

APFC

ALASKA PERMANENT
FUND CORPORATION

Investing for Alaska - Generating Revenue - Stewardship for Generations

Celebrating 50 Years The Alaska Permanent Fund

House Finance Committee

February 2026

A Bold Decision by 75,588 Alaskans

50 Years of Vision & Stewardship

Alaskans chose to permanently forgo immediate use of at least 25% of oil and mineral revenues, saving instead to create a financial resource for generations - the Alaska Permanent Fund.

A policy rooted in foresight.

- Transform nonrenewable resource wealth into a renewable financial legacy
- Benefit current and future generations
- A long-term vision grounded in discipline and stewardship

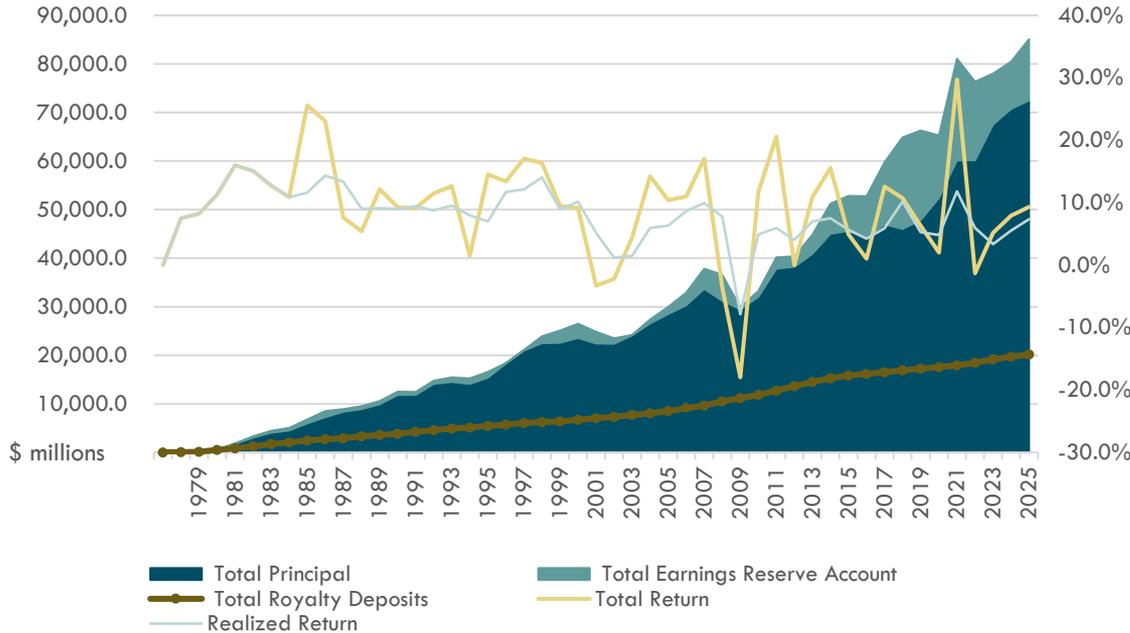


Alaska Constitution Article IX, Section 15 Alaska Permanent Fund

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.

From First Deposit to Global Fund

Fund Values & Returns Since Inception



Total Return includes interest, dividends, distributions, and *both realized and unrealized gains*.

Realized Return reflects profits or losses from interest, dividends, and *realized capital gains*; deposited into the Earnings Reserve Account.

One of the most successful sovereign wealth funds in the world, recognized globally for converting royalty wealth into a lasting financial legacy.

1977: First deposit of mineral royalty wealth of \$734,000

As of January 31, 2026:

Total Fund Value: \$87.6B

Principal: \$74.2B

Earnings Reserve Account: \$13.4B

A Cornerstone of State Revenue

Generating ~66% of Alaska's unrestricted general fund revenue to support: public services, dividends, and fiscal stability.

Investing for Alaska

Mission Driven

To manage and invest the assets of the permanent fund and other funds designated by law in accordance with AS 37.13.010-37.13.190.

Vision

To deliver outstanding returns for the benefit of all current and future generations of Alaskans.

Board of Trustees

The Board of Trustees oversees the Corporation and serves as the Fund's fiduciary. AS 37.13.

Shared responsibility working together for Alaska's future

- Legislature sets policy
- Trustees govern
- APFC professionals execute

Alaska Permanent Fund

Principal

Constitution and AS 37.13.010

Earnings Reserve Account

AS 37.13.145 (a)

Amerada Hess Settlement

AS 37.13.145 (d)

AK Capital Income Fund

AS 37.05.565

Alaska Mental Health Trust Fund

AS 37.13.300

Alaska Mental Health Trust Authority

Power Cost Equalization Endowment

AS 37.13.310

Alaska Energy Authority – PCE Program



Investment Management

Protecting the Principal and maximizing a risk-adjusted return to benefit all Alaskans

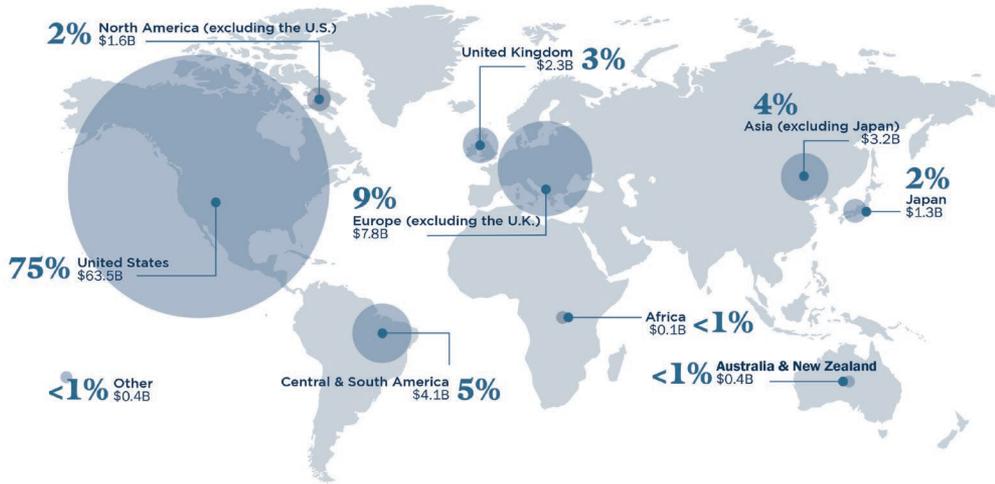
A Global, Diversified Portfolio

APFC seeks to balance the goals of maintaining the safety of the Principal while maximizing total return to deliver value for our stakeholders – **the people of Alaska.**

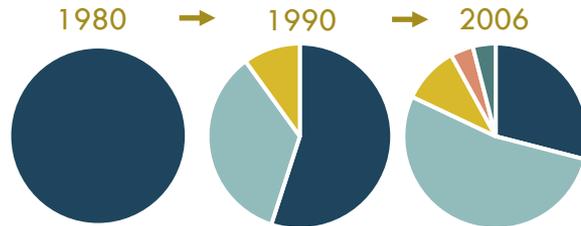
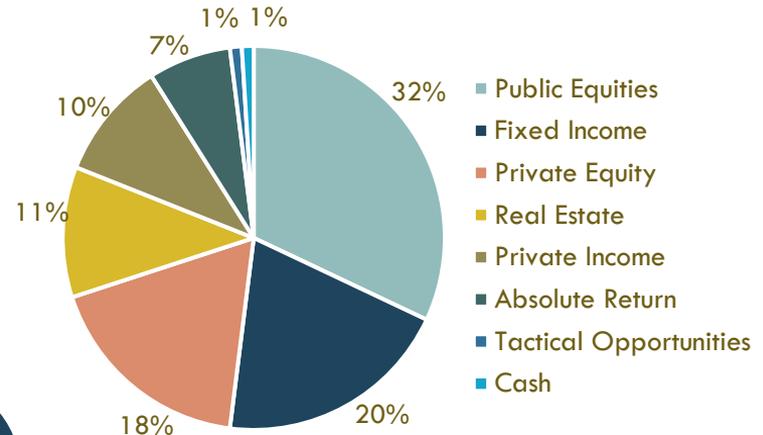
Risk Management

The goal of risk management is not to avoid risk but to identify, understand, and manage it to acceptable levels.

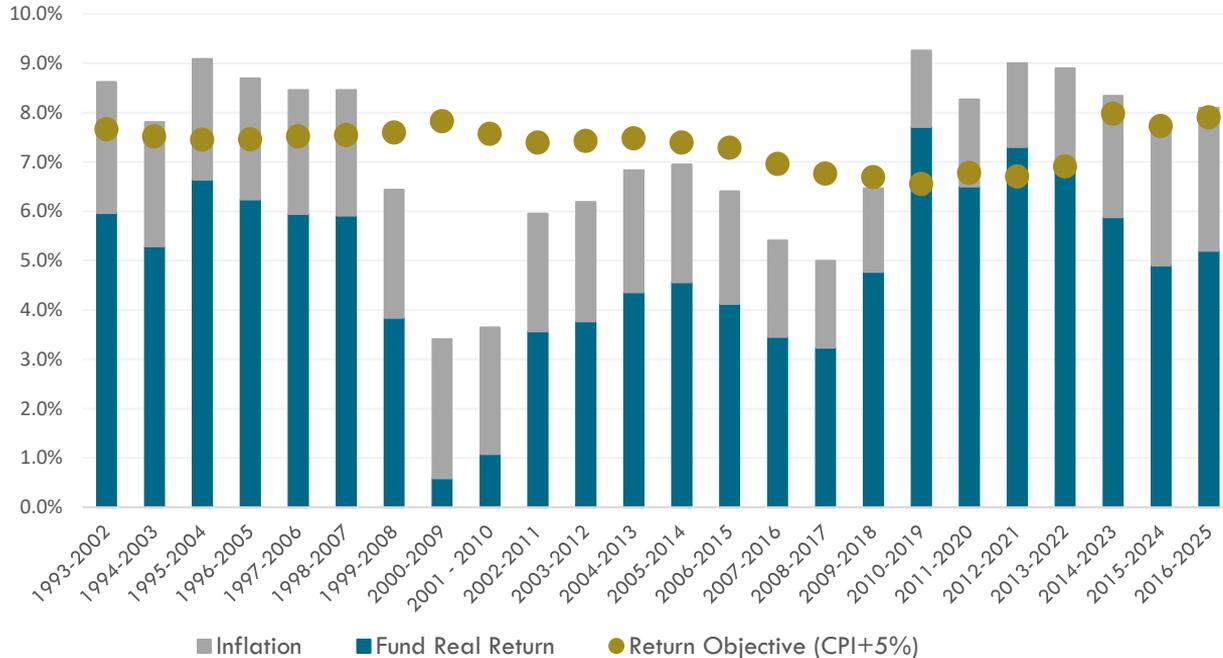
Intentional - Prudent - Strategic



2026 Target Allocation



Investing for the Long Term



Fund Real Return: measures the performance of investments after adjusting for inflation, ensuring the Fund maintains its purchasing power over time.

The Board's Total Fund Objective:

Investment Performance

Ability to generate an annualized return of inflation (CPI) + 5% over a 10-year period.

Investment Risk

Ability of the Fund to achieve the long-term target while conforming to the Board's approved risk appetite metric.

Recent Performance & Benchmarks

Performance Summary as of December 31, 2025

	<u>FYTD</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>42-Year</u>
Fund Return	6.63%	12.47%	9.58%	7.92%	9.02%	8.80%
Performance Benchmark	6.86%	12.24%	10.84%	7.76%	8.72%	8.89%
APFC (Under)/Out-Performance	(0.23%)	0.23%	(1.26%)	0.16%	0.30%	(0.09%)
Passive Benchmark	7.30%	16.37%	13.83%	6.51%	7.95%	-
APFC (Under)/Out-Performance	(0.67%)	(3.90%)	(4.25%)	1.41%	1.07%	-
Return Objective (CPI + 5%)	2.92%	7.68%	7.97%	9.47%	8.20%	7.81%
APFC (Under)/Out-Performance	3.71%	4.79%	1.61%	(1.55%)	0.82%	0.99%

Recent Performance & Benchmarks

Performance Benchmark

- What APFC portfolio managers manage against day-to-day; benchmark weights for asset classes equal to target asset allocation (32% global equities, 20% fixed income, 18% private equity, 11% real estate, 10% private income, 7% absolute return, 1% tactical opportunities, 1% cash)
- Investible benchmarks for public markets, universe of peers for private markets
- **APFC has outperformed on the 1-year, 5-year, and 10-year time periods as of December 2025**

Passive Benchmark

- A benchmark portfolio that is investible “with the click of a mouse” – 60% global equities, 20% fixed income, 10% REITs, 10% TIPs
- **APFC has outperformed on the 5-year and 10-year time periods as of December 2025**

Return Objective (CPI + 5%)

- APFC’s asset allocation targets, informed by third-party consultants’ capital market forecasts, are intended to build a portfolio that can deliver expected returns consistent with the return objective of CPI + 5%
- **APFC has outperformed on the FYTD, 1-year, 3-year, 10-year, and 42-year time periods as of December 2025**

What Benchmarks Tell Us

Return Objective

Did APFC's asset allocation (with a lesser contribution from execution / implementation) achieve CPI +5?

Passive Benchmark

Over market cycles, does the complexity of APFC private markets and alternatives add value versus a “click-of-the-mouse” portfolio of liquid indices?

Performance Benchmark

Over any given time period, did APFC's execution and implementation add or subtract value versus broad industry averages for assigned asset classes?

The Value of Diversification

Resilience Through Market Cycles

- Non-correlated assets offset downturns
- Smoother, more consistent returns
- Maximizes risk-adjusted performance
- Protects the Fund during inevitable market volatility

Why Not Just The S&P 500?

Managing Risk, Not Chasing Headlines

- No major endowment or state investment fund, to our knowledge, invests exclusively in nor allocates its public equity portfolio solely to the S&P 500
- Concentrated today in the technology sector
- Concentration increases risk
- History shows periods of underperformance
- Runs counter to the diversification required by AS 37.13.120(c)

Asset Allocation & Callan Projections

Current Target Asset Allocation

Asset Class	Green Zone	
	Target	Range
Public Equity	32%	+/-5%
Fixed Income	20%	+/-5%
Private Equity	18%	+/-5%
Real Estate	11%	+/-3%
Private Income	10%	+/-5%
Absolute Return	7%	+/-3%
Tactical Opportunities	1%	+2%/-1%
Cash	1%	+2%/-1%
Total	100%	

Source: APFC Investment Policy Statement as updated July 2025

Callan Associates Forecasted 10-Year Return

	10-Year Geometric Return
Private Equity	8.50%
Global Equities	7.55%
Tactical Opportunities	7.25%
Private Income	7.10%
Absolute Return	5.70%
Private Real Estate	6.25%
Fixed Income	4.70%
Cash	3.00%

Source: Callan Associates Capital Market Expectations - January 2026

Portfolio Projected Nominal Return	7.30%
Less: Projected Inflation	(2.50%)
Portfolio Projected Real Return	4.80%

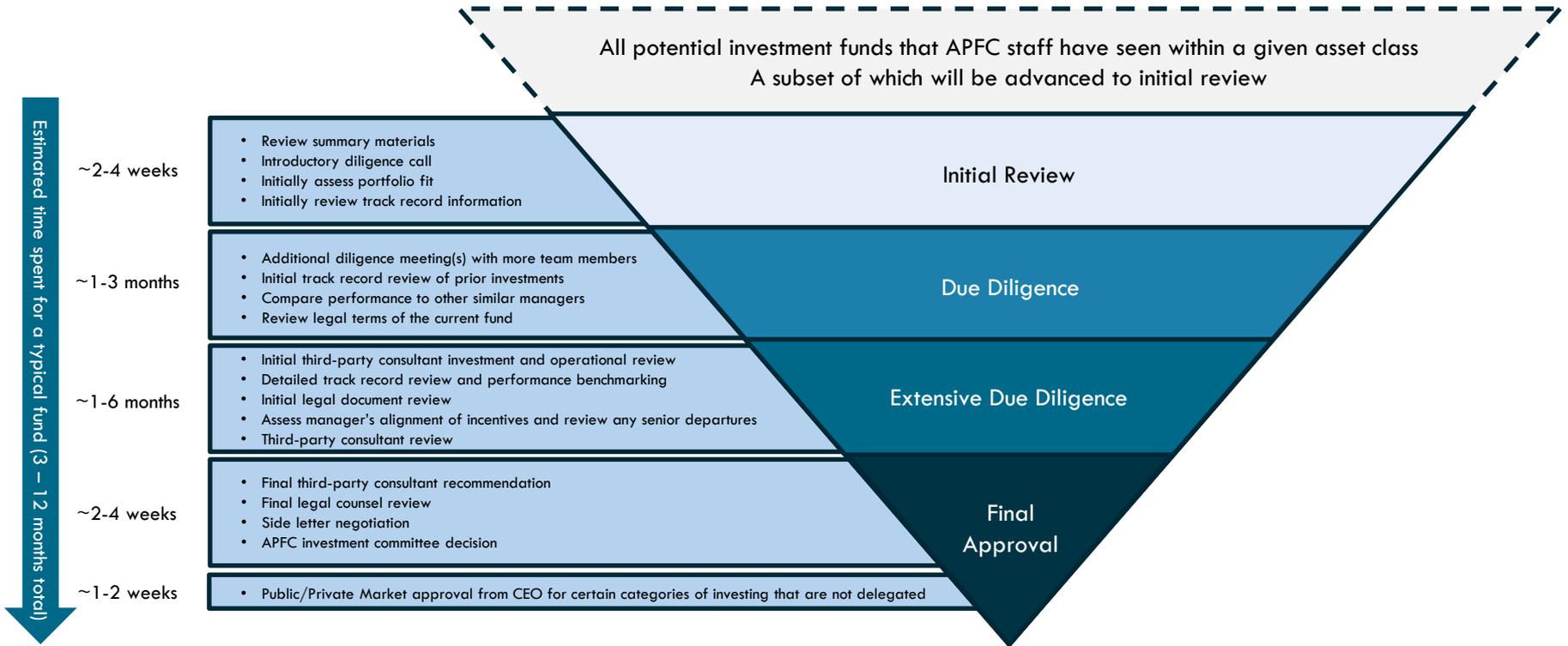
Source: December 2025 History & Projections file based on Callan data

- Approves new investments
- Oversees, monitors, and reviews performance, as well as strategic and tactical investment decisions
- Meeting open to all investment staff and the Chief Risk Officer
- Diverse, balanced, and open-minded interaction
- Investment Committee (IC) voting members:
 - Chief Investment Officer (CIO)
 - Deputy CIO-Private Markets
 - Deputy CIO-Public Markets

Committee Participation



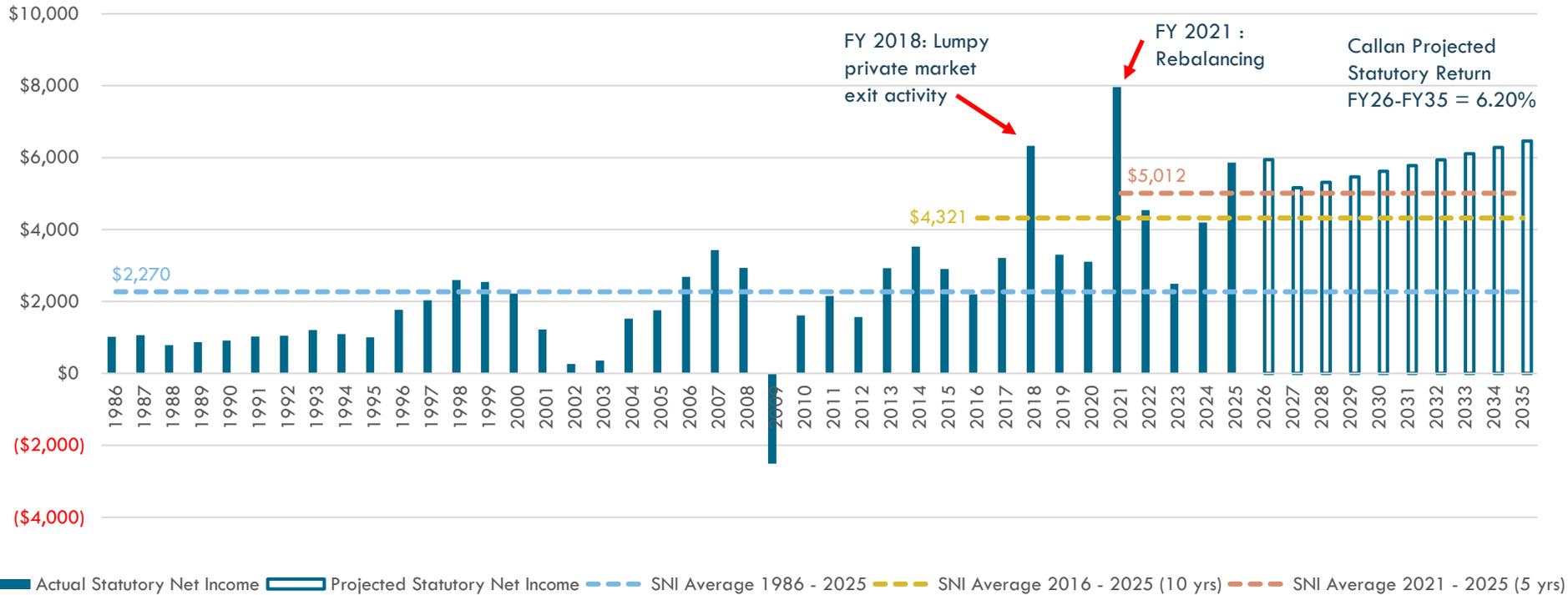
Illustrative APFC Diligence Process



Estimated time spent for a typical fund (3 – 12 months total)

~2-4 weeks	Review initial fund presentation materials and conduct an introductory call on strategy and market opportunity	Initial Review
	Assess high-level fit of the strategy with the APFC portfolio deployment priorities	
	Review fund size, geography, and prior track record, especially compared to prior funds	
~1-3 months	Follow-up meeting/call to meet with key leaders of the firm and additional investment professionals	Due Diligence
	Assess manager experience and current market opportunity set compared to prior vintages	
	Detailed track record review of out/underperformers, outliers, and consistency with prior investment strategy	
	Review decision making processes in the manager's investment committee, allocation policy, valuation committee, etc.	
	Review terms including fund expenses, mgmt. fee/incentive fees, distributions, key person(s), restricted investments, and fund structure	
	Compare the fund strategy, performance, fees, etc. to liquid alternatives and other private funds with similar strategies	
~1-6 months	Assess trends in fund sizes compared to the number of senior/junior investment professionals and operations staff	Extensive Due Diligence
	Conduct detailed review of the fit within the APFC portfolio on the dimensions of geography, sector, company size, etc. and compared to benchmarks	
	Determine appropriate investment size for the APFC portfolio	
	Initial third-party consultant review to assess merits / risks of the investment opportunity and operational due diligence	
	Verify presented track record returns compared to prior cash flows	
	Review any notable investments (particularly losses) in the prior track record with the deal team(s), including review of original IC memos	
	Quartile rank prior fund performance vs. benchmarks and compare prior performance vs. similar private funds	
	Review the fund legal documents (LPA, PPM, subscription documents) in detail, noting areas for side letter negotiation	
	Conduct on-site due diligence meeting(s) with broader set of the team, including key person(s) as well as senior and junior investment professionals (virtual if necessary)	
	Confirm alignment of incentives with the investment teams (share of carry to junior team vs. senior team vs. management company)	
	Review any departures of senior professionals in detailed conversations (why did they leave, who has backfilled responsibilities, is this systemic?)	
	Perform reference calls with current and prior limited partners	
~2-4 weeks	Discuss opportunity with APFC IC to preview the investment, elicit discussion, and produce questions for further diligence	Final Approval
	Legal counsel review of fund documents	
	Third-party consultant final approval and recommendation for the APFC portfolio	
	Negotiate any applicable side letter provisions (disclosures/exemptions, legal jurisdiction, fee breaks, LPAC seats, co-investment rights, etc.)	
~1-2 weeks	Bring the opportunity for a formal presentation and vote at the APFC IC	
	Public/Private Market approval from APFC CEO for certain categories of investing that are not delegated	

Statutory Net Income – History and Projections



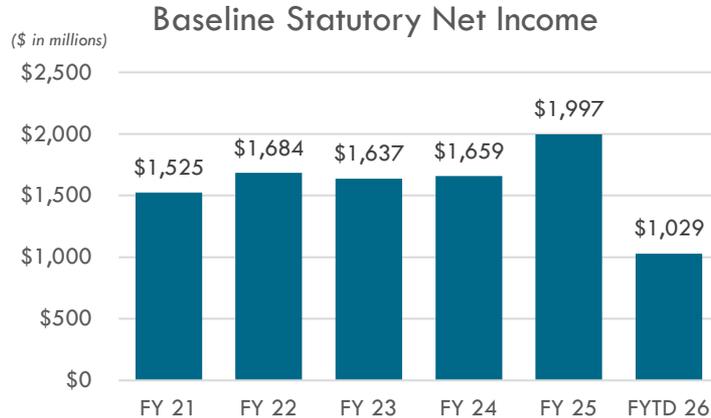
Source: December 31, 2025 History and Projections

ALASKA PERMANENT FUND CORPORATION

Statutory Net Income Drivers

- The Fund's Statutory Net Income, in a given year, is driven by the combination of the relatively stable "Baseline Statutory Net Income" and the less stable realization of gains on investment positions
- Replenishment of Earnings Reserve Account (ERA) balances as Percent of Market Value (POMV) payments are made, and inflation proofing transfers occur, requires multi-billion-dollar annual gain realization rates

Interest, Dividends, and Rental Income



Source: APFC Financial Statements.

Unrealized Gains (Losses) Sensitivity

	Stocks Lower		Actual 12/31/2025	Stocks Higher	
	(25.00%)	(12.50%)		12.5%	25.0%
Public Equities	(\$649)	\$3,073	\$6,795	\$10,517	\$14,239
Private Equity	4,639	4,639	4,639	4,639	4,639
Absolute Return	2,321	2,321	2,321	2,321	2,321
Real Estate	1,718	1,718	1,718	1,718	1,718
Private Income	1,853	1,853	1,853	1,853	1,853
Fixed Income	(101)	(101)	(101)	(101)	(101)
Other	(23)	(23)	(23)	(23)	(23)
Total - Overall	\$9,758	\$13,480	\$17,202	\$20,924	\$24,646
Total - Liquid	(\$750)	\$2,972	\$6,694	\$10,416	\$14,138

Source: APFC internal financial records and staff analysis.



Generating Revenue

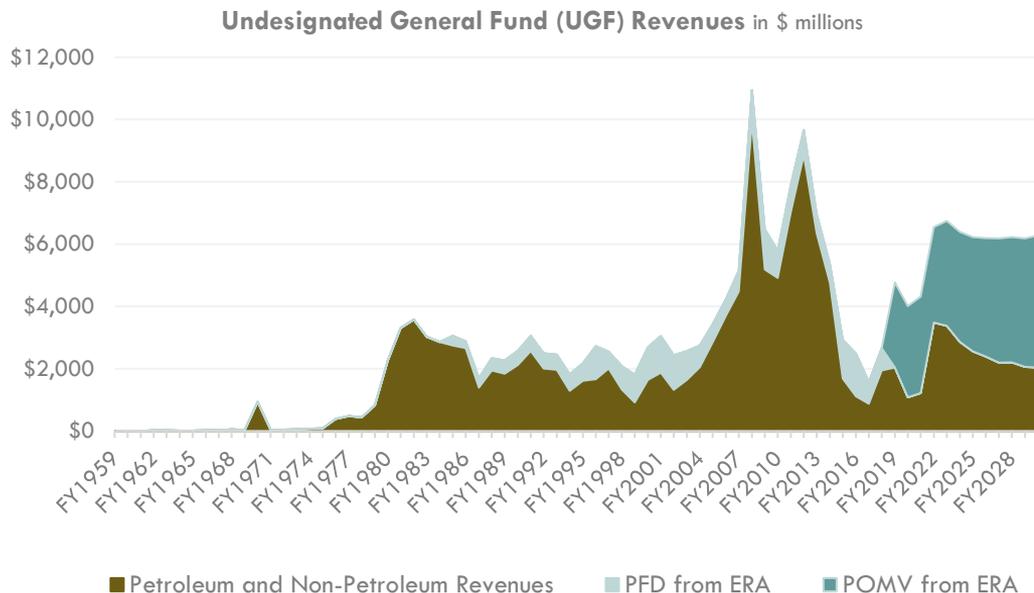
Transforming nonrenewable resource wealth into a renewable financial legacy

**The Permanent Fund has generated more than
\$114 billion in total earnings**

- To support the PFD and public services
- To protect the purchasing power and growth of the Principal
- To remain invested for the future

The Shift in Alaska's Revenue

Alaska's budget has transitioned from primarily relying on nonrenewable mineral royalty resources to depending on financial revenues generated by the Fund.



1998

Permanent Fund earnings surpassed declining oil revenues, marking a shift in the state's revenue model.

2019

The state budget first incorporated a Percent of Market Value (POMV) draw to fund dividends and government services. The statutory draw rate for FY 19-21 was set at 5.25% of the rolling average market value and then reduced to 5.0%.

2026

The Permanent Fund accounts for ~66% of the state's UGF, exceeding traditional revenue sources.

POMV Predictability

- 5% draw based on a rolling 5-year average market value
- Aligns payouts with long-term return objectives
- Reduces volatility and overspending through statutory discipline
- Draw is appropriated from the Earnings Reserve under the two-account structure

FY27 POMV Calculation

AS 37.13.140 (b) Fund Value-Based

FY25	\$84,675.5
FY24	\$80,038.5
FY23	\$77,587.5
FY22	\$75,912.8
FY21	\$81,472.8

Avg.	\$79,937.4
5%	\$ 3,996.9

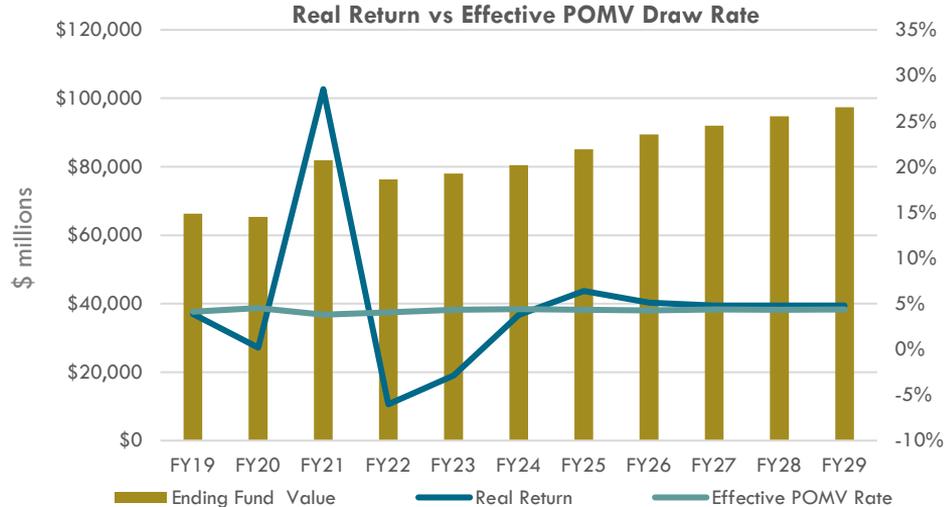
FY27 = \$ 4.0B

POMV Over 8 fiscal years
FY19-FY26 = \$ 26.2B

Percent of Market Value (POMV) Draw

A draw rule addresses how much can be used each year.

Long-term draw durability requires preserving the Fund's value in real terms, after inflation.



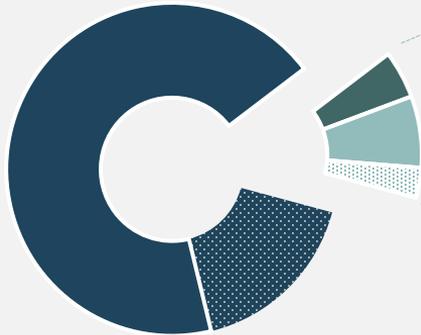
Real Return: measures performance after adjusting for inflation, ensuring the Fund maintains its purchasing power over time.

Effective POMV Draw Rate represents the actual percentage withdrawn relative to the Fund's market value, smoothing payouts across market cycles.

Ranging from a low in FY21 of 3.79% to a high in FY20 of 4.52%, with a projection in FY29 of 4.36%

Alaska Permanent Fund

Total Fund Balance: **\$87.6B**, as of January 31, 2026



\$74.2B Principal:

\$59.1B Permanent Deposits
Royalties, Inflation Proofing & Special Appropriations

\$15.1B Unrealized Appreciation

APFC publishes the monthly Financial Statements at apfc.org providing point-in-time unaudited values for the Fund.

Alaska's budget relies on revenue from the Permanent Fund.

\$13.4B Earnings Reserve Account (ERA):

\$4.0B for the FY27 POMV - Committed for the POMV Draw to the state's general fund for dividends and government services

\$6.6B "Spendable" Earnings

Available as realized income to support the FY28 POMV commitment of \$4.1B and Inflation Proofing for the Principal.

\$2.8B Unrealized Appreciation

Represents changes in asset values from the purchase date to the most current date

Inflation Proofing AS 37.13.145(c)

Applies only to the Principal's Permanent Deposits
Requires an appropriation

FY 26 - \$0 appropriated (estimated \$1.5B)

FY 27 - Estimated \$1.5 B in the Governor's Budget

**Inflation Proofing Provides
Intergenerational Equity**

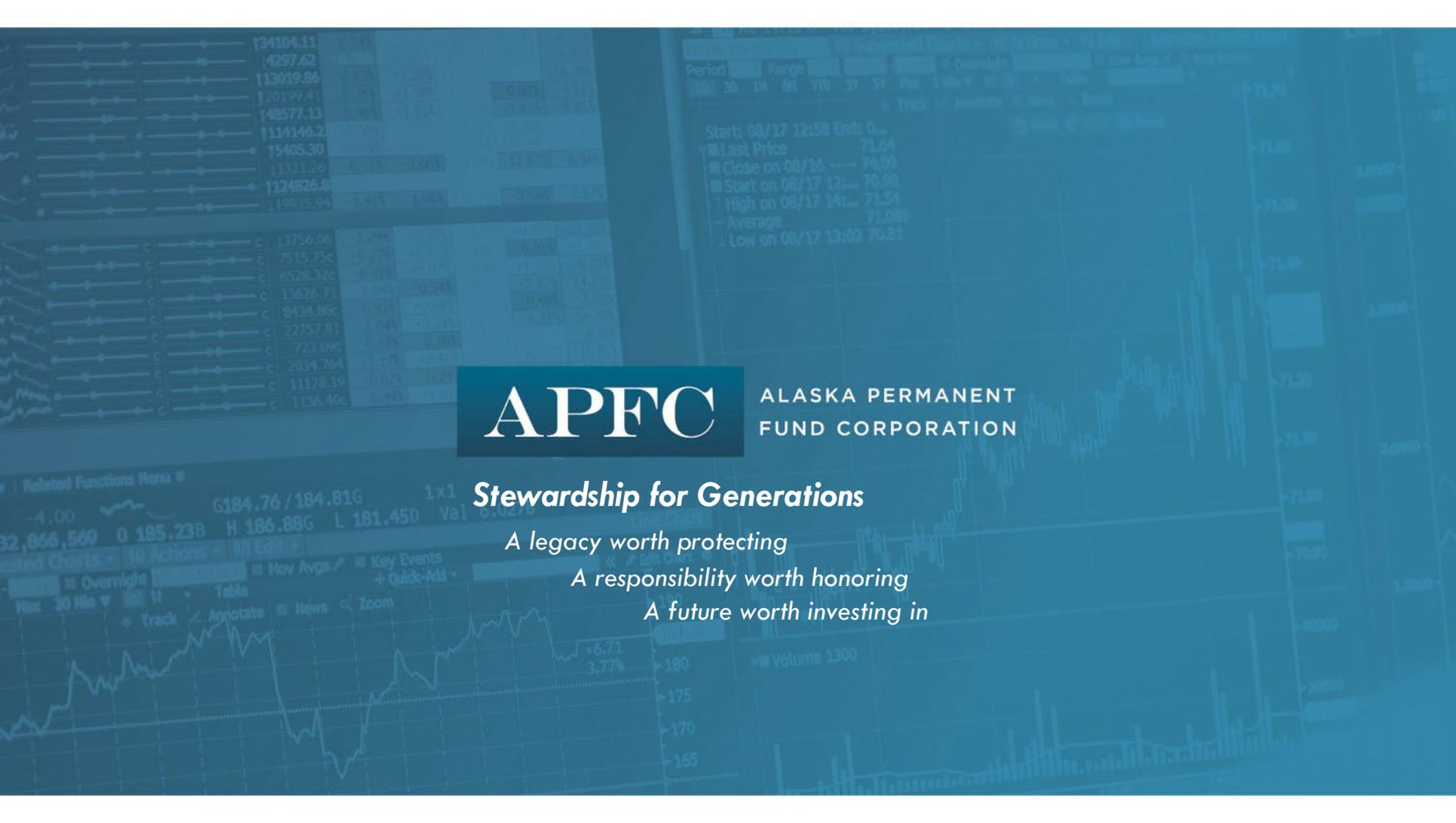
**Without inflation proofing, real
value erodes over time**

Inflation Proofing to Preserve Purchasing Power

- Only the permanent deposits to the Principal are inflation-protected.
- The Principal does not retain earnings.
- Inflation proofing requires legislative action; it is a policy decision, not automatic.

Under the two-account structure, long-term discipline is required. In recent years, statutory, rules-based inflation proofing has lapsed.

- Based on the FY26 Legislative Intent, the re-categorization of the FY22 Special Appropriation as Inflation Proofing would reduce the amount still owed for Principal Inflation Proofing to \$572.9 million, rather than \$4.6 billion owed based on the Trustees' rules-based assessment.

The background of the slide is a semi-transparent blue overlay on a financial data interface. It features a table of stock prices on the left, a detailed price summary for a specific stock in the upper right, and a line chart with volume bars at the bottom. The APFC logo is centered in a dark blue box.

APFC

ALASKA PERMANENT
FUND CORPORATION

Stewardship for Generations

A legacy worth protecting

A responsibility worth honoring

A future worth investing in