of the Alaska Permanent Fund Corporation (APFC). As we look forward to celebrating with you the many APFC milestones and what they have meant for the success of the Fund, we acknowledge our work is not done. There are many challenges ahead, both here at home in Alaska and Outside, as we look to a global economy that is slowing down.

The theme of this year's annual report is Balance. It is recognition that we do not do anything in isolation and that we must balance our past, present, and future for the benefit of all Alaskans. In 1990, upon recognition of APFC's 10-year anniversary, our then chairman, John Kelsey, noted that the Permanent Fund exists for the collective benefit of all generations of Alaskans, but it is "difficult to have one leg anchored in the present and another in the future. Your Fund managers have tried to balance consideration of long-term results with concern for the impacts of the Fund's investment practices in the short-term." This is as true today as it was 30 years ago.

How do we balance the needs of current generations of Alaskans while providing for future generations of Alaskans? First, we fight for inflation-proofing and royalty deposits. We advocate for the need to follow our self-imposed draw limitations on the Earnings Reserve Account. We balance the short-term investment horizon versus the long-term horizon and retain a portfolio of diversified liquid and illiquid investments. This results in an investment strategy for the Fund that earns less money in boom times, but more money overall by losing less in bust times.

Balancing rewards versus risk is probably one of the most challenging aspects for APFC. As the saying goes, "There is no free lunch," and so it is with investing. We recognize how dependent the State has become on us, and any time we debate how to increase returns we also debate whether or not the risk is worth it. Is it more important to "not lose money" and have a "known threshold" balance than to potentially lose it chasing a higher return?

Fortunately we have a talented team of professionals who practice patience and discipline, and who understand the importance of this continuous balancing act.

As it relates to the professionals of APFC, we need to balance internal versus external management. External management allows us to leverage knowledge, relationships, and markets we would otherwise not have access to. Internal management brings with it many benefits, including alignment of investment outcome with the Permanent Fund's mandate and lowering overall fees. It also, however, requires ongoing care, adequate resources, and most importantly, support from Alaskans.

Over the past year we have accomplished significant growth with your support. We have welcomed 17 new staff, building up our internal investment and management capabilities. The investment in staff, systems, and the remodeling of our office space to accommodate today's work flow requirements, means that Alaska has a platform to deliver for the next 40 years the results Alaskans have come to expect .

Alaska is undergoing a great deal of change. Industries, workflow, and economic generation have all revolutionized over the last 40 years, and Alaska must now work to build new industries that capitalize on technology, data, climate and globalization. Over the years, our investment in Alaska has been through delivering returns, yielding dividends to Alaskans to the tune of more than $27 billion that were cycled back into the Alaska economy through consumer spending and saving. As we look to the future, we will be assessing opportunities for investment in Alaska versus our ability to invest in capital markets around the world – while ensuring we continue to deliver the returns Alaskans need to provide essential services, such as public safety and education.

In this time of change, it is essential for us to maintain our center, our sense of balance. In doing so, we will all stand ready to face the many challenges ahead.

Sincerely,

Angela M. Rodell

Angela M. Rodell

THE FUND A RENEWABLE RESOURCE

The Alaska Permanent Fund was created by visionary Alaskans who saw a way to find balance in providing a renewable benefit to all generations of Alaskans based on royalties received from the state's non-renewable mineral resources.

The objectives of the Alaska Permanent Fund are outlined by Alaska Statute 37.13.020:

The people of the state, by constitutional amendment, have required the placement of at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments and bonuses received by the state into a permanent fund. The legislature finds, with respect to the fund that

(1) the Fund should provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans;

(2) the Fund's goal should be to maintain safety of Principal while maximizing total return;

(3) the Fund should be used as a savings device managed to allow the maximum use of disposable income from the Fund for purposes designated by law.

Alaskans have successfully converted non-renewable oil and mineral resources into a renewable resource in the form of income-producing financial assets by saving a portion of Alaska's natural resource wealth, protecting its long-term value, and investing it in a well-diversified portfolio.

Growth of the Fund is generated through contributions to the Principal, which is constitutionally protected as the depository for at least 25% of all mineral royalties, and which may only be used for income-producing investments. The Earnings Reserve Account (ERA) is established by Alaska Statute 37.13.145 and it holds the net investment earnings, known as statutory net income, of the Fund. The ERA grows in value based on cash flow income and realized returns on investments in stocks, bonds, real estate, infrastructure, and private entities.

The Alaska State Legislature can appropriate the funds in the ERA for any state purpose, and withdrawals are subject to a percent of market value (POMV) methodology per Alaska Statute 37.13.140(b). This approach is designed to create a known and manageable withdrawal structure for the Fund. The Board of Trustees has long supported the POMV concept, including as a constitutional amendment. It ensures that no more than a sustainable amount is taken from the annual earnings of the Permanent Fund to provide benefits for both current and future generations of Alaskans. Additionally, the Trustees firmly endorse inflation proofing the Principal of the Fund to preserve its purchasing power for the benefit of all generations.

PERCENT OF MARKET VALUE — POMV

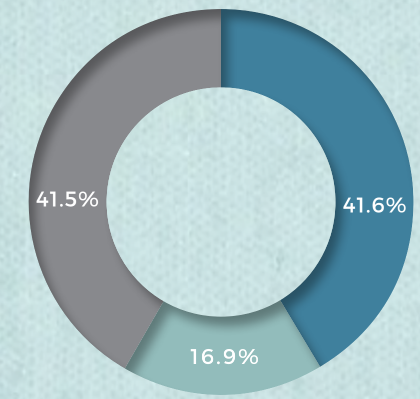
The POMV draw is based on a percentage of the average market value of the Fund for the first five of the preceding six fiscal years. The draw is subject to appropriation, and is set in statute at 5.25% for Fiscal Years 2019-2021 and 5.0% from Fiscal Year 2022 onward. The rules-based POMV framework debuted in FY19. It established the practice of ensuring that the Fund can balance the needs of all generations and be sustainable over the long term. The POMV draw in FY19 was $2.7 billion.

INFLATION PROOFING

Inflation proofing recognizes that the Principal can only maintain purchasing power through an annual legislative appropriation. The Board of Trustees has affirmed the importance of inflation proofing the Principal of the Fund since the 1980s. Based on the Fund's two account system — the permanent Principal and the spendable ERA — all of the realized investment earnings go to the ERA. The prudent reinvestment of a portion of the Funds' realized earnings to protect the future value of the Principal is essential to maintaining a healthy Fund for all generations of Alaskans and is a critical component of establishing a solid fiscal foundation for the state. Using the percentage change in the averages of the monthly United States Consumer Price Index, inflation proofing is calculated at the end of each fiscal year. It is based only on the Principal of the Fund, not on the unrealized gains. Inflation proofing of $989.5 million was appropriated from the ERA to the Principal in FY19.

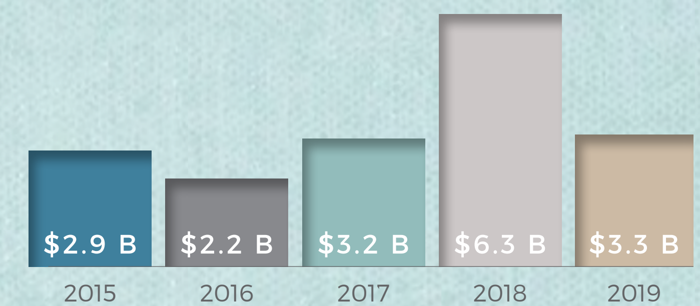
CONTRIBUTIONS TO PRINCIPAL

(SINCE INCEPTION)

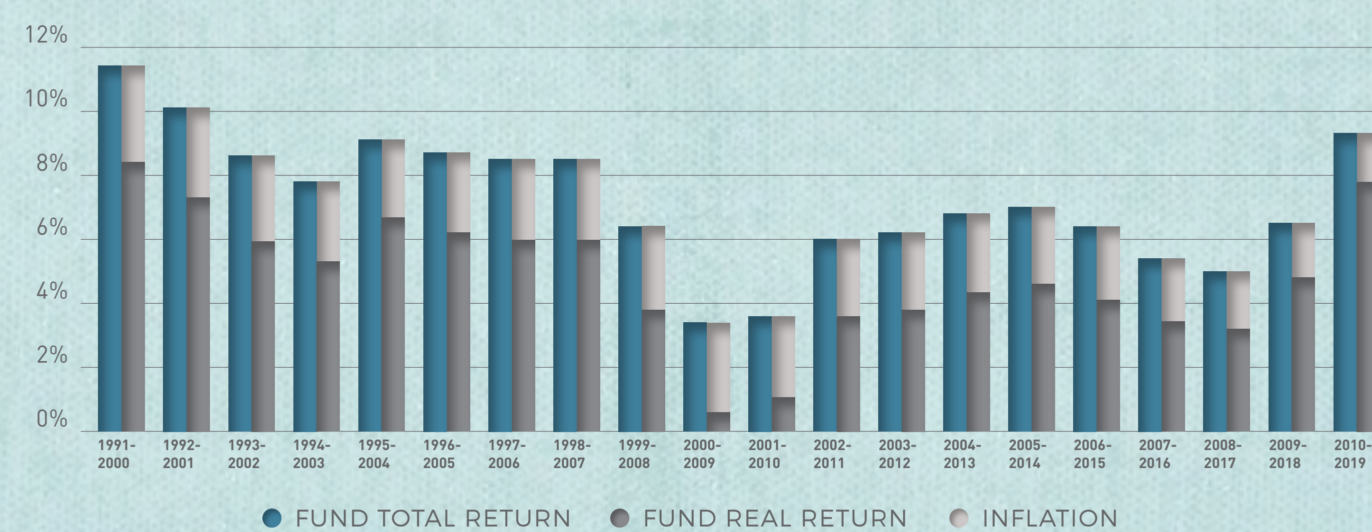


- MINERAL REVENUE | $17.3 B
- SPECIAL APPROPRIATIONS | $7.0 B
- INFLATION PROOFING | $17.2 B

STATUTORY NET INCOME BY FISCAL YEAR



ROLLING 10-YEAR FUND RETURNS



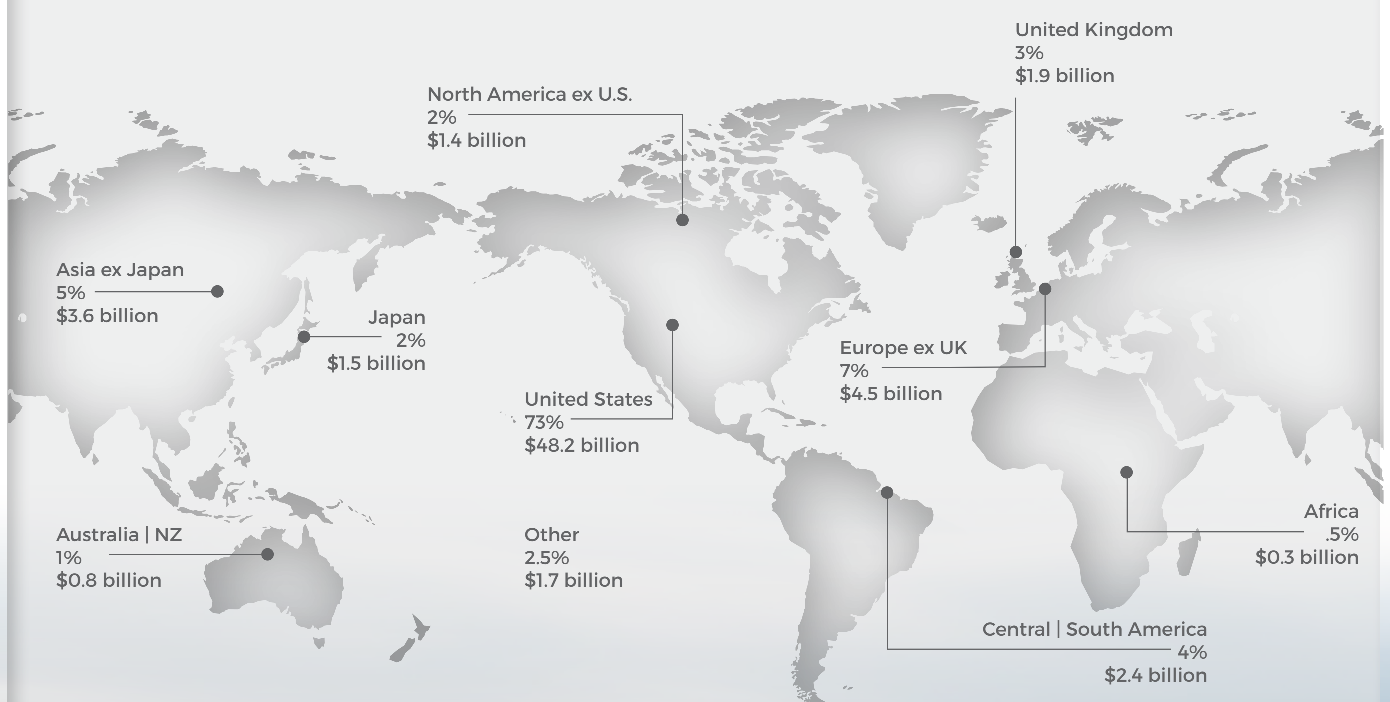
INVESTMENT STRATEGY

APFC's investment strategy represents a strong, enduring governance structure combined with processes that provide our staff and partners the flexibility and autonomy to be markedly agile and responsive to global market conditions.

Alaska Statute 37.13.120 defines APFC's responsibilities for the investment of the Fund. The Statute requires that APFC Board of Trustees applies the standards of the Prudent Investor Rule — emphasizing diversification and long-term goals in asset allocation strategy when making investment decisions. The Board of Trustees authorizes, and APFC staff make, investment decisions to maximize the risk-adjusted return of the portfolio. The Board of Trustees' investment objective for the Fund is to achieve a 5 percent real rate of return or better, with acceptable levels of risk. The Board has defined and approved risk guidelines to delineate the amount of absolute and relative risk staff may take to achieve these investment objectives.

INVESTMENTS BY REGION

The Permanent Fund is well positioned throughout the world economy. APFC actively partners with leading investment managers and institutional investors on each major continent to gain access to profitable investment opportunities around the globe. Investments are spread across most markets, countries, and currencies to achieve a broad exposure to global opportunities.



ASSET ALLOCATION

Growth and income strategies, as well as liquidity objectives, organize the asset allocation structure. This structure provides a framework for ensuring that investment return targets are commensurate with the risks undertaken.

The Fund is invested across seven asset classes in both public and private markets, creating a portfolio designed to deliver compelling long-term returns under a variety of potential market conditions. Each asset class contributes to the total Fund return and provides quality and diversity to the portfolio's investments. As illustrated in the table below, each of the seven asset classes has a target allocation with an associated "green zone" range that it typically is managed within. If an asset class exposure moves into the "yellow zone" or "red zone," due to tactical moves or fluctuations in market value, increasing levels of Board involvement and supervision are required per policy. There are similar targets and exposure zones for liquid vs. illiquid exposures and growth vs. income exposures. APFC staff also monitors a variety of other portfolio metrics, such as Relative Value at Risk and Tracking Error with associated tolerance zones.

Asset Class	Target Allocation	Primary Liquidity	Primary Objective	Green Zone	Yellow Zone	Red Zone
Public Equity	38.0%	Liquid/ Tradable	Growth	33-43%	0-10% Beyond Green Zone	>10% Beyond Green Zone
Fixed Income Plus	22.0%	Liquid/ Tradable	Income	17-27%	0-10% Beyond Green Zone	>10% Beyond Green Zone
Private Equity and Special Opportunities	12.0%	Illiquid	Growth	7-17%	0-5% Beyond Green Zone	>5% Beyond Green Zone
Real Estate	11.0%	Illiquid	Income	6-16%	0-5% Beyond Green Zone	>5% Beyond Green Zone
Infrastructure & Private Income	7.0%	Illiquid	Income	2-12%	0-5% Beyond Green Zone	>5% Beyond Green Zone
Absolute Return	5.0%	Illiquid	Growth	2-8%	0-5% Beyond Green Zone	>5% Beyond Green Zone
Asset Allocation (Cash & Liquid Market Exposures)	5.0%	Liquid/ Tradable	Growth	2-8%	0-3% Beyond Green Zone	>3% Beyond Green Zone

PORTFOLIO PERFORMANCE

Asset classes are managed by a dedicated team of investment professionals focused on achieving best-in-class overall performance. APFC's investment approach is designed to generate investment returns that efficiently reward the investment risks undertaken through the production of both regularized income, and capital gains. The advantage of the Fund's long-term horizon, stable construct, and size are leveraged to create value and produce compelling returns for Alaska.

Benchmarks for each asset class are included on the monthly performance report posted on our website at apfc.org.

Success is measured against strategic benchmarks over three time horizons:

- **LONG-TERM (5+ YEARS)**
  Generate total returns in excess of inflation/CPI + 5%,
- **MEDIUM-TERM (3 YEARS)**
  Aim to achieve top-quartile investment returns in relation to institutional investor peers,
- **SHORT-TERM (1 YEAR)**
  Earn regularized income sufficient to support the liquidity needs of the Fund while outperforming a passive global index portfolio of stocks and bonds.

JUNE 30TH 2019	Market Value	FY19	3 Years	5 Years
TOTAL FUND	**$ 66.3 B**	**6.32%**	**9.96%**	**7.13%**
Passive Index Benchmark		5.59%	7.87%	4.69%
Performance Benchmark		7.51%	8.97%	6.00%
Total Fund Return Objective CPI+5%		6.65%	7.05%	6.45%
PUBLIC EQUITY	**$ 25.2 B**	**2.96%**	**11.49%**	**5.61%**
MSCI ACWI IMI Benchmark		4.56%	11.42%	6.03%
FIXED INCOME PLUS	**$ 16.0 B**	**9.28%**		
Public Income Benchmark		8.60%		
PRIVATE EQUITY & SPECIAL OPPORTUNITIES	**$ 8.7 B**	**19.18%**	**21.56%**	**23.09%**
Cambridge Private Equity Benchmark		12.71%	14.68%	12.30%
REAL ESTATE	**$ 4.1 B**	**-1.29%**	**5.25%**	**7.47%**
NCREIF Total Index Benchmark		6.83%	7.07%	9.13%
INFRASTRUCTURE & PRIVATE INCOME	**$ 5.1 B**	**10.94%**	**13.19%**	**11.94%**
60% FTSE/40% BC US Corp HY Benchmark		13.61%	10.36%	7.27%
ABSOLUTE RETURN	**$ 3.8 B**	**1.94%**	**5.27%**	**2.64%**
Custom Absolute Return Benchmark		1.52%	4.45%	4.97%
ASSET ALLOCATION	**$ 3.4 B**	**2.50%**	**3.29%**	**1.95%**
Custom Asset Allocation Benchmark		5.47%	6.65%	4.64%

- Values shown here and elsewhere in the front section of the report are based on classification as dictated by asset allocation and portfolio management. Financial statement classification of investments is based on a traditional asset class structure. While there are slight differences in these asset class categorizations, the total fund value is the same under either categorization.
- All returns are annualized (for periods greater than one year), and provided by Callan Associates, Inc.
- Returns are lagged one (1) quarter for investments within Private Equity and Special Opportunities, Real Estate, and Infrastructure, and Private Income asset classes.

PUBLIC EQUITY STOCKS

APFC's Public Equity portfolio is structured to perform well in a variety of market environments. This includes both positively trending and weak equity markets as long as these markets are not too narrow in their focus. The components of this structure include asset allocation, external manager selection, and internal management of equities.

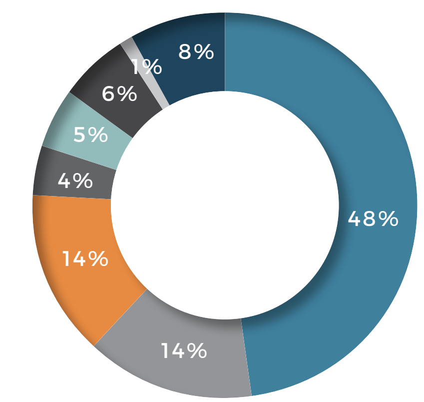
Asset allocation across public equity market segments emphasizes cheap valuation relative to history and greater long-term expected returns. Currently, value stocks and emerging market equities are examples of such segments, which are presently out of investor favor but offer greater long term expected returns. The allocation decisions may also be tactical in nature based on given macroeconomic trends.

Active managers are the primary drivers of the portfolio's long-term returns. These managers are carefully selected, thoughtfully combined, and intensely monitored to ensure that they meet APFC's long-term risk-adjusted return expectations. Currently, a small but increasing part of the Public Equity allocation is managed internally, through exchange-traded funds (ETFs). At present, APFC Public Equity is 85-90% externally managed and 10-15% internally managed.

Over the past year, the primary contribution to returns came from the Fund's active and quasi-passive managers. For the Fiscal Year ended June 30, 2019, APFC's $25.2 billion Public Equity portfolio delivered 2.96% returns, underperforming the benchmark MSCI ACWI IMI by 160 basis points. The major contributor to the overall performance was the value factor. Compared to the benchmark, APFC's Public Equity portfolio has greater exposure to cheap and economically sensitive stocks. This 'value' tilt is the primary reason for the performance shortfall relative to the benchmark.

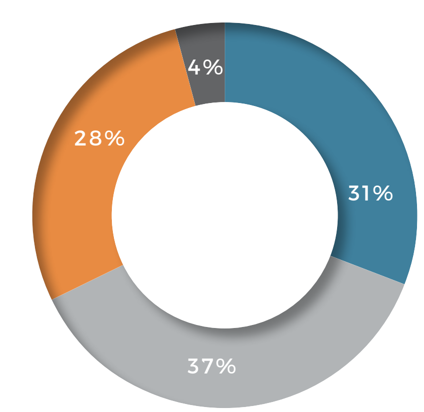
Throughout FY19, investors remained concerned about the current economic cycle. It forced them to maintain a narrow focus on defensive and growth segments of the market that offer relatively predictable earnings even though these segments were also significantly more expensive relative to broad markets. Subsequently, this was an unfavorable environment for active value and quasi-passive strategies. Investors penalized a broad spectrum of relatively inexpensive and economically sensitive stocks where earnings trends were perceived to be less certain.

STOCK PORTFOLIO BY REGION



- U.S. | $12.2 B
- EUROPE EX UK | $3.5 B
- ASIA EX JAPAN | $3.5 B
- UK | $1.1 B
- JAPAN | $1.3 B
- AMERICAS | $1.5 B
- AFRICA | $0.2 B
- OTHER | $1.9 B

STOCK PORTFOLIO BY REGIONAL MANDATE



- U.S. STOCKS | $7.8 B
- GLOBAL STOCKS | $9.3 B
- NON-U.S. STOCKS | $7.2 B
- CASH & EQUIVALENTS | $0.9 B

FIXED INCOME PLUS

BONDS, REITS, LISTED INFRASTRUCTURE

The Fixed Income Plus portfolio provides a steady stream of income to the Fund while providing protection to the Fund during times of crisis and volatility. Our Juneau-based trading desk has a direct line to the major banks on Wall Street. Technology allows our APFC managers to effectively trade bonds with the same speed and efficiency as the largest global asset managers. APFC's internal trade operations team supports trade execution and life cycle management. The middle office is responsible for trade confirmation, portfolio reconciliation, security data maintenance, and value retention through timely settlement and communication with counterparties.

The Fixed Income Plus team's philosophy is to make targeted, high-conviction macro bets when market dislocations occur while taking advantage of daily technical factors that present relative value opportunities. Reversion to the mean, the assumption that a bond's spread will tend to move to the average price over time, is a powerful force in the fixed income market. With a disciplined process and proper risk controls, the team has outperformed the index over different market cycles. One key driver of the excellent performance is security selection within corporate bonds. The team leverages the size of the Fund to gain access to bonds in the new issue market before they are actively traded in the secondary market.

The majority of this portfolio's assets, $11.3 billion in bonds, are managed internally. The internally managed assets include Corporate Bonds, Treasury Inflation-Protected Securities (TIPS), U.S. Government Bonds, Foreign Government Bonds, and Structured Securities.

External managers invest the remaining $4.7 billion in Fixed Income Plus assets in asset classes that require resources and specialized local knowledge to manage risk. These markets include Emerging Market Government Bonds, Real Estate Investment Trusts, and Listed Infrastructure.

FY19 was a turbulent year for the fixed income market, with corporate spreads widening 50 basis points in the first half of the year before rallying to finish the year flat. Interest rates were volatile over the year, with the Federal Reserve raising rates twice during the first half of the year, only to reverse course and signal that an interest rate cut is on the horizon. The volatility was driven by fears of a global recession, geopolitical tension, and a trade war.

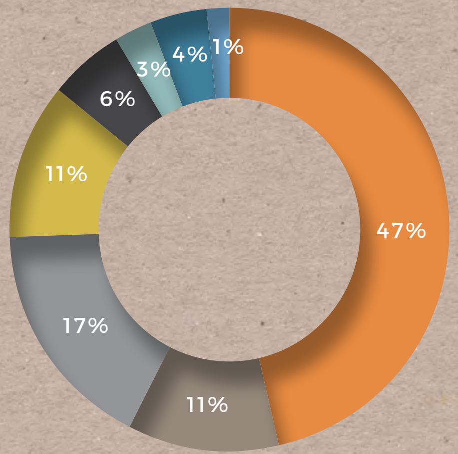
Despite the market environment, Fixed Income Plus returned 9.28% during the fiscal year, exceeding the benchmark's return of 8.60%. Corporate bonds and emerging market debt led to the outperformance. Investment-grade corporate bonds returned 11.33% exceeding the S&P 500's return of 10.42% during the fiscal year. The portfolio's underweight to inflation-linked bonds and security selection within the U.S. Aggregate portfolio were critical contributors to the outperformance.

At the beginning of the fiscal year, APFC's Fixed Income Plus team partnered with the Private Income team to launch a hybrid credit effort named Alaska Direct Alternative Credit (ADAC). ADAC is a $1 billion strategy split between a private investment portfolio and a publicly-traded High Yield Corporate Bond portfolio. The Fixed Income Plus team is managing $500+ million of High Yield Bonds internally, saving the state roughly $2 million in investment management fees annually.

FIXED INCOME PLUS
INTERNAL VS EXTERNAL MANAGEMENT

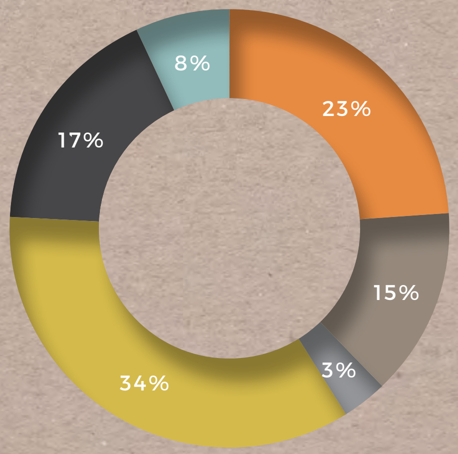
- INTERNALLY MANAGED | 71%
- EXTERNALLY MANAGED | 29%

FIXED INCOME PLUS BY TYPE
INTERNALLY MANAGED



- INVESTMENT GRADE CORP | $5.4 B
- STRUCTURED PRODUCT | $1.3 B
- U.S. GOVT | $1.9 B
- FOREIGN GOVT | $1.2 B
- HIGH YIELD CORPORATES | $0.6 B
- EMERGING MARKET DEBT | $0.4 B
- CASH | $0.4 B
- TIPS | $0.1 B

FIXED INCOME PLUS BY TYPE
EXTERNALLY MANAGED



- HIGH YIELD CORPORATES | $1.1 B
- EMERGING MARKET DEBT | $0.7 B
- TIPS | $0.1 B
- REITS | $1.6 B
- INFRASTRUCTURE | $0.8 B
- FOREIGN GOVT | $0.4 B

ALTERNATIVE INVESTMENTS

Alternative Investments are financial assets that do not fall into conventional categories like publicly-traded stocks and bonds. The relative illiquidity of Alternative Investments is balanced within the overall APFC portfolio by liquid stocks, bonds, and cash. Alternative Investments allow APFC to further diversify the Fund and access differentiated, high-performing investments for the benefit of all Alaskans.

APFC investment staff has managed certain real estate and fixed income assets on a direct basis for many years. Since 2013, APFC has been building out its internal investment team and insourcing key investment decisions for Alternative Assets. This process has resulted in significantly improved investment performance and several hundred million dollars of cost savings. Internal investment activity is also supported and monitored by specialized advisors and overseen by APFC's Board of Trustees.

PRIVATE EQUITY AND SPECIAL OPPORTUNITIES

Private Equity and Special Opportunities (PESO) describes a broad range of investment strategies, structures, and tactics linked by several common characteristics. Most PESO investments reflect ownership interests in private companies that are inaccessible through public securities exchanges. Private investments are characterized by long investment horizons and limited liquidity, but bring to the Fund increased diversification and superior returns. The Fund's scale, patience, and structural flexibility provide a comparative advantage in private markets, allowing the Fund to contribute to (and benefit from) the growth of more than 3,000 underlying investments in the PESO portfolio. In FY19, we leveraged our growing reputation as a preferred Limited Partner to secure access to several best-in-class new managers, and continued to back our existing roster of fund managers. APFC continues to co-invest alongside our investment partners and — when our investment horizon, scale, and structural flexibility provide an advantage — invest directly into promising growth companies and undervalued assets. Investing through both investment funds and directly into operating companies allows APFC to identify and capture market opportunities as they arise.

The PESO portfolio is allocated across a broad range of strategies, geographies, and industries. The PESO portfolio is invested 79% in North America, 12% in Europe, 5% in Asia, and 4% in other geographies. PESO investments also span company lifecycles, from venture capital to growth equity and large buyouts. The PESO portfolio is diversified across industries, with particular emphasis on investing in software, healthcare, and financial services. At this phase in the market cycle, as private equity valuations and competition have reached record levels, APFC focuses on balancing fast-growing pro-cyclical assets with value-oriented, counter-cyclical strategies.

Opportunistic strategies provide additional tools for managing risk. For example, between 2014 and 2018, APFC invested over $500 million in several private asset management firms. The market value of these ownership stakes has since increased by approximately $350 million and, more importantly, APFC benefits from partial ownership of the contractually obligated management fees paid to these firms by hundreds of institutional investors. We believe these highly predictable cash flows will moderate the impact of inevitable investment losses in the Fund's portfolio later in this market cycle.

Although APFC's strategy emphasizes balance, risk mitigation, and diversification, returns have been propelled by a relatively small number of direct investments and co-investments. APFC has invested over $1.3 billion in direct investments and co-investments since 2013 and achieved gains exceeding $2.0 billion.

An effective strategy, sourcing, and selection, combined with strong market tailwinds, resulted in PESO investments gains and cash distributions in FY19 of over $1.0 billion. Over the last 5 years, total investment gains in the PESO portfolio were $5.5 billion.

APFC WAS SELECTED AS THE NORTH AMERICAN PRIVATE EQUITY INSTITUTIONAL LIMITED PARTNER (LP) INVESTOR OF THE YEAR FOR TWO YEARS IN A ROW BY INDUSTRY PEERS IN A SURVEY CONDUCTED BY PEI MAGAZINE. THIS WELCOMED RECOGNITION AFFIRMS APFC'S COMMITMENT TO DEVELOPING A GLOBALLY COMPETITIVE INVESTMENT STRATEGY AND ORGANIZATION.

		Annualized Rate of Return*	
Portfolio	NAV $B	1-Year	5-Year
Private Equity	$5.2	20.6%	18.4%
Special Opportunities	$3.5	15.5%	36.9%
Combined Portfolio	$8.7	18.6%	22.3%
Co-investments	$1.8	21.4%	61.5%

*net of fees

PRIVATE INCOME

The Private Income strategy aims to provide the Fund with a high level of income and limited volatility through investments in infrastructure, private credit, and other income-producing assets. APFC's Private Income portfolio is composed of $2.4 billion in Infrastructure investments, $1.5 billion in Private Credit assets, and $1.2 billion in opportunistic income-producing investments. The performance target of the Private Income strategy is an absolute return above CPI + 5%, but each opportunity is evaluated on the expected return, relative to the associated risks.

INFRASTRUCTURE

The past year saw record fundraising for Infrastructure funds as a growing number of investors are increasing or introducing Infrastructure allocations. This increased fundraising has led to greater competition for assets. The total opportunity set continues to grow as many government-held assets undergo privatization. The Private Infrastructure market is increasingly seen as the preferred source of capital. The APFC portfolio has benefited from the heightened fundraising, as competition for stabilized, operating assets has enabled APFC to exit investments at a premium to cost. Despite this increased competition, APFC continues to see attractive opportunities to deploy capital, particularly in assets that require operational expertise or growth capital. FY19 was an active year for the APFC Infrastructure portfolio, with staff committing nearly $1.2 billion to four commingled funds and four co-investments, bringing the portfolio's total to 21 funds and eight co-investments. APFC's continued focus on co-investments as a way to invest in the highest quality assets with attractive risk-adjusted returns has so far proven effective with the co-investment portfolio achieving a since-inception return of 20.1% IRR versus a since-inception return of 11.4% IRR for the total infrastructure portfolio. The complete Infrastructure portfolio generated returns of 15.7%, 17.9%, and 17.4% over the trailing one-year, three-year, and five-year periods, respectively, demonstrating the portfolio's continued success in achieving consistent, attractive returns.

PRIVATE CREDIT

Private Credit strategies continue to benefit from a benign default rate environment. What appeared to be a supportive tailwind of increasing rates for these predominately floating-rate strategies quickly stalled with central banks opting for easy money. Driven by both of these factors, high yield credit spreads tightened from their FY19 peak of 544 basis points to 407 basis points at June 30, 2019, but remained wide of the 371 basis points spread a year ago.

Increasing competition is a point of focus for many institutional investors in Private Credit, paving the way for a decrease in future returns but also nudging managers to take more risks. Private Credit managers have a variety of levers at their disposal to add or reduce risk. Levers include the strength of the underlying company or asset, loan and fund-level leverage, seniority, liquidity, jurisdiction, and other structural characteristics. APFC's manager selection continues to emphasize investors with a proven history of discipline on both pricing and risk-taking. The limited upside associated with most of the credit risk APFC is taking means the Fund cannot take solace in the cushion provided by gains from big winners. Instead, APFC needs to ensure there is sufficient cushion provided by conservative underwriting and structuring.

The portfolio continues to transition from the legacy, outsourced approach, with distributions from the fund-of-funds bringing legacy exposure down to 30 percent

of NAV as of June 30, 2019. The fund-of-funds detracted from overall performance, returning 1.61% during FY19, while the remainder of the portfolio returned 8.18%, but can be expected to impact performance less as it returns capital. Overall, the Private Credit portfolio generated returns of 6.19%, 7.79%, and 6.30%, over the trailing one-year, three-year, and five-year periods, respectively. Going forward, APFC will continue to focus on identifying top tier managers across a variety of Private Credit strategies. Maintaining the flexibility to allocate to strategies with attractive risk-adjusted returns, or not to allocate at all, continues to be a top priority.

INCOME OPPORTUNITIES

The Income Opportunities portfolio saw mixed performance over the past year. Improved performance of the remaining American Homes for Rent II investment was countered by another challenging year for the Twin Creeks Timber investment, for related reasons. High building material costs, as well as labor and land shortages, have prolonged the weakness in homebuilding, providing headwinds for Twin Creeks Timber, as new residential construction activity is the primary use of timber grown in the U.S. South. The weakness in homebuilding has been a boon to rents of existing single-family homes, which has been a positive influence for American Homes for Rent II performance.

One year in, the Alaska Direct Alternative Credit (ADAC) program is performing in line with expectations, with staff successfully having invested over $100 million across eight private loans, while the public component of ADAC has so far outperformed its benchmark.

The Income Opportunities portfolio generated returns of 4.91% and 5.07% over the one-year and three-year periods, respectively. APFC continues to explore interesting income-generating opportunities that provide a mix of stable income, downside protection, and accretive net returns.

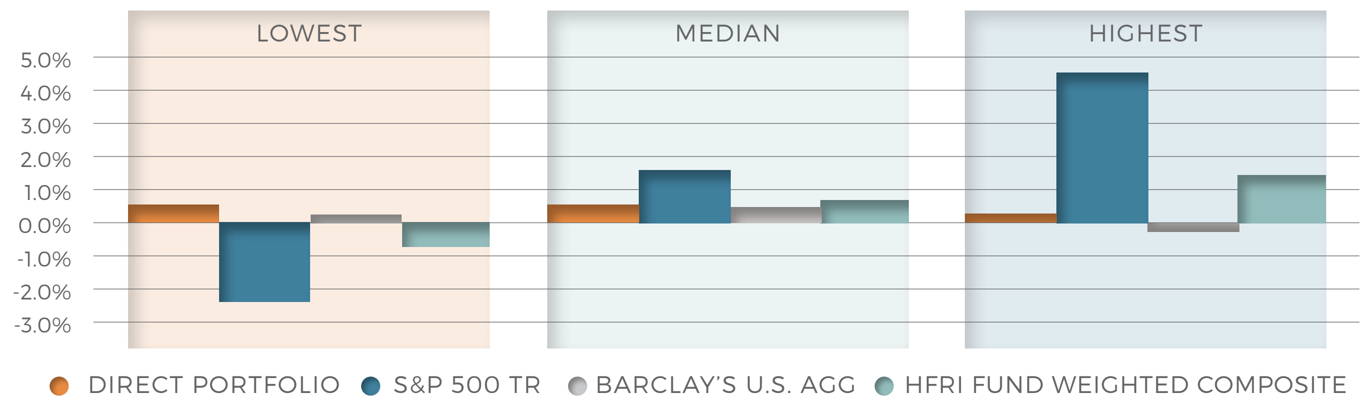
ABSOLUTE RETURN

Unlike other alternative investments, APFC's Absolute Return portfolio equally emphasizes accretive returns and minimizing correlation with traditional, market-driven asset classes. Remaining disciplined on both of these objectives is of much less apparent benefit and, consequently, of much greater difficulty, when asset prices are steadily rising. The temptation to lean into systematic risk, and away from market neutrality, therefore increases as beta becomes increasingly expensive. Facing this pressure since the portfolio was restructured from a fund-of-funds model to an in-house program three years ago, staff have underwritten each of the 19 fund investments to develop conviction in its ability to generate idiosyncratic returns. The success, or failure, of this approach, is difficult to measure amidst market exuberance when every risk seems to be rewarded, but becomes much clearer in the face of market turmoil. FY19 provided both types of markets and as such, was a valid test of APFC's strategy and the Absolute Return portfolio.

As of June 30, 2019, only 9% of the Absolute Return portfolio remains invested in the legacy fund-of-funds, with the remaining 91% invested in the "Direct" portfolio. The following chart highlights the performance of the Direct portfolio during the months with the lowest, median, and highest returns for the S&P 500 total return (TR) over the prior three years. This analysis highlights the uncorrelated nature of the Direct portfolio, given that it increased in value in every market state. It also highlights the difficulty of keeping pace with risk assets in periods of easy money and increasing risk appetite. If executed well, the Absolute Return portfolio will provide APFC a safe place to allocate additional capital and generate attractive returns when markets are stretched beyond reason. During the equity drawdown in the fourth quarter of calendar year 2018, the Direct portfolio returned 0.84%, while the S&P 500 TR lost 13.52%. This drawdown was reversed by the end of February while the S&P 500 was still in a drawdown of 3.60%. Ultimately, this proved to be a short-lived correction, but the evidence suggests that the Absolute Return portfolio is poised to protect capital during market turmoil.

Overall, the Absolute Return portfolio generated a positive return in seven of the last 12 months and a 1.94% return for FY19, 0.42% above the HFRI Total HFOF Universe benchmark, but trailing the Fund's total return objective. The legacy fund-of-funds detracted from overall performance, returning negative 4.37%, while the Direct portfolio returned 2.99%. After adding seven new fund investments in FY19, and fully redeeming from two, the Direct portfolio consists of 19 investments across 18 managers. The challenge ahead of the Absolute Return portfolio as we move into FY20 is to maintain discipline around minimizing correlation while delivering an attractive return.

MARKET STATE ANALYSIS — PERFORMANCE RELATIVE TO S&P 500 TR FOR FY16-FY18



REAL ESTATE

As the longest economic expansion in U.S. history rolls forward, real estate fundamentals remain strong across property types. Buyers' underwriting is becoming more aggressive as low interest rates continue to provide pricing support. Retail properties are currently showing some weakening as consumer shopping preferences continue to challenge the sector. However, while our retail occupancy remains firm at almost 93% (much in line with all other sectors), lower valuations are reflective of the current negative investor sentiment towards retail investments. Total returns for all real estate investments have moderated, with little additional appreciation expected, reflective of a mature real estate cycle. Demand and supply growth is in equilibrium balance in more markets and property types.

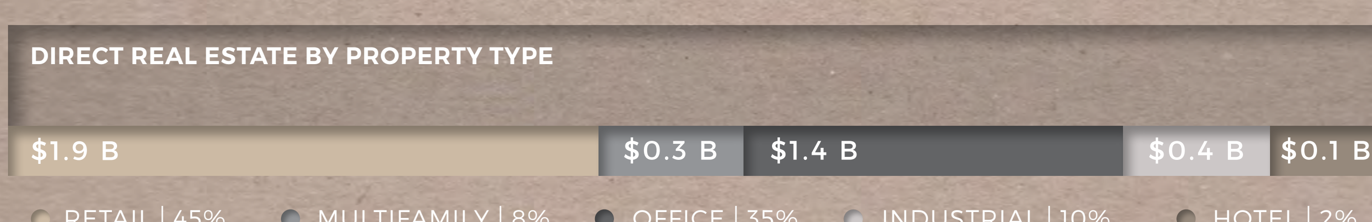
Direct holdings of moderately leveraged, institutional quality, core assets comprise APFC's Real Estate portfolio. The Real Estate portfolio is invested across all property types: Industrial, Multifamily, Retail, Office, and Hotels. Currently, the portfolio reflects a pronounced overweight to Retail, marking a testing period ahead as this sector faces more headwinds than the other property types. We are under our target to real estate by a wide margin providing the needed capital to right-size our exposure to retail. Diversification by property types continues to be the preferred and balanced approach to real estate investing.

Within this competitive landscape, we have evaluated a record number of potential acquisitions this past year, from portfolio purchases to single-asset deals. We were successful in closing a four-building industrial portfolio in the Inland Empire (California) and continue to invest capital in the redevelopment of our existing assets. APFC has also committed capital to two value add European focused funds, and a Global value add fund. APFC acquired an office and multi-family loan and agreed to terms on our first "build-to-core" multi-family investment. While it is proving difficult to replace assets to the scale of our former Simpson multi-family platform investment, prudent investing calls for patient capital in this market environment.

In the past year, APFC has changed its valuation methodology for real estate in order to create more transparency and ongoing stability of methodology in the future. The near-term distortions of these changes in methodology do not adequately represent the strong overall fundamentals and property cash flows. For the year the private real estate portfolio produced a -1.29% return vs. the benchmark of 6.83%. We expect the valuation impact to returns to level out through time, with the current year of implementation reflecting sharp differences.

APFC is focusing on single-tenant and multi-family properties as each requires differing scopes of asset management. Single-tenant buildings call for little (one lease, one tenant, with maintenance falling on tenant's facilities manager). Multi-family properties benefit from professional, third-party property management on site. These assignments are better managed internally and will provide substantial fee savings to APFC in the coming years. We look to build on the success of this initiative in the near term.

We have much work ahead in the coming year as we seek compelling investments and work to right-size our retail exposure. Recalibrating our real estate portfolio towards better diversification by property type will mean better investment results going forward. In the meantime, the real estate team continues to provide the steady cash flows our asset class has provided the overall portfolio over time to date.



The Inland Empire West Industrial Portfolio consists of four buildings, three of which are single-tenant properties located in Rancho Cucamonga, CA and one of which is a multi-tenant industrial property located in Ontario, CA. The portfolio totals 745,580 square feet, was built between 1987 and 2001, has minimum clear heights of 26'–31', and the properties are 100% leased.

Kapolei Lofts, Kapolei, Hawaii. 499-unit, Class A multifamily property located in the Kapolei neighborhood of Oahu, Hawaii. This is the first acquisition in Heitman's Debt Program. Closing took place on September 21, 2018.

ASSET ALLOCATION STRATEGIES

The Asset Allocation Strategies portfolio comprises a variety of assets that are invested in a manner that provides risk balance and liquidity to the Total Fund. The portfolio includes $2.4 billion in cash and liquid securities, $361 million in a liquidity overlay portfolio, and $644 million in a multi-asset class Risk Parity mandate.

Cash and liquid securities are a fundamental component of the Asset Allocation Strategies portfolio. These investments play an essential role within a well-diversified investment portfolio and serve several purposes, including stability for the portfolio, liquidity, and balance through diversification benefits relative to other assets. Cash and liquid securities are managed both internally and externally with the allocation determined by APFC's investment strategy, liquidity needs, time horizon, and risk tolerance.

Performance of the cash portfolio was positive for the fiscal year but underperformed the benchmark. Our internal cash management portfolio that started in January returned 0.64%, external cash management returned 0.56% vs the 90 Treasury Bills benchmark that returned 0.64% for the last three months. For FY19, the external cash management returned 2.12% vs the 90 Treasury Bills benchmark that returned 2.31%. Selection of short-term cash instruments, as well as a savings of fees, contributed to the outperformance of our internal program. At the end of the fiscal year, approximately 66% was allocated to internal management of cash and the remainder to external management. Given the savings in fees, we generally favor internal management.

The externally managed liquidity overlay program exposed a portion of the Fund's cash holdings to equity and fixed income markets through derivative instruments. Over time, this program is expected to reduce the performance drag inherent in holding cash versus risk assets. The overlay program returned 8.94% vs. 6.07% returned by the stock/bond benchmark. During FY19, the $2.5 billion invested in Multi-Asset Managers through the eCIO program was redeemed. The eCIOs strived to achieve the Total Fund's five-percent real return objective while operating within the Total Fund's overarching risk guidelines. After the Fund's evolution during the past years, the Trustees no longer believe it has a place within the current structure.

At the beginning of CY19, we introduced a $600 million Risk Parity mandate managed externally by three managers. The Risk Parity program is intended to deliver long-term returns of CPI+5% or better by generating returns that are less correlated to global public markets through a balanced allocation of risk rather than allocation of capital. The goal of risk parity is to build diversified portfolios in which various asset classes contribute equal amounts of risk. By doing so, Risk Parity portfolios are not as dominated by stock market volatility as traditional portfolios. APFC's Risk Parity strategies have delivered exceptional performance at the outset of their inclusion in APFC's portfolio. Through the last three months of the fiscal year, our risk parity managers have gained 5.32% outperforming the mandate benchmark by 77 basis points.

MANAGEMENT FEES AND PERFORMANCE FEES

Managing an investment fund is a balance, not only of risk and return, but of cost and reward. In addition to making reasoned investment decisions, managing the costs of investing the Fund is a key part of the Corporation's fiduciary duties. The fees associated with externally managed assets generally consist of two types: (1) management fees; and (2) performance fees.

MANAGEMENT FEES

Management fees paid to an external manager are paid to compensate the manager regardless of the rate of return on invested assets. The total investment management fees paid, including both external and internal corporate management, was $346.4 million for FY19. This equates to 0.52% or 52 basis points of all assets under management valued at $66.8 billion as of June 30, 2019, including Alaska Mental Health Trust Authority. APFC has three methods for the tracking and payment of management fees. The costs associated with each category are noted for FY19:

- **FEES FUNDED BY INVESTMENTS $238.1 MILLION**

Fees are retained by the investment manager from the assets under its management. The fee amounts are netted against the income before it is distributed back to the Fund and are not included as part of the annual APFC investment management fee allocation in the operating budget.

- **FEES FUNDED BY INVESTMENT MANAGEMENT APPROPRIATION $94.7 MILLION**

Fees are paid directly by APFC after an invoice is received. These investment fees reflect the value of assets under management, contractual fee terms for external management and the internal costs associated with effective portfolio management such as investment systems, due diligence, and custody fees. These management fees for both external and internal portfolio management are funded through the investment management fee allocation of APFC's appropriation in the state's operating budget.

- **APFC OPERATIONS APPROPRIATION $13.7 MILLION**

The Corporation's operating expenses are directly related to the management of all assets under management in the portfolio. This category includes personal services, travel, contractual services, commodities and equipment. These costs are funded through the operations allocation of APFC's appropriation in the state's operating budget.

PERFORMANCE FEES

In contrast to management fees, performance fees are only paid to an external manager after the invested assets have generated a return on investment above an agreed upon hurdle rate. Once a manager has generated a return on investment in excess of the agreed upon benchmark, the manager is entitled to share in a portion of the profits earned above the benchmark. The distinction between management and performance fees is important because a year in which APFC pays high performance fees is a year in which APFC assets have performed well above expectations. For FY19, performance fees amounted to $147.3 million. Generally, the performance fees associated with the public markets are funded by appropriation based on invoices and the performance fees for private market assets are funded by the investments and netted out of the returns.

The fee amounts presented are unaudited and reflect the most current and complete information available. Visit our website at apfc.org to view the Quarterly Investment Management Fee Report that is provided to the Board of Trustees as part of their standard board meeting packet and is also posted under the Report Archive.

VALUES IN ACTION

The APFC team is a diverse group of just over 50 dedicated professionals in the fields of investment, accounting, IT, and administration who exemplify APFC's values in the management of Alaska's treasured financial resources.

INTEGRITY
We act in an honorable, respectful, professional manner that continually earns and justifies the trust and confidence of each other and those we serve.

STEWARDSHIP
We are committed to wisely investing and protecting the assets, resources, and information with which we have been entrusted.

PASSION
We are driven to excellence through self-improvement, innovative solutions and an open, creative culture. We are energized by the challenges and rewards of serving Alaskans.

Working directly with private and public companies, banks, governments, and managers of capital — is at the heart of what we do. In cooperation with our global partners. APFC continues to build a proven record of success inspired by our values and based on a foundation of good governance, trust, and transparency. The efforts of our small and passionate team continue to be recognized in the industry and highlight the outstanding performance of APFC's staff in working together to achieve exceptional investment returns for Alaska:

- Angela Rodell, CEO ranked in the Top 10 of Sovereign Wealth Quarterly's 100 Most Significant and Impactful Asset Owners and Public Executives of 2018.
- Marcus Frampton, CIO named one of Private Equity International's 40 under 40 Future Leaders of Private Equity and Trusted Insight's Sovereign Wealth Fund CIO of the Year for 2019.
- Steve Moseley, Director of Alternative Assets was recognized as one of the 2018 Top 30 Private Equity, Venture Capital Investors by Trusted Insight.
- Jared Brimberry, Senior Portfolio Manager was selected as one of Private Debt Investor's (PDI) Rising Stars 2019.
- Tom O'Day, Portfolio Manager – Fixed Income, selected by Chief Investment Officer Magazine for their Class of 2019 NextGen Award.
- Chad Brown, Human Resources Manager was invited and accepted as a member of the Forbes Human Resource Council.
- PEI's Private Debt Magazine recognized APFC in their inaugural 30 Most Influential Investors in Private Credit for our internal team's pioneering contributions in this asset class.
- The Alaska Permanent Fund selected as North American Limited Partner of the Year for 2018 by Private Equity International for the second year in a row.
- APFC received dual nominations for 2018 Partnership of the Year for Institutional Investor's Allocators' Choice Awards. Nominated for Public Market Partnership, Middle East Africa South Asia (MEASA) Fund with McKinley Capital, and won the award for our Private Market Partnership Capital Constellation.

These accolades from our sovereign wealth peers are welcomed recognition and yet it is the focus and determination of our team to produce outstanding returns for our fellow Alaskans that truly inspires our staff. We are encouraged by the recognition and support that APFC has received here in Alaska from our neighbors, state leaders, and the Alaska public. That support is crucial as the sophistication of our team and resources evolve to keep pace with more than $66 billion in assets under management.

APFC has been pleased to have recruited and hired top talent to our professional team. This year we welcomed Sebastian Vadakumcherry to APFC as the Chief Risk and Compliance Officer. His financial services career spans over two decades and he holds a key role in developing a comprehensive risk management framework for the Fund and the Corporation. Critical information technology systems continue to be supported with the addition of Shawn Calhoon as a Senior IT Systems Engineer and Mason Kullander, IT Specialist, supporting our Virtual Desktop Infrastructure.

APFC continues to build capacity to optimize our internal resource capacity. The alternative markets team has been bolstered with the addition of: Ross Alexander, Rafael Ramirez, and Logan Rahn; they are working to bring more direct and co-investment opportunities to the portfolio. The real estate team is also pleased to bring a new member onboard, Ed Rime, who is working on an initiative to bring asset management capabilities in house.

The investment of the Fund requires ongoing collaboration amongst our front office investment team and those members of the staff that provide the backing and assistance from our middle and back offices to execute transactions, account for the activity within the Fund and ensure functional support. Our operations and administrative group welcomed Sara Race as the new manager, along with Catherine Hatch, Rachel Price, Alyssa Fischer, Pam Birch, and Maggie Meiners as support staff. The private markets finance team also welcomed accountants Adrien Speegle and Norix Mangual Arbelo, who is the newest member of the APFC staff.

FY19 has proven to be a dynamic year for our Juneau based APFC team. We continue to strive to bring Alaskans results that they expect, while exemplifying our values in balancing the varied demands and a volatile market.

INTERNSHIP PROGRAM

The Alaska Permanent Fund Corporation has provided over 300 top-tier internships for Alaska students since 1988. APFC is committed to an ongoing partnership with our Investment Managers to benefit Alaska students while mentoring them for careers in asset management, finance, and related fields.

For decades, APFC and participating Investment Managers have invested in the futures of Alaska youth, many of whom we have returned to APFC as staff and Trustees. Our Board fully supports the revamping of our Partner Internship Program for summer 2020 to ensure a more robust experience for those Alaska students selected for the program. We thank the Board for their encouragement, support, and allocation of resources to ensure that this program continues to be a premier internship program in the State of Alaska.

APFC was proud to mentor two outstanding Alaskans this year as part of our longstanding internship program within the Corporation: Sami Good, an Accounting Major at Oregon State University and Cahal Morehouse, a Business Economics Major with an emphasis in Finance at the University of Utah in Salt Lake City.

Cahal Morehouse worked as APFC's Investment's Intern. He was ecstatic to be able to return to Alaska for the summer and gain hands-on experience with the investment of all major asset classes — an opportunity unlike anything offered in school. Surprised by the size of the Fund, Cahal was impressed by the attention both the Fund and APFC receive from the global investment community. During his internship, Cahal enjoyed the opportunity to work with the Investment team. He followed the progress of an investment proposal, from introduction through the due diligence process to the culmination of the final presentation that informed APFC's decision to commit (or not commit) to the specific strategy. With the experience and knowledge gained during his internship, Cahal could form an opinion and have insight into investments for the Fund. Cahal deepened his understanding of an investment management career by regularly joining meetings with investment professionals from all asset classes. Unlike any experience offered in a classroom, he developed essential skills by working with software programs such as Excel, Bloomberg, Capital IQ, and Blackrock Aladdin.

"I needed to be ready to hit the ground running. On my first day, within the first hour of work, I joined the CIO on a meeting with a hedge fund." *CAHAL MOREHOUSE*

Sami Good had heard great things about the internship program and was excited to apply given the focus on the internal side of accounting. The added benefit was to find such a great opportunity in her hometown — just around the corner from her house. Working as APFC's Finance Intern, Sami was responsible for the daily reconciliation between APFC's custodial bank and Aladdin — work that required careful review and comparison of information including the market values and book values of an investment. She also worked with the Finance team to reconcile accounts and assisted the team in providing relevant information to the auditors conducting the FY19 audit of the Fund's financial statements included in this Annual Report. She was appreciative of the Finance team's dedication to her learning process, remarking that, "The most rewarding part of my internship with APFC has been working with the people in the Finance Department. They welcome questions and teach the information you don't know. My supervisor, Chris LaVallee, has been extremely patient with my learning curve here and has always been more than happy to help me to learn the components of the Fund." Sami realized her internship with APFC has given direction to her future career in Accounting and provided valuable lessons in successful team dynamics in the workplace.

Both Cahal and Sami appreciated that the internship program provided a platform to make a meaningful contribution to the work that APFC conducts in the investment and management of the Alaska Permanent Fund. Good was impressed by "how much the team wants the interns to learn while working here. Not just learning what the job entails but understanding what goes on here. They have offered an "Investment 101," online classes, immersion meetings with the different sectors of the Fund, and invited us to attend weekly meetings." Morehouse's advice for future interns: "Stay busy, and take on as many projects as you can. Each project will teach you something or deepen your understanding of the topic."

"This internship has been one of the most rewarding experiences I have had. They want me to contribute to the Fund, while still learning. I'm not here to only do the "grunt" work that other internships offer, but I'm here to do work that contributes to the success of the Fund." *SAMI GOOD*

BECOME AN INTERN

Internships are, generally posted in the fall for the upcoming summer. To be eligible, a student must either be enrolled full-time in an Alaska university or be an Alaska resident attending school outside of Alaska. Recent graduates also qualify to apply. Additional details are posted on our website.

KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

The Board of Trustees
Alaska Permanent Fund Corporation
(A Component Unit of the State of Alaska):

Report on the Financial Statements

We have audited the accompanying balance sheets of the Alaska Permanent Fund (the Fund) as of June 30, 2019 and 2018, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Permanent Fund as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in note 1, the financial statements present only the Alaska Permanent Fund and do not purport to, and do not, present fairly the financial position of the State of Alaska as of June 30, 2019 and 2018, or changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matter

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019, on our consideration of the Alaska Permanent Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

KPMG LLP

September 6, 2019
Anchorage, Alaska

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Alaska Permanent Fund Corporation ("APFC") management is pleased to provide this Management's Discussion and Analysis ("MD&A") of the financial activities of the Alaska Permanent Fund ("Fund" or "Permanent Fund") for the fiscal years ended June 30, 2019 and June 30, 2018. This narrative is intended to provide management's insight into the results of operations from the past two fiscal years and highlight specific factors that contributed to those results. The MD&A is comprised of three sections: financial highlights, discussion regarding use of the financial statements, and analysis of the financial statements; the sections should be reviewed together with the financial statements and related notes that follow it.

FINANCIAL HIGHLIGHTS

- At 6.32 percent total return, fiscal year ("FY") 2019 results were not as strong as the 10.74 percent of FY2018 and were well below the average over the Fund's history. Total fund return for FY2019 underperformed the performance benchmark of 7.51 percent by 119 basis points. FY2019's results are substantially above the mid-point of the range of returns since 1985, which have ranged from -17.96 percent to 25.58 percent.
- FY2019's excess of revenues over expenditures (net income) was $3.8 billion. This represents a decrease from FY2018 of $1.7 billion and is also significantly lower than FY2017's level of $6.7 billion.
- During FY2018, legislation was passed which, subject to appropriation, provides for a transfer from the Earnings Reserve Account to the General Fund to help balance the State's budget. The amount of the transfer is based upon a percentage of the average market value of the Fund at the end of the first five of the preceding six fiscal years. The Alaska Permanent Fund dividend is then transferred from the General Fund. The June 30, 2018 balance sheet reflects a $2.7 billion commitment of fund balance for the appropriation that was transferred to the General Fund during FY2019. The June 30, 2019 balance sheet reflects a $1.9 billion commitment of fund balance for the appropriation to be transferred to the General Fund in FY2020. The June 30, 2019 amount reflects the legislative appropriation adjusted for the Governor's line-item veto, which reduced the $2.9 billion statutory amount by $1 billion. Subsequent to the end of FY2019, legislation was passed to appropriate the additional $1 billion to the General Fund; however, this amount is not reflected in the financial statements at June 30, 2019 because it occurred after the end of the Fund's fiscal year.
- The portion of dedicated State of Alaska revenues deposited into the principal (or "corpus") of the Fund is based on mineral prices and production. In FY2019, this amount came in at $385 million, just above FY2018's deposits of $353 million. For both FY2018 and FY2019, the amount appropriated by the Legislature was limited to the constitutionally required level of 25% of mineral royalties and related payments. It did not include the additional amount required by statute on select leases, which had historically been appropriated. If the additional amount required by statute had been appropriated by the Legislature, the deposits into principal would have been approximately $100 million larger in FY2019 and $80 million larger in FY2018. During FY2019, legislation was passed by the Legislature, but vetoed by the Governor, to transfer the additional amounts for both years from the Earnings Reserve Account to the corpus. Subsequent to the end of FY2019, additional legislation was passed by the Legislature, but vetoed by the Governor, to transfer these amounts. The amounts shown on the financial statements are limited to the deposits that were appropriated.
- Inflation proofing of the Fund's corpus is outlined in Alaska Statute and, like the transfer to the General Fund, is subject to appropriation. In FY2019, the inflation rate was 2.44 percent. For the first time since FY2015, the FY2019 budget included an appropriation for this purpose so $989 million was transferred to the corpus. In FY2018, the statutory inflation rate was 2.13 percent which would have resulted in a transfer to principal of $856 million; however, inflation proofing was not included in the appropriations for that year. The calculated inflation proofing, if appropriated, for FY2016 and FY2017 would have totaled $549 million.
- During FY2019, legislation was passed to transfer $4 billion from the Earnings Reserve Account to the corpus in FY2020. This amount is reflected as committed fund balance on the June 30, 2019 balance sheet.

USING THE FINANCIAL STATEMENTS

This section of the MD&A aims to provide an introduction to the Fund's required financial statement components which include: Balance Sheets; Statements of Revenues, Expenditures and Changes in Fund Balances; and Notes to the Financial Statements.

BALANCE SHEETS

The Balance Sheets present all assets, liabilities and fund balances of the Fund as of June 30, 2019, as well as the prior fiscal year's ending balances at June 30, 2018.

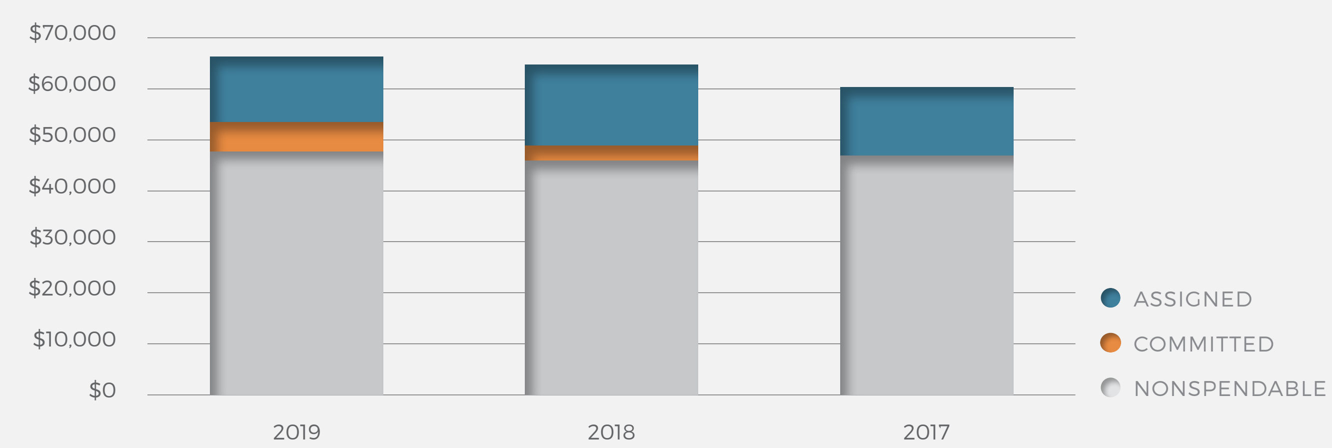
Assets are grouped into broad categories for ease of readability and analysis. Receivables include cash not yet received from the sale of investments, as well as dividends and interest receivable from stock and bond holdings. Investments are broken out by traditional asset class and are shown at market value. The securities lending cash collateral (cash received from the borrower on loans of securities that is returned to the borrower once the loan is terminated without default) is shown as an asset.

Liabilities on the Balance Sheets primarily consist of obligations for investments purchased but not yet settled (shown in the accounts payable grouping), the amount payable to the State of Alaska for the Alaska Capital Income Fund, and the securities lending cash collateral that is returned to borrowers of the Fund's stocks and bonds when the borrowers return those loaned assets to the Fund.

In the graph set forth below, fund balances are shown in three categories: non-spendable, committed, and assigned.

- The largest category is non-spendable (72 percent as of June 30, 2019) which is not available for government appropriation by the State of Alaska.
- Committed fund balance (9 percent as of June 30, 2019) represents amounts that have been signed into law before the end of our fiscal year, for transfer to another account or purpose during the subsequent fiscal year. This includes the legislation which took effect at the beginning of FY2019, which provides for a percent of market value transfer from the Earnings Reserve Account to the General Fund, and FY2019 Legislative action to transfer an additional $4 billion from the Earnings Reserve Account to the corpus.
- The remaining balance (the assigned fund balance) is available for government appropriation. The assigned fund balance decreased by 22 percent from FY2018 to FY2019, from $16.1 billion to $12.5 billion. Generally, four factors contribute significantly to changes in the assigned fund balance: investment cash flow income including transactional realized gains and losses (statutory net income); the State of Alaska general fund transfer; inflation proofing (a transfer of assets from the assigned to the non spendable fund balance); and the change in unrealized gains and losses allocated to the assigned fund balance. During FY2019, the amounts contributing to the net decrease of approximately $3.6 billion in the assigned fund balance were:
    - (i) realized income of $3.3 billion;
    - (ii) the commitment of $1.9 billion for transfer to the General Fund;
    - (iii) an inflation proofing transfer to non-spendable of $989 million and an additional commitment of $4 billion; and
    - (iv) the allocation of a portion of unrealized gains and losses, which increased from FY2018 to FY2019 by $23 million, to a balance of $2.4 billion.

FUND BALANCES
(JUNE 30, IN MILLIONS)



STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

The Statements of Revenues, Expenditures and Changes in Fund Balances present the financial activity of the Fund over the 12 months in FY2019 and FY2018.

Revenues are shown in two sections on the statement, separating cash receipts of various investment holdings such as interest, dividends, and real estate rental income, from the change in value of investment holdings. The first section of the revenues also includes miscellaneous income such as class action litigation proceeds and securities lending income. The second section of revenues ("Net increase (decrease) in the fair value of investments") includes both realized and unrealized gains and losses on investments. Realized gains and losses are produced only through the sale of investments, while unrealized gains and losses are the result of changes in the fair value of investments without a sale of those investments. Realized and unrealized gains and losses are summarized by asset class to match the groupings on the Balance Sheets and represent the total net increase or decrease for the year in each asset category.

To derive the total net change in fund balances from the prior year to the current year, the Statements of Revenues, Expenditures and Changes in Fund Balances also includes the Fund's expenditures and other sources and uses of funds. Operating expenditures include fees paid to external investment managers, salaries of APFC employees, and other routine operating costs such as rent, travel, and legal fees. Other legislative appropriations made through the State's annual budget process are obligations for support services received from other State of Alaska departments.

Dedicated State revenues transferred into the Fund's principal are based on a percentage of mineral revenues that the State receives. Transfers out of the Fund are (i) the percent-of-market-value transfer to the General Fund and (ii) the annual deposit to the Alaska Capital Income Fund (ACIF).

NOTES TO THE FINANCIAL STATEMENTS

The Notes to the Financial Statements are an essential element to fully understanding all financial aspects of the Fund and to interpreting the major components of the financial statements. The Notes to the Financial Statements can be found immediately following the Statements of Revenues, Expenditures and Changes in Fund Balances.

FINANCIAL STATEMENT ANALYSIS

This section of the MD&A is intended to provide an analysis of past fiscal years' activities and specific contributors to changes in the net assets of the Fund. The fund balance serves to provide a gauge of the financial strength of the Fund. While assets of the Fund exceeded liabilities each year by double-digit ratios (excluding securities lending collateral, held separately by the custodian for repayment to the borrower upon a loan's completion), the nonspendable fund balance is unavailable for appropriation. The table set forth below was derived from the Balance Sheets of the Fund, and provides a comparison of the change between balances of June 30, 2019 and 2018.

	June 30			
Balance Sheets	2019	2018	Net Change	Percent
ASSETS				
Cash and temporary investments	$ 4,585,921,000	4,906,054,000	(320,133,000)	(7)%
Receivables, prepaid expenses, and other assets	673,595,000	664,105,000	9,490,000	1%
Investments	61,948,996,000	60,089,408,000	1,859,588,000	3%
Securities lending collateral invested	2,840,792,000	2,011,760,000	829,032,000	41%
TOTAL ASSETS	$ 70,049,304,000	67,671,327,000	2,377,977,000	4%
LIABILITIES				
Accounts payable	$ 879,776,000	721,827,000	157,949,000	22%
Income distributable to the State of Alaska	28,469,000	43,395,000	(14,926,000)	(34)%
Securities lending collateral	2,840,792,000	2,011,760,000	829,032,000	41%
TOTAL LIABILITIES	3,749,037,000	2,776,982,000	972,055,000	35%
FUND BALANCES				
Nonspendable:				
Permanent Fund corpus — contributions and appropriations	41,542,110,000	40,167,394,000	1,374,716,000	3%
Not in spendable form — unrealized appreciation on invested assets	6,277,500,000	5,862,598,000	414,902,000	7%
TOTAL NONSPENDABLE	47,819,610,000	46,029,992,000	1,789,618,000	4%
Committed to:				
General Fund appropriation	1,933,084,000	2,722,654,000	(789,570,000)	(29)%
Permanent Fund corpus	4,000,000,000	—	4,000,000,000	n/a
TOTAL COMMITTED	5,933,084,000	2,722,654,000	3,210,430,000	118%
Assigned for future appropriations:				
Realized earnings	10,121,532,000	13,739,046,000	(3,617,514,000)	(26)%
Unrealized appreciation on invested assets	2,426,041,000	2,402,653,000	23,388,000	1%
TOTAL ASSIGNED	12,547,573,000	16,141,699,000	(3,594,126,000)	(22)%
TOTAL FUND BALANCES	66,300,267,000	64,894,345,000	1,405,922,000	2%
TOTAL LIABILITIES AND FUND BALANCES	$ 70,049,304,000	67,671,327,000	2,377,977,000	4%

The value of the Fund's assets, excluding securities lending collateral, increased by 2 percent between June 30, 2018 and June 30, 2019. The value of the Fund's assets is most significantly impacted by investment performance. Comparative performance for each asset class is shown below:

	FY2019	FY2018
PUBLIC EQUITY	**2.96%**	11.67%
FIXED INCOME PLUS	**9.28%**	0.99%
PRIVATE EQUITY & SPECIAL OPPORTUNITIES	**19.18%**	32.70%
REAL ESTATE	**-1.29%**	6.99%
INFRASTRUCTURE & PRIVATE INCOME	**10.94%**	16.68%
ABSOLUTE RETURN	**1.94%**	5.95%
ASSET ALLOCATION	**2.50%**	2.58%
TOTAL FUND	**6.32%**	10.74%

The ending values of securities lending collateral invested and the related liability are dependent upon the amount of securities out on loan on any particular day. These values can change significantly from day to day and year to year, depending on activity in the market. The average value of assets on loan during FY2019 was $7.9 billion, with a low of $5.6 billion and a high of $9.6 billion. The Fund had earnings from securities lending of $27 million during FY 2019, a significant increase from $25.7 million received in FY2018.

In the liability section of the Balance Sheets, accounts payable primarily consist of obligations due, but not yet settled, on securities purchased. The open transactions can vary widely from day to day and are usually the largest portion of Fund payables, representing 97 percent and 94 percent of the FY2019 and FY2018 accounts payable balances, respectively. The increase of $158 million, or 22 percent, from FY2018 to FY2019 was primarily due to an increase in pending fixed income purchases of $266 million offset by a decrease in pending public equity purchases of $95 million.

The sole amount due to the State of Alaska at the end of FY2019 and FY2018 is the transfer to the Alaska Capital Income Fund (ACIF). This amount is calculated based on realized earnings and was $28.5 million for FY2019 and $43.4 million for FY2018. The $14.9 million dollar decrease from the prior year is caused by significantly lower realized returns in FY2019 versus FY2018. The transfer due at the end of FY2017 was $25.1 million.

Total fund balance increased by 2 percent from FY2018 to FY2019, with an increase of $1.4 billion, consistent with the 6.32 percent total return for the year and the net transfers out of the Fund. Components of this increase were increases of $1.5 billion for cash flow income, $385 million in dedicated mineral deposits, and an increase in the fair value of the portfolio of $2.4 billion, offset by operating expenses of $141 million, and the General Fund transfer of $2.7 billion. Deposits from the State of Alaska were up 9 percent from the FY2018 dedicated revenues of $353 million.

In comparison, total fund balance increased from FY2017 to FY2018 by 9 percent, or $5.1 billion, due to net income of the Fund of $5.5 billion and transfers in (State dedicated mineral revenues of $353 million), partially offset by transfers out (Dividend Fund of $726 million and ACIF of $43 million).

The table below is derived from the Statements of Revenues, Expenditures and Changes in Fund Balances, and shows the annual activity of the Fund. The differences in activity in FY2019 as compared to FY2018 are shown in both dollars and percentages.

	Year Ended June 30			
Statements of Revenues, Expenditures and Changes in Fund Balances	2019	2018	Net Change	Percent
REVENUES				
Interest, dividends, real estate, and other income	$ **1,554,748,000**	1,580,508,000	(25,760,000)	(2)%
Increase in the fair value of investments	**2,352,276,000**	4,090,948,000	(1,738,672,000)	(43)%
TOTAL REVENUES	**3,907,024,000**	5,671,456,000	(1,764,432,000)	(31)%
EXPENDITURES				
Operating expenditures	**(132,567,000)**	(138,799,000)	6,232,000	(4)%
Other Legislative appropriations	**(8,783,000)**	(7,159,000)	(1,624,000)	23%
TOTAL EXPENDITURES	**(141,350,000)**	(145,958,000)	4,608,000	(3)%
EXCESS OF REVENUES OVER EXPENDITURES	**3,765,674,000**	5,525,498,000	(1,759,824,000)	(32)%
OTHER FINANCING SOURCES (USES)				
Transfers in — dedicated State Revenues	**385,231,000**	353,095,000	32,136,000	9%
Transfers out — appropriations	**(2,744,983,000)**	(769,345,000)	(1,975,638,000)	257%
NET CHANGE IN FUND BALANCES	**1,405,922,000**	5,109,248,000	(3,703,326,000)	(72)%
FUND BALANCES				
Beginning of period	**64,894,345,000**	59,785,097,000	5,109,248,000	9%
End of period	**$ 66,300,267,000**	64,894,345,000	1,405,922,000	2%

During FY2019, cash flow revenue from interest, dividends, real estate, and other sources was slightly less than FY2018 levels but still much higher than experienced historically due to the growing size of the portfolio as well as the gradual increase in interest rates. Total cash flow income was slightly lower than for FY2018 at $130 million per month on average, down from $132 million per month on average in FY2018. FY2018 cash flow income represented an all-time high and was up from $105 million per month on average in FY2017.

The change in the fair value of investments decreased by 43 percent from a $4.1 billion gain in FY2018 to a $2.4 billion gain in FY2019. FY2018's change in fair value of investments was a 26 percent decrease from the $5.6 billion gain in FY2017.

Operating expenditures decreased from FY2018 to FY2019 by 3 percent. This decrease was a contrast to the significant increase experienced between FY2017 and FY2018 of 14 percent. The volatility between years is caused by fluctuations in amounts paid in investment management fees. Investment management fees depend upon assets under management by external managers and their performance relative to their benchmarks. Market volatility and changes to asset allocation can cause fees to fluctuate.

Transfers in of dedicated State revenues increased from FY2018 to FY2019 by 9 percent ($32 million) and totaled $385 million compared to $353 million in FY2018. These transfers totaled $365 million in FY2017. The Alaska Constitution requires that at least 25% of mineral royalties and related payments received by the State be transferred to the Permanent Fund. State statutes mandate an additional 25% on select leases be deposited. Transfers in of dedicated state revenues under these statutes are subject to Legislative appropriation. The budget appropriations for FY2018 and FY2019 failed to include amounts required by statute beyond the constitutional floor of 25%. In the absence of an appropriation for the additional amounts, they were not transferred. Therefore, amounts shown in the financial statement are limited to the amount required by the Constitution.

Transfers out of the Fund are for two purposes: 1) an appropriation to the General Fund and 2) an appropriation to fund the Alaska Capital Income Fund (ACIF). The General Fund and ACIF transfers are subject to Legislative appropriation. The total transfer amount is shown as committed fund balance at the end of the year in which the appropriation is made, and the commitment is released when the transfer to the General Fund is made. The amount appropriated for the General Fund for FY2019 was $2.7 billion. The FY2020 appropriation of $1.9 billion is shown as committed as of June 30, 2019, based on appropriations authorized as of that date. In August 2019, an additional $1 billion was appropriated for FY2020, but because of the timing, that amount is not reported as committed at June 30, 2019. The ACIF transfer is based on realized earnings for only one year; it is not averaged over multiple years. ACIF realized earnings of $22.3 million in FY2019 and $43.4 million in FY2018. The earnings for FY2017 were $25.1 million.

ECONOMIC, INVESTMENT, AND POLITICAL FACTORS

The market value of and earnings from the Fund's assets are directly impacted by the volatility of the financial markets, as well as investment decisions made by the Trustees, internal Fund management, and external Fund investment managers. Diversification of asset allocation and diversification of investments within each allocation are intended to mitigate the risk of volatility of the financial markets. APFC, as a component unit of the State of Alaska, is subject to legislative changes that govern APFC and the Fund.

ADDITIONAL INFORMATION

This financial report is designed to provide an overview of the Alaska Permanent Fund's ending net asset balances and fiscal year financial activities. This report does not include any other funds owned or managed by the State of Alaska or APFC. Due to the potential volatility of the financial markets, Fund values and income may vary greatly from period to period. For more information on the Fund, both current and historical, readers are encouraged to visit www.apfc.org, or send specific information requests to the Alaska Permanent Fund Corporation at P.O. Box 115500, Juneau, Alaska 99811-5500.

Balance Sheets		June 30 2019	June 30 2018
ASSETS			
Cash and temporary investments	$	4,585,921,000	4,906,054,000
Receivables, prepaid expenses, and other assets		673,595,000	664,105,000
Investments:			
Marketable debt securities		13,725,033,000	11,546,620,000
Preferred and common stock		24,253,205,000	26,248,730,000
Real estate		5,755,856,000	5,460,939,000
Absolute return		4,327,475,000	5,288,072,000
Private equity		8,770,247,000	7,198,347,000
Infrastructure		3,300,904,000	3,035,277,000
Private credit		1,816,276,000	1,311,423,000
Total investments		61,948,996,000	60,089,408,000
Securities lending collateral invested		2,840,792,000	2,011,760,000
TOTAL ASSETS	$	70,049,304,000	67,671,327,000
LIABILITIES			
Accounts payable	$	879,776,000	721,827,000
Income distributable to the State of Alaska		28,469,000	43,395,000
Securities lending collateral		2,840,792,000	2,011,760,000
TOTAL LIABILITIES		3,749,037,000	2,776,982,000
FUND BALANCES			
Nonspendable:			
Permanent Fund corpus — contributions and appropriations		41,542,110,000	40,167,394,000
Not in spendable form — unrealized appreciation on invested assets		6,277,500,000	5,862,598,000
TOTAL NONSPENDABLE		47,819,610,000	46,029,992,000
Committed to:			
General Fund appropriation		1,933,084,000	2,722,654,000
Permanent Fund corpus		4,000,000,000	—
TOTAL COMMITTED		5,933,084,000	2,722,654,000
Assigned for future appropriations:			
Realized earnings		10,121,532,000	13,739,046,000
Unrealized appreciation on invested assets		2,426,041,000	2,402,653,000
TOTAL ASSIGNED		12,547,573,000	16,141,699,000
TOTAL FUND BALANCES		66,300,267,000	64,894,345,000
TOTAL LIABILITIES AND FUND BALANCES	$	70,049,304,000	67,671,327,000

See accompanying notes to the financial statements.

Statements of Revenues, Expenditures, and Changes in Fund Balances		Year Ended June 30, 2019	Year Ended June 30, 2018
REVENUES			
Interest	$	564,063,000	459,393,000
Dividends		590,980,000	640,620,000
Real estate and other income		399,705,000	480,495,000
TOTAL INTEREST, DIVIDENDS, REAL ESTATE AND OTHER INCOME		1,554,748,000	1,580,508,000
Net increase (decrease) in the fair value of investments —			
Marketable debt securities		718,789,000	(424,610,000)
Preferred and common stock		393,520,000	2,362,762,000
Real estate		(63,998,000)	65,591,000
Absolute return		56,604,000	221,732,000
Private equity		1,232,440,000	1,599,786,000
Infrastructure		344,267,000	337,403,000
Private credit		40,983,000	62,492,000
Foreign currency forward exchange contracts and futures		79,107,000	(19,519,000)
Currency		(449,436,000)	(114,689,000)
TOTAL NET INCREASE IN THE FAIR VALUE OF INVESTMENTS		2,352,276,000	4,090,948,000
TOTAL REVENUES		3,907,024,000	5,671,456,000
EXPENDITURES			
Operating expenditures		(132,567,000)	(138,799,000)
Other Legislative appropriations		(8,783,000)	(7,159,000)
TOTAL EXPENDITURES		(141,350,000)	(145,958,000)
EXCESS OF REVENUES OVER EXPENDITURES		3,765,674,000	5,525,498,000
OTHER FINANCING SOURCES (USES)			
Transfers in — dedicated State revenues		385,231,000	353,095,000
Transfers out — statutory and Legislative appropriations		(2,744,983,000)	(769,345,000)
NET CHANGE IN FUND BALANCES		1,405,922,000	5,109,248,000
FUND BALANCES			
Beginning of period		64,894,345,000	59,785,097,000
End of period	$	66,300,267,000	64,894,345,000

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ENTITY

The Constitution of the State of Alaska ("State") was amended by public referendum in 1976 to dedicate a portion of certain natural resource revenues to the Alaska Permanent Fund ("Fund"). Contributions to the Fund are to be invested in income-producing investments authorized by law. In 1980, the Alaska State Legislature ("Legislature") established the Alaska Permanent Fund Corporation ("APFC"), a State governmental instrumentality within the Department of Revenue, to manage and invest Fund assets. APFC is managed by a six-member board of trustees ("Trustees" or "Board") consisting of the Commissioner of Revenue, one other head of a principal state department, and four public members with recognized competence and experience in finance, investments, or other business management related fields. The Governor appoints the public members to staggered four-year terms, and can remove public members only for cause. The Board employs an executive director who in turn employs additional staff as necessary. The Fund's assets are diversified across a wide variety of investments in accordance with statutes, regulations, and APFC's investment policy. The Fund's investment performance is generally related to the success of the financial markets. While diversification aims to mitigate volatility, significant period-to-period fluctuations in investment performance may occur.

By annual appropriation, APFC transfers (i) a portion of the Fund's realized earnings to the State's dividend or general fund, (ii) a portion of realized earnings sufficient to offset the effect of inflation on contributions and appropriations to the nonspendable balance of the Fund, and (iii) realized earnings on the balance of the North Slope royalty case settlement money (State v. Amerada Hess, et al.) to the Alaska Capital Income Fund (ACIF). The remaining balance of the Fund's realized earnings (referred to in Alaska Statute as the Earnings Reserve Account) is held in the assigned fund balance by APFC and is subject to appropriation by the Legislature. The nonspendable fund balance (referred to in the Alaska Constitution as the principal) includes the historical cost basis of contributions and appropriations. Because the Alaska Constitution specifies that principal can only be used for i ncome-producing investments, it is unavailable for appropriation by the Legislature. Unrealized gains and losses (appreciation/depreciation) on Fund assets are allocated proportionately between the principal and the Earnings Reserve Account. The unrealized amounts allocated to contributions and appropriations are considered a component of principal and are nonspendable, unless and until they become realized, at which point they will be transferred to the Earnings Reserve Account in the assigned (realized earnings) fund balance. All assets are aggregated for investment purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In preparing the financial statements, APFC management is required to make estimates and assumptions as of the date of the balance sheet that affect the reported amounts of assets and liabilities and the disclosure of contingent assets, liabilities, revenues, and expenses for the period. The fair value of real estate, absolute return, private equity, infrastructure, and private credit investments and the related unrealized gains and losses thereon are particularly sensitive estimates. Actual results could differ from those estimates.

CASH AND TEMPORARY INVESTMENTS

The amounts shown on the balance sheets as cash and temporary investments include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash held at futures brokers, petty cash, U.S. Treasury bills, and the net fair value of foreign exchange forward contracts. APFC's asset allocation includes approximately two percent in cash. APFC's investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted-average maturities of no greater than 24 months.

DIVIDEND APPROPRIATIONS

Statutory net income excludes realized earnings from contributions made in the North Slope royalty case settlement (State v. Amerada Hess, et al.) and unrealized gains and losses on the Fund's investments. Until FY2018, the annual appropriation from the Earnings Reserve Account to the dividend fund followed the formula set out in Alaska Statute 37.13.140, which provided for the smaller of: (i) 21 percent of the Fund's five-year rolling statutory net income or (ii) the assigned fund balances at fiscal year-end. Based on advice from the Alaska Department of Law, the annual dividend transfer may occur only by legislative appropriation, and the Legislature may establish the amount of appropriation as a lump-sum dollar amount rather than a formula. Dividend appropriations are recognized in the Fund's financial statements as of the date the Legislature indicates the transfer to the dividend fund should occur. The dividend appropriation for FY2018 was effective on July 1, 2018, did not specify a transfer date, and is shown as a transfer out on the financial statements. FY2018 is the last year a direct appropriation from the Earnings Reserve Account to the dividend fund took place due to legislative changes enacted in June 2018.

GENERAL FUND APPROPRIATIONS

In FY2018 the Legislature passed Senate Bill 26, which created a percent of market value draw on the Earnings Reserve Account for transfer to the general fund. Alaska Statute 37.13.140 was amended to specify the formula for percent of market value as 5.25% of the average market value of the fund as of June 30 for the first five of the preceding six fiscal years, including the fiscal year just ended. The average market value of the fund includes the Earnings Reserve Account, but not the principal attributed to the settlement of State v. Amerada Hess. This legislation took effect for FY2018 and replaced the appropriation to the dividend fund. The amount appropriated prior to year-end as transferable to the general fund for the next fiscal year is shown as Committed fund balance on the financial statements at June 30.

INFLATION PROOFING

Alaska statutes require that the contributions and appropriations of the Fund be adjusted annually to offset the effect of inflation on Fund principal during the fiscal year. Based on advice from the Alaska Department of Law, an annual intra-fund inflation proofing transfer (from the assigned to the nonspendable fund balance) should occur only by legislative appropriation. APFC measures inflation by (i) computing the percentage change in the averages of the monthly United States Consumer Price Index for all urban consumers for the two previous calendar years and (ii) applying that percentage to the total of the nonspendable fund balance, excluding unrealized gains and losses, at the end of the fiscal year. Using this formula, the inflation proofing rates for the years ended June 30, 2019 and 2018 were 2.44 percent and 2.13 percent, respectively. No transfers were made due to the lack of legislative appropriation for this purpose in FY2018, and inflation proofing of $989 million was appropriated in FY2019. During FY2019, legislation was passed to transfer $4 billion from assigned to nonspendable fund balance. This transfer is to be done during FY2020 and is shown as committed fund balance as of June 30, 2019.

- UNREALIZED GAINS AND LOSSES
  A State of Alaska Attorney General's Opinion dated June 16, 2009 clarified the accounting treatment of the Fund's unrealized gains and losses by providing that unrealized appreciation or depreciation on invested assets should be allocated proportionately to principal and the Earnings Reserve Account.

- NONSPENDABLE FUND BALANCE
  Nonspendable fund balance includes items that cannot be spent. This includes the corpus of the Permanent Fund, and the unrealized gains and losses allocated to it.

- COMMITTED FUND BALANCE
  Committed fund balance can only be used for specific purposes subject to constraints imposed by a formal action of the Alaska Legislature, the State's highest level of decision-making authority. This formal action is the passage of a law creating, modifying or rescinding an appropriation. Earnings Reserve Account amounts appropriated to the General Fund are included in this classification. The commitment will be released when the transfer to the General Fund has been made. In FY2019, a commitment to principal is also included as committed fund balance.

- ASSIGNED FUND BALANCE
  Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are not committed. The Alaska Legislature is the body authorized by the Alaska Constitution to assign amounts to a specific purpose. Alaska Statute 37.13.020 authorizes the Legislature to assign funds in the Earnings Reserve Account. The Earnings Reserve Account includes realized earnings and the unrealized gains and losses allocated to it.

FORWARD EXCHANGE CONTRACTS

Fund managers enter into a variety of forward currency contracts in their trading activities and management of foreign currency exchange rate risk exposure. These contracts are typically intended to neutralize the effect of foreign currency fluctuations, and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in the net increase/decrease in the fair value of investments at the time the contract is settled and determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in the net increase/decrease in the fair value of investments, and are calculated based on the difference between the contract rate and a forward market rate determined as of the balance sheet date.

A portion of forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than on a security by security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

FUTURES

Certain equity and fixed income managers for the Fund are permitted to buy and sell equity and interest rate index futures. The gross contract and fair value of futures do not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets, based on the difference between the future's purchase price and the current value of such index futures. Realized gains and losses on futures are included in the net increase in the fair value of investments at the time the futures contract expires. The net change in unrealized gains and losses is included in the net increase in the fair value of investments.

INCOME TAXES

In the opinion of legal counsel, the Fund should not be subject to federal income taxation under the doctrine of implied statutory immunity for states because it is an integral part of the State, and APFC should not be subject to federal income taxation because it is an integral part of the State and it performs an essential governmental function, with its income, if any, accruing to the State.

INVESTMENTS AND RELATED POLICIES

CARRYING VALUE OF INVESTMENTS

The Fund considers all of its ownership interests in securities and other assets to be investments because they are held for the purpose of income or profit and have a present service capacity based solely on their ability to generate cash or be sold to generate cash. Investments are reported at fair value in the financial statements. Investments without a readily determinable fair value are generally reported by using the net asset value per share (or its equivalent) of the investment. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance.

STATE INVESTMENT REGULATIONS

In accordance with Alaska Statute 37.13.120(a), the Trustees have adopted regulations designating the types of eligible investments for Fund assets. The regulations follow the prudent investor rule, requiring the exercise of judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the Fund over time while maximizing the expected total return from both income and the appreciation of capital.

INVESTMENT POLICY – ASSET ALLOCATION

The Trustees have established a long-term goal of achieving a five percent real rate of return over time on the Fund's investment portfolio. To help achieve this goal, the Trustees allocate the Fund's investments among various asset classes. At June 30, 2019, APFC's strategic asset allocation targets were as follows:

Asset Class	Asset Class Target
PUBLIC EQUITIES	38%
FIXED INCOME PLUS	22%
PRIVATE EQUITY & SPECIAL OPPORTUNITIES	12%
REAL ESTATE	11%
INFRASTRUCTURE & PRIVATE INCOME	7%
ABSOLUTE RETURN	5%
ASSET ALLOCATION	5%

To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, APFC's chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), APFC's executive director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the public equities class is 38 percent, with the green zone range set at plus or minus five percent, the yellow zone range set at zero to ten percent beyond the green zone, and red zone range set at greater than ten percent beyond the green zone. In a similar manner, APFC's investment policy also requires APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. APFC manages the Fund's concentration of credit risk by following its strategic asset allocation policy, diversifying investments among managers with varying investment styles and mandates, and monitoring tracking error. Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with APFC's investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises 5% or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the notes to financial statements.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to a marketable debt investment will not fulfill its obligations. APFC requires that its investment grade fixed income managers, both internal and external, invest in domestic and non-domestic bonds that have an explicit or implied investment grade rating. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain high yield investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure the Fund's deposits may not be returned. APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or APFC (on behalf of the Fund). For the Fund's non-domestic securities held by most sub-custodians, APFC's primary custodian provides contractual indemnities against sub-custodial credit risk. Excess cash in custodial accounts is swept daily to a money market fund. Late deposits of cash which miss the money market sweep deadline are deposited to an interest bearing account at the custodian.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk of loss from adverse changes in foreign currency exchange rates. Foreign currency risk is managed through foreign currency forward contracts, and by diversifying assets into various countries and currencies.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. APFC manages the Fund's exposure to interest rate risk in part through tracking error guidelines set forth in APFC's investment policy. Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, the major factors affecting duration are, in order of importance, maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Rising interest rates generally translate into the value of fixed income investments declining, while falling interest rates are generally associated with increasing value. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. As an example, for a bond portfolio with a duration of 5.0, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of 5.0 percent.

At June 30, 2019, the Fund held fixed income investments with floating, variable, and step interest rates, valued at $1,923,423,000. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from 0 to 61 percent.

TRANSFERS IN

Contributions from dedicated State revenues are recorded when certain revenues defined by the constitution, or by statute and legislative appropriation, are received or reported by the Alaska Department of Natural Resources and are available to meet current obligations. Contributions from appropriations and other sources are recorded when received.

TRANSFERS OUT

Transfers out to other State agencies are recorded when measurable and represent a present obligation to pay.

3. CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments, which include the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30:

		FY2019	FY2018
CASH	$	**121,377,000**	323,264,000
POOLED FUNDS		**2,728,476,000**	3,963,473,000
COMMERCIAL PAPER		**456,893,000**	—
U.S. TREASURY BILLS		**1,279,175,000**	619,317,000
TOTAL CASH AND TEMPORARY INVESTMENTS	$	**4,585,921,000**	4,906,054,000

Uninvested cash was held at the custodian, sub-custodian, or futures broker banks, primarily in interest-bearing accounts. All pooled funds were invested in a money market fund. U.S. Treasury bills are explicitly guaranteed by the U.S. government.

4. RECEIVABLES, PREPAID EXPENSES AND OTHER ASSETS

Receivables, prepaid expenses, and other assets at June 30 are as follows:

		FY2019	FY2018
INTEREST RECEIVABLE	$	113,958,000	106,942,000
DIVIDENDS RECEIVABLE		71,058,000	72,891,000
SALES RECEIVABLE		422,647,000	430,975,000
DEDICATED STATE REVENUES RECEIVABLE		65,932,000	53,297,000
TOTAL RECEIVABLES, PREPAID EXPENSES AND OTHER ASSETS	$	**673,595,000**	664,105,000

5. MARKETABLE DEBT SECURITIES

Marketable debt securities at June 30 are summarized as follows, categorized by debt instrument type and by country of registration:

2019		Cost	Fair value	Unrealized gains (losses)
Treasury and government notes/bonds	$	**1,546,459,000**	**1,564,359,000**	**17,900,000**
Mortgage-backed securities		**1,127,812,000**	**1,136,605,000**	**8,793,000**
Corporate bonds		**6,012,209,000**	**6,264,994,000**	**252,785,000**
Commercial mortgage/asset-backed securities		**287,649,000**	**292,357,000**	**4,708,000**
Non-U.S. treasury and government bonds		**2,367,247,000**	**2,400,936,000**	**33,689,000**
Non-U.S. corporate bonds		**1,048,517,000**	**1,076,962,000**	**28,445,000**
Bond-backed exchange traded funds		**984,350,000**	**988,820,000**	**4,470,000**
TOTAL MARKETABLE DEBT SECURITIES	$	**13,374,243,000**	**13,725,033,000**	**350,790,000**
2018				
Treasury and government notes/bonds	$	1,689,759,000	1,669,265,000	(20,494,000)
Mortgage-backed securities		1,002,636,000	986,045,000	(16,591,000)
Corporate bonds		5,196,562,000	5,004,894,000	(191,668,000)
Commercial mortgage/asset-backed securities		251,070,000	244,405,000	(6,665,000)
Non-U.S. treasury and government bonds		2,060,999,000	1,973,013,000	(87,986,000)
Non-U.S. corporate bonds		996,029,000	982,828,000	(13,201,000)
Bond-backed exchange traded funds		714,402,000	686,170,000	(28,232,000)
TOTAL MARKETABLE DEBT SECURITIES	$	11,911,457,000	11,546,620,000	(364,837,000)

6. MARKETABLE DEBT CREDIT RATINGS

To manage credit risk for marketable debt securities, APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates are allowed to hold positions in assets with below investment grade ratings (high yield bonds) based on the terms of their contracts. For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported. At June 30, 2019, the Fund's credit ratings for its marketable debt securities are as follows:

NRSRO Quality Ratings		Domestic	Non-domestic	Total fair value	Percentage of holdings
AAA	$	363,468,000	252,101,000	615,569,000	4.49%
AA		561,328,000	428,536,000	989,864,000	7.21%
A		1,711,426,000	649,178,000	2,360,604,000	17.20%
BBB		2,540,931,000	940,481,000	3,481,412,000	25.37%
BB		670,796,000	265,379,000	936,175,000	6.82%
B		516,658,000	229,200,000	745,858,000	5.43%
CCC		90,163,000	37,552,000	127,715,000	0.93%
CC		6,270,000	—	6,270,000	0.05%
C		1,087,000	7,080,000	8,167,000	0.06%
D		—	38,110,000	38,110,000	0.27%
Total fair value of rated debt securities		6,462,127,000	2,847,617,000	9,309,744,000	67.83%
Commingled bond funds		691,132,000	366,504,000	1,057,636,000	7.71%
Not rated		36,927,000	630,279,000	667,206,000	4.86%
U.S. government explicitly backed by the U.S. government (AA)		1,894,674,000	—	1,894,674,000	13.80%
U.S. government implicitly backed by the U.S. government (AA)		795,773,000	—	795,773,000	5.80%
TOTAL FAIR VALUE DEBT SECURITIES	$	9,880,633,000	3,844,400,000	13,725,033,000	100.00%

7. MARKETABLE DEBT DURATION

To manage its interest rate risk on marketable debt securities, APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2019, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration
DOMESTIC BONDS		
Treasury and government notes/bonds	15.83%	5.30
Mortgage-backed securities	11.50%	3.94
Corporate bonds	63.41%	7.34
Commercial mortgage and asset-backed securities	2.96%	3.65
Bond-backed exchange traded funds	6.30%	—
TOTAL DOMESTIC BONDS	100.00%	6.06
NON-DOMESTIC BONDS		
Non-U.S. treasury and government bonds	62.45%	7.67
Non-U.S. corporate bonds	28.02%	6.11
Bond-backed exchange traded funds	9.53%	—
TOTAL NON-DOMESTIC BONDS	100.00%	6.50

8. PREFERRED AND COMMON STOCK

Direct investments in preferred and common stock are held by APFC's custodian bank on behalf of the Fund. The Fund also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors, and equity index futures, which are held at the prime broker.

Preferred and common stocks and commingled stock funds at June 30 are summarized as follows, which include the net fair value of equity index futures of $1.3 million as of June 30, 2019 and -$7.9 million as of June 30, 2018:

2019	Cost	Fair value	Unrealized holding gains
Direct investments			
Domestic stock	**$ 9,632,786,000**	**11,805,605,000**	**2,172,819,000**
Non-domestic stock	**10,974,207,000**	**11,948,439,000**	**974,232,000**
Commingled funds	**452,859,000**	**499,161,000**	**46,302,000**
TOTAL PREFERRED AND COMMON STOCK	**$ 21,059,852,000**	**24,253,205,000**	**3,193,353,000**
2018			
Direct investments			
Domestic stock	$ 11,351,254,000	13,773,474,000	2,422,220,000
Non-domestic stock	10,744,402,000	12,081,136,000	1,336,734,000
Commingled funds	355,180,000	394,120,000	38,940,000
TOTAL PREFERRED AND COMMON STOCK	$ 22,450,836,000	26,248,730,000	3,797,894,000

9. FOREIGN CURRENCY EXPOSURE

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies. At June 30, 2019, the Fund's cash holdings, foreign currency forward contracts, non-domestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded):

Foreign currency	Cash and equivalents	Foreign exchange forward contracts	Public/private equity, real estate, infrastructure	Debt	Total foreign currency exposure
Argentina Peso	$ 180,000	—	—	7,135,000	7,315,000
Australian Dollar	9,958,000	168,217,000	454,061,000	9,956,000	642,192,000
Brazil Real	2,420,000	(1,084,000)	195,644,000	44,708,000	241,688,000
Canadian Dollar	1,278,000	132,570,000	620,326,000	17,034,000	771,208,000
Chilean Peso	528,000	(23,887,000)	12,526,000	30,186,000	19,353,000
Chinese Yuan Renminbi	1,827,000	(263,000)	222,150,000	—	223,714,000
Colombian Peso	813,000	—	3,486,000	29,116,000	33,415,000
Czech Koruna	128,000	(16,128,000)	1,484,000	15,953,000	1,437,000
Danish Krone	7,683,000	(14,557,000)	125,119,000	—	118,245,000
Dominican Republic Peso	—	—	—	9,217,000	9,217,000
Egyptian Pound	7,450,000	—	164,000	2,331,000	9,945,000
Euro Currency	19,194,000	(829,602,000)	3,053,354,000	601,432,000	2,844,378,000
Ghanaian Cedi	163,000	—	—	3,287,000	3,450,000
Hong Kong Dollar	14,736,000	(17,295,000)	1,127,638,000	—	1,125,079,000
Hungarian Forint	808,000	(14,923,000)	6,584,000	14,492,000	6,961,000
Indian Rupee	5,234,000	(25,097,000)	303,880,000	31,775,000	315,792,000
Indonesian Rupiah	1,142,000	(10,880,000)	83,138,000	45,952,000	119,352,000
Israeli Shekel	1,817,000	(64,260,000)	58,125,000	27,063,000	22,745,000
Japanese Yen	14,232,000	(640,404,000)	1,505,058,000	587,391,000	1,466,277,000
Malaysian Ringgit	(6,881,000)	(10,273,000)	59,232,000	27,376,000	69,454,000
Mexican Peso	685,000	(15,535,000)	69,747,000	61,218,000	116,115,000
New Taiwan Dollar	704,000	(857,000)	245,350,000	—	245,197,000
New Zealand Dollar	(2,684,000)	83,975,000	30,751,000	5,754,000	117,796,000
Nigerian Naira	8,101,000	—	—	3,634,000	11,735,000
Norwegian Krone	1,243,000	26,439,000	64,950,000	30,334,000	122,966,000
Peruvian Sol	41,000	—	—	10,549,000	10,590,000
Philippines Peso	86,000	22,000	10,672,000	—	10,780,000
Polish Zloty	1,373,000	(4,116,000)	19,146,000	22,618,000	39,021,000
Pound Sterling	14,454,000	(185,061,000)	1,496,997,000	116,960,000	1,443,350,000
Qatari Riyal	25,000	—	18,349,000	—	18,374,000
Romanian Leu	26,000	—	—	2,850,000	2,876,000
Russian Ruble	1,667,000	(5,841,000)	427,000	46,215,000	42,468,000
Singapore Dollar	2,741,000	67,068,000	106,360,000	10,563,000	186,732,000
South African Rand	1,908,000	187,000	144,058,000	35,682,000	181,835,000
South Korean Won	884,000	(45,112,000)	328,287,000	47,919,000	331,978,000
Swedish Krona	1,892,000	(23,351,000)	196,352,000	1,606,000	176,499,000
Swiss Franc	10,116,000	(337,542,000)	423,336,000	—	95,910,000
Thailand Baht	1,296,000	(1,764,000)	114,972,000	25,199,000	139,703,000
Turkish Lira	1,397,000	(87,000)	28,767,000	16,364,000	46,441,000
UAE Dirham	111,000	—	24,239,000	—	24,350,000
Uruguayan Peso	—	—	—	2,231,000	2,231,000
	$ 128,776,000	**(1,809,441,000)**	**11,154,729,000**	**1,944,100,000**	**11,418,164,000**

Cash amounts in the schedule above include receivables, payables, certificates of deposit, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Fund assets are invested in U.S. cash, equities, and debt, as well as in direct real estate properties, absolute return and similar funds, and infrastructure, all of which are denominated in U.S. dollars, and are not included in the schedule above.

10. REAL ESTATE

The Fund holds a variety of real estate interests, including directly owned real estate, real estate investment trusts, multi-family and industrial real estate operating companies, private real estate funds, and other entities in which the assets consist primarily of real property. The Fund's directly owned real estate is through ownership of interests in corporations, limited liability companies, and partnerships that hold title to the real estate. External institutional real estate management firms administer the Fund's directly owned real estate investments.

APFC periodically reviews real estate investments for other than temporary impairment. During FY2019 it was determined that two direct real estate holdings were impaired because it was more likely than not the Fund would not recover their carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income and fund balance classifications, $138.9 million of unrealized losses were realized through a write-down of cost to fair value. No real estate assets were impaired in FY2018. Real estate investments at June 30 are summarized as follows:

2019		Cost	Fair value	Unrealized holding gains (losses)
Real estate investment trusts	$	**1,367,325,000**	**1,541,897,000**	**174,572,000**
Real estate funds and notes		**130,655,000**	**125,621,000**	**(5,034,000)**
American Homes 4 Rent II		**135,603,000**	**155,256,000**	**19,653,000**
Directly owned real estate —				
Retail		**749,920,000**	**1,766,138,000**	**1,016,218,000**
Office		**1,125,817,000**	**1,366,596,000**	**240,779,000**
Hotel		**59,252,000**	**73,481,000**	**14,229,000**
Industrial		**287,206,000**	**407,955,000**	**120,749,000**
Multifamily		**219,680,000**	**318,912,000**	**99,232,000**
TOTAL REAL ESTATE	$	**4,075,458,000**	**5,755,856,000**	**1,680,398,000**
2018				
Real estate investment trusts	$	1,228,746,000	1,354,127,000	125,381,000
American Homes 4 Rent II		135,208,000	161,608,000	26,400,000
Directly owned real estate —				
Retail		883,168,000	1,892,975,000	1,009,807,000
Office		1,114,183,000	1,383,865,000	269,682,000
Hotel		59,413,000	67,980,000	8,567,000
Industrial		177,156,000	281,137,000	103,981,000
Multifamily		220,278,000	319,247,000	98,969,000
TOTAL REAL ESTATE	$	3,818,152,000	5,460,939,000	1,642,787,000

As of June 30, 2019, APFC, on behalf of the Fund, had outstanding future funding commitments of $510 million for real estate fund investments.

11. ALTERNATIVE INVESTMENTS

Alternative investments include the Fund's investments in absolute return and risk parity strategies, private equity, infrastructure, and private credit. APFC periodically reviews alternative investments for other than temporary impairment.

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. The Fund invested in three absolute return limited partnerships in which the Fund was the only limited partner ("fund-of-one"). One of these fund-of-one investments was fully liquidated in FY2019 and the two remaining are currently in liquidation. The Fund also holds direct hedge fund investments, in which the Fund is one of many limited partners. Risk parity strategies also seek to deliver returns that are largely uncorrelated with global public markets, however they do so through allocation of risk rather than allocation of capital. External investment management services for both strategies are provided by institutional investment managers who have acknowledged their status as fiduciaries to the Fund. Because of the off-exchange and private nature of many absolute return strategies, investments may have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets.

Risk parity strategy investments are generally more liquid but may also not have readily determinable fair value depending on the underlying investments of a given fund. For both strategies, each manager provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit.

The Fund holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. APFC has hired external advisors to assist in the selection of private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by APFC staff, the external advisors, and the underlying fund managers. The underlying private equity funds provide the Fund with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY2019, it was determined that 17 private equity funds were impaired and would not recover their carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income and fund balance classifications, $61.5 million of unrealized losses were realized through a write-down of cost to fair value. In FY2018, eight private equity funds were impaired with a related write-down of $25.7 million. These impairments have no impact on the carrying value of investments or on the net increase in the fair value of private equity investments.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include: toll roads; airports; deep water ports; communication towers; and energy generation, storage and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the Fund's investment strategy. The Fund holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates, as well as through securities listed on public exchanges. The limited partnerships undergo annual independent audits. Infrastructure investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY2019 and FY2018, it was determined that no infrastructure funds were impaired.

The Fund invests in private credit through limited partnerships that invest either directly in distressed or mezzanine debt, or in commingled limited liability funds with a distressed debt or credit opportunity focus. These investments are funded over time, as opportunities arise. The limited partnerships and funds undergo annual independent audits. Private credit investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY2019, it was determined that one private credit fund was impaired and it was more likely than not the Fund would not recover its carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in statutory net income and fund balance classifications, $41.7 million of unrealized losses were realized through a write-down of cost to fair value. There were no private credit impairments in FY2018.

Alternative investments at June 30 are summarized as follows:

2019		Cost	Fair value	Unrealized holding gains
Absolute return		**4,086,304,000**	**4,327,475,000**	**241,171,000**
Private equity		**6,376,004,000**	**8,770,247,000**	**2,394,243,000**
Infrastructure		**2,618,523,000**	**3,300,904,000**	**682,381,000**
Private credit		**1,644,463,000**	**1,816,276,000**	**171,813,000**
TOTAL ALTERNATIVE INVESTMENTS	$	**14,725,294,000**	**18,214,902,000**	**3,489,608,000**
2018				
Absolute return		4,543,075,000	5,288,072,000	744,997,000
Private equity		5,423,697,000	7,198,347,000	1,774,650,000
Infrastructure		2,453,999,000	3,035,277,000	581,278,000
Private credit		1,251,673,000	1,311,423,000	59,750,000
TOTAL ALTERNATIVE INVESTMENTS	$	13,672,444,000	16,833,119,000	3,160,675,000

As of June 30, 2019, APFC, on behalf of the Fund, had outstanding future funding commitments of $5.5 billion for private equity, $1.4 billion for infrastructure, and $1.3 billion for private credit investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

12. SECURITIES LENDING

State regulations 15 AAC 137.510 and APFC investment policy authorize APFC to enter into securities lending transactions on behalf of the Fund. Through a contract with the Bank of New York Mellon (the Bank), the Fund lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or certain marketable securities. Under APFC's contract with the Bank, the Bank must mark the loaned securities and collateral to the market daily, and the loan agreements require the borrowers to maintain the collateral at not less than 102 percent of the fair value of the loaned securities for domestic securities (and non-domestic loaned securities denominated in U.S. dollars) and not less than 105 percent of the fair value for other non-domestic loaned securities. APFC can sell securities that are on loan. If a borrower fails to return the loaned securities (borrower default), the Bank can use cash collateral (and the proceeds on the sale of any non-cash collateral) to purchase replacement securities. Generally, APFC is protected from credit risk associated with the lending transactions through indemnification by the Bank against losses resulting from counterparty failure, the reinvestment of cash collateral, default on collateral investments, or a borrower's failure to return loaned securities.

Cash collateral received for loaned securities is reported on the Fund's balance sheets and invested by the Bank on behalf of the Fund. As of June 30, 2019, such investments were in overnight repurchase agreements that had a weighted-average-maturity of one day. The average term of the loans was also one day. At June 30, the value of securities on loan is as follows:

		2019	2018
Fair value of securities on loan, secured by cash collateral	$	**2,784,825,000**	1,962,327,000
Cash collateral		**2,840,792,000**	2,011,760,000
Fair value of securities on loan, secured by non-cash collateral		**6,431,804,000**	4,032,717,000
Non-cash collateral	$	**6,976,507,000**	4,452,279,000

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the years ended June 30, 2019 and 2018, the Fund incurred no losses from securities lending transactions. The Fund received income of $27.0 million and $26.3 million from securities lending for the years ended June 30, 2019 and 2018, respectively, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

13. ACCOUNTS PAYABLE

Accounts payable include trades entered into on or before June 30 that settle after fiscal year end. Cash held for trade settlements is included in cash and short-term investments. Accounts payable at June 30 are summarized as follows:

		2019	2018
Accrued liabilities	$	**22,582,000**	27,065,000
Securities purchased		**857,194,000**	694,762,000
TOTAL ACCOUNTS PAYABLE	$	**879,776,000**	721,827,000

14. STATUTORY AND LEGISLATIVE APPROPRIATIONS

Historically, the Legislature has appropriated portions of the Fund's statutory net income to the Permanent Fund Dividend Fund (Dividend Fund), a sub-fund of the State's general fund created in accordance with Alaska Statute 43.23.045 and administered by the Alaska Department of Revenue. The Dividend Fund is used primarily for the payment of dividends to qualified Alaska residents. In addition, the Legislature has appropriated a portion of the dividend distribution to fund various other agency activities. In FY2018, $725,950,000 was transferred to the Dividend Fund on September 7, 2017. Beginning with FY2019, legislation requires that, upon appropriation, a portion of the realized earnings be transferred to the State's general fund instead of the Dividend Fund, based upon a percent-of-market-value calculation. The amount transferred to the general fund for the dividend and State operating expenses was $2,722,654,000. The amount appropriated for FY2020, which is shown as committed as of June 30, 2019, was $1,933,084,000. This amount is after a reduction to the statutory calculation by the Governor of $1 billion. Legislation was passed subsequent to year end restoring the $1 billion reduction.

Per statute, realized earnings on the principal balance of the dedicated State revenues from the North Slope royalty case settlements (State v. Amerada Hess, et al.) have been appropriated from the Fund to the Alaska Capital Income Fund (ACIF) established under Alaska Statute 37.05.565. Funds in the ACIF may be further appropriated for any public purpose. During years with net realized losses, no funds are transferred to the ACIF. Statutory and Legislative appropriations made during the years ended June 30 are summarized as follows:

		2019	2018
Income distributed during the year:			
Dividends	$	–	688,409,000
General fund transfer		**2,722,654,000**	–
Appropriation to the Departments of:			
Health and Social Services		–	17,725,000
Revenue		–	8,323,000
Corrections		–	11,493,000
Total to Dividend Fund		**2,722,654,000**	725,950,000
Income distributable at year end:			
Alaska Capital Income Fund		**22,329,000**	43,395,000
TOTAL STATUTORY AND LEGISLATIVE APPROPRIATIONS	$	**2,744,983,000**	769,345,000

15. FUND BALANCES

Fund balance activity during the years ended June 30 is summarized as follows:

		2019	2018
NONSPENDABLE			
Balance, beginning of year	$	**46,029,992,000**	46,969,593,000
Dedicated State revenues		**385,231,000**	353,095,000
Inflation proofing transfer from assigned fund transfer		**989,484,000**	–
Change in unrealized appreciation on invested assets		**414,903,000**	(1,292,696,000)
BALANCE, END OF YEAR	$	**47,819,610,000**	46,029,992,000
COMMITTED			
Balance, beginning of year		**2,722,654,000**	–
Recognition of liability		**(2,722,654,000)**	–
General Fund appropriation		**1,933,084,000**	2,722,654,000
Permanent Fund corpus appropriation		**4,000,000,000**	–
BALANCE, END OF YEAR		**5,933,084,000**	2,722,654,000
ASSIGNED			
Balance, beginning of year	$	**16,141,699,000**	12,815,504,000
Inflation proofing transfer to nonspendable		**(989,484,000)**	–
Committed to Permanent Fund corpus		**(4,000,000,000)**	–
Committed to General Fund appropriation		**(1,933,084,000)**	(2,722,654,000)
Dividends paid or payable to the Permanent Fund Dividend Fund		–	(725,950,000)
Settlement earnings payable to the ACIF		**(22,329,000)**	(43,395,000)
Realized earnings, net of operating expenditures		**3,327,384,000**	6,367,840,000
Change in unrealized appreciation on invested assets		**23,387,000**	450,354,000
BALANCE, END OF YEAR	$	**12,547,573,000**	16,141,699,000
TOTAL			
Balance, beginning of year	$	**64,894,345,000**	59,785,097,000
Dedicated State revenues		**385,231,000**	353,095,000
General Fund transfer		**(2,722,654,000)**	–
Dividends paid or payable to the Permanent Fund Dividend Fund		–	(725,950,000)
Settlement earnings payable to the ACIF		**(22,329,000)**	(43,395,000)
Excess of investment revenues over expenditures		**3,765,674,000**	5,525,498,000
BALANCE, END OF YEAR	$	**66,300,267,000**	64,894,345,000

The composition of the contributions and appropriations in the nonspendable fund balance at June 30 is shown as follows:

		2019	2018
Dedicated State revenues	$	**17,277,539,000**	16,892,308,000
Special appropriations		**6,885,906,000**	6,885,906,000
Inflation proofing		**17,225,753,000**	16,236,269,000
Settlement earnings		**152,912,000**	152,911,000
TOTAL CONTRIBUTIONS AND APPROPRIATIONS	$	**41,542,110,000**	40,167,394,000

On June 16, 2009, the Alaska Attorney General issued a legal opinion clarifying the accounting treatment of unrealized gains and losses. Based on the opinion, proportionate values of the unrealized appreciation or depreciation of invested assets should be allocated to nonspendable fund balances and assigned fund balances. As of June 30, 2019, the Fund's net unrealized gain was $8,703,541,000, of which $6,277,500,000 was allocated to the nonspendable fund balance and $2,426,041,000 was allocated to the assigned fund balance. As of June 30, 2018, the Fund's net unrealized gain was $8,265,251,000, of which $5,862,598,000 was allocated to the nonspendable fund balance and $2,402,653,000 was allocated to the assigned fund balance.

During the fiscal years 1990 through 1999, the Fund received dedicated State revenues from North Slope royalty case settlements (State v. Amerada Hess, et al.). Accumulated settlement related activity, included in the contributions and appropriations balance of the Fund at June 30, is $424,399,000. By statute, realized earnings from these settlement payments are to be treated in the same manner as other Fund income, except that these settlement earnings are excluded from the dividend calculation and are not subject to inflation proofing. Since 2005, the Legislature has appropriated these settlement earnings to the Alaska Capital Income Fund (ACIF). Prior to 2005, the statute required such earnings to be appropriated to Fund principal. The Fund realized earnings on settlement principal of $22,330,000 during FY2019 and $43,395,000 during FY2018.

16. FAIR VALUE MEASUREMENT

Various inputs are used in valuing the investments held by the Fund. GAAP establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These input levels are summarized as follows:

LEVEL 1 Quoted prices for identical assets in an active market

LEVEL 2 Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly

LEVEL 3 Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Investments measured using net asset value (NAV) per share as a practical expedient to fair value are not categorized into input levels. The input levels used to measure the Fund's investments and derivative instruments at June 30 are summarized as follows:

		Measured using input levels			Measured using	
2019		**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Marketable debt securities	$	**2,557,871,000**	**11,065,117,000**	**102,045,000**	**–**	**13,725,033,000**
Preferred and common stock		**24,253,205,000**	**–**	**–**	**–**	**24,253,205,000**
Real estate		**1,546,464,000**	**–**	**–**	**4,209,392,000**	**5,755,856,000**
Absolute return		**–**	**–**	**–**	**4,327,475,000**	**4,327,475,000**
Private equity		**–**	**–**	**–**	**8,770,247,000**	**8,770,247,000**
Infrastructure		**793,183,000**	**–**	**–**	**2,507,721,000**	**3,300,904,000**
Private credit		**–**	**–**	**–**	**1,816,276,000**	**1,816,276,000**
Total investments	$	**29,150,723,000**	**11,065,117,000**	**102,045,000**	**21,631,111,000**	**61,948,996,000**

		Measured using input levels			Measured using	
2018		**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Marketable debt securities	$	2,316,765,000	9,229,855,000	–	–	11,546,620,000
Preferred and common stock		26,248,730,000	–	–	–	26,248,730,000
Real estate		1,354,428,000	–	–	4,106,511,000	5,460,939,000
Absolute return		765,039,000	1,677,382,000	43,971,000	2,801,680,000	5,288,072,000
Private equity		–	–	–	7,198,347,000	7,198,347,000
Infrastructure		640,754,000	–	–	2,394,523,000	3,035,277,000
Private credit		–	–	–	1,311,423,000	1,311,423,000
Total investments	$	31,325,716,000	10,907,237,000	43,971,000	17,812,484,000	60,089,408,000

Marketable debt securities and preferred and common stock classified as level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as level 2 are valued using matrix pricing. Pricing is sourced from various sources. Marketable debt securities valued at level 3 are term loans.

Publicly traded real estate investment trusts are valued using prices quoted in active markets and are reported as level 1. Directly owned real estate through ownership of interests in corporations, limited liability companies, and partnerships that hold title to real estate are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. The underlying directly owned real estate investments are subject to annual appraisals and audits. American Homes 4 Rent II is reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions, and does not allow redemptions until the company is wound-up and dissolved.

Absolute return investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Former External Chief Investment Officer (ECIO) investments were grouped with Absolute return investments during FY2018 and liquidated during FY2019. These investments have readily determinable fair values and are therefore reported by level. Level 2 valuations were a result of liquidity terms as well as the pricing transparency of the investments held. Level 3 valuations were provided by managers and audited by third party auditing firms. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 1-91 days and the frequency of redemption is daily to quarterly. In FY2019, ECIOs were divested, thereby removing levels 1, 2 and 3 valuations from absolute return.

Private equity investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private equity investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 10-12 years.

Publicly traded infrastructure investments are classified as level 1 and are valued using prices quoted in active markets for those securities. The majority of infrastructure investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Infrastructure investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 5-7 years.

Private credit investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private credit investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 5-7 years.

17. STATUTORY NET INCOME

By Alaska law, statutory net income is computed in accordance with U.S. generally accepted accounting principles (GAAP), excluding settlement income from the North Slope royalty case (State v. Amerada Hess, et al.) and any unrealized gains or losses. However, the excess of revenues over expenditures is required by GAAP to include unrealized gains and losses and income, regardless of source. Consequently, GAAP excess of revenues over expenditures and statutory net income differ.

APFC periodically reviews investments for other than temporary impairment of value. Investments with fair values significantly less than costs over multiple reporting periods may be considered impaired if the cost basis will not be recovered over the investment's remaining estimated holding period. If an other-than-temporary impairment is determined to exist for an investment, a realized loss will be recorded which will replace the previously recorded unrealized loss. Carrying value will not be affected, but the reclassification of the loss from unrealized to realized will affect the statutory net income of the Fund. During FY2019, approximately $242 million of net impairments were recorded. During FY2018, approximately $26 million of impairments were recorded.

Statutory net income for the years ended June 30 is calculated as follows:

		2019	2018
Excess of revenues over expenditures	$	**3,765,674,000**	5,525,498,000
Unrealized (gains) losses		**(438,290,000)**	842,343,000
Settlement earnings		**(22,330,000)**	(43,395,000)
STATUTORY NET INCOME	$	**3,305,054,000**	6,324,446,000

18. INVESTMENT INCOME BY SOURCE

Investment income during the years ended June 30 is summarized as follows:

		2019	2018
INTEREST			
Marketable debt securities	$	**481,213,000**	377,001,000
Short-term domestic and other		**82,850,000**	82,392,000
TOTAL INTEREST	$	**564,063,000**	459,393,000
TOTAL DIVIDENDS	$	**590,980,000**	640,620,000
REAL ESTATE AND OTHER INCOME			
Directly owned real estate net rental income	$	**121,337,000**	225,651,000
Real estate investment trust dividends		**60,498,000**	61,753,000
Real estate fund and notes		**(3,842,000)**	—
Absolute return dividend and interest income net of management expenses		**6,457,000**	22,150,000
Private credit interest income, net of fees		**48,246,000**	22,622,000
Infrastructure interest and dividend income, net of fees		**58,903,000**	80,929,000
Private equity dividend income, net of management expenses		**76,439,000**	39,344,000
Class action litigation income		**3,773,000**	1,361,000
Loaned securities, commission recapture and other income		**27,894,000**	26,685,000
TOTAL REAL ESTATE AND OTHER INCOME	$	**399,705,000**	480,495,000

19. FOREIGN EXCHANGE CONTRACTS, FUTURES, AND OFF-BALANCE SHEET RISK

Certain APFC external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies for the Fund at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2019 ranged between one and 169 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of non-performance by these counterparties. The Fund's market risk as of June 30, 2019 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for FY2019 and FY2018 are summarized as follows:

		2019	2018
BALANCES AT JUNE 30			
Face value of FX forward contracts	$	**5,470,398,000**	4,723,992,000
Net unrealized holding gains (losses) on FX forward contracts		**(21,501,000)**	21,230,000
Fair value of FX forward contracts	$	**5,448,897,000**	4,745,222,000
ACTIVITY FOR FISCAL YEARS ENDING JUNE 30			
Change in unrealized holding gains (losses)	$	**(42,730,000)**	34,893,000
Realized gains (losses)		**92,635,000**	(22,027,000)
Net increase in fair value of FX forward contracts	$	**49,905,000**	12,866,000

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and the internal fixed income management team trades U.S. Treasury index futures. Equity index futures are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity and fixed income index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to futures in equity accounts for FY2019 and FY2018 is summarized as follows:

		2019	2018
BALANCES AT JUNE 30			
Face value of equity index futures	$	**76,167,000**	80,090,000
Net unrealized holding gains (losses) on futures		**1,258,000**	(7,895,000)
Fair value of equity index futures	$	**77,425,000**	72,195,000
ACTIVITY FOR FISCAL YEARS ENDING JUNE 30			
Change in unrealized holding gains (losses)	$	**9,157,000**	(1,802,000)
Realized gains (losses)		**(16,828,000)**	28,382,000
Net increase (decrease) in fair value of equity index futures	$	**(7,671,000)**	26,580,000

Activity and balances related to futures in fixed income accounts for FY2019 and FY2018 is summarized as follows:

		2019	2018
BALANCES AT JUNE 30			
Face value of U.S. Treasury index futures	$	**335,184,000**	2,177,855,000
Net unrealized holding losses on futures		**(4,049,000)**	(42,512,000)
Fair value of U.S. Treasury index futures	$	**331,135,000**	2,135,343,000
ACTIVITY FOR FISCAL YEARS ENDING JUNE 30			
Change in unrealized holding gains (losses)	$	**38,447,000**	(40,796,000)
Realized losses		**(3,043,000)**	(16,960,000)
Net increase (decrease) in fair value of U.S. Treasury index futures	$	**35,404,000**	(57,756,000)

The face value of FX forward contracts and futures shown in these schedules is not required to be included in the Fund's balance sheets. All other activity amounts shown above are included in the Fund's financial statements in the Foreign currency forward exchange contracts and futures line on the Statement of Revenues, Expenditures and Changes in Fund Balances.

20. EXPENDITURES

Fund expenditures for the years ended June 30 are summarized as follows:

		2019	2018
APFC OPERATING EXPENDITURES			
Salaries and benefits	$	**9,562,000**	9,303,000
Communications and electronic services		**4,277,000**	3,848,000
Consulting fees		**4,482,000**	3,152,000
Training, supplies, services and other		**615,000**	503,000
Rent		**504,000**	501,000
Travel		**566,000**	589,000
Legal and audit fees		**988,000**	1,243,000
Property and equipment		**3,948,000**	203,000
Public information and subscriptions		**122,000**	119,000
SUBTOTAL APFC OPERATING EXPENDITURES		**25,064,000**	19,461,000
INVESTMENT MANAGEMENT AND CUSTODY FEES			
Investment management fees		**106,131,000**	117,994,000
Custody and safekeeping fees		**1,372,000**	1,344,000
SUBTOTAL INVESTMENT MANAGEMENT AND CUSTODY FEES		**107,503,000**	119,338,000
TOTAL OPERATING EXPENDITURES, INVESTMENT MANAGEMENT AND CUSTODY FEES		**132,567,000**	138,799,000
OTHER LEGISLATIVE APPROPRIATIONS FROM CORPORATE RECEIPTS			
Department of Natural Resources		**6,045,000**	5,956,000
Department of Law		**2,644,000**	1,117,000
Department of Revenue		**94,000**	86,000
TOTAL OTHER LEGISLATIVE APPROPRIATIONS		**8,783,000**	7,159,000
TOTAL EXPENDITURES	$	**141,350,000**	145,958,000

Through the appropriations and budget process, the Legislature allocates corporate receipts to other State departments to compensate these departments for work done on behalf of the Fund during the year.

21. PENSION PLANS

All APFC full-time, regular employees participate in the State of Alaska Public Employees Retirement System (PERS). PERS is a multiple-employer public employee retirement system established and administered by the State to provide pension and post-employment healthcare benefits to eligible retirees. The PERS financial report can be obtained from the State of Alaska's Retirement and Benefits website. Benefit and contribution provisions are established by state law and can be amended only by the Legislature.

PERS consists of Defined Contribution Retirement (PERS-DCR) and Defined Benefit Retirement (PERS-DBR) plans. Employees who entered the system on or after July 1, 2006 participate in the PERS-DCR plan. Employees who entered the system prior to July 1, 2006 participate in the PERS-DBR plan. PERS-DBR employees contribute 6.75 percent of their annual salaries to PERS and PERS-DCR members contribute 8 percent.

As an integrated cost sharing plan, the PERS system requires employers to pay a uniform contribution rate of 22 percent of eligible employee salaries for the benefit of PERS members. Total salaries subject to PERS for the years ended June 30, 2019 and 2018 amounted to $6,574,000 and $6,400,000, respectively.

In addition to the pension plan discussed above, all APFC employees and Trustees participate in the Alaska Supplemental Benefits System Supplemental Annuity Plan (SBS-AP). The SBS-AP is a multiple-employer defined contribution plan created pursuant to Internal Revenue Code section 401(a) to provide benefits in lieu of those provided by the Federal Social Security System. Each year, APFC employees and Trustees contribute 6.13 percent of salaries or honoraria, up to a specified maximum, to SBS-AP. APFC contributes a matching 6.13 percent. Participants are eligible to withdraw from SBS-AP 60 days after termination of employment or service as a Trustee. Total salaries and honoraria for individuals subject to SBS-AP for the years ended June 30, 2019 and 2018 amounted to $4,860,000 and $4,607,000, respectively.

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Maggie Meiners, Administrative Specialist
Christopher Poag, General Counsel
Paulyn Swanson, Communications Manager

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Rachel Price, Administrative Specialist

RISK AND COMPLIANCE

Sebastian Vadakumcherry, Chief Risk and Compliance Officer
Katherine Smith, Compliance Officer

ALASKA PERMANENT FUND CORPORATION

This publication on the activities and financial condition of the Alaska Permanent Fund is submitted in accordance with AS 37.13.170.

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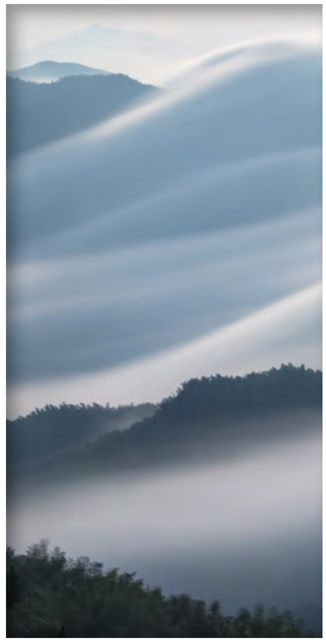

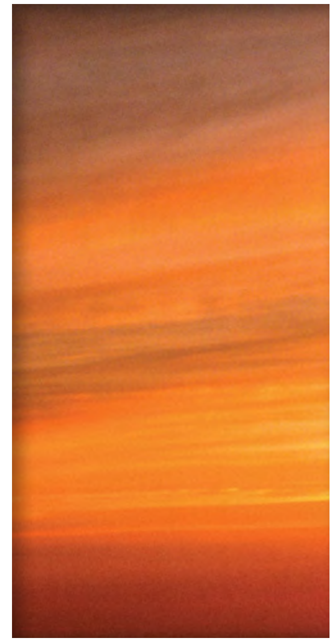

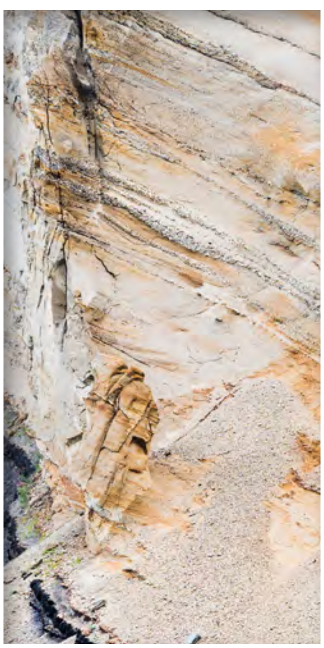

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