



APFC

ALASKA PERMANENT
FUND CORPORATION

Senate Finance Committee
Alaska Permanent Fund

January 2024

Mission

To manage and invest the assets of the Permanent Fund and other funds designated by law in accordance with AS 37.13.

Vision

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

Fiduciaries

The Board of Trustees has a duty to ensure that the Fund is managed and invested in a manner consistent with constitutional and statutory mandates, including the Prudent Investor Rule.

Assets Under Management

Invested Under the Same Asset Allocation

Total Fund Portfolio Performance

Monthly Financial Reconciliation of Accounts

Alaska Permanent Fund

Principal - Constitution and AS 37.13.010

Earnings Reserve Account - AS 37.13.145 (a)

Savings - Income Producing Investments - Annual Value-Based Distribution

Amerada Hess Settlement - AS 37.13.145 (d)

\$424.4 million from 1977 royalty disputes, ring-fenced within Principal Earnings for appropriation to the AK Capital Income Fund AS 37.05.565

Alaska Mental Health Trust Fund - AS 37.13.300

\$727.3 million invested on behalf of the Alaska Mental Health Trust Authority Deposits and Withdrawals managed by AMHTA

Power Cost Equalization Endowment - AS 42.45.080 (a)

\$957.1 million invested on behalf of the Power Cost Equalization Program Annual value and earnings-based distributions by appropriation with program management through the Alaska Energy Authority



*a legacy of
intergenerational
resource contribution*

As a public endowment, the wealth of the Permanent Fund is the responsibility of every Alaskan.

Together, we are obligated to protect it for both today and tomorrow.

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.

Fiduciary Duties

AS 37.13.120

Duty of Prudence
Duty of Loyalty
Duty to Diversify
Duty of Impartiality

APFC operates as a separate state entity under the oversight of an independent Board of Trustees who serve as the Fund fiduciaries.

HONORING THE PAST

Upholding the vision and sacrifices of the Alaskans who created the Fund with enduring leadership committed to intergenerational benefit.

Renewable Financial Resources from Mineral Royalties

STEWARDSHIP

Protecting the Principal and maximizing investment returns for the benefit of current and future generations of Alaskans.

Through Dynamic Market Conditions
With A Long-term Investment Horizon

PUBLIC ACCOUNTABILITY

Continuously earning the public's trust through a commitment to accountability by demonstrating competence, reliability, and honesty in open and responsive communication.

Financial Controls and Regular Reporting
Open Meeting Act & Records Disclosures

Updated Strategic Plan

Seeking public comment in advance of the
February 2024 Board of Trustees Meeting
More info available at apfc.org

Achieve best-in-class performance utilizing skill, expertise, and prudence
Maximize Alaska-based employees and in-house portfolio management capacity

Building an Organization that Sets the Standard for Endowment-Style Sovereign Wealth Funds

- **Grow the Fund to \$100 Billion**

Consideration of Limited Leverage, Alpha Outperformance, Asset Class Goal Alignment

- **Improve Corporate Functionality**

Executive Director & Chief Investment Officer Recruitment, Key Person Risk and Incentive Compensation, Evaluation of Location Expansion, Data Management Capability

- **Advance Comprehensive Communications Plan**

Instate Education and Awareness, Nationwide and Global Focus In Support of Investment Management

- **Review and Assess the Optimal Structure of the Alaska Permanent Fund**

Rules-based Endowment Practices and Modernization

Proposed Legislation

Seeking Amendments to Improve Corporate Functionality

Amend Existing Law to –

- Protect from public records disclosure the identity of all candidates who would like to be considered for the positions of Executive Director and Chief Investment Officer;
- Provide the Board with the authority to interview the finalists for the positions of Executive Director and Chief Investment Officer in an executive session;
- Provide for the confidentiality of personnel records of all APFC staff.

Sec. 37.13.100 Corporation Staff.

The board may employ and determine the salary of the executive director. The list of applicants and information regarding the applicants for the position of executive director is confidential and is not a public record, and the board may meet in executive session for the purpose of interviewing candidates for the position of executive director notwithstanding any other provision of law to the contrary. The executive director may, with the approval of the board, select and employ additional staff as necessary. An employee of the corporation, including the executive director, may not be a member of the board. The executive director and the other employees of the board are in the exempt service under AS 39.25. Except for the information described in AS 39.25.080(b)(1) – (7), the personnel records of the executive director and other employees of the corporation, including employment applications and examinations and other assessment materials, are confidential and are not open for public inspection.

Investing for the Long Term

Legislature's findings for the purpose of the Permanent Fund in AS 37.13.020,

- *the fund should provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans;*
- *the fund's goal should be to maintain safety of principal while maximizing total return;*
- *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.*

The Board's objective for the Fund, as set forth in the Investment Policy,

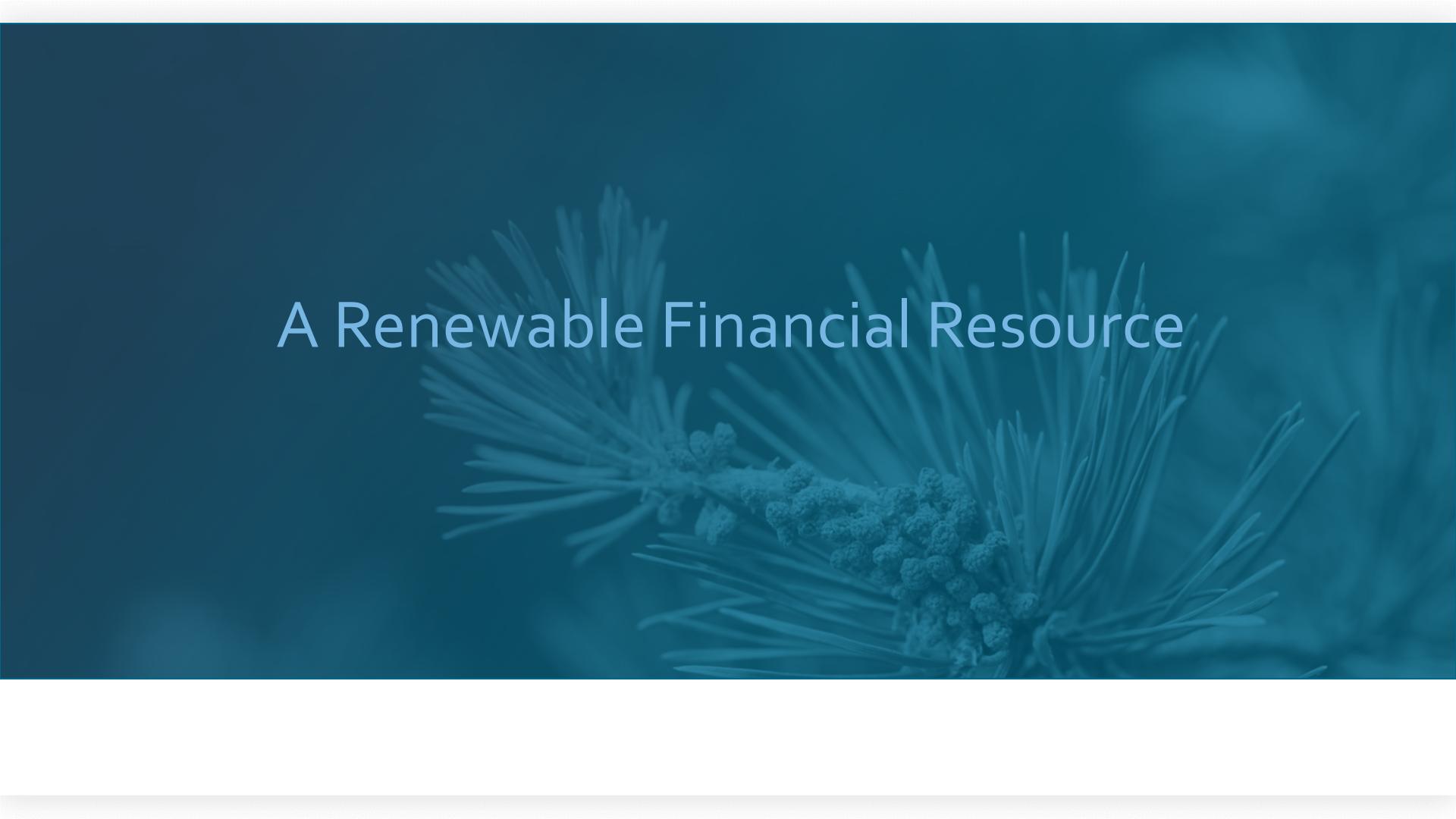
- Achieve the highest level of performance within the investment responsibilities of AS 37.13.120 and a long-term investment perspective based on

Investment Performance

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

Investment Risk

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

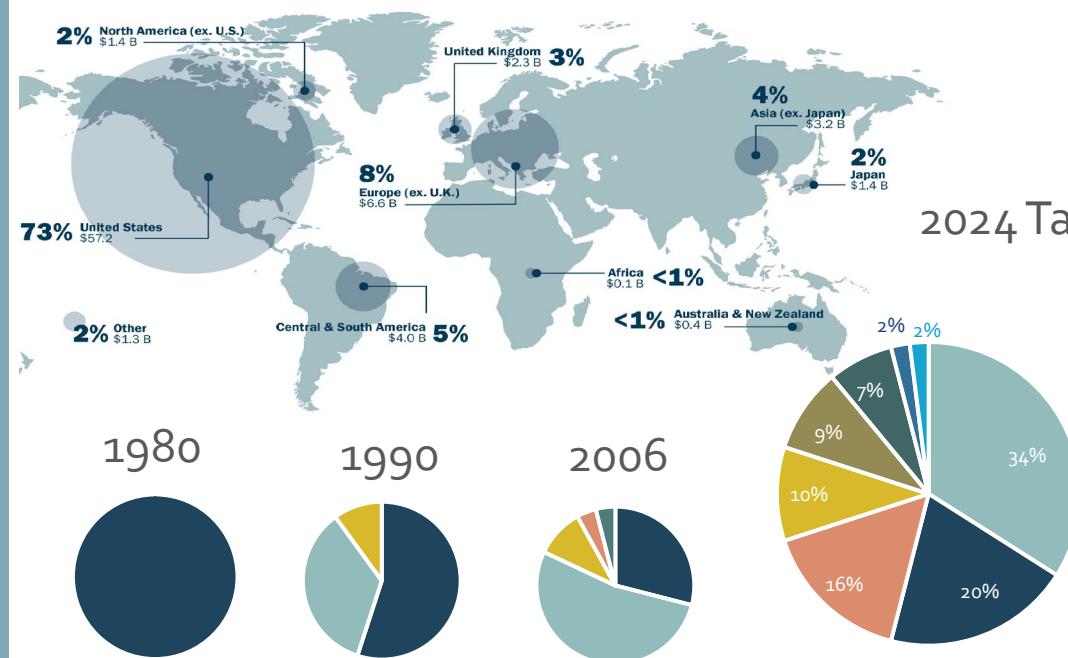


A Renewable Financial Resource

Diversification

APFC seeks to balance the goals of maximizing returns and minimizing risks.

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



Renewable Financial Resource

Inception through December 2023

Savings

Since the First Royalty Deposit of \$734 thousand
The Principal has grown to \$56.7 billion of permanent deposits.

Income Producing

Realized Earnings have totaled more than \$85.4 billion.



Earnings Use

Dividend Draws through FY18 \$24.4 B
Percent of Market Value Draws FY19-FY24 \$19.0 B

Inflation Proofing Principal \$23.6 B
ERA Special Appropriations to Principal \$12.3 B
Alaska Capital Income – Amerada Hess ~\$0.5B

Savings

Principal Contributions - inception through FY24 projected

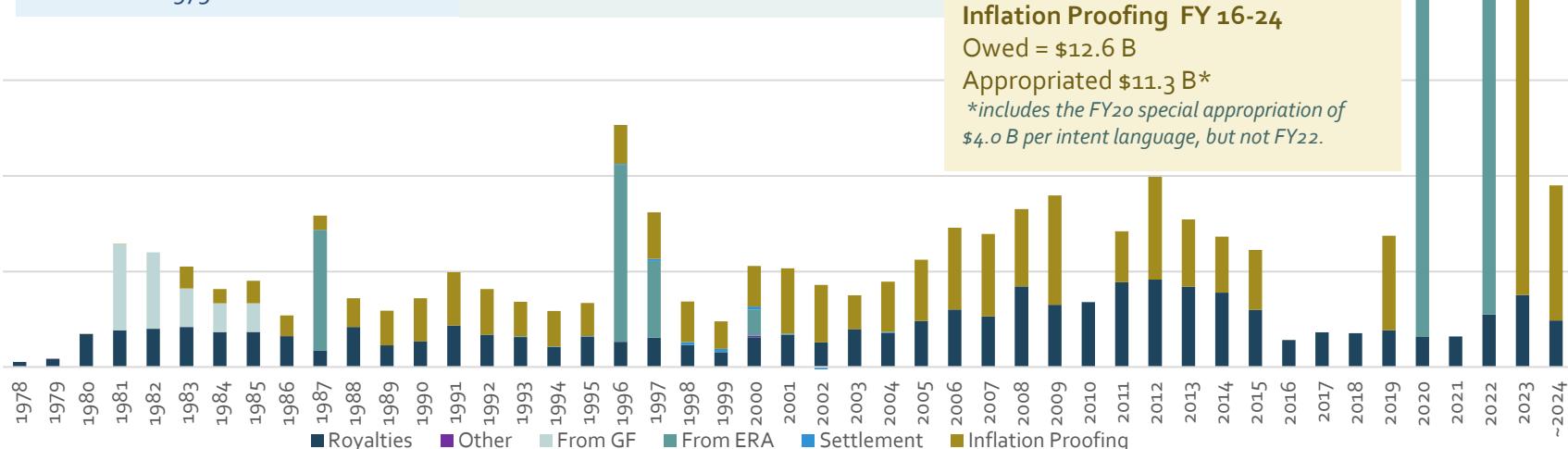
6,000.0

\$19.5 Billion Royalty Deposits
AS 37.13.010 (a) (1) and (a) (2)
25% of constitutionally dedicated
royalty proceeds and 50% of
statutorily mandated deposits for
leases after 1979.

\$15.0 Billion Special Appropriations
AS 37.13.010 (a) (3)
Legislative deposits from the General
Fund \$2.7 B and the ERA \$12.3 B.

\$23.6 Billion Inflation Proofing
AS 37.13.145 (c)
Principal deposits are adjusted annually
by the inflation rate as calculated per
statute and based on appropriation.

Inflation Proofing FY 16-24
Owed = \$12.6 B
Appropriated \$11.3 B*
*includes the FY20 special appropriation of
\$4.0 B per intent language, but not FY22.



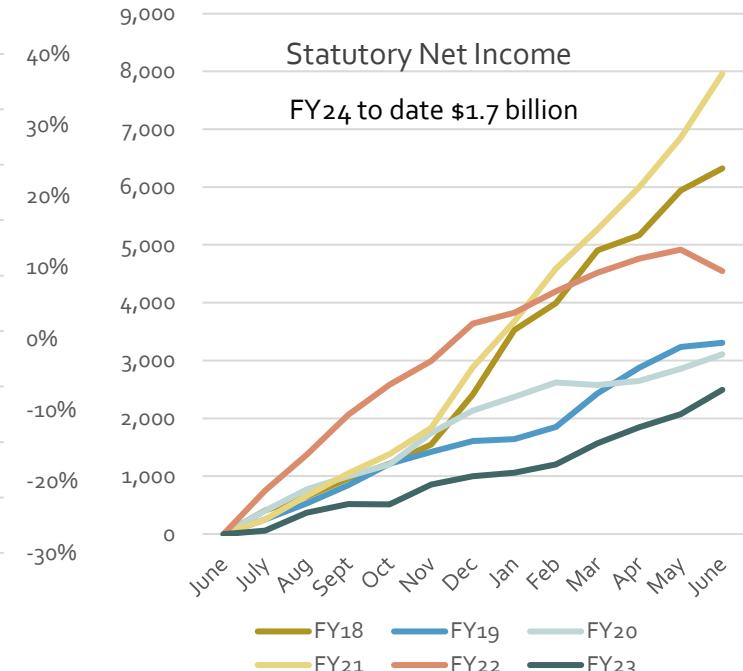
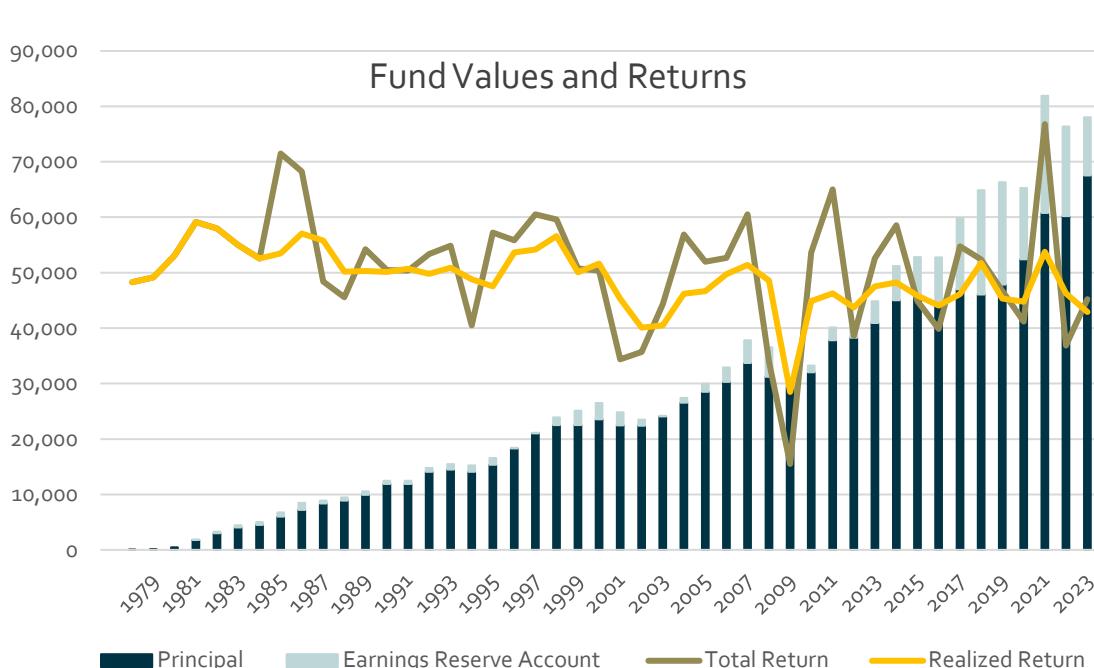
Producing Income

Two-Account Fund Structure

in millions

The Principal is Constitutionally established for permanent savings to be used only for income-producing investments.

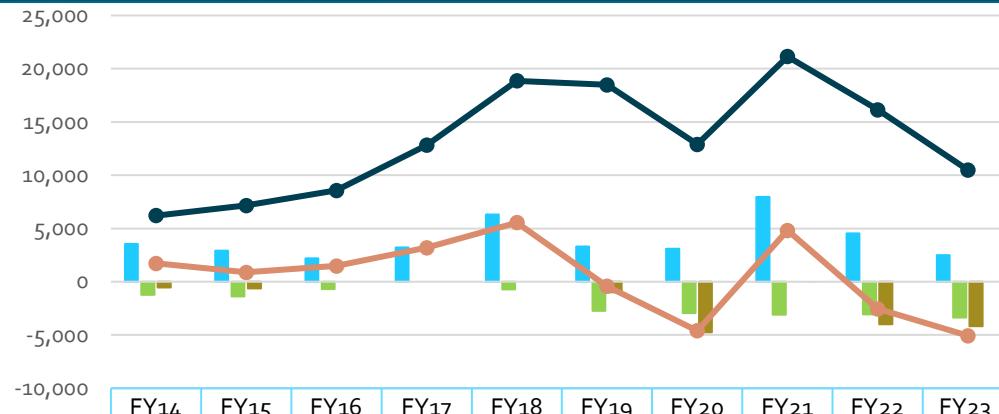
The Earnings Reserve Account is statutorily established to hold investment net income and be available for appropriation.



Earnings Reserve Account (ERA)

Deposits and Withdrawals, in millions, Fiscal Year 2014- 2023

Income Generation
Historically used to pay dividends.
Today, it is used to support the General Fund for services and programs, including dividends.



Effective POMV Rate	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Statutory Net Income	3,531	2,907	2,198	3,214	6,324	3,305	3,106	7,962	4,544	2,491
Dividend/POMV Transfer	(1,235)	(1,373)	(696)	-	(726)	(2,723)	(2,933)	(3,091)	(3,069)	(3,361)
Inflation Proofing & Special Approp.	(546)	(624)	-	-	-	(989)	(4,758)	-	(4,000)	(4,179)
Alaska Capital Income	(32)	(24)	(18)	(25)	(43)	(22)	(21)	(50)	(24)	(14)
Net Impact	1,718	886	1,484	3,189	5,555	(429)	(4,606)	4,821	(2,549)	(5,063)
ERA Value FY-end	6,211	7,162	8,570	12,816	18,864	18,481	12,894	21,148	16,150	10,491

Deposits

Statutory Net Income

- Cash Inflows: interest, dividends, leases
~\$1.6 billion annually
- Realized Gains/Losses: net income, sale of assets
~ market-driven

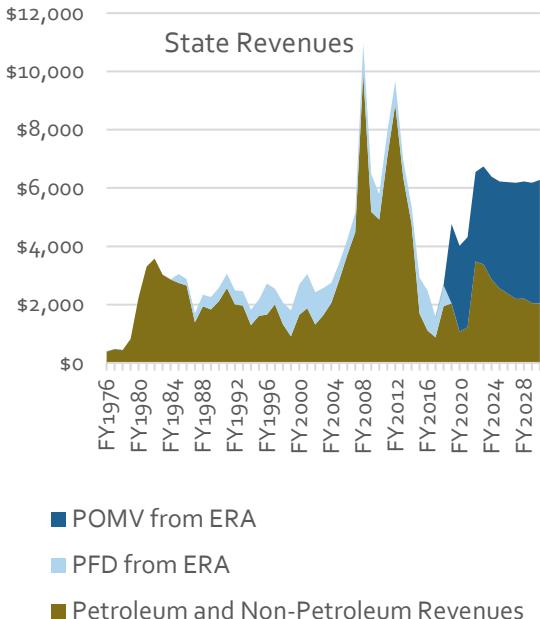
Withdrawals

- Inflation Proofing
 - Special Appropriations
 - Annual Distributions
- PFD/POMV

Revenue Stability

Supporting the State's General Fund Revenue

in millions



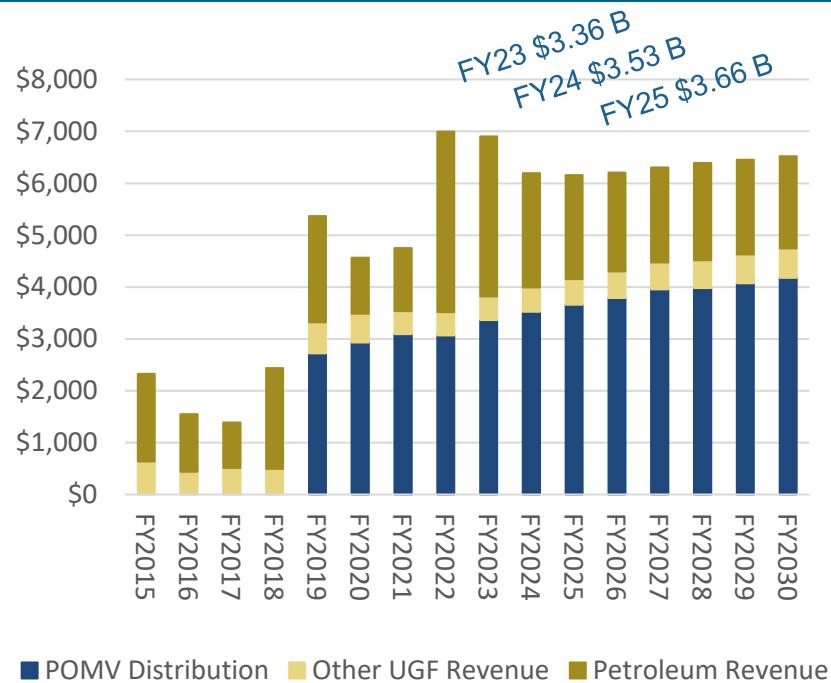
Percent of Market Value (POMV)

Calculation
AS 37.13.140 (b)
Fund Value-Based

FY 25 POMV

FY23	\$77,586.8
FY22	\$75,911.5
FY21	\$81,471.5
FY20	\$64,876.5
FY19	\$65,876.0

Avg. \$73,144.5
5% \$ 3,657.2

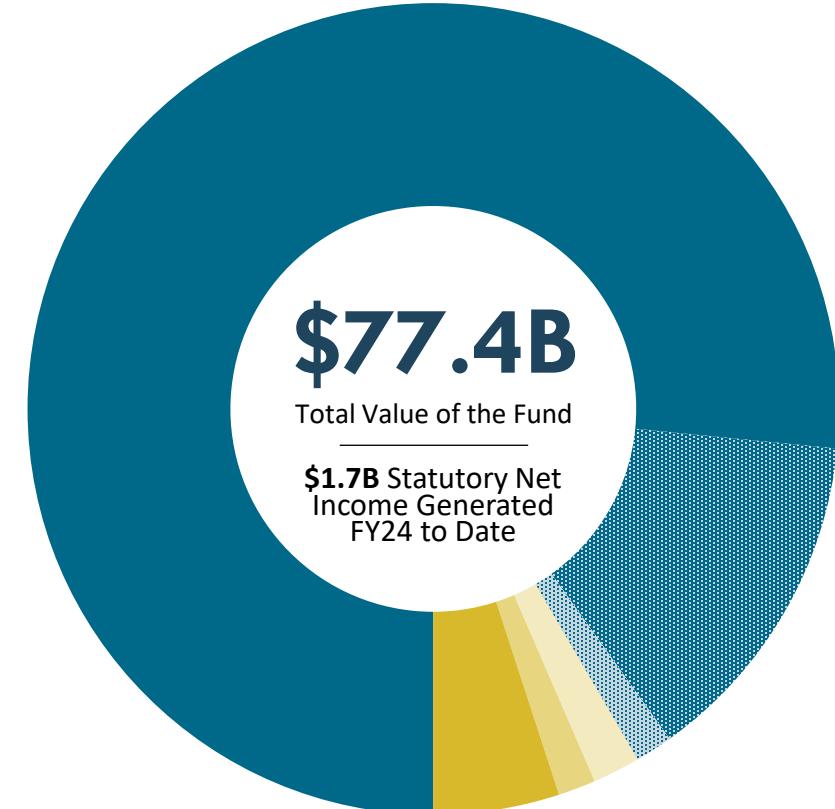
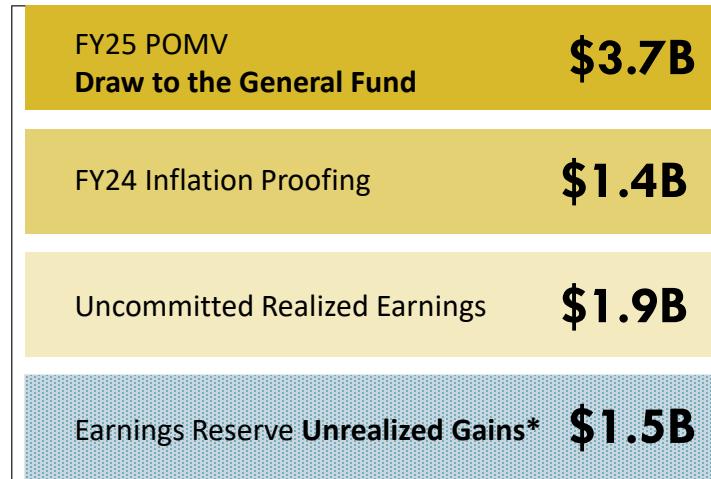


FUND Values as of December 31, 2023

Principal



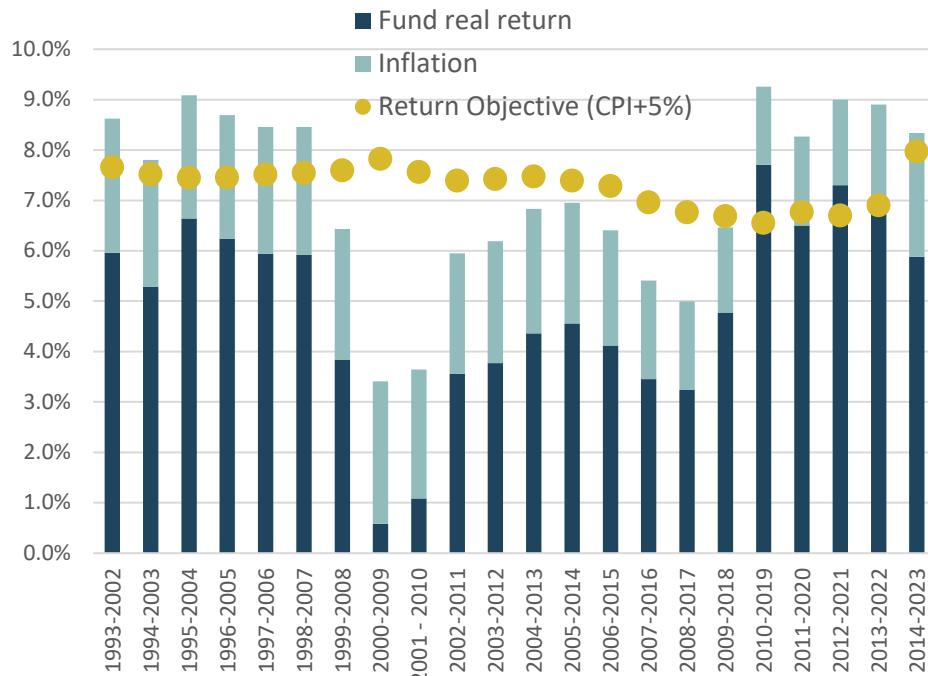
Earnings Reserve Account



*Unrealized gains are pro rata and adjust as
balances of Principal and ERA go up/down.

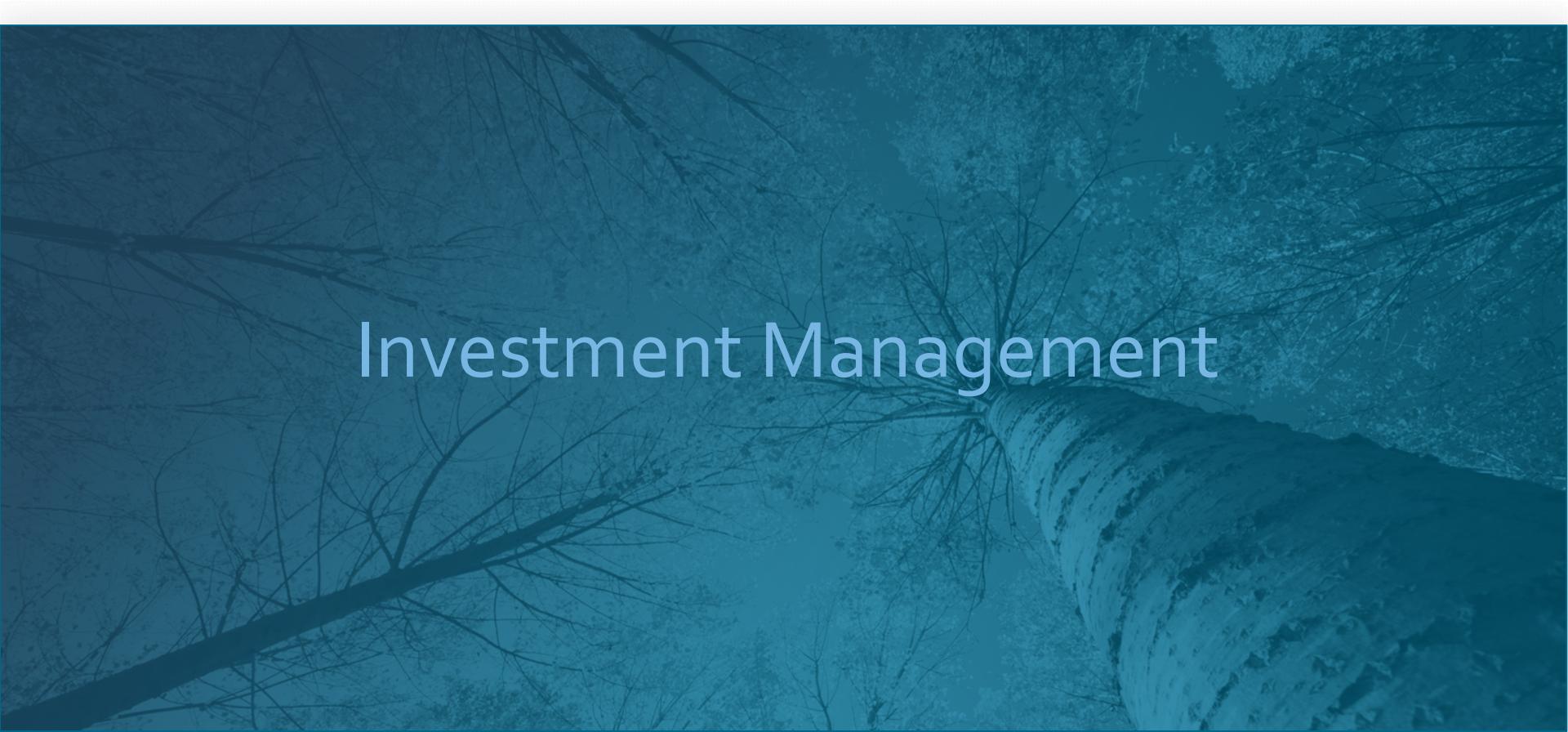
10 Year Annualized Returns

Annual investment performance adjusted for inflation
indicates **sustained value and purchasing power**.



Performance as of Fiscal Year-end 23	Fund	Passive Index	Performance Benchmark	Return Objective CPI + 5%
1 Year	5.18%	8.78%	5.74%	7.97%
3 Year	10.49%	6.05%	9.45%	10.78%
5 Year	7.93%	4.98%	7.52%	8.91%
10 Year	8.42%	5.89%	7.54%	7.72%
39.5 Year	8.74%	NA	8.80%	7.83%

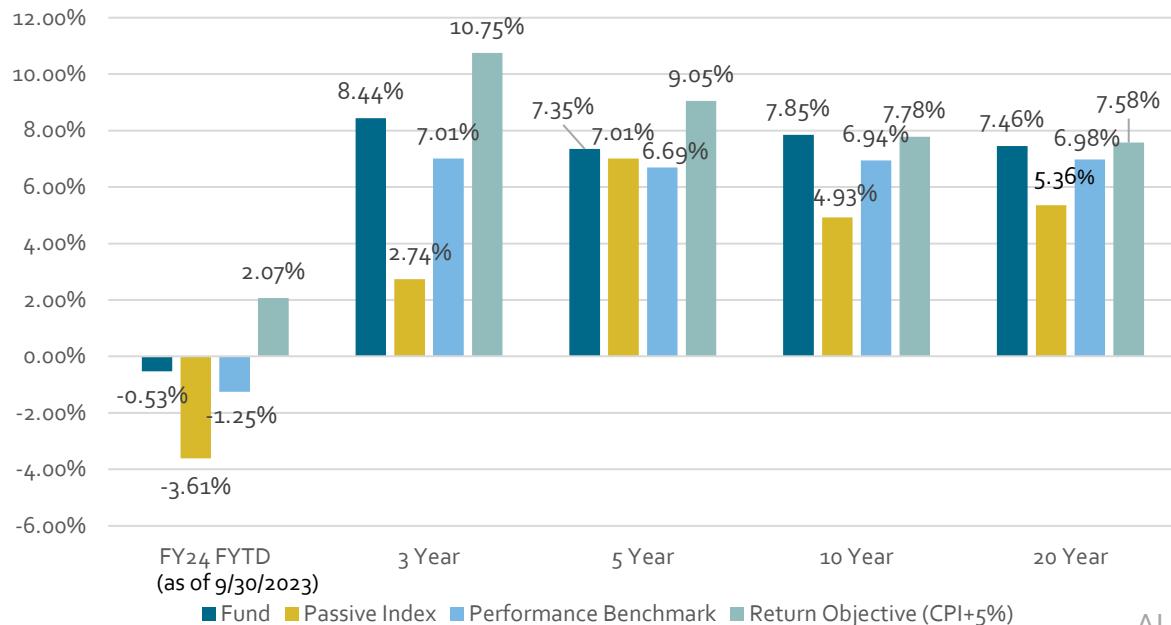
Long-term target return objective: 5% + inflation (CPI).



Investment Management

Fund Performance vs Benchmarks

Performance as of September 30, 2023

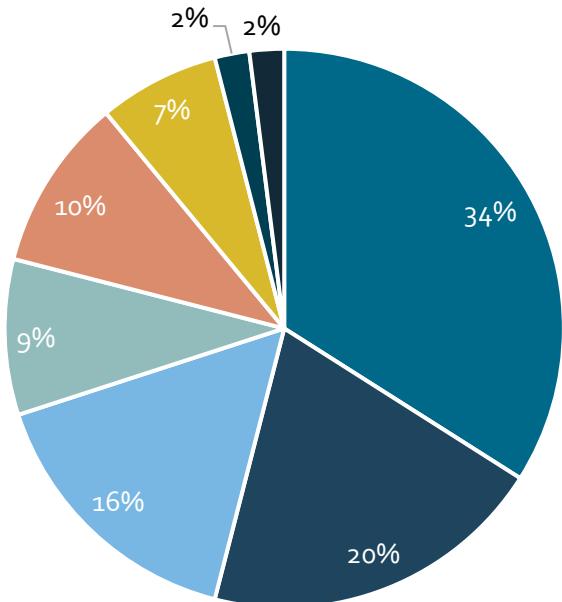


Updated Performance
as of November 30, 2023

	FY '24 FYTD	3 - yr	5 - yr
Fund	1.65%	6.91%	8.36%
Passive Index	1.13%	1.91%	5.68%
Performance Benchmark	1.47%	5.82%	7.78%
Return Objective (CPI +5%)	2.67%	10.68%	9.03%

Focus on Increasing Internal Management

Fiscal Year 2024 Target Asset Allocation *(And number of full-time employees per asset class)*

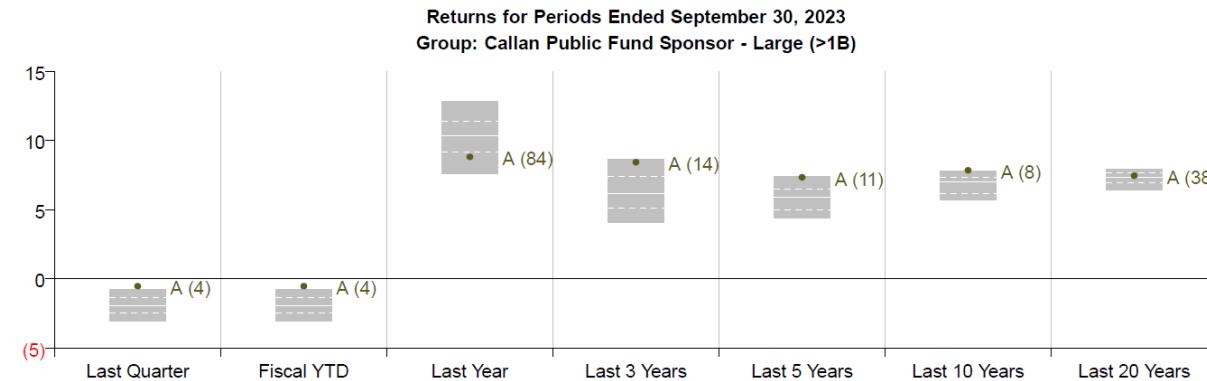


- Public Equities (3)
- Fixed Income (8)
- Private Equity (5)
- Private Income & Infra (3)
- Real Estate (4)
- Absolute Return (1)
- Tactical Opportunities / CIO (2)
- Cash (1)

Strategies brought in-house since 2013

- 2013 – Private market co-investments and direct investments
- 2014 – Internal tactical equities
- 2015 – Hedge fund-of-fund management
- 2018 – High yield bonds
- 2020 – Real estate directly managed properties
- 2021 – Internal factor equities
- 2022 – All of fixed income
- 2023 – In-process International Equities

APFC Performance Relative to Large Public Funds



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	(0.77)	(0.77)	12.83	8.68	7.38	7.79	7.96
25th Percentile	(1.38)	(1.38)	11.42	7.40	6.51	7.37	7.65
Median	(1.96)	(1.96)	10.38	6.17	5.89	6.98	7.31
75th Percentile	(2.44)	(2.44)	9.20	5.09	5.00	6.19	6.95
90th Percentile	(3.05)	(3.05)	7.63	4.08	4.41	5.71	6.43
Member Count	124	124	124	123	123	123	74
Total Fund • A	(0.53)	(0.53)	8.82	8.44	7.35	7.85	7.46

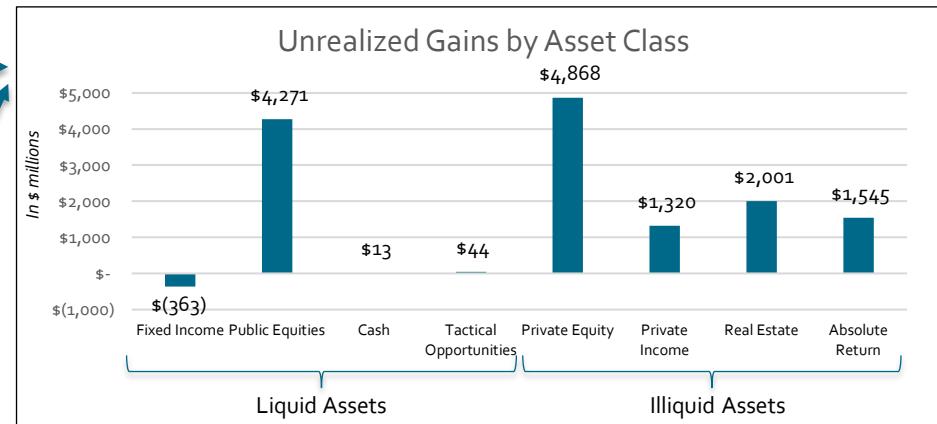
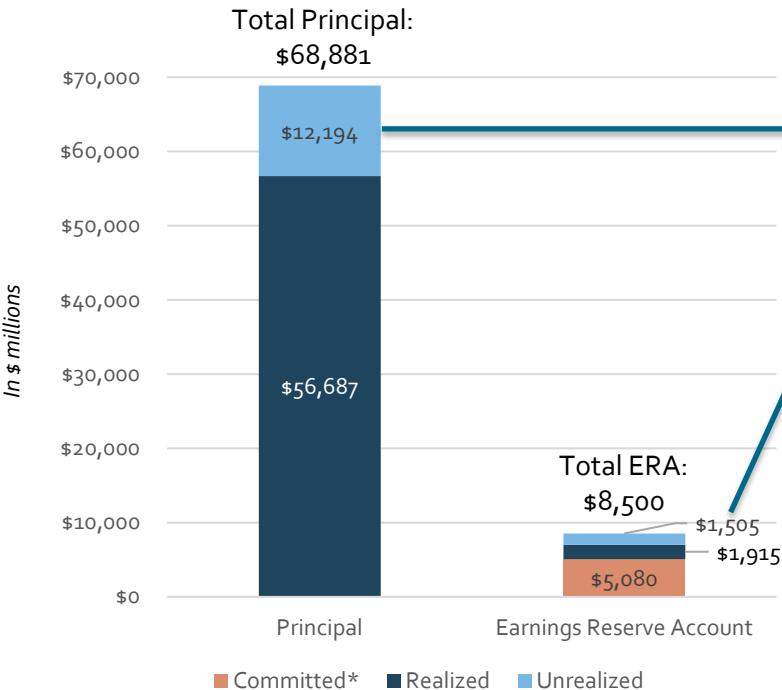
Tenured and Seasoned Investment Leadership

Leaders of APFC's major asset classes have substantial industry experience and tenure with APFC

Marcus Frampton, CFA, CAIA, FRM <i>Chief Investment Officer</i>	<ul style="list-style-type: none">Years in industry: 23Years at APFC: 12Years in current position: 6	<p>Previous experience:</p> <ul style="list-style-type: none">Lehman Brothers, PCG Capital Partners, LPL Financial
Jim Parise <i>Deputy CIO & Director of Fixed Income</i>	<ul style="list-style-type: none">Years in industry: 32Years at APFC: 23Years in current position: 20	<p>Previous experience:</p> <ul style="list-style-type: none">Cedar Hill Associates, Chapdelaine & Co., Chicago Board of Trade
Fawad Razzaque, CFA <i>Director of Public Equity</i>	<ul style="list-style-type: none">Years in industry: 26Years at APFC: 12Years in current position: 12	<p>Previous experience:</p> <ul style="list-style-type: none">Russell Investments, A.G. Edwards & Sons, Inc.
Tim Andreyka <i>Director of Real Estate</i>	<ul style="list-style-type: none">Years in industry: 31Years at APFC: 9Years in current position: 4	<p>Previous experience:</p> <ul style="list-style-type: none">Citicorp, MetLife, JMB Realty
Allen Waldrop, CFA <i>Director of Private Equity</i>	<ul style="list-style-type: none">Years in industry: 27Years at APFC: 18 moYears in current position: 18 mo	<p>Previous experience:</p> <ul style="list-style-type: none">KPMG, LP Capital Advisors, Grafine Partners
Youlian Ninkov <i>Senior Portfolio Manager – Absolute Return</i>	<ul style="list-style-type: none">Years in industry: 19Years at APFC: 7Years in current position: 4	<p>Previous experience:</p> <ul style="list-style-type: none">Credit Agricole, Citadel
Ross Alexander, CAIA <i>Senior Portfolio Manager - Private Income</i>	<ul style="list-style-type: none">Years in industry: 8Years at APFC: 6Years in current position: 6	<p>Previous experience:</p> <ul style="list-style-type: none">Alaska Retirement Management Board

Permanent Fund Balance Sheet

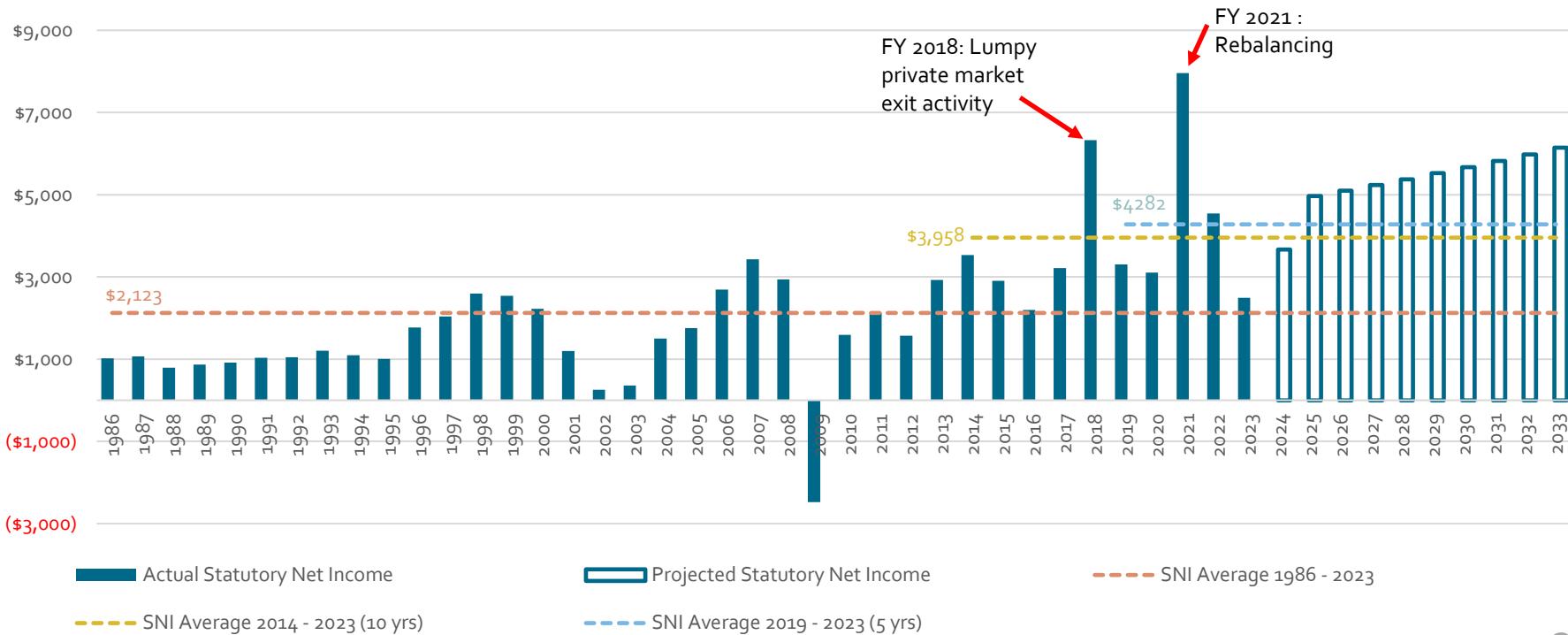
as of December 31, 2023, in millions



- The asset allocation is the same for both the Principal and Earnings Reserve Account.
- A large portion of unrealized gains (~71%) are in the less liquid private markets asset classes.

* Committed balance of ERA includes FY '25 General Fund appropriation and FY '24 Inflation proofing amounts

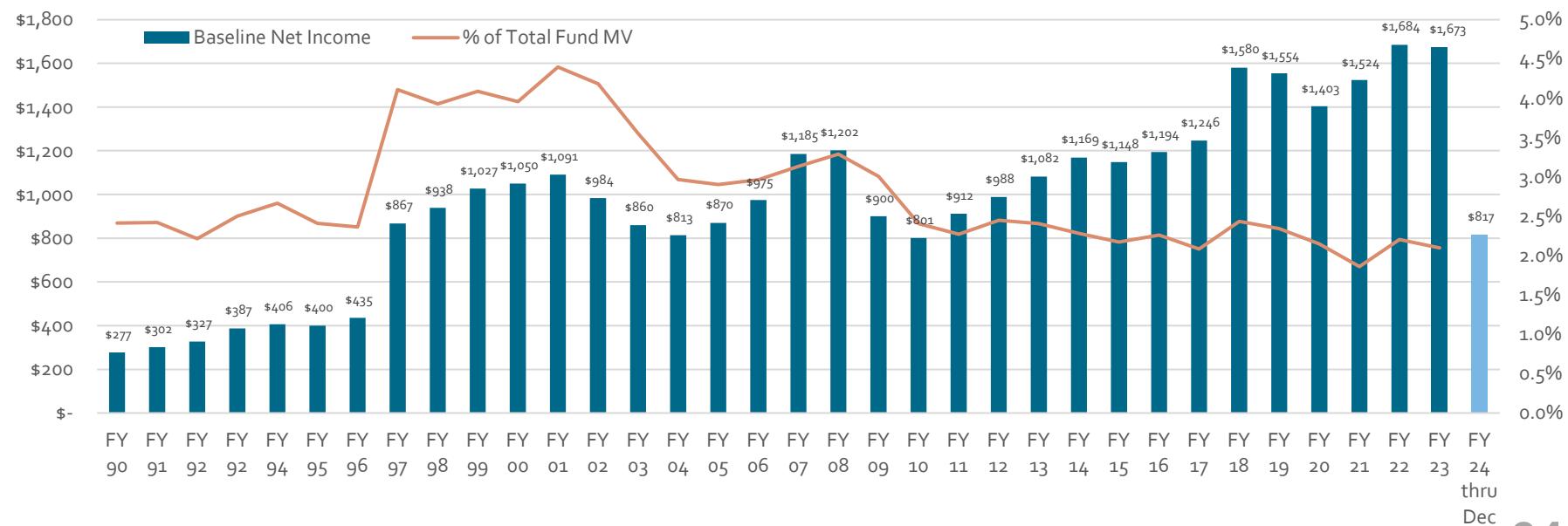
Statutory Net Income – History and Projections



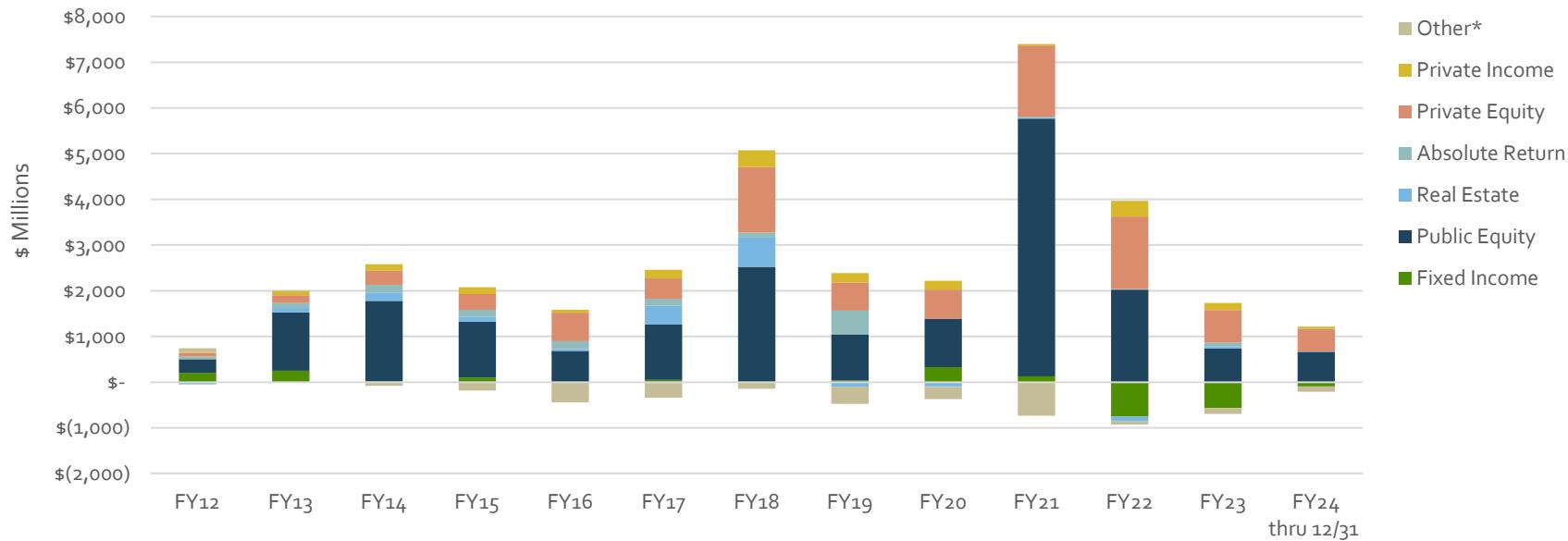
Baseline Statutory Net Income

Total interest, dividends, real estate and other income (not including realized gains)

- 10-year average (FY 2014 – 2023) baseline SNI is \$1,418 billion and 2.2% of Fund MV
- 5-year average (FY 2019 – 2023) baseline SNI is \$1,568 billion and 2.1% of Fund MV



Realized Gains by Asset Class (2012 – Present)

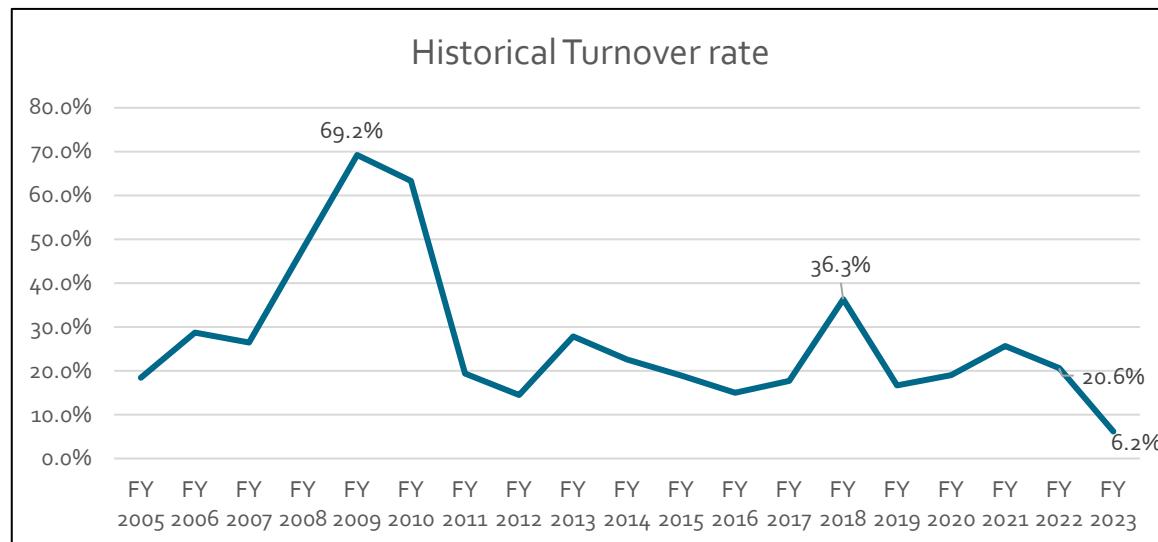


* Other includes balances from currency and forwards

How Available Unrealized Gains Were Realized

Portfolio Turnover Rate

- Portfolio Turnover Rate = Statutory Net Income from Trading / Unrealized Gains Available for Statutory Net Income



- Historical average when cumulative unrealized gains are **less** than 7% of the Fund is 60% (only occurred in Fiscal Years '08, '09, and '10)
- Historical average when cumulative unrealized gains are **greater** than 7% of the Fund is 21%

Consistent Discipline

The Alaska Permanent Fund is recognized globally as a model for converting a non-renewable natural resource into a renewable financial resource.

- Recognizing the savings function established in the Constitution ensures that a portion of our mineral wealth is saved and invested to benefit all Alaskans, today and tomorrow.
- Protecting the Principal and maximizing a long-term risk-adjusted return for intergenerational benefit.
- Providing stewardship to ensure the Fund can provide for all generations. The Board of Trustees has been on record for more than 20 years to transition the Fund from its current two-account system to a one-unified account system with a constitutional distribution for enduring sustainability and benefit.



APFC

As Alaskans, it is our responsibility
to respect the contributions of our predecessors,
support the current generation,
and pave the way for future generations
to benefit from the Fund.