

News Release

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Alaska Permanent Fund Returns Stellar FY17 Performance Results

Juneau – The Alaska Permanent Fund’s (Fund) investments gained 12.57% in fiscal year 2017 (FY17) and the Fund ended June 30, 2017 with a total record value of \$59.8 billion, comprised of \$47.0 billion in the Principal of the Fund and \$12.8 billion in the Earnings Reserve Account. Following the FY17 year-end close, the Total Fund value has continued climbing to record highs and is now well over \$60 billion.

Reflecting on the recent noteworthy performance of the Fund and 40 years of successful Alaskan stewardship, the Board of Trustees Chair Bill Moran offered that this “high mark is a testament to the Alaskans who had the foresight to create the Fund, the leaders of yesterday and today who have maintained the integrity of the Fund and the dedicated professionals of the Alaska Permanent Fund Corporation who have attentively invested the Fund.”

APFC’s CEO Angela Rodell stated that “the success of the Fund has been built upon decades of investment experience and the firm commitment of the Board of Trustees to establish sound investment, governance and transparency practices. Due to these efforts, not only has the Fund reached an all-time high value it has also achieved world-wide recognition as a model for converting a non-renewable natural resource into a renewable financial resource.”

Alaska Permanent Fund Performance vs Benchmark Objectives (as of June 30, 2017)

	FY17	3 Years	5 Years
Total Fund Performance	12.57%	6.18%	8.94%
Passive Index Benchmark (60% Stocks 30% Bonds 10% RE & TIPS)	10.26%	3.37%	7.10%
Performance Blended Benchmark	10.25%	4.47%	7.96%
Board of Trustees Strategic Return Objective (CPI + 5%)	6.63%	5.92%	6.32%

The APFC team worked diligently to actively manage the Fund and successfully outperformed the Total Fund performance benchmarks and the strategic return objective established by the Board of Trustees. The outperformance of the Total Fund versus the Passive Index Benchmark represents \$1.2 billion in FY17 and over \$4.3 billion over 5 years in value added growth that the APFC staff generated in higher returns through active asset allocation and portfolio management.

Infrastructure, Private Credit and Special Income Opportunities continue to provide an attractive mix of current income, downside protection and total return for the fund. The APFC’s infrastructure investments have been a leading contributor to the portfolio’s performance, contributing 14.50% and 13.55% over the trailing 3 year and 5 year periods.

The APFC’s Absolute Return portfolio generated a 7.22% return for the fiscal year; the portfolio achieved its return objective of CPI + 5% which represents a material improvement over recent performance. In May 2016, the APFC Board accepted Staff’s recommendation to move to a fully direct approach; this new strategy is off to a good start as evidenced by this fiscal year’s performance.

The Private Equity and Special Growth Opportunities portfolios were strong contributors to the overall portfolio gain. Over the last year, the Private Equity portfolio specifically generated an investment return of 20.98%, outperforming the Cambridge Private Equity Index of 6.1% over the same period. These returns result in 3-year gains of \$2.54 billion, or \$1.82 billion above what would have been earned in the public equity markets over the same period. The PE portfolio generated 3-year and 5-year net annualized investment returns of 17.22% and 18.20%, respectively.

APFC's \$26 billion Public Equities portfolio delivered outstanding results that contributed to the overall portfolio gain. Increased optimism regarding global economic growth supported by continuing positive earnings and profitability trends drove high absolute returns across most major global equity markets. The APFC Public Equities portfolio responded positively to the dynamic market conditions with robust returns across all sectors: Domestic Equities up 20.08%, International Equities up 22.57%, and Global Equities up 18.77%. Overall, the strong performance of the Fund's external managers, the portfolio's greater allocation to international equity markets relative to US Equities, and the internal management of equities, all greatly benefitted the portfolio performance.

The Fixed Income plus portfolio had stellar performance versus its overall benchmark for the quarter, ranking in the top tenth percentile of all fixed income managers. The outperformance was due to the outstanding annual performance of the underlying, internally managed fixed income portfolios which all beat their benchmarks for fiscal year 2017. The internally managed \$3 billion US Aggregate and the \$3 billion Investment Grade Corporate bond portfolios both beat their benchmark by approximately 100 basis points.

The Real Estate portfolio, totaling \$5.6 Billion, produced a 4.45% fiscal year end return. Overall, real estate returns continue to normalize as appreciation flattens and net operating income growth begins to show some decline. Foreign capital remained active throughout the year and the APFC was successful in several sales transactions for capital redeployment.

During FY17, the asset allocation group, comprised of internal cash as well as multi-asset strategies, outperformed the benchmark. Cash returned 48 basis points during the fiscal year which was in line with the return of the 90 day T-bills. The Multi-Asset class returned 7.75% outperforming their target objective of CPI+5% by 112 basis points due to favorable liquidity and stable economic conditions. This portfolio's exposure to equities, bonds, and emerging markets also benefited from gains in global markets.

Statutory net income is defined in AS 37.13.140 and directs the amount of income that flows to the Earnings Reserve Account. This amount is calculated to be \$3.2 billion for FY17. The Earnings Reserve Account, unlike the constitutionally protected Principal, is available for appropriation and now totals just under \$13 billion.

Final audited returns will be presented to the Board of Trustees at the Corporation's annual meeting on September 27 and 28 in Juneau. Additional detailed information can be found at the following links for the Permanent Fund's financial statements and investment performance.