

Memo

To: Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
House Finance Committee
34th Alaska State Legislature

From: Deven Mitchell, Executive Director & CEO
Alaska Permanent Fund Corporation 

Date: March 9, 2026

Re: APFC Follow-Up to Committee Questions on February 20, 2026

Thank you for the opportunity to present an overview of the Alaska Permanent Fund's history, performance, and use to the House Finance Committee. Below are follow-up responses to questions posed by committee members:

➤ ***Provide information on management fees, including historical data.***

Transparency and Accountability: APFC maintains a high standard of transparency, exceeding that of many sovereign wealth funds and institutional endowments. The Corporation publicly discloses investment management and performance fee information by category in its Quarterly Fee & Expense Report and Annual Report, both available at apfc.org. This consistent public disclosure reflects APFC's commitment to accountability and fiduciary discipline on behalf of Alaskans.

Competitive Cost Structure: Given the scale, complexity, and global diversification of the portfolio, including both public and private market exposures, APFC's total cost structure remains highly competitive relative to peer institutional investors, as confirmed by its third-party performance consultant, Callan.

Historical Context and Fee Reporting Evolution: A 10-year historical overview of fees is attached. APFC has steadily expanded transparency, adding estimated external private equity and real estate management fees in 2017 and fully allocating all fees across asset classes beginning in 2019. These efforts provide a more comprehensive view of investment costs. While private markets carry higher fees, they offer differentiated returns, diversification benefits, and access to illiquidity premiums, enhancing long-term performance net of fees.

➤ **Provide information on inflation proofing**

Rules-based Discipline: The Board of Trustees urges the Legislature to follow the statutory, rules-based approach to inflation proofing the Fund’s Principal under AS 37.13.145(c), which applies only to permanent deposits. Consistent adherence to the formula promotes transparency, fiscal discipline, and intergenerational equity.

The Governor's FY27 Operating Budget includes an estimated \$1.4 billion transfer from the Earnings Reserve Account to the Principal for the FY27 inflation proofing appropriation in accordance with statute.

Summary from FY16: The table below summarizes annual inflation proofing amounts calculated under AS 37.13.145(c) and applied to permanent Principal deposits.

While recent deviations responded to short-term fiscal pressures, they have reduced the predictability of this long-standing mechanism for preserving the Fund’s purchasing power.

APFC Inflation Proofing FY16-FY26 \$ millions

| | Per Statute | Appropriated | Surplus/ (Deficit) |
|--------------|-----------------------|---------------------|-------------------------------|
| FY16 | \$47.3 | \$0.0 | (\$47.3) |
| FY17 | \$501.6 | \$0.0 | (\$501.6) |
| FY18 | \$855.6 | \$0.0 | (\$855.6) |
| FY19 | \$989.5 | \$989.5 | \$0.0 |
| FY20 | \$757.7 | \$4,757.7 | \$4,000.0 |
| FY21 | \$577.3 | \$0.0 | (\$577.3) |
| FY22 | \$2,419.5 | \$0.0 | (\$2,419.5) |
| FY23 | \$4,179.3 | \$4,179.3 | \$0.0 |
| FY24 | \$2,346.6 | \$1,413.0 | (\$933.6) |
| FY25 | \$1,736.2 | \$0.0 | (\$1,736.2) |
| FY26 | <i>Est. \$1,505.0</i> | \$0.0 | <i>Est. (\$1,505.0)</i> |
| TOTAL | \$15,915.6 | \$11,339.5 | *(\$4,576.1) |

*Based on Legislative Intent in the FY26 Operating Budget, the re-categorization of the FY22 Special Appropriation as Inflation Proofing reduces the amount owed for Principal Inflation Proofing through FY26 to \$576.1 million, rather than \$4.6 billion owed based on the Trustees' assessment.

APFC is committed to prudent management, disciplined execution, and full accountability in stewarding one of the nation’s leading sovereign wealth funds for the benefit of current and future Alaskans. We value our partnership with the Legislature and remain available to provide any additional information.

Please contact me directly at dmitchell@apfc.org, or reach out to Paulyn Swanson, Director of Communications, via email at pswanson@apfc.org or by phone at 907-500-2476.



APFC

ALASKA PERMANENT
FUND CORPORATION

APFC Investment Fees

March 2026

Management & Performance Fees

APFC maintains strong transparency, publicly reporting fees and expenses in its [Quarterly Fee & Expense Reports](#) and [Annual Reports](#).

Fees vary with performance and assets under management (AUM); higher total fees often accompany stronger returns and portfolio growth, while basis-point costs reflect the fee rate relative to AUM.

Since 2019,

- Investment management fees have been consistent, ranging from 48–59 bps.
- Corporate operating expenses have remained low, at 2–3 bps.
- Performance-based profit-sharing fees have shown variability, adding 22–63 bps. These fees reflect strong outperformance, contributing to additional net returns to the Fund even after the sharing of profit.

Overall costs remain competitive relative to peers, while private market investments offer diversification and potential long-term returns through profit sharing.

APFC's performance returns are reported net-of-fees.

Management & Performance Fee Categories

Management Fees: Paid From Investments

Based on the value of assets under management. These fees are netted against income and retained by the investment manager before the net profit is distributed back to the Fund.

Management Fees: Paid from Investment Management Appropriation

Fees funded by investment management budget allocation reflect the value of assets under management, contractual fee terms for external management, and internal costs associated with effective portfolio management, including investment systems, due diligence, and custody fees.

Corporate Expenses: Paid from Operations Appropriation

Fees funded by APFC operations budget allocation represent the Corporation's operating expenses, including all Staff salaries, travel, contractual services, commodities, and equipment.

Profit Sharing / Performance

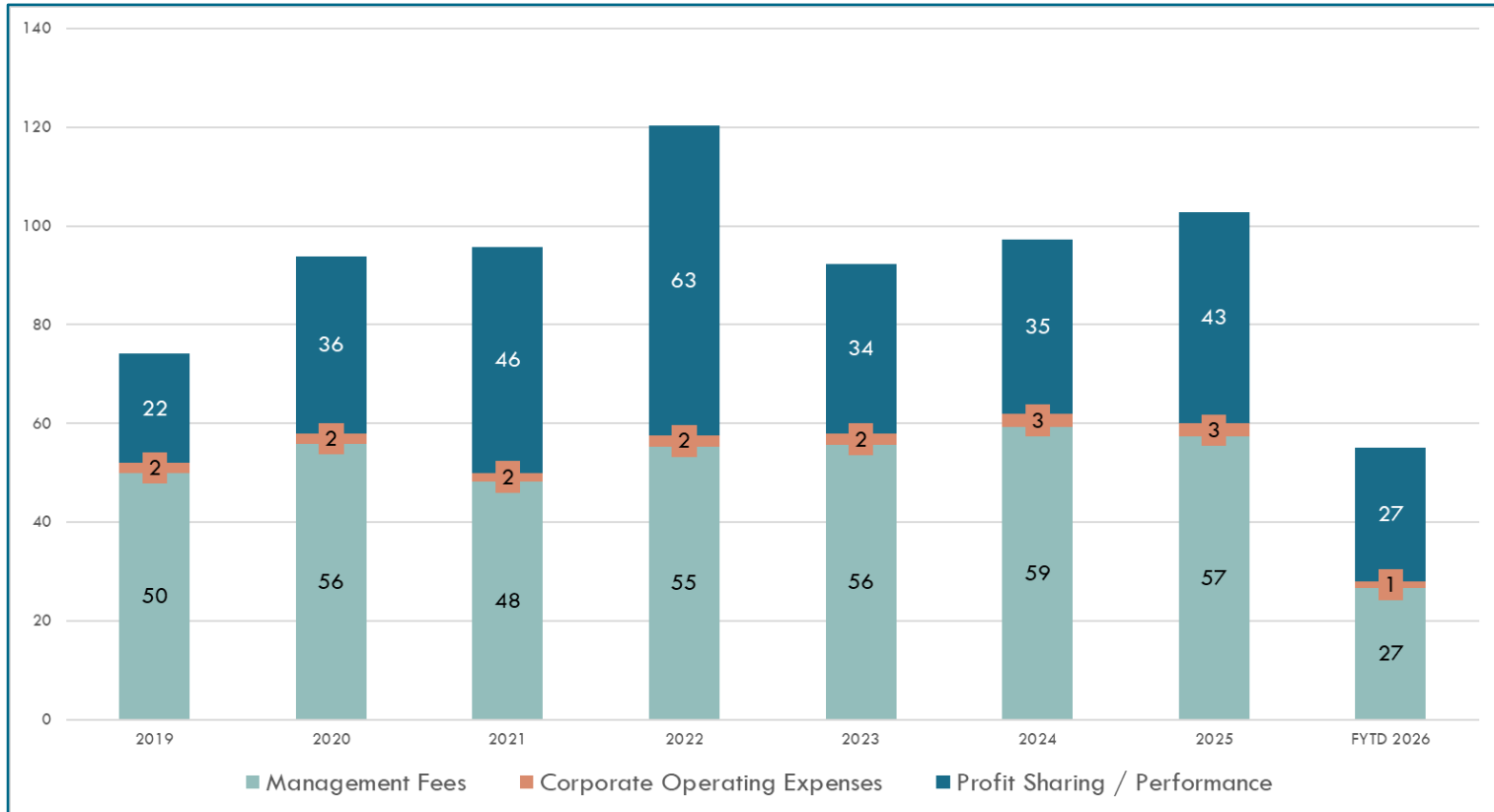
These fees are paid only when external managers generate returns that exceed established benchmarks. The distinction from management fees is significant, as higher performance fees indicate that the Fund has delivered returns well above expectations.

FY 2025 Fees & Expenses by Funding Source

| Report Date | June 30, 2025 | | | | |
|--|--------------------------|---|------------------------------------|--------------------|--------------|
| Total Fund Balance | 86,844,476,000 | | | | |
| FYTD Change in Total Fund Balance (Net of Transfers) | 8,001,733,000 | | | | |
| Investment Management Fees | | | | | |
| | Paid from Investments | Paid from Investment Management Allocation | Paid from Operations Allocation | Total | Basis Points |
| Public Equity | 2,136,000 | 54,243,000 | 2,336,000 | 58,715,000 | 7 |
| Fixed Income | 0 | 4,336,000 | 7,532,000 | 11,868,000 | 1 |
| Absolute Return | 108,095,000 | 849,000 | 1,016,000 | 109,960,000 | 13 |
| Private Equity & Special Opps | 149,939,000 | 31,167,000 | 5,759,000 | 186,865,000 | 22 |
| Private Income | 81,488,000 | 3,418,000 | 2,419,000 | 87,325,000 | 10 |
| Real Estate | 54,892,000 | 5,419,000 | 4,538,000 | 64,849,000 | 7 |
| Total Investment Management Fees | 396,550,000 | 99,432,000 | 23,600,000 | 519,582,000 | |
| Basis Points | 46 | 11 | 3 | 60 | |
| Profit Sharing/Performance | | | | | |
| | Paid from Investments | Paid from Investment Management Allocation | Paid from Operations Allocation | Total | Basis Points |
| Public Equity | 0 | 32,822,000 | 0 | 32,822,000 | 4 |
| Absolute Return | 111,851,000 | 0 | 0 | 111,851,000 | 13 |
| Private Equity & Special Opps | 184,295,000 | 0 | 0 | 184,295,000 | 21 |
| Private Income | 41,895,000 | 0 | 0 | 41,895,000 | 5 |
| Real Estate | 267,000 | 0 | 0 | 267,000 | 0 |
| Total Profit Sharing/Performance | 338,308,000 | 32,822,000 | 0 | 371,130,000 | |
| Basis Points | 39 | 4 | 0 | 43 | |
| * All amounts presented, including fund balances and change net of transfers, are in USD and consist of APF, AMHT, and PCE combined. | | | | | |

Source: APFC Management Fee Report – June 30, 2025

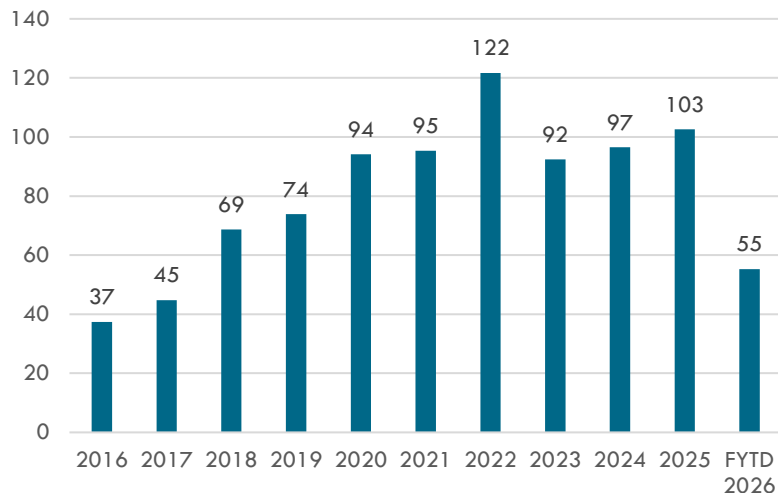
Fiscal Year 2025: Fees by Category



Source: APFC Management Fee Reports through December 31, 2025

Total Fees by Fiscal Year

Total Fees as a Percent of AUM by Fiscal Year
(in Basis Points)



Increasing Transparency & Understanding

2017: Reporting is improved to include estimates of management fees for Private Equity and Real Estate investments accessed through external managers.

2019: Fee capture is expanded to fully allocate all fees across asset classes.

2022: Performance fees for FY21 are distributed based on the fiscal-year return of 64.6% including 10.4% of outperformance.

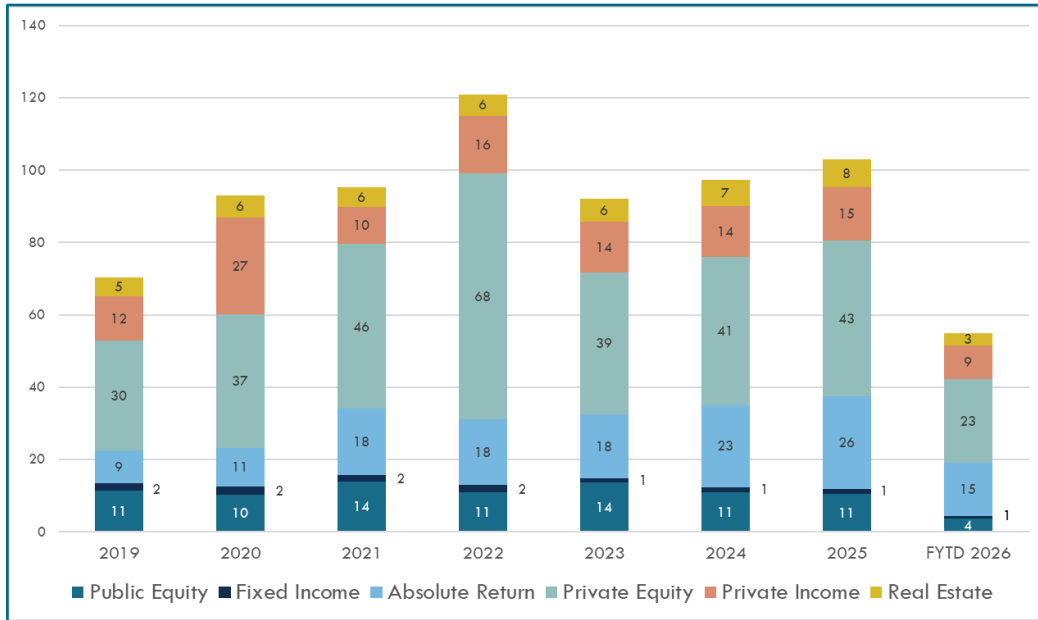
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | FYTD 2026 |
|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Fees | 199,126 | 269,904 | 449,102 | 493,723 | 619,515 | 787,109 | 936,940 | 727,893 | 792,075 | 890,712 | 487,140 |
| AUM | 53,214,867 | 60,286,353 | 65,404,093 | 66,834,638 | 65,837,081 | 82,601,517 | 77,022,045 | 78,714,848 | 82,039,355 | 86,844,476 | 88,076,919 |

Figures in Thousands USD

Source: APFC Management Fee Reports through December 31, 2025

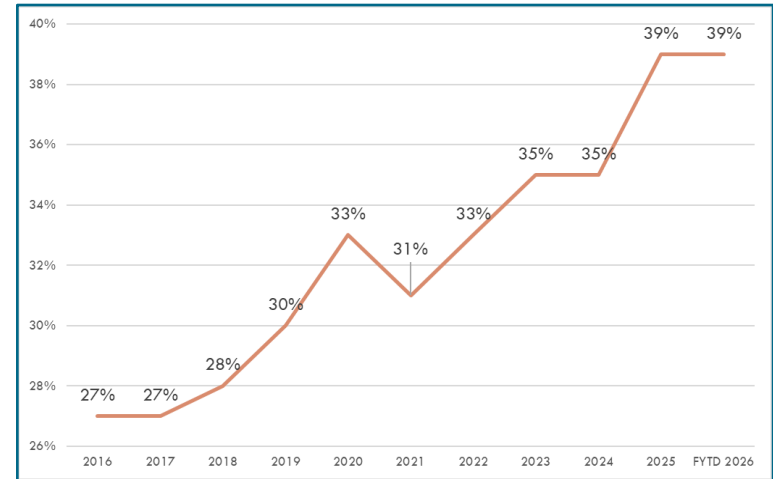
Composition of Total Fees: Changes by Year

Fiscal Year Fees by Asset Class
(in Basis Points)



Source: APFC Management Fee Reports through December 31, 2025

Private Market Allocation
by Fiscal Year



Source: APFC Annual Reports

Largest Drivers of Fiscal Year 2025 Fees

Private Equity: 43 Basis Points

- These long horizon investments offer diversification, limited liquidity, and strong return potential because of market inefficiencies across varied strategies, structures, and underlying assets. Private Equity offers access to less liquid, less efficient markets with the potential to deliver higher risk-adjusted performance over the long term.

Absolute Return: 26 Basis Points

- Built to perform independently of market direction, APFC's Absolute Return portfolio adds steady risk-adjusted returns uncorrelated with traditional equity and bond markets.
- The portfolio invests in a range of hedge fund strategies with downside protection, providing stabilization within the broader portfolio, especially during periods of market stress.

Private Income: 15 Basis Points

- The Private Income portfolio is designed to deliver steady income, guard against inflation, and support the Fund's long-term performance.
- The portfolio is invested across infrastructure, private credit, and other income opportunities, allowing APFC to dynamically adjust allocations as market conditions shift. Whether leaning into resilient infrastructure or capturing attractive yields through private credit, the portfolio is positioned to adapt and perform.

Private Equity Profit Sharing

Carried interest is the share of investment profits that private equity managers earn only if the investments perform well.

Private equity managers invest capital by buying companies, improving operations, and selling them for a profit.

- Investors, like APFC, are paid first, receiving their original investment plus a minimum required return “hurdle rate”.
- Only after this hurdle is met do managers receive a share of profits (typically ~20%), called carried interest.
- Poor or average performance: No carried interest paid.
- Strong performance: Managers begin earning carried interest.

When carried interest / profit sharing is paid, it typically indicates:

- **Substantial gains for the Fund**
- **Returns exceeded the hurdle rate**
- **Performance above expected market or benchmark levels**

Investment Fee Key Takeaways

- Fee variability is driven primarily by performance and AUM, with higher costs occurring alongside stronger returns and greater value creation.
- Elevated profit-sharing / performance fees signal solid net results. These fees are paid only when managers exceed established benchmarks and return hurdles, and generally reflect higher returns and stronger value delivered to the Fund.
- Base investment management fees have remained relatively stable, averaging 54.4 basis points from FY19–FY25, while corporate operating expenses have stayed consistently low.