

# Illuminating the Future

2025 MID FISCAL YEAR REVIEW

//// FY25 AS OF DECEMBER 31, 2024

**8.71%**

ANNUALIZED FUND RETURN  
Since Inception

**\$79.6B**

TOTAL FUND VALUE

## PRINCIPAL



■ Deposits & Other Appropriations ■ Unrealized Gains

## EARNINGS RESERVE ACCOUNT (ERA)



■ Uncommitted Realized Earnings ■ Unrealized Gains ■ FY26 POMV Commitment ■ FY25 Inflation Proofing

Looking forward to July 1, 2025, \$5.5 billion of realized earnings will be needed to commit for the FY26 inflation proofing of Principal \$1.5B and the FY27 POMV 5% Draw for the general fund of \$4.0 billion.

## //// MESSAGE FROM THE EXECUTIVE DIRECTOR

For almost five decades, Alaska's leaders have made bold and selfless decisions: to save a portion of our resource wealth for the future. They chose to sacrifice short-term gains for long-term stability, creating a Fund that has become Alaska's greatest renewable financial resource.

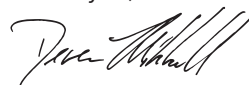
This legacy of vision and discipline is what drives us at APFC today to maximize long-term returns, uphold our accountability to Alaskans through transparency, and support Alaska's fiscal stability with financial resources and clear reporting.

Through disciplined investment strategies and global competitiveness, APFC delivers strong returns that benefit all Alaskans—funding essential services, providing for the PFD, and ensuring the Fund remains

a cornerstone of our state's financial future. Competing alongside the world's top investment firms, we've achieved a 10-year total return of 8.10%, a testament to our ability to adapt and deliver results in an ever-changing market.

We are honored to serve you and remain committed to protecting and growing this resource on a consistent basis over the long term.

Thank you,



**Deven Mitchell**  
EXECUTIVE DIRECTOR



## MISSION-DRIVEN & VALUES-BASED

In 2024, APFC was honored for the fourth consecutive year as one of the "Best Places to Work in Money Management" by *Pensions & Investments*. This recognition highlights our professionalism and the mission-driven focus that unites our team.

## THE ALASKA PERMANENT FUND

*In 1976, Alaskan voters created the Alaska Permanent Fund to save a portion of Alaska's oil, gas, and mining revenue with a vision of generating income to benefit all generations of Alaskans.*



### The Permanent Fund Alaska Constitution Article IX, Section 15

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.

## WEALTH FOR ALL GENERATIONS

Following the initial deposit of \$734,000 in 1977, the Alaska State Legislature established APFC as an independent state entity in 1980 to manage and invest the Fund's assets. APFC has since been entrusted with growing and protecting the Fund.

**A MODEL OF SUCCESS** Today, the Fund successfully converts a nonrenewable natural resource into a renewable financial resource. With \$79.6 billion in total Fund value, it stands as the largest sovereign wealth fund in the U.S.

### STEWARDSHIP & CONSISTENT DISCIPLINE

The Corporation's successful stewardship of the Fund is rooted in strong governance that emphasizes independent management, accountability, and an established legal and regulatory framework. For generations, its Board of Trustees and staff have served as fiduciaries, ensuring prudent investment and long-term growth for the benefit of all Alaskans.

## GENERATING REVENUE: GROWING PRESSURE ON THE ERA

As stewards of the Fund, we are committed to providing transparent insights into the challenges and opportunities that impact its growth and sustainability. An inherent risk under the current structure is the availability of spendable funds in the Earnings Reserve Account (ERA) to fully meet the obligations of the Percent of Market Value (POMV) draw for the state's general fund and for inflation proofing to maintain the Principal's purchasing power.

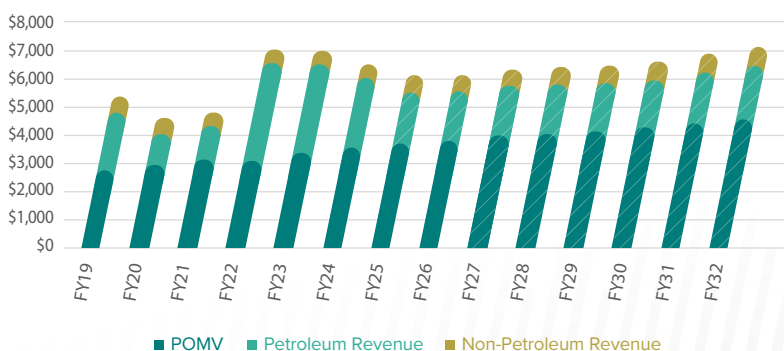
The Permanent Fund operates under a two-account structure: the Principal, for long-term investment in

income-producing assets, and the ERA, which holds the Fund's realized income and serves as a source for legislative appropriations.

The existing structural elements of the Fund, the focus of the portfolio on long-term growth rather than income-generating assets, and the restriction of withdrawals to the ERA's available realized earnings balance, could lead to a deficit that would directly affect the state's current dependence on this revenue.

### A RULES-BASED SOURCE OF SUSTAINABLE REVENUE

in millions



### FY26 POMV CALCULATION

AS 37.13.140(b) Value Based

FY24	\$80,038
FY23	\$77,587
FY22	\$75,913
FY21	\$81,472
FY20	\$64,878
5-Year Average	\$75,978
5% Draw	\$3,799

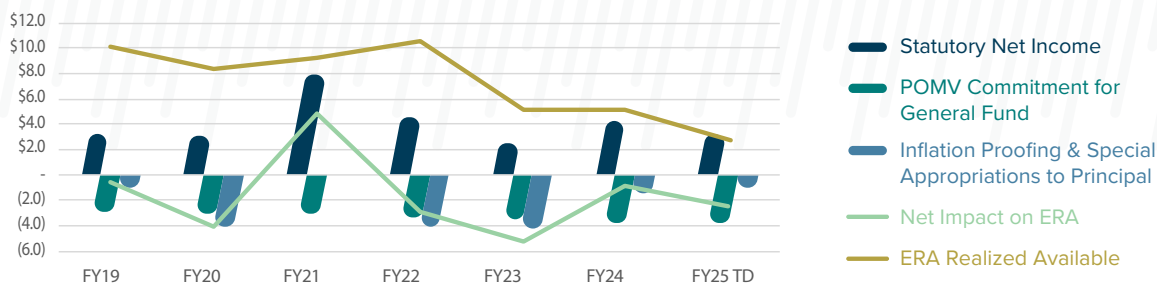
*The POMV rules-based formula limits the annual draws from the ERA to a maximum of 5% of the Fund's average value over the last five fiscal years.*



## UNDERSTANDING THE ERA

### NET IMPACT OF DEPOSITS & WITHDRAWALS

in billions



The graph shows the financial activity within the ERA, highlighting how withdrawals exceed deposits and erode the ERA's available realized earnings.

## ERA DEPOSIT: STATUTORY NET INCOME

Statutory net income (SNI) defines how earnings become spendable. It consists of realized income generated from leasing real estate, earning bond interest, selling stocks, or liquidating investments

which is deposited into the ERA and available for legislative use. SNI varies annually based on market conditions, and portfolio investment decisions are designed to maximize returns over the long term.

## ERA WITHDRAWALS: INFLATION PROOFING & APPROPRIATIONS TO PRINCIPAL

Inflation proofing is a commitment to the long-term protection of the Fund's purchasing power that involves transferring funds from the ERA to the Principal. Under the two-account structure, the Principal does not keep any of the realized income on investments, it requires an annual appropriation to maintain its purchasing power as provided by AS 37.13.145 (c).

By inflation proofing the Principal, our generation ensures the Permanent Fund continues to serve its purpose of benefiting all generations of Alaskans, not just the present one. Over the last decade (FY15-FY25), deposits to Principal have been \$2.1 billion short in aggregate of the statutory inflation proofing requirement, risking the Fund's long-term purchasing power.

## ERA WITHDRAWAL: THE POMV DRAW

Alaska's budget has transitioned from relying on nonrenewable mineral and oil resources to the Fund's investment earnings.

The POMV draw is a driving component of Alaska's financial framework, providing more than 59% of the state's unrestricted general fund revenue in FY25. This draw from the realized earnings of the Fund has been the main source of undesignated general fund revenue for the state since FY19.

As of December 31, 2024 APFC has transferred \$1.9 billion of the total \$3.7 billion FY25 POMV draw to the Treasury Division of the Department of Revenue. The remaining \$1.8 billion continues to be invested per the methodology established in AS 37.13.140. The FY26 POMV commitment of \$3.8 billion is aside to support the state's upcoming budget.

## From Inception to Impact: How Realized Earnings Support Alaska

APFC's investment of the Fund has generated over \$91.0 billion in net realized earnings that have supported Alaskans through the PFD program and in recent years as Alaska's primary source of operating budget revenue for essential state services on which we all rely. These earnings have also been appropriated back to the Principal to both protect its purchasing power from inflation and support its growth to benefit all Alaskans.

## INVESTING FOR ALASKANS

Through a combination of in-house expertise and partnerships with leading investment managers, the Corporation manages and invests the assets of the Permanent Fund and other funds designated by law, including the Alaska Mental Health Trust and the

Power Cost Equalization Endowment. While APFC provides investment management and reporting for these assets, the programs are administered by their respective entities.

## INVESTMENT PERFORMANCE

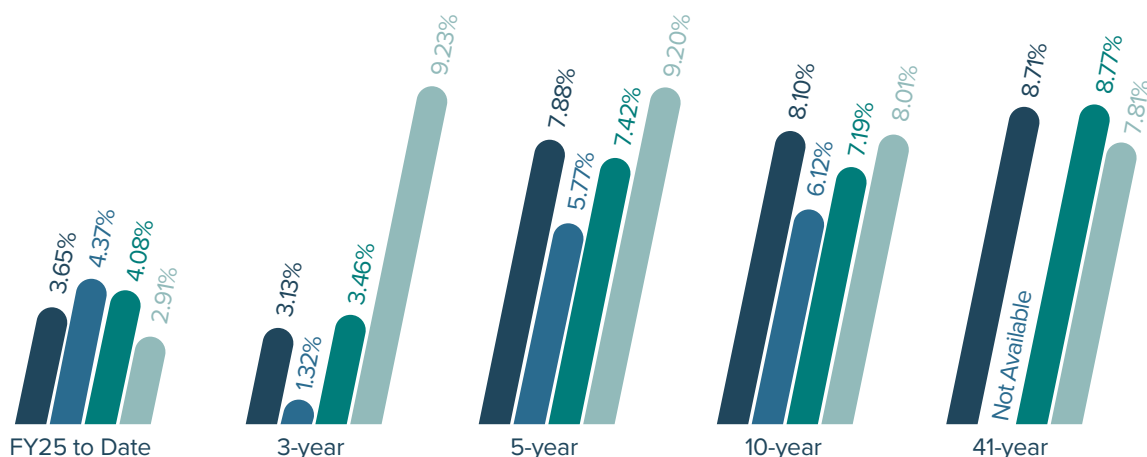
Halfway through the fiscal year, the Fund has delivered a fiscal year-to-date return of 3.65%, compared to the performance benchmark return of 4.08%.

While short-term results have trailed the performance benchmark, our asset allocation, across and within asset classes, is optimized for long-term (5-year and 10-year) outperformance. Over the 5-year period, the Fund exceeded the performance benchmark with a 7.88% return against the benchmark of 7.42%, while over the 10-year period, the Fund returned 8.10%, which was ahead of the performance benchmark of 7.19%.

As a long-term investor, it's essential to focus on portfolio management strategies that balance risk and return in alignment with the Fund's objectives and in recognition of the importance of stability to our stakeholders. The APFC Staff typically invests in themes and individual assets with a five-year horizon. While this approach has generally resulted in strong long-term performance compared to peers and benchmarks, short-term fluctuations above or below targets can still occur.

### TRACKING PERFORMANCE ACROSS THREE BENCHMARKS

■ The Fund ■ Passive Index ■ Performance Benchmark ■ Total Return Objective (CPI + 5%)



## ASSET ALLOCATION & INVESTMENT STRATEGY

The Fund has grown from bond-only investments in 1977 to a diversified portfolio spanning eight asset classes in public and private markets, generating both income and long-term growth. APFC's diverse portfolio competes effectively as a global institutional investor.

**APFC's long-term investment strategy is designed to maximize risk-adjusted returns while protecting the Principal, as provided in AS 37.13.020 the**

**legislative findings for the purpose of the Permanent Fund. The Board set a long-term target performance objective of a 5% real return for the portfolio: an investment performance of 5% plus an adjustment for inflation.** With a proven history of successfully navigating volatile markets, APFC continues to deliver strong results through consistent discipline, effective asset allocation, and thoughtful management of each asset class.

**PLEASE VISIT [APFC.ORG](https://apfc.org) TO LEARN MORE ABOUT APFC'S STEWARDSHIP OF THE ALASKA PERMANENT FUND.**