



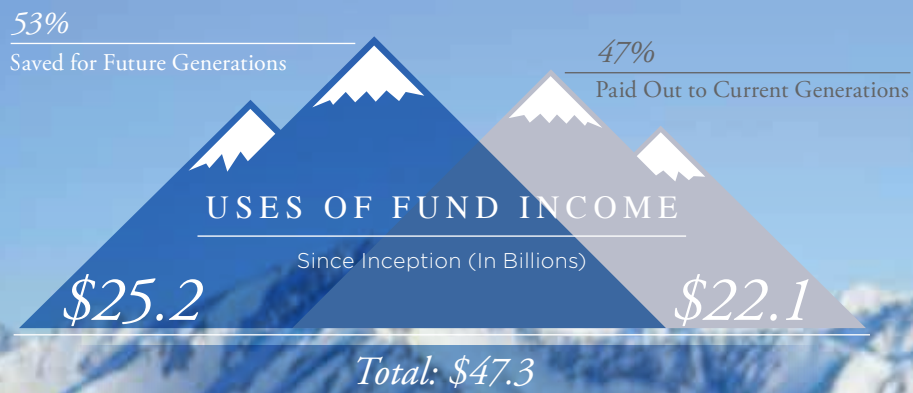
\$50,000,000,000 Billion



\$50,000,000,000

The Alaska Permanent Fund is an investment savings account that belongs to the State of Alaska. It was created in 1976 by a voter-approved amendment to the Alaska Constitution. The beneficiaries of the Fund are the State of Alaska and all present and future generations of Alaskans.

The Permanent Fund is made up of two parts: nonspendable (principal) and assigned (realized income). The nonspendable portion of the Fund is invested permanently and cannot be spent without amending the state constitution through a majority vote of the people. Decisions about uses of the assigned portion are made each year by the people's elected representatives – the Alaska State Legislature and the governor. The Alaska Permanent Fund Corporation (“APFC”) manages the Fund.



2014 ANNUAL REPORT



Letter from the Chair.....	3	Alternative Investments & Special Opportunities	17
Letter from the Executive Director.....	5	APFC Internship Program.....	19
Investing for the Long Run	7	Management’s Discussion and Analysis.....	21
Bonds	9	Independent Auditors’ Report.....	28
Stocks.....	11	Financial Statements	29
Real Estate	13	Notes to Financial Statements.....	31
Private Assets	15		



LETTER FROM THE CHAIR

BOARD MEMBERS

(from left):

Larry Hartig
Carl Brady (Vice-Chair)
Larry Cash
Bill Moran (Chair)
Gary Dalton
Angela Rodell



In February of this year, the Alaska Permanent Fund reached a value of \$50 billion for the first time, and closed fiscal year 2014 with a value of \$51.2 billion. The Board of Trustees is pleased that in the five years since the recession, the Permanent Fund has almost doubled in value while paying out \$4 billion in dividends.

There have been many dedicated professionals who have worked for the success of the Fund over the years, including past Trustees who laid the foundation for where we are today. It's important to recognize the efforts of all of their leadership and the staff who helped the Fund reach the \$50 billion milestone.

While we note this new high water mark, the real focus of the Trustees is on future growth. Our mission continues to be structuring a portfolio that will provide a prudent balance between managing risk and seeking the returns that will help the Fund harvest the next \$50 billion. The Board is aware that a changing investment landscape means that we cannot simply hold to the asset allocations of the past. As world economies become more connected, they become more correlated. As the rapid relay of information makes research easier, it limits the returns that can be found in the public markets. So we must adjust the Permanent Fund's course to meet new challenges and respond to new opportunities.

One way we are moving forward is to expand the programs that focus on private asset investments for the Fund. In 2004, the Board first began investing in private equity and added infrastructure in 2007. Initially the Corporation relied exclusively on outside gatekeepers to make these investments on our behalf. Over time we have become more knowledgeable about private assets and comfortable that the Corporation can build expertise in-house to make prudent investments, and at a lower cost than using outside managers.

To that end, the Board authorized staff to begin infrastructure and private equity co-investment programs alongside the Permanent Fund's existing programs. And we have directly undertaken more special opportunities and focused investments, including an investment in Juno Therapeutics, a Seattle-based firm that is working to find cures for select cancers using a patient's internal immune system.

We are also adding to the types of private asset investments we make. Fiscal 2014 saw the first investments in listed infrastructure, public market infrastructure shares which are similar to real estate investment trusts (REIT). These investments will provide the benefits of infrastructure to the portfolio, enhanced by the liquidity of publicly traded shares.

Sometimes a new direction means going back to traditional asset classes. The Board thought it was time to grow the Fund's real estate holdings, but needed to find the capital to do so. Within the portfolio there is a group of stable, core properties that fared well during the recent recession. Combined with historically low interest rates, this created an opportunity to implement some leverage (at a level much lower than most institutional funds) to provide more cash in hand. The resulting \$348 million in capital produced by the leverage program will be used to acquire attractive properties to add to the Fund's investments.

The Trustees were pleased to welcome two new members to our ranks this year. Commissioner of Revenue Angela Rodell has experience advising states and state authorities on more than \$30 billion in transactions, including general obligation, pension obligation, public power, single family housing, multifamily

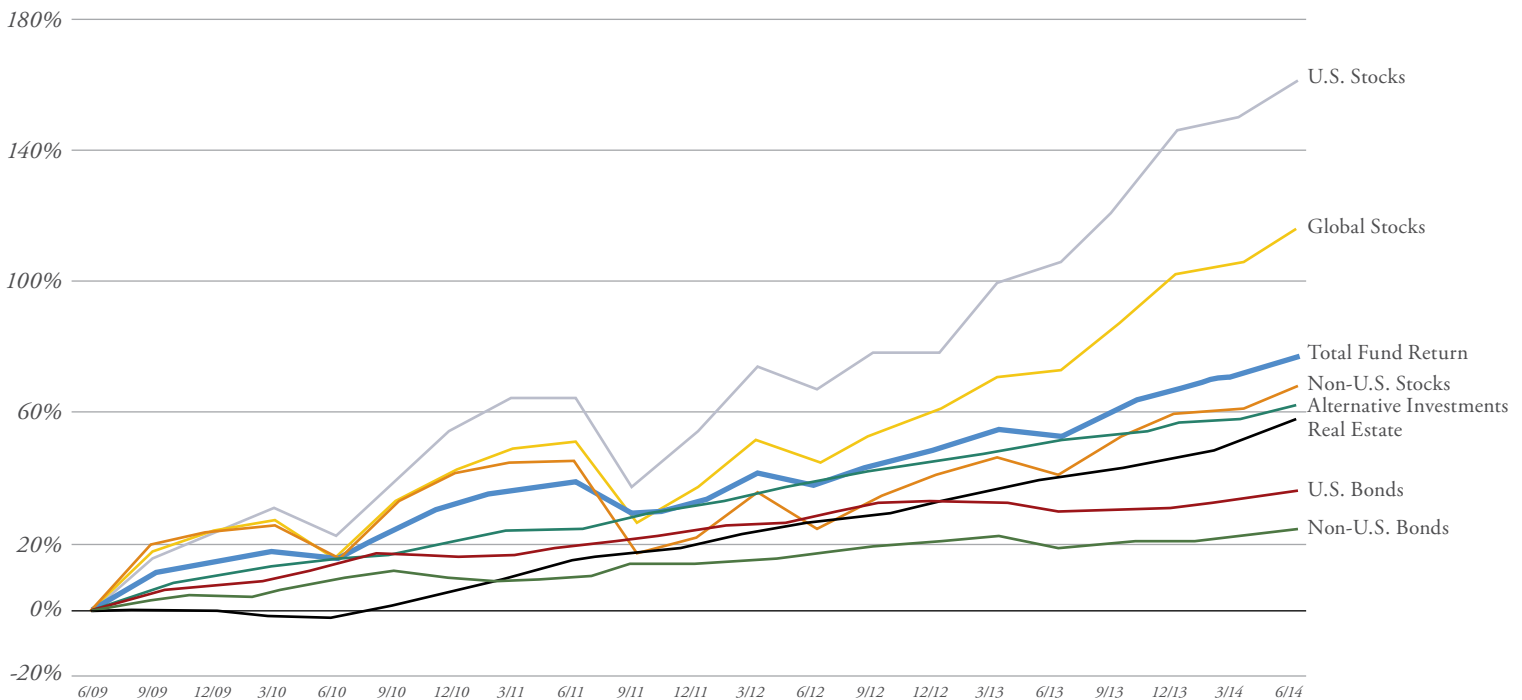
housing, military housing, toll road and transportation financing. Trustee Larry Cash is President and CEO of RIM Architects, which he founded in 1986. He is recognized for his business expertise, serving on boards including the Anchorage Economic Development Corporation Board of Directors and Northrim Bank's Board of Directors. We appreciate the service of former Trustees Steve Rieger and Bryan Butcher, and wish them well in future endeavors.

Sincerely,

William Moran
William Moran

THE EFFECTS OF DIVERSIFICATION

Five-Year Cumulative Return



LETTER FROM THE EXECUTIVE DIRECTOR



The Permanent Fund recorded another year of positive performance, up 15.5 percent for fiscal year 2014, ending the year with a value of \$51.2 billion. This is the first time that the Fund has ended a fiscal year above \$50 billion, and is a \$6.3 billion increase over the closing value for the prior fiscal year. The Fund's return trailed the composite benchmark return of 15.7 percent, a result of taking on less risk in the Fund's investments than this benchmark and other public funds.

All of the Permanent Fund's asset classes produced positive returns for the fiscal year, from 5 percent gains for the bond portfolio, to almost 30 percent returns on the Fund's U.S. stock holdings. While it does happen at times, it is not usual for all of the Fund's asset classes to be in positive territory, and it certainly contributed to the strong total return for fiscal year 2014.

Although early economic indicators suggested that we should have seen more sluggish stock returns, both U.S. and overseas markets ended the first quarter with 8 percent gains. The path wasn't completely smooth. Concern over whether the Fed would continue its stimulus program led to a dip in U.S. stocks mid-quarter, but the Fed held steady, leading to a September rally. While the gains were not as dramatic, the Permanent Fund's other investments also saw positive returns for the period.

Continued turmoil in the Middle East and the federal government shutdown last fall caused short-term effects on markets, but the ongoing stimulus funding from the Federal Reserve helped U.S. markets continue their climb. As a result, 2013 was the best year for U.S. stocks since 1995, and wasn't bad for non-U.S. stocks either. The bond markets showed the effect of stock market gains, as investors looked away from what are traditionally considered safe, low-yielding investments and toward stocks. However, the Fund's bond portfolios still provided positive returns for the period, as did the Fund's other asset classes.

While continuing to be positive, in the third quarter stock returns slowed from the strong performance seen in the first half of the year. However, as the stock markets slowed, bonds picked up the pace. Private equity and infrastructure also powered up in the third quarter, and the Fund's real estate holdings fared well.

The Fund's investments rounded out the year with continued gains overall. U.S. and non-U.S. bonds were up as interest rates dropped and the European Central Bank announced stimulus packages. Stocks also saw gains, though dampened compared to the fall rally. Real estate continued with a fourth quarter of solid performance, and the other asset classes were in positive territory as well.

Statutory net income is the amount used to calculate the annual Permanent Fund Dividend. The Fund earned \$3.5 billion in statutory net income for fiscal year 2014, and transferred \$1.2 billion to the Permanent Fund Dividend Division for the 2014 dividend payment.

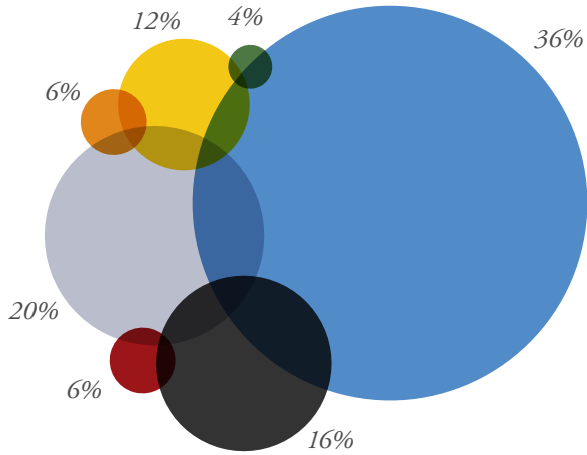
Accountants Pete Fergin and Joe Shinn joined APFC's Finance Department this year. In the Investments Department, Steve Moseley came on board as a Senior Portfolio Manager for Private Markets, and Matt Olmsted was hired as a Fixed Income Credit Analyst. We are pleased to add these new members to the team!

Sincerely,


Michael J. Burns

APFC TARGET ASSET ALLOCATION

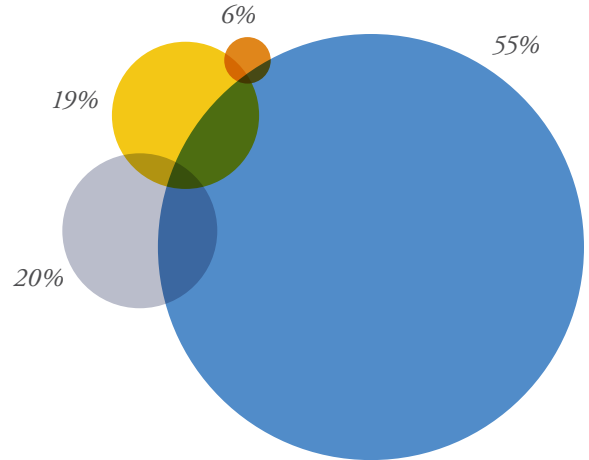
By Traditional Asset Class for Fiscal Year 2014



- Stocks
- Cash and Bonds
- Real Estate
- Private Equity
- Absolute Return Strategies
- Infrastructure
- Other

APFC TARGET ASSET ALLOCATION

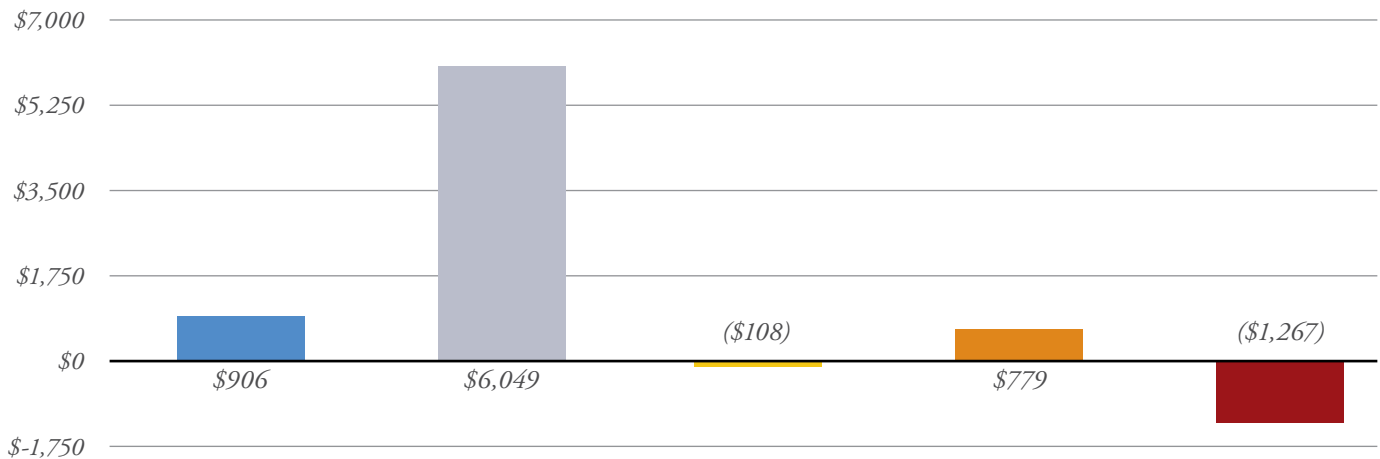
By Economic Condition for Fiscal Year 2014



- Company Exposure
- Special Opportunities
- Real Assets
- Cash and Interest Rates

SOURCES OF CHANGE IN FUND VALUE

Fiscal 2014 (In Millions)



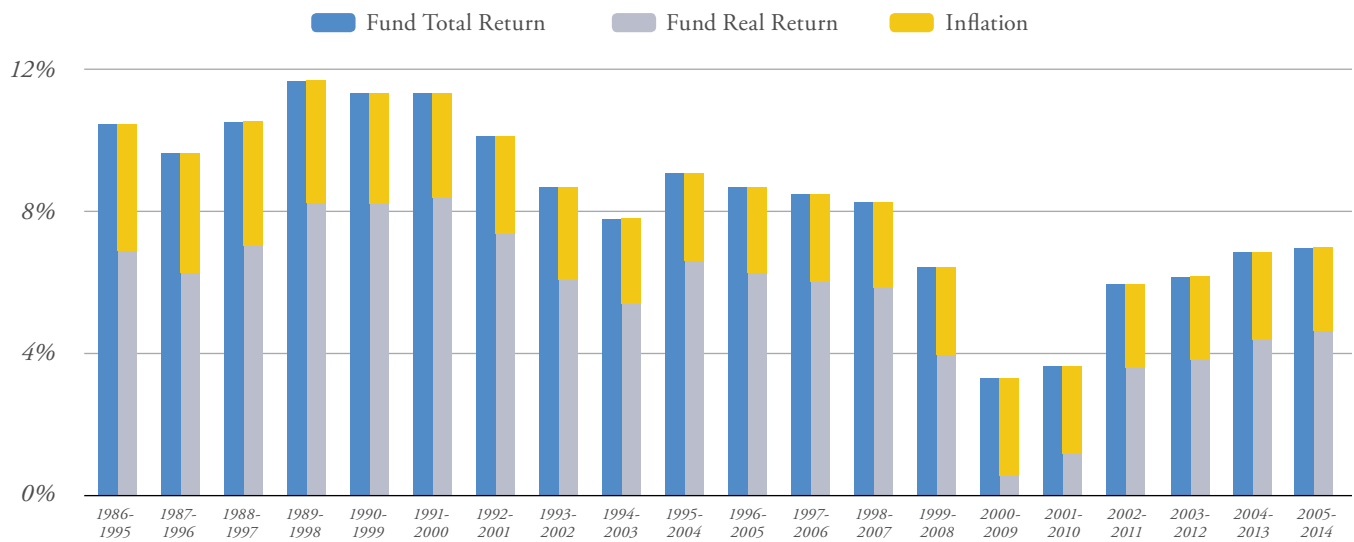
- Stock Dividends, Bond Interest and Real Estate Cash Flow
- Net Increase in Fair Value of Investments
- Operating Costs and Other Legislative Appropriations
- Dedicated Mineral Revenue
- Transfers Out (Dividend Distribution and Capital Income Account)

INVESTING FOR THE LONG RUN

The Board of Trustees' statutory direction is to generate the maximum return while protecting principal. To meet both of these objectives, the Board sets an asset allocation that is designed to provide a 5 percent real rate of return over time with a prudent level of risk.

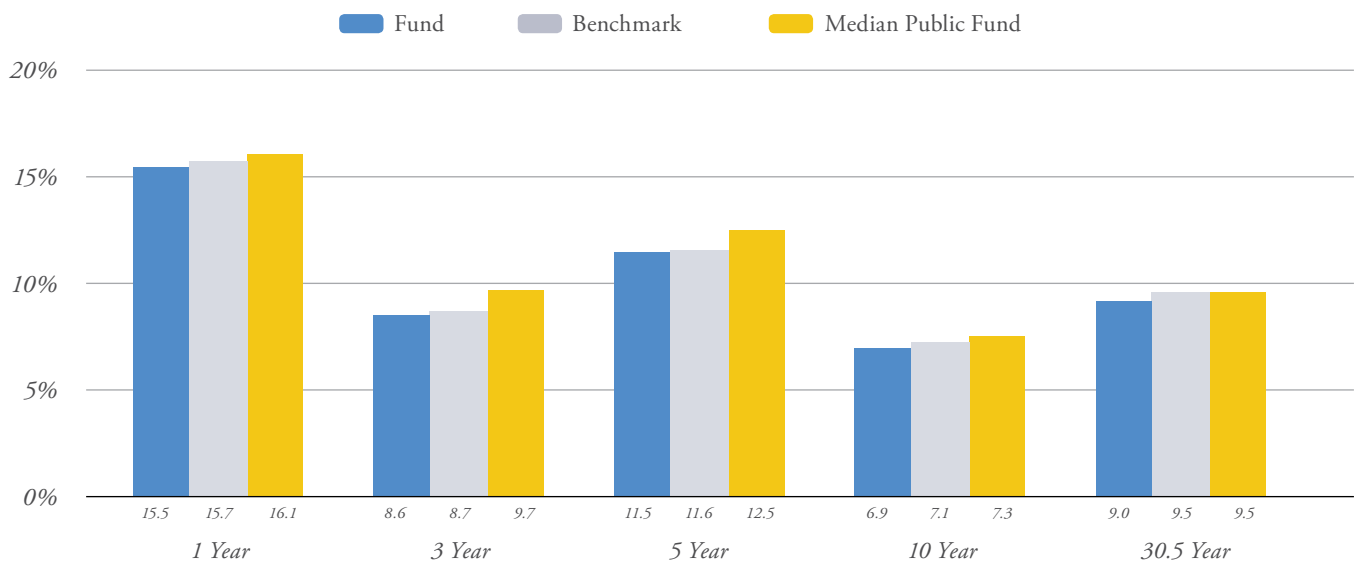
ROLLING 10-YEAR RETURN

Annualized Returns for Periods Ending June 30

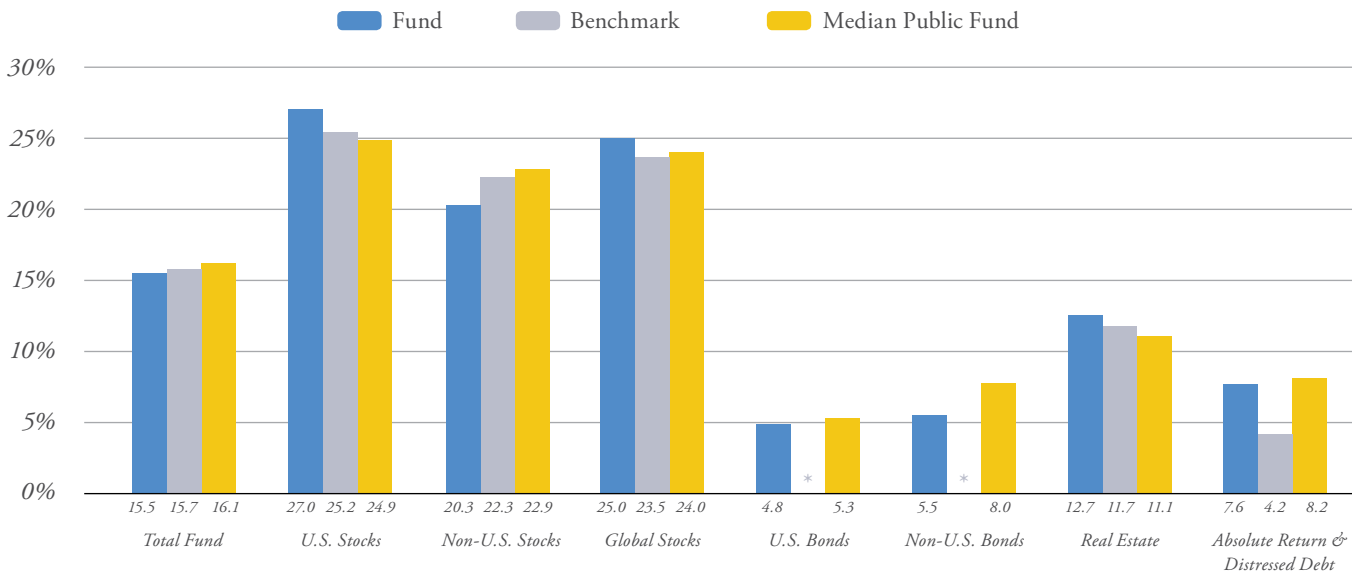


FUND'S LONG-TERM INVESTMENT PERFORMANCE

Annualized Returns for Periods Ending June 30



FUND FISCAL 2014 PERFORMANCE

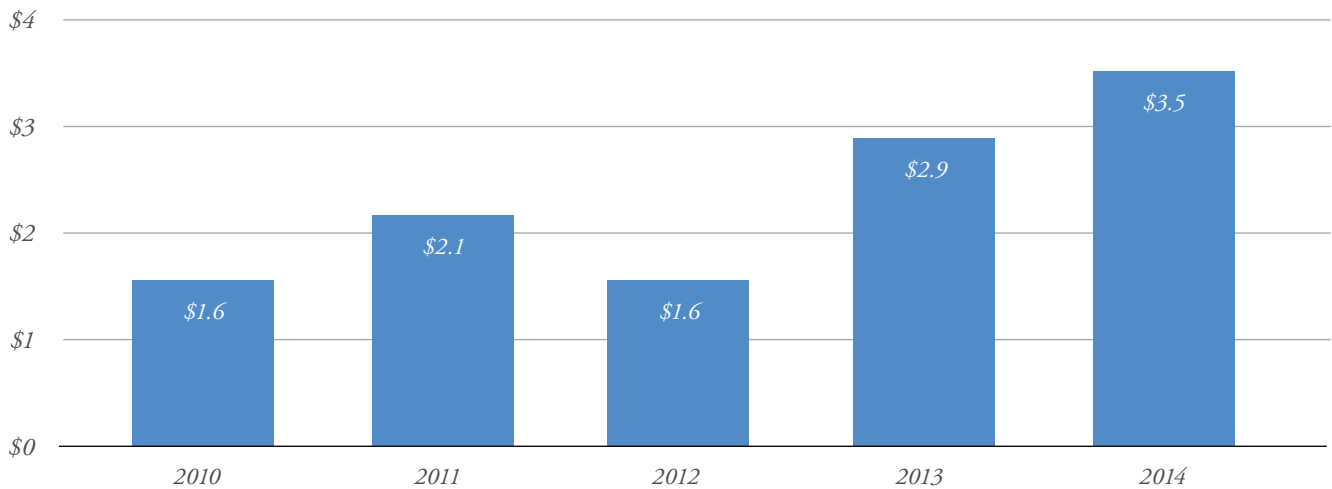


*APFC does not have a benchmark for the full portfolio. Segments within the portfolio have comparable benchmarks.

STATUTORY NET INCOME

By Fiscal Year (In Billions)

Statutory net income is used to calculate the annual Permanent Fund Dividend distribution. Statutory net income excludes any settlement income from the North Slope royalty case (State v. Amerada Hess, et al.) and any unrealized gains or losses.



BONDS



Although the markets ended the period with gains, fiscal 2014 was not an easy year for bonds. In the U.S., volatility and negative returns marked much of the year, with the exception of a late fall rally. In contrast, non-U.S. bonds generally had steady positive returns for the year, though with some mid-year difficulties in emerging markets. Careful portfolio construction, including taking on less risk than the corresponding indices and overweighting sectors that outperformed the market, allowed the Permanent Fund's portfolios to outperform most of their benchmarks over the course of the year.

U.S. BONDS

The Permanent Fund's \$8.9 billion U.S. bond portfolio gained 4.8 percent for fiscal year 2014, ahead of the Barclay's U.S. Aggregate Index return of 4.4 percent. The bulk of this portfolio is managed internally by the Corporation's staff.

The internally managed \$1.0 billion U.S. government portfolio gained 2.4 percent for the period, outperforming the Barclay's Capital U.S. Treasury Index return of 2.0 percent. The \$603 million APFC-managed Treasury Inflation Protected Securities (TIPS) portfolio gained 4.4 percent, matching the 4.4 percent for the Barclay's Capital U.S. TIPS benchmark.

The APFC-managed corporate bond portfolio ended the year at \$2.7 billion and returned 8.7 percent, ahead of the Barclay's Capital U.S. Corporate Index return of 7.7 percent. The \$307 million internally managed commercial mortgage-backed securities portfolio returned 3.8 percent for the year, compared

to the Barclay's Capital U.S. CMBS ERISA Eligible AAA Index return of 4.0 percent. The \$594 million APFC-managed mortgage-backed securities portfolio gained 4.6 percent versus Barclay's Capital U.S. MBS Index return of 4.7 percent.

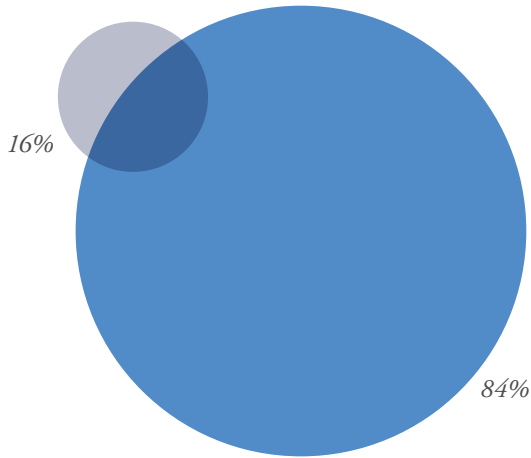
The Permanent Fund has three external domestic managers overseeing high-yield bond and intermediate TIPS portfolios. The \$154 million Capital Guardian portfolio returned 13.1 percent for the fiscal year, while the \$360 million Oaktree portfolio returned 10.4 percent. In comparison, the Barclay's Capital Global High Yield Corporate (Hedged) Index returned 12.0 percent for the period. Alaska Permanent Capital Management oversees a \$597 million intermediate TIPS portfolio for the Fund, which returned 3.7 percent for the period, ahead of the Barclay's Capital 1-10 Year TIPS Index return of 3.6 percent.

NON-U.S. BONDS

As a whole, the Permanent Fund's non-U.S. bond investments gained 5.5 percent for the fiscal year, ending June 30 with a value of \$1.0 billion. The \$207 million internally managed non-U.S. portfolio returned 5.7 percent for its first full fiscal year, compared to the Barclay's Capital Global Treasury ex-U.S. Index (Hedged) return of 5.5 percent. The \$303 million external portfolio managed by Rogge Global Partners returned 5.4 percent for the period. Capital Guardian's \$493 million high yield emerging market debt portfolio returned 10.0 percent for the year, compared to the custom benchmark return of 10.9 percent.

BOND PORTFOLIO

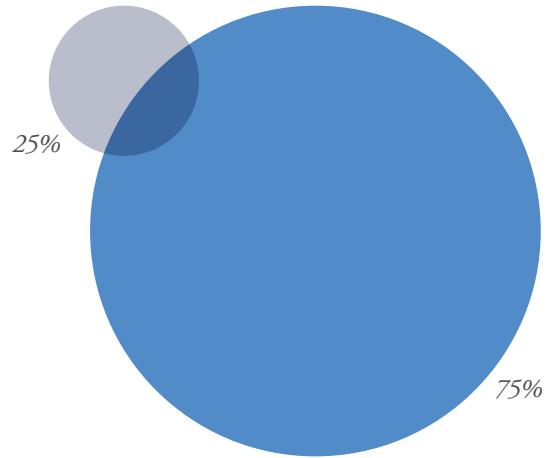
By Internal vs. External Management as of June 30, 2014 (In Billions)



Internally Managed	\$10.1
Externally Managed	\$1.9
Total	\$12.0

BOND PORTFOLIO

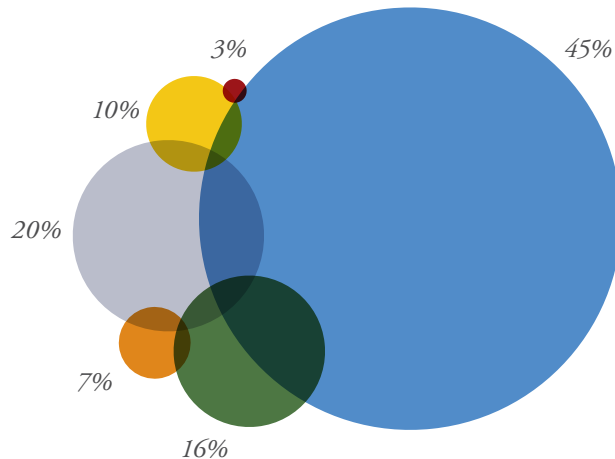
By Region as of June 30, 2014 (In Billions)



U.S.	\$8.9
Non-U.S.	\$3.0
Total	\$12.0

BOND PORTFOLIO

by Security Type as of June 30, 2014 (In Billions)



U.S. Corporates	\$5.3
U.S. Treasuries	\$2.4
Non-U.S. Government	\$1.2
Mortgage-Backed	\$0.9
CMBS	\$0.3
Non-U.S. Corporates	\$1.9
Total	\$12.0

STOCKS



Supported by Central Bank monetary policies, historically high corporate profitability and investor buying for fear of missing out, global stock markets accelerated their upward trend during fiscal year 2014 on the back of double-digit gains the prior fiscal year. The Permanent Fund's stock portfolio increased by 23.3 percent for the year, slightly outperforming the broad market ACWI IMI measure of 23.0 percent.

Performance was strong across developed markets as a group, followed by positive but relatively underperforming emerging market stocks. Growth oriented and small company stocks outperformed value and large company stocks in the first half of the fiscal year. However, this trend reversed course abruptly in the last several months of the period as investors looked for excuses to take profits in the face of an apparent slowdown in economic growth, arguably stretched valuations, and Fed policy statements suggesting a change in course of monetary stimulation.

In aggregate, the Permanent Fund's active managers contributed incrementally to the performance of the stock portfolio, while gains from a tactical reduction of small company and growth stocks were offset to some extent by an overweight allocation to emerging market stocks. Staff continued to improve the manager lineup and reposition the portfolio to take advantage of perceived longer-term market opportunities.

U.S. STOCKS

Calendar 2013 was the best year for U.S. stocks since 1995, fueling strong returns in the Fund's U.S. stock portfolio for the fiscal year. The \$5.7 billion U.S. stock portfolio gained 27.0 percent in fiscal year 2014, ahead of the Russell 1000 benchmark

return of 25.4 percent. The outperformance was captured in both the small company and large company stock allocations in the U.S. portfolio. Small capitalization stocks outperformed large capitalization stocks for most of the year, only to finish behind for the full period as investors ended the year looking for safety in the larger company stocks. Similarly, growth stocks outperformed value stocks over the course of the fiscal year, which masks a significant performance fluctuation as value stocks recouped performance significantly in the third and fourth quarters of the fiscal year.

NON-U.S. STOCKS

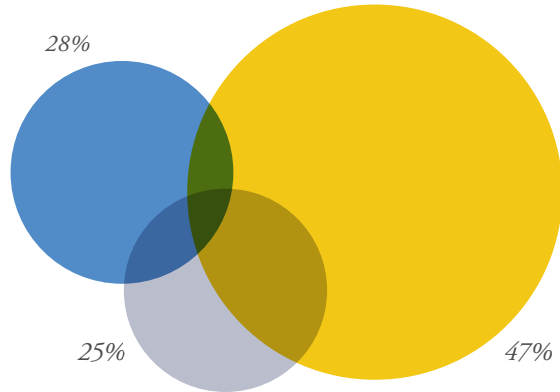
The \$9.5 billion non-U.S. stock portfolio gained 20.2 percent, compared to the MSCI ACWI IMI ex-U.S. return of 22.3 percent. The underperformance came primarily from the emerging markets holdings, which were up 12.9 percent, but dampened by exposure to China and the "fragile five" (Brazil, India, Turkey, Indonesia and South Africa). The non-U.S. developed markets portfolio was much stronger, returning 24.4 percent. Four new emerging market managers were added late in 2013 to provide greater diversity in the portfolio. The new hires were evenly balanced, with two pursuing a growth style and two focused on value stocks.

GLOBAL STOCKS

The Permanent Fund's \$5.4 billion global stock portfolio benefitted from the U.S. and European components, gaining 25.0 percent over the fiscal year, ahead of the MSCI ACWI return of 23.0 percent. One manager was eliminated from this group as part of a broader effort to streamline the Fund's external relationships.

STOCK PORTFOLIO

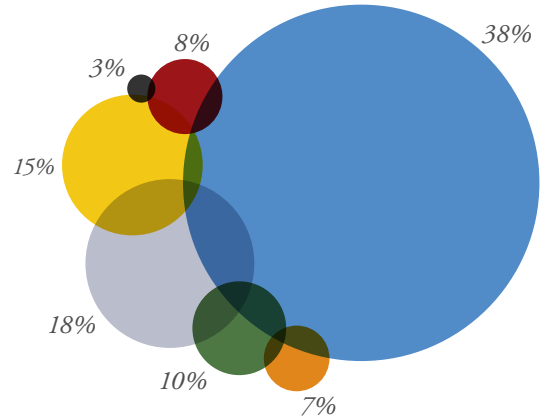
By Regional Mandate as of June 30, 2014 (In Billions)



U.S. Stocks	\$5.7
Global Stocks	\$5.2
Non-U.S. Stocks	\$9.5
Total	\$20.4

STOCK PORTFOLIO

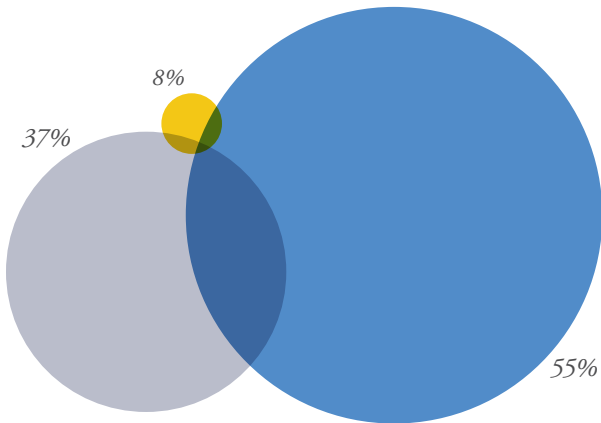
By Region as of June 30, 2014 (In Billions)



U.S.	\$8.0	Japan	\$1.7
Europe ex U.K.	\$3.8	Americas	\$2.0
Asia ex Japan	\$3.0	Other	\$0.6
U.K.	\$1.5		
Total	\$20.4		

STOCK PORTFOLIO

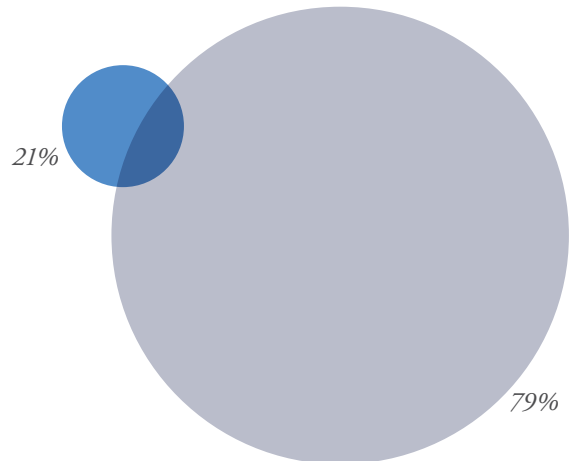
By Active and Passive Management Styles as of June 30, 2014 (In Billions)



Active	\$11.3
Passive	\$7.5
Quasi-Passive	\$1.7
Total	\$20.4

U.S. STOCK PORTFOLIO

By Company Capitalization as of June 30, 2014 (In Billions)



Small/Mid-Cap	\$1.2
Large-Cap	\$4.5
Total	\$5.7

REAL ESTATE



Top Left:
299 Park Avenue, New York, NY

Top Middle:
CityCentre, Houston, TX

Top Right:
Parc Huron, Chicago, IL

Bottom Left:
Bent Tree Apartments, Centreville, VA

Bottom Middle:
Crate & Barrel, McLean, VA

Bottom Right:
Independence Plaza, Denver, CO



The Permanent Fund's \$5.9 billion real estate portfolio produced a total return of 12.6 percent for the fiscal year, the fourth year of strong performance. The NCREIF property index closed fiscal year 2014 with a total return of 11.2 percent, while the UBS Global REIT index generated a 15.9 percent return.

PRIVATE REAL ESTATE

The direct real estate portfolio earned a net return of 11.4 percent for the fiscal year, ahead of the NCREIF NPI index gross return of 11.2 percent. The portfolio ended the year with a value of \$3.7 billion.

There are 49 individual properties within the Fund's private real estate portfolio, including the Permanent Fund's first overseas acquisition, the Golden Square Shopping Center in Warrington, Cheshire, U.K. This property was the initial purchase in a program of focused investment in Europe approved by the Board shortly before the start of the fiscal year. The high level of competition for core real estate in the United States, along with the desire to increase diversification within the portfolio, led the real estate staff to recommend seeking properties in other promising parts of the world.

Prior to the start of the fiscal year, the Board approved an initiative to take advantage of historically low interest rates by using leverage to enhance returns on a small group of stable, core properties. This program produced \$348 million in available capital at favorable interest rates.

The Permanent Fund is a partner in Simpson Housing LLLP, a real estate operating company jointly owned with the State of Michigan Retirement System. The company develops, owns and manages more than 20,000 apartment units across the United States. Simpson produced a total return of 15.1 percent for the fiscal year, and the Fund's share of the partnership was valued at \$992 million as of June 30, 2014. Multi-family has clearly been the leading property sector during the economic recovery, contributing to the positive performance of Simpson Housing and the Fund's real estate portfolio overall.

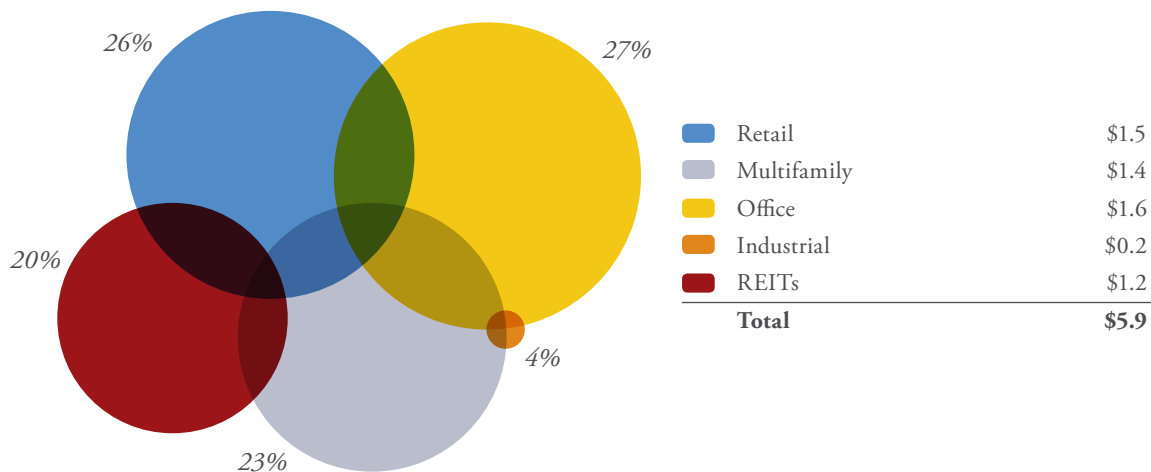
PUBLIC REAL ESTATE

The \$410 million global real estate investment trust (REIT) portfolio managed by AEW was up 15.9 percent for fiscal year 2014, in line with the benchmark UBS Global REIT Index return of 15.9 percent.

In the summer of 2012, the Permanent Fund invested \$600 million in American Homes 4 Rent, a new venture that purchased distressed single family homes and managed them as rental properties. In April, 2013, the venture reorganized as a private REIT, in which the Fund held a 30 percent stake. A few months later the Fund invested an additional \$25 million, and AH4Rent made an initial public offering, making the Permanent Fund a 21.6 percent shareholder in the public REIT. As of June 30, 2014 the Fund's share was worth \$797 million, producing a 10.9 percent return as compared to the UBS Global REIT Index of 15.9 percent.

REAL ESTATE PORTFOLIO

by Property Type as of June 30, 2014 (In Billions)



PRIVATE ASSETS



Private assets are those investments that do not trade in public markets or have very limited liquidity, requiring a long investment horizon. This includes equity holdings in private companies and infrastructure investments in critical service assets, as well as private debt investments such as loans extended to companies outside of the traditional bond and bank loan markets.

The Corporation's methods of making private asset investments has evolved over the 10 years since the start of the private market program to include more direct investment decision-making by staff. Greater control by staff results in better governance, alignment of interests and an increased ability to shape the Fund's private asset portfolio in a prudent and customized manner.

From full reliance on third-party gatekeepers in 2004, to the direct selection of infrastructure managers at the start of the infrastructure program in 2006, to new internally-managed programs for co-investing directly in infrastructure and private equity transactions alongside third-party managers, the APFC's staff is playing an increasing role in the selection and management of private market assets.

PRIVATE EQUITY

The Fund's private equity gatekeepers committed \$862 million to 37 new private equity partnerships during fiscal year 2014, bringing the total amount of capital committed to this asset class over time to \$5.1 billion. Of this committed amount, \$3.1 billion has been drawn down for private equity investments and \$1.6 billion has been distributed back to the Fund. For

the first time in the program's history, quarterly distributions back to the Fund nearly equaled contributions, reflecting a robust environment for private equity managers to exit portfolio companies through initial public offerings (IPO's) and strategic sales. The Fund's private equity portfolio ended fiscal 2014 with a value of \$2.6 billion. In the third quarter of the fiscal year, the Fund started private equity co-investing activities through the establishment of two vehicles administered by BlackRock with committed capital of \$200 million. One of the vehicles will be managed by APFC staff and the other will be deployed into co-investments selected by BlackRock.

The Fund's private equity program returned 24.3 percent for the fiscal year and its benchmark, a 60/40 blend of U.S. and non-U.S. publicly-traded stocks, returned 24.6 percent for the period.

INFRASTRUCTURE

The Permanent Fund's infrastructure portfolio is invested through eight private infrastructure funds, three separate accounts with listed (publicly-traded) infrastructure managers and one co-investment in a private infrastructure investment. During the fiscal year, three new private fund investments were added: Actis Energy III, an emerging market infrastructure fund which focuses on private power and regulated utility infrastructure; LS Power III, an opportunistic investor in North American power infrastructure; and Morgan Stanley Infrastructure II, a global core infrastructure manager. The Fund's private infrastructure portfolio ended fiscal year 2014 with a value of \$1.1 billion.

In fiscal year 2014 staff also completed the Fund's first investments in listed infrastructure, publicly traded shares of companies that own and manage infrastructure investments. These investments are intended to enhance the liquidity of the Fund's infrastructure portfolio, enable efficient deployment of capital and capitalize on situations where valuations are more attractive in the public markets than in private transactions. In fiscal year 2014, the fund awarded three listed infrastructure managers mandates of \$100 million each. The listed infrastructure portfolio was valued at \$350 million at the close of the fiscal year, returning 21.5 percent for the partial fiscal year, a reflection of the strong performance of publicly-traded utility and infrastructure securities in the first half of calendar year 2014.

Overall, the infrastructure portfolio ended fiscal year 2014 with a total value of \$1.3 billion and returned 12.9 percent for the period. The benchmark for the Fund's infrastructure investments is a listed infrastructure index compiled by FTSE, which returned 22.9 percent for the year. The shortfall relative to benchmark is not uncommon for situations where private assets are benchmarked against a public listed index. The returns on listed assets are expected to be more volatile than returns on private assets in the short term.

PRIVATE CREDIT

Private Mezzanine Debt

The Fund's mezzanine managers make loans to private companies controlled by private equity partnerships. These funds returned 13.8 percent for the year and ended fiscal year

2014 with a market value of \$231 million. This return exceeded the Fund's mezzanine debt benchmark of LIBOR plus 600 basis points, which returned 6.2 percent.

Diversified Private Credit

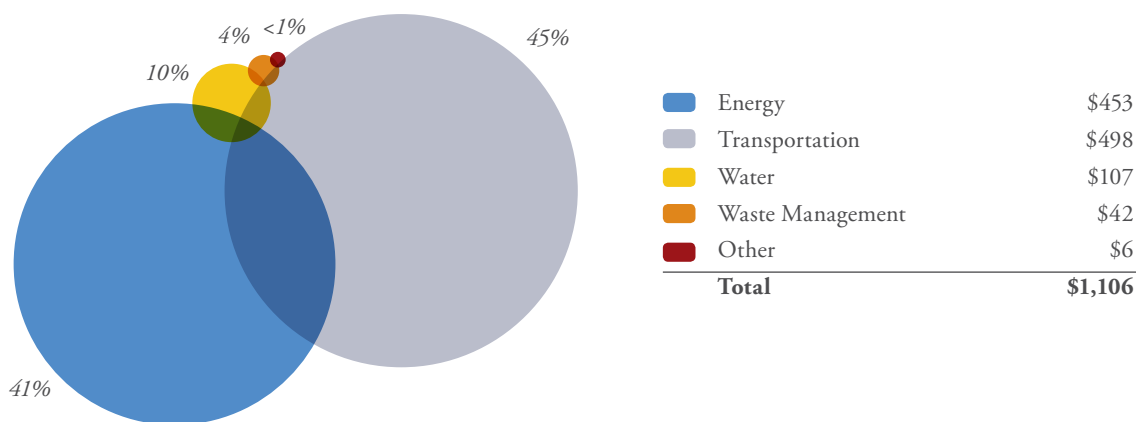
The Fund's private credit allocation is in a fund that invests across different segments of the public and private credit markets where the manager sees opportunities. This fund returned 11.9 percent for the period and ended with a value of \$926 million. The return was roughly in line with the return on public high-yield bonds for the period, but lagged the benchmark of Global High Yield plus 150 basis points, which returned 13.5 percent.

Distressed Debt

Distressed debt typically involves investments made in the debt of companies that have either filed for bankruptcy or are likely to do so, and these investments can produce increased returns with higher corresponding risk during either a reorganization or liquidation of assets. The Fund's investment in this area ended the year with a value of \$207 million and returned 21.1 percent for the fiscal year. This return compares favorably to the LIBOR plus 600 basis points benchmark return of 6.2 percent. The allocation to this investment is fully drawn and has so far distributed \$153 million back to the Fund since inception, compared to \$250 million of capital invested by the Fund.

INFRASTRUCTURE INVESTMENTS PAID-IN COMMITMENTS

By Sector as of June 30, 2014 (In Millions)



ALTERNATIVE INVESTMENTS & SPECIAL OPPORTUNITIES



Alternative investments and special opportunities are investments that do not fall easily into the Permanent Fund's traditional asset classes. Some of these investments are a blend of holdings from different asset classes. Other investments may eventually fit into one of the traditional classes based on the type of holdings, but due to a new structure, approach or their opportunistic nature, are held separately in the special opportunities class in their early years.

ABSOLUTE RETURN

Absolute return strategy mandates are constructed from a variety of securities selected to achieve a target return within defined risk limits. Three firms, Crestline Investors, Inc., Lazard Asset Management and Mariner Investment Group manage \$2.8 billion in absolute return mandates for the Fund. The allocation that Mariner oversees includes the Mariner Frontier Fund, an incubation fund that seeks out promising teams looking for the necessary startup capital to create new investment funds. The absolute return portfolio returned 5.3 percent for the fiscal year, ahead of the program's return objective of 4.2 percent.

EXTERNAL CIO/REAL RETURN MANDATE

The three managers in the external CIO program, AQR Capital Management, Bridgewater Associates and Goldman Sachs Asset Management, invest in any or all of the same liquid asset classes as the Fund. They have the same over-arching risk and return guidelines as the Fund, but are allowed to set their own internal asset allocation. As of June 30, 2014 the combined value of the three portfolios was \$2.1 billion, and together the mandates in

the program gained 11.3 percent over the fiscal year, ahead of its composite return objective of 7.1 percent.

EMERGING MARKETS

The Fund's two emerging market multi-asset class mandates invest in a blend of stocks, bonds and currencies. This flexibility allows PIMCO and Capital Guardian Trust Company to select the most advantageous publicly traded investments from both a risk and return perspective. The PIMCO portfolio ended the year with a value of \$451 million and returned 9.0 percent for the period, while the \$461 million Capital Guardian portfolio returned 12.6 percent. In comparison, the composite multi-asset benchmark returned 10.9 percent.

OTHER SPECIAL OPPORTUNITIES

During fiscal year 2014, the Alaska Permanent Fund entered into four new special opportunities.

A private equity mandate of \$750 million was awarded to Carlyle Investment Management LLC to focus on private market assets with an emphasis on natural resources, including energy, agriculture and metals and mining. As of June 30, 2014, \$62 million of the initial commitment had been deployed. The investment is in its early stages, and is not yet able to provide meaningful return information.

Juno Therapeutics, a startup firm based in Seattle, is built on a partnership between researchers from the Fred Hutchinson Cancer Research Center in Seattle, Memorial Sloan-Kettering Cancer Center in New York and Seattle Children's Research

Institute in Seattle. Juno Therapeutics is working to find cures for select cancers using a patient’s own internal immune system. The Fund owns 30 percent of the firm through a partnership with Crestline Investors, and had invested \$64 million in capital as of June 30, 2014. The investment is in its early stages, and is not yet able to provide meaningful return information.

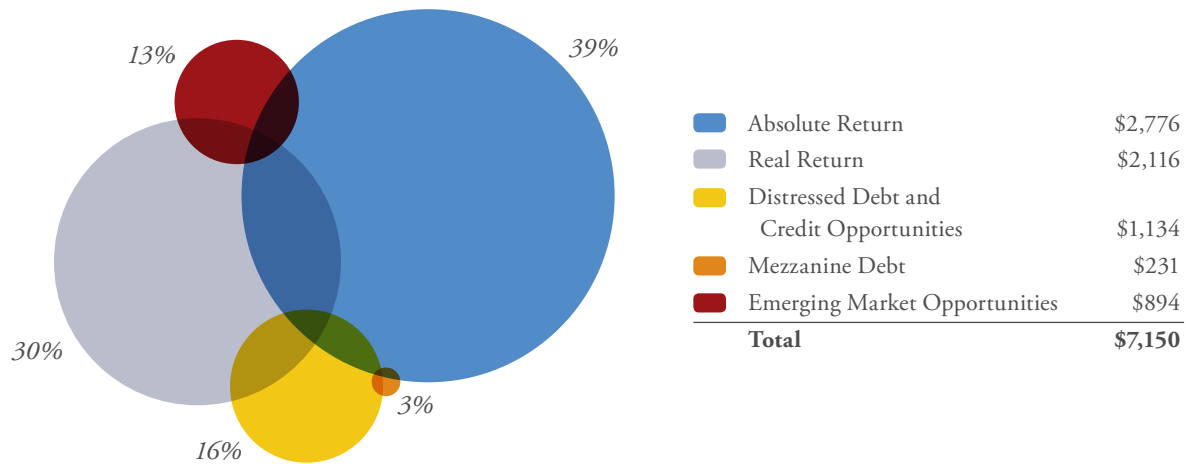
The Permanent Fund made two commitments of \$500 million each to a private equity mandate overseen by Blackstone Strategic Capital Holdings. The first commitment is to the Blackstone Strategic Holdings Fund (BSHF), a private equity fund with a strategy focused on investing in minority stakes of hedge fund management company interests. The additional \$500 million commitment allows the Permanent Fund to make direct

investments alongside the BSHF, which helps reduce the fees that the APFC pays for these investments. The investment was in a very early stage at the close of the fiscal year, with only \$56 million in deployed capital. Because of its early nature, the fund is not yet able to provide meaningful return information.

The Permanent Fund also made a commitment of \$384 million to Riverstone Energy, a new publicly listed fund that will make private equity investments in energy-focused firms. \$311 million was deployed as of June 30, 2014. For its seed investment the Permanent Fund will receive a revenue share from the management company in perpetuity, in addition to returns earned as a fund investor. As a new investment, return information is not yet meaningful.

ALTERNATIVE INVESTMENTS BY FUND TYPE

(In Millions)



APFC INTERNSHIP PROGRAM



We wish to thank our 2014 participating managers, who, along with APFC in Juneau, employed and mentored six students this summer:

McKinley Capital Management

Allianz Global Investors (RCM)

Alaska Permanent Capital Management

Crestline Investors, Inc.

LaSalle Investment Management, Inc.

The Alaska Permanent Fund Corporation and our participating investment managers are committed to preparing Alaska students for careers in finance and investing through the APFC Summer Internship Program.

Throughout the 27 years of this program's history, a total of over 40 Fund management firms have provided summer employment to qualified Alaska students. Many of our partner firms value their students' work contributions and therefore regularly partner in the program each summer. This has resulted in over 300 Alaska students enriching their academic studies through these internships since 1988. Many former interns have gone on to work in the industry, having had a chance to experience it first hand as a student.

-
- 1. Kirsten Halpin**
University of Alaska Fairbanks
McKinley Capital Management / Anchorage
 - 2. Ryan Conroy**
Johns Hopkins University
LaSalle Investment Management, Inc. / San Diego
 - 3. Yishu Xu**
Alaska Pacific University
Crestline Investors, Inc. / Fort Worth
 - 4. Peter Jorgensen**
Georgetown University
Allianz Global Investors (RCM) / San Francisco
 - 5. Jane Longenbaugh**
University of Alaska Southeast
Alaska Permanent Fund Corporation / Juneau
 - 6. Trey Chenier**
University of Puget Sound
Alaska Permanent Capital Management / Anchorage
-

One former intern now working in the industry is Joseph Shinn. Joe joined APFC as an Accountant in October 2013 and is a key contributor to the development of a distinct middle office function, which includes trade settlement and related work. Joe earned a BBA with a concentration in Finance from the University of Alaska Fairbanks in 2012. In 2011, Joe's experience with the UAF Student Investment Fund helped him to secure an internship with APFC fund manager Rogge Global Partners, in New York City. Joe loved his Rogge experience, but after graduation he chose Alaska over New York. As an APFC employee, Joe can live in Alaska with a career in his chosen field.



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, 2014 and June 30, 2013. 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

- In fiscal year (“FY”) 2014, the Fund ended strongly with a total investment return of 15.52 percent. Closest to the FY 2014 performance was FY 1995 with a 14.51 percent return. FY 2014’s results are in the upper half of the range of returns since 1985, which have ranged from -17.96 percent to 25.58 percent.
- FY 2014’s excess of revenues over expenditures (net income) was \$6.8 billion, a significant increase over FY 2013 which had a net income of \$4.3 billion. Both statutory and accounting net income for FY 2014 are the highest ever in the history of the Fund.
- The Alaska Permanent Fund dividend is calculated using a five-year rolling total of net income as defined by Alaska Statutes (statutory net income), which excludes unrealized gains and losses. The FY 2014 rolling total increased by more than \$6 billion over FY 2013 as the oldest year’s (FY 2009’s) statutory net loss of \$2.5 billion was replaced by FY 2014 statutory net income of \$3.5 billion. Because the formula is based on a five-year rolling total, and one half of 21 percent of that amount is paid out for dividends, the total dividend payment more than doubled, from \$604 million in FY 2013 to \$1.2 billion in FY 2014.
- The portion of dedicated State of Alaska revenues deposited into the principal of the Fund is based on mineral prices and production. In FY 2014, the deposits came in below FY 2013’s deposits by 7 percent at \$779 million. Production has continued to decrease over the years and oil prices ended the year slightly below where they started.
- Inflation proofing of the Fund’s corpus is outlined in Alaska Statutes. In FY 2014, the inflation rate was 1.46 percent and \$546 million was transferred to the nonspendable fund balance for inflation proofing. In FY 2013, the inflation rate was 2.07 percent and \$743 million was transferred to the nonspendable fund balance for inflation proofing.
- Investments in privately traded alternative assets continued to grow. During FY 2014 the APFC made new commitments to infrastructure investments totaling \$280 million. As of June 30, 2014 APFC had total commitments to private equity of \$6.7 billion as compared to one year prior when commitments were \$4.2 billion, which equates to a 60 percent increase in commitment. Due to the strong performance of the other asset classes in the portfolio, the percentage allocation to alternative investments actually decreased in FY 2014 by 3 percent.

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

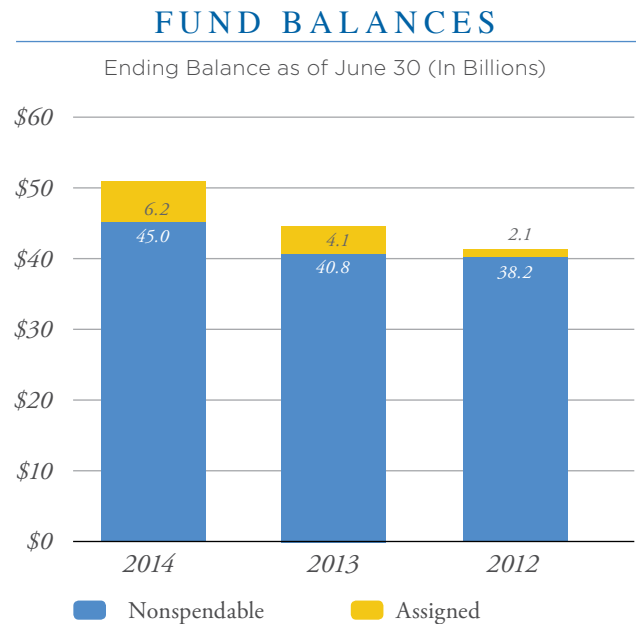
The Balance Sheets present all assets, liabilities and fund balances of the Fund as of June 30, 2014, as well as the prior fiscal year's ending balances at June 30, 2013.

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. Real estate assets shown on the Balance Sheets include direct investments in real estate properties, an investment in a real estate operating company and stock holdings of real estate investment trusts (REITs). The securities lending collateral (cash and securities received from the borrower on loans of securities that are 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 (i) investments purchased but not yet settled (shown in the accounts payable grouping), (ii) the amount payable to the State of Alaska for the Permanent Fund dividend and the Alaska Capital Income Fund, and (iii) 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 two categories: nonspendable and assigned. The largest category is nonspendable (88 percent as of June 30, 2014) and is not available for government appropriation by the State of Alaska. The remaining balance (the assigned fund balance) is available for government appropriation. The assigned fund balance increased by nearly 50 percent from FY 2013 to FY 2014, from \$4.1 billion to \$6.2 billion. Generally only 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 dividend payout; inflation proofing (a transfer of assets from the assigned to the nonspendable fund balance); and the change in unrealized gains and losses allocated to the assigned fund balance. During FY 2014, the amounts contributing to the

net increase of approximately \$2.1 billion in the assigned fund balance were (i) realized income of \$3.5 billion, (ii) the dividend payout of \$1.2 billion, (iii) the inflation proofing transfer of \$546 million, and (iv) the allocation of a portion of unrealized gains and losses, which increased from FY 2013 to FY 2014 by \$408 million, to a balance of \$975 million.



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 FY 2014 and FY 2013.

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 to pay (i) the Permanent Fund dividend per Alaska Statutes section 37.13.145(b) and (ii) the annual deposit to the Alaska Capital Income Fund (ACIF) per Alaska Statutes section 37.13.145(d).

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, 2014 and 2013.

BALANCE SHEETS

	AS OF JUNE 30		NET CHANGE	%
	2014	2013		
ASSETS				
Cash and temporary investments	\$ 2,997,444,000	2,288,123,000	709,321,000	31%
Receivables, prepaid expenses and other assets	301,047,000	239,053,000	61,994,000	26%
Investments	49,922,049,000	43,818,259,000	6,103,790,000	14%
Securities lending collateral invested	1,393,669,000	3,451,974,000	(2,058,305,000)	(60)%
Total Assets	\$ 54,614,209,000	49,797,409,000	4,816,800,000	10%
LIABILITIES				
Accounts payable	\$ 740,064,000	858,366,000	(118,302,000)	(14)%
Income distributable to the State of Alaska	1,266,763,000	633,735,000	633,028,000	100%
Securities lending collateral	1,393,669,000	3,451,974,000	(2,058,305,000)	(60)%
Total Liabilities	3,400,496,000	4,944,075,000	(1,543,579,000)	(31)%
FUND BALANCES				
Nonspendable:				
Permanent Fund corpus - contributions and appropriations	37,940,617,000	36,615,208,000	1,325,409,000	4%
Not in spendable form - unrealized appreciation on invested assets	7,061,771,000	4,184,334,000	2,877,437,000	69%
Total Nonspendable	45,002,388,000	40,799,542,000	4,202,846,000	10%
Assigned for future appropriations:				
Realized earnings	5,236,644,000	3,486,567,000	1,750,077,000	50%
Unrealized appreciation on invested assets	974,681,000	567,225,000	407,456,000	72%
Total Assigned	6,211,325,000	4,053,792,000	2,157,533,000	53%
Total Fund Balances	51,213,713,000	44,853,334,000	6,360,379,000	14%
Total Liabilities and Fund Balances	\$ 54,614,209,000	49,797,409,000	4,816,800,000	10%

The Fund's assets, excluding securities lending collateral, grew 15 percent between June 30, 2013 and June 30, 2014. The biggest growth was seen in domestic and global equities returns, which were up by 26.95 percent and 24.96 percent, respectively. Domestic and non-domestic fixed income returns were up significantly from FY 2013, returning 4.83 percent and 5.49 percent, respectively for the fiscal year. Private equity, infrastructure and real estate all had very strong returns at 24.27 percent, 12.92 percent and 12.66 percent, respectively. Significant increases were also realized in the other assets, including absolute and real return mandates.

From June 30, 2012 to June 30, 2013 the Fund's fair value of invested assets, excluding securities lending collateral, also increased significantly, going from \$41.7 billion at the end of 2012 to \$46.3 billion at the end of 2013. In FY 2013, equities had strong returns with all asset classes in positive territory. Highest returns were realized in domestic, global and international equities, which were up by 19.78 percent, 17.00 percent and 13.78 percent, respectively. Domestic and non-domestic fixed income returns were more modest at 1.35 percent and 1.17 percent, respectively.

Due primarily to timing, receivables increased by more than 25 percent between the end of FY 2013 and FY 2014, going from \$239 million to \$301 million. 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, which can change significantly from day to day and year to year, have generally stabilized after the extreme high lending volumes in 2006-2007 followed by low lending levels after the global financial crisis in 2008-2009. The average value of assets on loan during FY 2014 was \$6 billion, with a low of \$4.4 billion and a high of \$8.0 billion.

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 greater than 95 percent of both the FY 2014 and FY 2013 accounts payable balances. The decrease of \$118 million from FY 2013 to FY 2014 was due to a decrease in pending bond purchases of \$174 million and in operating payables of \$8 million, offset by an increase in pending stock purchases of \$64 million.

Income distributable to the State of Alaska, which is based primarily on the dividend calculation mandated by statute, increased significantly from FY 2013 to FY 2014. The dividend calculation is based on a five-year rolling total of statutory net income (which excludes unrealized gains and losses). Because the FY 2014 statutory net income of \$3.5 billion replaced the FY 2009 statutory net loss of \$2.5 billion in the rolling total, the calculated amount due to the State more than doubled, going from \$604 million in FY 2013 to \$1.2 billion in FY 2014. As of June 30, 2012, a balance of \$605 million was due to the State, just slightly more than at the end of FY 2013. Six years ago, at the end of FY 2008, the balance due to the State of Alaska for the dividend payout was \$1.3 billion which was the highest in the history of the Fund. This illustrates how the payout calculation can fluctuate significantly from year to year.

Also using a calculation based on realized earnings, the Alaska Capital Income Fund (ACIF) transfer due to the State for FY 2014 was \$32 million and for FY 2013 was \$30 million. The \$2 million increase from the prior year is due to stronger realized returns in FY 2014 versus FY 2013. The transfer due for FY 2012 was \$17 million, significantly less than for FY 2013, reflecting the weaker realized returns of FY 2012.

The total fund balance increase of \$6.3 billion from FY 2013 to FY 2014 was due primarily to strong markets. The overall investment return on Fund investments for FY 2014 was 15.52 percent. Contributions and appropriations increased due to dedicated mineral revenue deposits from the State of Alaska of \$779 million, down 7 percent from the FY 2013 dedicated revenues of \$840 million. Also affecting fund balance were the dividend payout and ACIF of \$1.3 billion in total, and operating expenditures and legislative appropriations of \$108 million.

The total fund balance increase from FY 2012 to FY 2013 was due to the net of the transfers in (State dedicated mineral revenues of \$840 million) and the transfers out (dividend and ACIF of \$634 million), with the other contributor to the change being operating expenditures of \$127 million.

The table on page 26 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 FY 2013 as compared to FY 2014 are shown in both dollars and percentages.

**STATEMENTS OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES**

	YEAR ENDED JUNE 30		NET CHANGE	%
	2014	2013		
REVENUES				
Interest, dividends, real estate and other income	\$ 1,169,384,000	1,081,900,000	87,484,000	8%
Increase (decrease) in the fair value of investments	5,786,286,000	3,359,000,000	2,427,286,000	72%
Total Revenues	\$ 6,955,670,000	4,440,900,000	2,514,770,000	57%
EXPENDITURES				
Operating expenditures	(100,834,000)	(119,800,000)	18,966,000	(16)%
Other Legislative appropriations	(7,142,000)	(7,200,000)	58,000	(1)%
Total Expenditures	(107,976,000)	(127,000,000)	19,024,000	(15)%
Excess of Revenues over Expenditures	6,847,694,000	4,313,900,000	2,533,794,000	59%
OTHER FINANCING SOURCES (USES)				
Transfers in – dedicated State revenues	779,448,000	840,100,000	(60,652,000)	(7)%
Transfers out – appropriations	(1,266,763,000)	(633,700,000)	(633,063,000)	100%
Net Change in Fund Balances	6,360,379,000	4,520,300,000	1,840,079,000	41%
FUND BALANCES				
Beginning of period	44,853,334,000	40,333,059,000	4,520,275,000	11%
End of period	\$ 51,213,713,000	44,853,359,000	6,360,354,000	14%

During FY 2014, cash flow revenue from interest, dividends, real estate, and other sources continued to recover from the 2008-2009 global financial crisis, but interest rates on bonds remained low. Total cash flow income increased from an average of \$76 million per month in FY 2011 to \$90 million per month in FY 2013 to \$97 million per month in FY 2014, slowly approaching FY 2008's average of approximately \$100 million per month. The strong results of FY 2014 were even better than FY 2013's \$3.4 billion increase in the fair value of investments. Operating expenditures decreased from FY 2013 to FY 2014 almost entirely due to a decrease of \$21 million in asset management fees paid to external investment management firms. This expense line was higher than normal in FY 2013 due to several payments of incentive fees to managers whose performance exceeded the benchmarks stipulated in their contracts. No such payments were made in FY 2014. Manager fees in FY 2013 totaled \$108 million and in FY 2014 totaled \$87 million.

Oil production has been decreasing in Alaska for a number of years; however, the price of oil has gone up during much of that time. As a result, transfers in of dedicated State revenues continued to go up in recent years. FY 2012 was the highest year for receipts at \$915 million, which was a \$28 million increase from FY 2011. Receipts decreased from FY 2013 to FY 2014 by 7 percent (\$60.7 million). Oil prices fluctuated during FY 2014, but ended the year slightly below where they started, producing a lower transfer than in the prior year.

Transfers out of the Fund are for two purposes: 1) an appropriation to fund the Permanent Fund dividend payment, and 2) an appropriation to fund the Alaska Capital Income Fund (ACIF). The dividend calculation is based on realized earnings averaged over a rolling five-year period. Applying this

formula, the FY 2014 results supplanted the FY 2009 results, and because the difference in statutory net income between these years is extremely large, the dividend distribution increased by \$630 million in FY 2014, an increase of 100 percent. The ACIF transfer is based on realized earnings for only one year; it is not averaged over multiple years. The realized earnings transferred to the ACIF were \$32 million in FY 2014 and \$30 million in FY 2013.

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. The APFC, as a component unit of the State of Alaska, is subject to changes in the Alaska Statutes that govern the 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. 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.

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 Alaska Permanent Fund (the Fund) as of June 30, 2014 and 2013, 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 Alaska Permanent Fund as of June 30, 2014 and 2013, 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, 2014 and 2013, 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 21-27 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 11, 2014 on our consideration of the 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 11, 2014

FINANCIAL STATEMENTS

BALANCE SHEETS

As of June 30

	2014	2013
ASSETS		
Cash and temporary investments	\$ 2,997,444,000	2,288,123,000
Receivables, prepaid expenses and other assets	301,047,000	239,053,000
Investments:		
Marketable debt securities	11,963,468,000	7,515,333,000
Preferred and common stock	20,443,127,000	20,026,989,000
Real estate	5,892,084,000	5,534,942,000
Real return	2,115,743,000	3,061,731,000
Absolute return	2,775,521,000	2,640,327,000
Private equity	3,130,850,000	2,089,273,000
Infrastructure	1,342,448,000	852,643,000
Distressed debt and mezzanine debt	1,364,779,000	1,290,216,000
Emerging markets total opportunities	894,029,000	806,805,000
Total Investments	49,922,049,000	43,818,259,000
Securities lending collateral invested	1,393,669,000	3,451,974,000
Total Assets	54,614,209,000	49,797,409,000
LIABILITIES		
Accounts payable	\$ 740,064,000	858,366,000
Income distributable to the State of Alaska	1,266,763,000	633,735,000
Securities lending collateral	1,393,669,000	3,451,974,000
Total Liabilities	3,400,496,000	4,944,075,000
FUND BALANCES		
Nonspendable:		
Permanent Fund corpus - contributions and appropriations	37,940,617,000	36,615,208,000
Not in spendable form - unrealized appreciation on invested assets	7,061,771,000	4,184,334,000
Total Nonspendable	45,002,388,000	40,799,542,000
Assigned for future appropriations:		
Realized earnings	5,236,644,000	3,486,567,000
Unrealized appreciation on invested assets	974,681,000	567,225,000
Total Assigned	6,211,325,000	4,053,792,000
Total Fund Balances	51,213,713,000	44,853,334,000
Total Liabilities and Fund Balances	\$ 54,614,209,000	49,797,409,000

See accompanying notes to the financial statements.

STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30

	2014	2013
REVENUES		
Interest	\$ 289,091,000	269,405,000
Dividends	617,199,000	531,486,000
Real estate and other income	263,094,000	281,006,000
Total Interest, Dividends, Real Estate and Other Income	1,169,384,000	1,081,897,000
Net increase (decrease) in the fair value of investments —		
Marketable debt securities	281,519,000	(222,410,000)
Preferred and common stock	3,995,686,000	2,470,620,000
Real estate	376,725,000	414,850,000
Real return	271,054,000	110,040,000
Absolute return	149,728,000	198,515,000
Private equity	460,405,000	238,084,000
Infrastructure	127,531,000	51,883,000
Distressed debt and mezzanine debt	141,727,000	102,208,000
Emerging markets total opportunities	70,413,000	(29,040,000)
Foreign currency forward exchange contracts and futures	(3,805,000)	94,436,000
Currency	(84,697,000)	(70,166,000)
Total Net Increase in the Fair Value of Investments	5,786,286,000	3,359,020,000
Total Revenues	6,955,670,000	4,440,917,000
EXPENDITURES		
Operating expenditures	(100,834,000)	(119,875,000)
Other Legislative appropriations	(7,142,000)	(7,153,000)
Total Expenditures	(107,976,000)	(127,028,000)
Excess of Revenues over Expenditures	6,847,694,000	4,313,889,000
OTHER FINANCING SOURCES (USES)		
Transfers in - dedicated State revenues	779,448,000	840,121,000
Transfers out - statutory and Legislative appropriations	(1,266,763,000)	(633,735,000)
Net Change in Fund Balances	6,360,379,000	4,520,275,000
FUND BALANCES		
Beginning of period	44,853,334,000	40,333,059,000
End of period	\$ 51,213,713,000	44,853,334,000

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 perpetuity. 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. The 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 statute and subsequent appropriation, the APFC transfers (i) a portion of the Fund’s realized earnings to the State’s dividend 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 the 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. The Alaska Constitution specifies that principal can only be used for income-producing investments specifically designated by law, and is therefore unavailable for appropriation by the Legislature. Unrealized gains and losses (appreciation/depreciation) on Fund assets are allocated proportionately between the nonspendable fund balance and the assigned fund balance. 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 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, real return, absolute return, distressed and mezzanine debt, private equity, and infrastructure 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. The APFC’s asset allocation includes 1.2 percent to 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. Current Alaska statutes limit the amount that can be transferred for dividend appropriation each year to one-half of 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. This limitation can be superseded by legislative appropriation.

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.

Fund balance 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 nonspendable fund balances and assigned fund balances.

Futures

Certain equity and fixed income managers for the Fund are permitted to buy and sell equity and interest rate index futures. The gross fair value of futures does 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 and because it is an integral part of the State, and the 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.

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. The 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 rate for the year ended June 30, 2014 was 1.46 percent, and \$545,962,000 was transferred from the assigned to the nonspendable fund balance. The calculated rate for FY 2013 was 2.07 percent, and \$742,563,000 was transferred from the assigned to the nonspendable fund balance.

Investments and Related Policies

Carrying value of investments

The Fund's investments are reported at fair value in the financial statements. 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. For marketable debt and equity securities, including real estate investment trusts, fair values are obtained from independent sources using published market prices, quotations from national security exchanges, and security pricing services. Fair values of investments that have no readily ascertainable fair value are determined by management using the fair value of the capital account balances nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Direct investments in real estate are subject to annual appraisals and audits. All alternative investments undergo annual independent financial statement audits.

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 5 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 risk and asset classes. At June 30, 2014, the APFC's strategic asset allocation targets were as follows:

RISK CLASS	ASSET CLASS	RISK CLASS TARGET	ASSET CLASS TARGET
CASH & INTEREST RATES		6%	
	Cash		1.2%
	U.S. Government Bonds & International Developed Government Bonds (currency hedged)		4.8%
COMPANY EXPOSURE		55%	
	Global Credit		11%
	Public/Private Credit		2%
	Global Equity		36%
	Private Equity		6%
REAL ASSETS		19%	
	Real Estate		12%
	Infrastructure		4%
	U.S. Treasury Inflation Protection Securities		3%
SPECIAL OPPORTUNITIES		20%	
	Absolute Return Mandate		6%
	Real Return Mandate		7%
	Emerging Markets Multi-Asset		2%
	Fixed Income Aggregate		2%
	Debt Opportunities		1%
	True Special Opportunities		2%

Capital that is not invested in the special opportunities risk class resides in the company exposure risk class. 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, the 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), the 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 cash and interest rate risk class is 6 percent, with the green zone range set at 5-7.5 percent, the yellow zone range set at 7.5-9 percent, and red zone ranges set at allocations of less than 5 percent or greater than 9 percent. In a similar manner, the APFC investment policy also requires the 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. The 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. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with APFC investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises 5 percent or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the notes to the 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. The 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. The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or the APFC (on behalf of the Fund). For the Fund's non-domestic securities held by most sub-custodians, the 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. The APFC manages the Fund's exposure to interest rate risk in part through tracking error guidelines set forth in the 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, 2014, the Fund held fixed income investments with floating, variable, and step interest rates, valued at \$226,699,000. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from 0 to 7.5 percent.

Transfers in

Contributions from dedicated State revenues are recorded when certain revenues defined by statute are received or reported by the Alaska Department of Natural Resources. Contributions from appropriations and other sources are recorded when received.

Transfers out

Transfers out to other State agencies are recorded when measurable.

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:

		2014	2013
Cash	\$	101,904,000	62,405,000
Pooled funds		2,894,564,000	1,543,820,000
U.S. Treasury bills		976,000	681,898,000
Total cash and temporary investments	\$	2,997,444,000	2,288,123,000

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:

		2014	2013
Interest receivable	\$	94,146,000	63,546,000
Dividends receivable		49,004,000	45,738,000
Sales receivable		140,734,000	106,992,000
Contributions receivable		17,163,000	22,777,000
Total receivables, prepaid expenses and other assets	\$	301,047,000	239,053,000

5. MARKETABLE DEBT SECURITIES

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

2014		COST	FAIR VALUE	UNREALIZED GAINS (LOSSES)
Treasury and government notes/bonds	\$	2,344,934,000	2,370,233,000	25,299,000
Mortgage-backed securities		851,742,000	861,832,000	10,090,000
Corporate bonds		5,242,368,000	5,349,365,000	106,997,000
Commercial mortgage/asset-backed securities		336,866,000	340,454,000	3,588,000
Non-U.S. treasury and government bonds		1,129,318,000	1,158,364,000	29,046,000
Non-U.S. corporate bonds		1,854,722,000	1,883,220,000	28,498,000
Total marketable debt securities	\$	11,759,950,000	11,963,468,000	203,518,000
2013				
Treasury and government notes/bonds	\$	2,363,136,000	2,333,773,000	(29,363,000)
Mortgage-backed securities		833,794,000	830,363,000	(3,431,000)
Corporate bonds		2,519,717,000	2,521,280,000	1,563,000
Commercial mortgage/asset-backed securities		319,598,000	325,323,000	5,725,000
Non-U.S. treasury and government bonds		1,022,837,000	987,832,000	(35,005,000)
Non-U.S. corporate bonds		519,215,000	516,762,000	(2,453,000)
Total marketable debt securities	\$	7,578,297,000	7,515,333,000	(62,964,000)

6. MARKETABLE DEBT CREDIT RATINGS

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate (approximately 92 percent of bond mandates at June 30, 2014), 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 member of the Nationally Recognized Statistical Rating Organizations (NRSRO's) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates (approximately 8 percent of bond mandates at June 30, 2014) 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, 2014, the Fund's credit ratings for its marketable debt securities are as follows:

NRSRO QUALITY RATING		DOMESTIC	NON-DOMESTIC	TOTAL FAIR VALUE	PERCENT OF HOLDINGS
AAA	\$	513,121,000	233,783,000	746,904,000	6.25%
AA		342,282,000	722,767,000	1,065,049,000	8.90%
A		2,092,349,000	1,172,959,000	3,265,308,000	27.29%
BBB		2,282,085,000	713,926,000	2,996,011,000	25.04%
BB		46,904,000	82,379,000	129,283,000	1.08%
B		38,513,000	96,348,000	134,861,000	1.13%
CCC		34,722,000	7,222,000	41,994,000	0.35%
CC		—	321,000	321,000	0.00%
C		443,000	—	443,000	0.00%
D		—	—	—	0.00%
Total fair value of rated debt securities		5,350,469,000	3,029,705,000	8,380,174,000	70.05%
Commingled bond funds		354,714,000	—	354,714,000	2.96%
Not rated		3,246,000	11,880,000	15,126,000	0.13%
U.S. government, explicitly backed by the U.S. government (AA)		2,525,286,000	—	2,525,286,000	21.11%
U.S. government, implicitly backed by the U.S. government (AA)		688,168,000	—	688,168,000	5.75%
Total fair value debt securities	\$	8,921,883,000	3,041,585,000	11,963,468,000	100.00%

7. MARKETABLE DEBT DURATION

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2014, 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	26.57%	5.61
Mortgage-backed securities	9.66%	5.06
Corporate bonds	59.96%	4.18
Commercial mortgage and asset-backed securities	3.81%	4.29
Total domestic bonds	100.00%	4.23
NON-DOMESTIC BONDS		
Non-U.S. treasury and government bonds	38.08%	6.85
Non-U.S. corporate bonds	61.92%	4.38
Total non-domestic bonds	100.00%	5.33

8. PREFERRED AND COMMON STOCK

Direct investments in preferred and common stock are held by the 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 (based on currency of trade), and include the net fair value of equity index futures of \$662,000 as of June 30, 2014 and \$781,000 as of June 30, 2013:

	COST	FAIR VALUE	UNREALIZED HOLDING GAINS
2014 DIRECT INVESTMENTS			
Domestic stock	\$ 5,541,414,000	7,862,625,000	2,321,211,000
Non-domestic stock	9,739,880,000	11,903,231,000	2,163,351,000
Commingled funds	480,021,000	677,271,000	197,250,000
Total preferred and common stock	\$ 15,761,315,000	20,443,127,000	4,681,812,000
2013 DIRECT INVESTMENTS			
Domestic stock	\$ 6,263,232,000	8,121,463,000	1,858,231,000
Non-domestic Stock	9,483,462,000	10,322,555,000	839,093,000
Commingled funds	1,827,756,000	1,582,971,000	(244,785,000)
Total preferred and common stock	\$ 17,574,450,000	20,026,989,000	2,452,539,000

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, 2014, 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 AND PRIVATE EQUITY	DEBT	TOTAL FOREIGN CURRENCY EXPOSURE
Australian Dollar	\$ 221,000	52,312,000	500,585,000	14,487,000	567,605,000
Brazilian Real	995,000	(21,285,000)	268,723,000	85,990,000	334,423,000
British Pound Sterling	(360,000)	(151,951,000)	2,136,505,000	34,115,000	2,018,309,000
Canadian Dollar	(5,931,000)	(16,947,000)	774,934,000	21,067,000	773,123,000
Chilean Peso	4,067,000	(3,868,000)	20,144,000	4,321,000	24,664,000
Colombian Peso	(1,287,000)	1,089,000	7,266,000	31,658,000	38,726,000
Czech Koruna	50,000		2,776,000		2,826,000
Danish Krone	(3,100,000)	3,465,000	93,813,000		94,178,000
Egyptian Pound	40,000		1,235,000		1,275,000
Euro Currency	34,090,000	(176,143,000)	2,560,894,000	268,388,000	2,687,229,000
Ghanaian Cedi	(1,944,000)	1,944,000		1,934,000	1,934,000
Hong Kong Dollar	203,000	2,252,000	934,676,000		937,131,000
Hungarian Forint	83,000		3,043,000	8,633,000	11,759,000
Indian Rupee	491,000	(1,119,000)	327,295,000	3,885,000	330,552,000
Indonesian Rupiah	2,410,000		106,597,000	13,918,000	122,925,000
Israeli Shekel	273,000	2,705,000	51,854,000		54,832,000
Japanese Yen	9,415,000	(123,864,000)	1,611,701,000	132,909,000	1,630,161,000
Malaysian Ringgit	(924,000)	(1,298,000)	140,517,000		138,295,000
Mexican Peso	(23,000)	(39,154,000)	132,539,000	84,200,000	177,562,000
New Zealand Dollar	58,000	153,379,000	9,587,000	20,841,000	183,865,000
Nigerian Naira			836,000	4,860,000	5,696,000
Norwegian Krone	269,000	26,789,000	69,055,000	18,451,000	114,564,000
Peruvian Nuevo Sol	3,000			1,139,000	1,142,000
Philippine Peso	155,000	(3,612,000)	26,020,000	18,511,000	41,074,000
Polish Zloty	181,000	(8,319,000)	21,557,000	30,589,000	44,008,000
Qatari Riyal	507,000	(498,000)	4,734,000	33,056,000	37,799,000
Russian Ruble		(370,000)	623,000		253,000
Singapore Dollar	1,291,000	(1,226,000)	97,837,000	602,000	98,504,000
South African Rand	(211,000)	441,000	213,722,000	30,474,000	244,426,000
South Korean Won	2,136,000	(17,814,000)	475,016,000	7,084,000	466,422,000
Swedish Krona	(1,417,000)	(148,765,000)	215,211,000	6,252,000	71,281,000
Swiss Franc	(3,728,000)	(32,225,000)	560,929,000	1,188,000	526,164,000
Taiwan Dollar	3,989,000	(854,000)	405,741,000		408,876,000
Thai Baht	861,000		101,480,000		102,341,000
Turkish Lira	64,000		72,668,000	27,342,000	100,074,000
UAE Dirham	357,000	(252,000)	6,313,000		6,418,000
Uruguayan Peso				5,654,000	5,654,000
Total foreign currency exposure	\$ 43,284,000	(505,188,000)	11,956,426,000	911,548,000	12,406,070,000

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, real return mandates, 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, a multi-family real estate operating company, and other entities in which the assets consist primarily of real property. The Fund invests in real estate directly 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.

The APFC periodically reviews real estate investments for other than temporary impairment. There was no impairment recognized in FY 2014 or in FY2013.

Real estate investments at June 30 are summarized as follows:

2014		COST	FAIR VALUE	UNREALIZED HOLDING GAINS
Real estate investment trusts	\$	904,024,000	1,193,331,000	289,307,000
American Homes 4 Rent II		39,638,000	39,638,000	—
Directly owned real estate -				
Retail		742,158,000	1,496,869,000	754,711,000
Office		1,264,001,000	1,552,445,000	288,444,000
Industrial		196,615,000	237,084,000	40,469,000
Multi-family		1,061,228,000	1,372,717,000	311,489,000
Total real estate	\$	4,207,664,000	5,892,084,000	1,684,420,000
2013				
Real estate investment trusts	\$	852,648,000	1,041,141,000	188,493,000
Alaska residential mortgage		3,000	3,000	—
Directly owned real estate -				
Retail		771,350,000	1,447,403,000	676,053,000
Office		1,371,761,000	1,572,324,000	200,563,000
Industrial		227,534,000	246,694,000	19,160,000
Multi-family		990,894,000	1,227,377,000	236,483,000
Total real estate	\$	4,214,190,000	5,534,942,000	1,320,752,000

11. ALTERNATIVE INVESTMENTS

Alternative investments include the Fund's investments in or through real return mandates, absolute return strategies, private equity, infrastructure, distressed debt, and mezzanine debt. The APFC periodically reviews alternative investments for other than temporary impairment.

The objective for the real return mandate is to produce a 5 percent real return (in excess of inflation) over the longer of one business cycle or five years. Each manager's contract specifies permitted investments and liquidity guidelines. Investments are generally in commingled proprietary funds structured as limited partnerships.

Absolute return strategies are investments in specialized funds with low market correlation. The Fund's absolute return strategies are managed through three limited partnerships, in which the Fund is the only limited partner ("fund-of-one"). External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries with respect to the Fund. Absolute return strategies invest in a diversified portfolio of underlying limited partnership interests or similar limited liability entities. Each fund-of-one provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit. Many absolute return investments by their nature have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

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. The APFC has hired external advisors to select private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by 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 ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY 2014 it was determined that one private equity fund was impaired and would not recover its carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in the statutory net income and fund balance classification, \$6.7 million of unrealized losses were realized through a write-down of cost to fair value. The impairment has no impact on the carrying value of investments or on the net increase in the fair value of private equity investments. There was no impairment recognized in FY 2013.

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. The limited partnerships undergo annual independent audits. Infrastructure investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

The Fund invests in distressed debt through limited partnerships that invest either directly in distressed debt or in commingled limited liability funds with a distressed debt or credit opportunity focus. The Fund invests in mezzanine debt through limited partnerships that invest directly in mezzanine debt. These investments are funded over time, as opportunities arise. The limited partnerships and funds undergo annual independent audits. Distressed debt and mezzanine investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Alternative investments at June 30 are summarized as follows:

		COST	FAIR VALUE	UNREALIZED HOLDING GAINS
2014				
Real return	\$	1,666,246,000	2,115,743,000	449,497,000
Absolute return		2,454,444,000	2,775,521,000	321,077,000
Private equity		2,734,978,000	3,130,850,000	395,872,000
Infrastructure		1,232,624,000	1,342,448,000	109,824,000
Distressed and mezzanine debt		1,144,899,000	1,364,779,000	219,880,000
Total alternative investments	\$	9,233,191,000	10,729,341,000	1,496,150,000
2013				
Real return	\$	2,715,569,000	3,061,731,000	346,162,000
Absolute return		2,297,612,000	2,640,327,000	342,715,000
Private equity		1,835,260,000	2,089,273,000	254,013,000
Infrastructure		814,351,000	852,643,000	38,292,000
Distressed and mezzanine debt		1,136,492,000	1,290,216,000	153,724,000
Total alternative investments	\$	8,799,284,000	9,934,190,000	1,134,906,000

As of June 30, 2014, the APFC, on behalf of the Fund, had outstanding future funding commitments of: \$3.26 billion for private equity; \$820 million for infrastructure; and \$224 million for distressed and mezzanine debt investments combined. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

12. EMERGING MARKETS TOTAL OPPORTUNITIES

APFC's emerging market multi-asset class mandates represent portfolios that invest across the spectrum of liquid securities: stocks, bonds and currency. This flexibility gives the managers the ability to select the most advantageous publicly traded investments from both a risk and return perspective without the limitation of security type.

Emerging market mandates at June 30 are summarized as follows:

		COST	FAIR VALUE	UNREALIZED HOLDING LOSSES
2014				
Emerging markets total opportunities	\$	925,733,000	894,029,000	(31,704,000)
2013				
Emerging markets total opportunities	\$	914,233,000	806,805,000	(107,428,000)

13. SECURITIES LENDING

State regulations at 15 AAC 137.510 and APFC investment policy authorize the 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. The 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, the 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.

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, 2014, 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:

		2014	2013
Fair value of securities on loan, secured by cash collateral	\$	1,294,366,000	3,261,466,000
Cash collateral		1,393,669,000	3,451,974,000
Fair value of securities on loan, secured by non-cash collateral		2,995,522,000	—
Non-cash collateral		3,287,519,000	—

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the years ended June 30, 2014 and 2013, the Fund incurred no losses from securities lending transactions. The Fund received income of \$12,010,000 and \$10,839,000 from securities lending for the years ended June 30, 2014 and 2013, respectively, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

14. 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:

	2014	2013
Accrued liabilities	\$ 27,323,000	35,758,000
Securities purchased	712,741,000	822,608,000
Total accounts payable	\$ 740,064,000	858,366,000

15. INCOME DISTRIBUTABLE TO THE STATE OF ALASKA

The Legislature appropriates 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. 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. Income distributable to the State at June 30 is summarized as follows:

	2014	2013
Dividends	\$ 1,200,417,000	568,337,000
Appropriation to the Departments of:		
Health and Social Services	17,725,000	17,475,000
Revenue	8,246,000	8,291,000
Corrections	8,446,000	10,047,000
Total to Dividend Fund	1,234,834,000	604,150,000
Alaska Capital Income Fund	31,929,000	29,585,000
Total income distributable	\$ 1,266,763,000	633,735,000

16. FUND BALANCES

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

	2014	2013
NONSPENDABLE		
Balance, beginning of year	\$ 40,799,542,000	38,252,477,000
Dedicated State revenues	779,448,000	840,121,000
Inflation proofing transfer from assigned fund balance	545,962,000	742,563,000
Change in unrealized fair value appreciation	2,877,437,000	964,381,000
Balance, end of year	\$ 45,002,389,000	40,799,542,000
ASSIGNED		
Balance, beginning of year	\$ 4,053,792,000	2,080,582,000
Inflation proofing transfer to nonspendable fund balance	(545,962,000)	(742,563,000)
Dividends paid or payable to the Permanent Fund Dividend Fund	(1,234,834,000)	(604,150,000)
Settlement earnings payable to the ACIF	(31,929,000)	(29,585,000)
Realized earnings, net of operating expenditures	3,562,803,000	2,957,419,000
Change in unrealized fair value appreciation on invested assets	407,455,000	392,089,000
Balance, end of year	\$ 6,211,325,000	4,053,792,000
TOTAL		
Balance, beginning of year	\$ 44,853,334,000	40,333,059,000
Dedicated State revenues	779,448,000	840,121,000
Dividends paid or payable to the Permanent Fund Dividend Fund	(1,234,834,000)	(604,150,000)
Settlement earnings payable to the ACIF	(31,929,000)	(29,585,000)
Excess of investment revenues over expenditures	6,847,694,000	4,313,889,000
Balance, end of year	\$ 51,213,713,000	44,853,334,000

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

	2014	2013
Dedicated State revenues	\$ 15,289,889,000	14,510,442,000
Special appropriations	6,885,906,000	6,885,906,000
Inflation proofing	15,611,911,000	15,065,949,000
Settlement earnings	152,911,000	152,911,000
Total contributions and appropriations	\$ 37,940,617,000	36,615,208,000

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, 2014, the Fund's net unrealized gain was \$8,036,451,000, of which \$7,061,771,000 was allocated to the nonspendable fund balance and \$974,681,000 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 \$31,929,000 during FY 2014 and \$29,585,000 during FY 2013.

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. Statutory net income is used to compute the amount available for the annual Permanent Fund dividend.

The 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 FY 2014, approximately \$7 million of impairments were recorded. During FY 2013, no impairments were recorded.

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

	2014	2013
Excess of revenues over expenditures	\$ 6,847,694,000	4,313,889,000
Unrealized gains	(3,284,892,000)	(1,356,470,000)
Settlement earnings	(31,929,000)	(29,585,000)
Statutory net income	\$ 3,530,873,000	2,927,834,000

18. INVESTMENT INCOME BY SOURCE

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

	2014	2013
INTEREST		
Marketable debt securities	\$ 278,171,000	258,504,000
Alaska certificates of deposit	—	1,227,000
Short-term domestic and other	10,920,000	9,674,000
Total interest	\$ 289,091,000	269,405,000
Total dividends	\$ 617,199,000	531,486,000
REAL ESTATE AND OTHER INCOME		
Directly owned real estate net rental income	\$ 173,639,000	164,688,000
Real estate investment trust dividends	24,137,000	12,283,000
Real return interest and dividends	13,997,000	27,075,000
Absolute return management expenses, net of dividend and interest income	(15,061,000)	(17,277,000)
Distressed and mezzanine debt interest income, net of fees	26,201,000	35,553,000
Infrastructure interest and dividend income, net of fees	14,261,000	29,180,000
Private equity dividend income, net of management expenses	11,492,000	15,532,000
Class action litigation income	1,984,000	2,689,000
Loaned securities, commission recapture and other income	12,444,000	11,283,000
Total real estate and other income	\$ 263,094,000	281,006,000

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, 2014 ranged between one and 111 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 nonperformance by these counterparties. The Fund's market risk as of June 30, 2014 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 fiscal year 2014 and 2013 are summarized as follows:

	2014	2013
BALANCES AT JUNE 30		
Face value of FX forward contracts	\$ 1,855,805,000	1,681,427,000
Net unrealized holding gains (losses) on FX forward contracts	(2,199,000)	15,575,000
Fair value of FX forward contracts	\$ 1,853,606,000	1,697,002,000
ACTIVITY FOR FISCAL YEARS ENDING JUNE 30		
Change in unrealized holding gains (losses)	\$ (17,708,000)	25,084,000
Realized gains (losses)	(618,000)	38,526,000
Net increase (decrease) in fair value of FX forward contracts	\$ (18,326,000)	63,610,000

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and beginning in FY 2012, the internal fixed income management team began trading 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 equity index futures for fiscal year 2014 and 2013 is summarized as follows:

	2014	2013
BALANCES AT JUNE 30		
Face value of equity index futures	\$ 143,192,000	138,182,000
Net unrealized holding gains on futures	662,000	781,000
Fair value of equity index futures	\$ 143,854,000	138,963,000
ACTIVITY FOR FISCAL YEARS ENDING JUNE 30		
Change in unrealized holding gains (losses)	\$ (120,000)	(11,428,000)
Realized gains (losses)	17,445,000	46,759,000
Net increase (decrease) in fair value of futures	\$ 17,325,000	35,331,000

Activity and balances related to U.S. Treasury index futures for fiscal year 2014 and 2013 is summarized as follows:

	2014	2013
BALANCES AT JUNE 30		
Face value of U.S. Treasury index futures	\$ 39,178,000	195,197,000
Net unrealized holding gains (losses) on futures	44,000	(1,355,000)
Fair value of U.S. Treasury index futures	\$ 39,222,000	193,842,000
ACTIVITY FOR FISCAL YEARS ENDING JUNE 30		
Change in unrealized holding gains/losses	\$ 1,397,000	(425,000)
Realized losses	(4,200,000)	(4,080,000)
Net decrease in fair value of futures	\$ (2,803,000)	(4,505,000)

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 balance and activity amounts shown above are included in the Fund's financial statements within the net increase in fair value of investments 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:

	2014	2013
APFC OPERATING EXPENDITURES		
Salaries and benefits	\$ 6,943,000	6,159,000
Communications and electronic services	1,851,000	1,653,000
Consulting fees	2,363,000	1,612,000
Training, supplies, services and other	575,000	484,000
Rent	376,000	370,000
Travel	317,000	321,000
Legal and audit fees	334,000	316,000
Property and equipment	183,000	127,000
Public information and subscriptions	96,000	109,000
Subtotal APFC operating expenditures	13,038,000	11,151,000
INVESTMENT MANAGEMENT AND CUSTODY FEES		
Investment management fees	86,644,000	107,610,000
Custody and safekeeping fees	1,152,000	1,114,000
Subtotal investment management and custody fees	87,796,000	108,724,000
Total operating expenditures, investment management and custody fees	100,834,000	119,875,000
OTHER LEGISLATIVE APPROPRIATIONS FROM CORPORATE RECEIPTS		
Department of Natural Resources	5,664,000	5,585,000
Department of Law	1,478,000	1,478,000
Department of Revenue	—	90,000
Total other Legislative appropriations	7,142,000	7,153,000
Total expenditures	\$ 107,976,000	127,028,000

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 postemployment health care 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 for the benefit of PERS members. Total salaries subject to PERS for the years ended June 30, 2014 and 2013 amounted to \$4,758,000 and \$4,222,000, 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. The 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, 2014 and 2013 amounted to \$3,569,000 and \$3,292,000, respectively.

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2014 ANNUAL REPORT