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News Release
For Immediate Release: February 4, 2019
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Alaska Permanent Fund Returns -3.19% for the first half of FY19

Juneau – The Alaska Permanent Fund's (Fund) investments fell 3.19% in value in the first half of fiscal year 2019 (FY19) and the Fund ended December 31, 2018 with net assets under management totaling $60.4 billion, comprised of $43.7 billion in the Principal of the Fund and $16.6 billion in the Earnings Reserve Account. Despite a significant decline in US and international stock markets, the Alaska Permanent Fund mitigated these public market dips due to its diversified approach to investing.

Angela Rodell, Chief Executive Officer, notes that "within a long term investment horizon, it is anticipated that the global markets will go up and down – it is part of the buying – selling – trading process of the portfolio's holdings. And while we invest with the intent that they go up more than they go down, there are going to be dips. Our team is poised to take advantage of those market dips."

The performance of the total Fund is measured against three benchmarks: a long term benchmark for the Fund's real rate of return which is the Board of Trustee's Strategic return objective of CPI+5%, a medium term blended performance benchmark of indices reflective of the Funds' asset allocation to measure how effectively staff has implemented strategies; and a short term passive benchmark reflective of a traditional portfolio of stocks and bonds.

Performance vs Benchmark Objectives *(as of December 31, 2018)*

	FYTD 19	3 Years	5 Years
Total Fund Performance	**-3.19%**	**7.58%**	**6.27%**
Passive Index Benchmark (60% Stocks|30% Bonds|10% RE & TIPS)	-6.54%	5.02%	3.38%
Performance Blended Benchmark	-2.44%	6.90%	5.26%
Board of Trustees Strategic Return Objective (CPI + 5%)	2.18%	7.03%	6.52%

The Permanent Fund's portfolio includes public equities, fixed-income, real estate, infrastructure, absolute return, private equity, risk parity, and short-term cash investments. These diversifying asset classes allow the Fund to be less exposed to short-term gyrations in stock markets and support a comprehensive long term investment strategy.

Public Equities – APFC's $23.2 billion Public Equities allocation delivered -10.90% returns during the first half of FY19. All sectors experienced declines as of December 31, 2018: Domestic Equities, International Equities, and Global Equities were down 11.25%, 11.76%, and 9.98%, respectively. Investors' excessive fear related to US monetary policy, global trade, and health of global economic growth drove this decline in equity markets. In this environment, APFC Fund managers, positioned for better than feared economic fundamentals, turned in relatively weak performance versus their benchmarks.

Fixed Income Plus - the Fixed Income Plus portfolio of $14.7 billion, experienced a marginal dip in value of -0.15% for the first half of fiscal 2019 due to the listed infrastructure and REIT exposure, which fell in sympathy with the equity market. The positive performance contributors were the internally managed US Aggregate, Investment Grade Corporate portfolios and Global Rates portfolio, which behaved as expected during a falling equity market. The externally managed Global High Yield, REIT and Listed Infrastructure portfolios saw drops in value given their close correlation to the stock market, which had a -13+% drop in the fourth quarter of 2018.

Private Equity and Special Opportunities – the Private Equity and Special Opportunities portfolios total $8.2 billion and provide diversification and attractive absolute returns to the Fund. Over the last 6 months these investments returned 11.86%, bringing the 1, 3 and 5 year returns to 30.80%, 20.43% and 24.01%, respectively. APFC exceeded the private equity industry benchmark by over 1,400 basis points in the year ended December 31, 2018. The $1.6 billion co-investment portfolio, which has generated returns of 63.4% annually since inception 5 years ago, was a significant contributor.

Private Income – Private Income assets total $5.2 billion and offer a strategy designed to couple attractive net returns, steady income, and limited volatility. The largest area of this portfolio, Infrastructure, returned 9.75% in the six months ended December 31, 2018 bringing the 1, 3 and 5 year returns to 20.41%, 20.00% and 17.58%, respectively. Private Credit, which is benchmarked to US High Yield Bonds, has outperformed this index for all periods earning 4.67%, 7.46%, and 7.13% in the six months, 3 years, and 5 years ended December 31, 2018.

Real Estate - APFC's real estate portfolio is comprised of direct holdings of institutional quality real estate assets. Typical real estate investments include apartments, industrial, retail, and office assets. These investments provide an inflation protected return over market cycles derived from property cash flow in excess of the overall Fund's return objective. For the six months ended December 31, 2018, the $3.9 billion Real Estate portfolio delivered a return of -2.05% due to recent property valuations. The portfolio is still indicating strong performance over 3 and 5 year periods of 6.09% and 8.50%, respectively.

Absolute Return – APFC's absolute return portfolio is an in-house approach designed to deliver uncorrelated returns in excess of the Fund's total return objective by investing with managers that employ a variety of investment strategies. The absolute return portfolio generated a -0.20% return through the six months ended December 31, 2018 that was significantly better than the benchmark return of -5.26%. Total assets in the strategy are currently $3.4 billion, and over 1 year, 3-year and 5-year periods the portfolio delivered returns of 1.54%, 3.75%, and 2.79%, respectively.

Asset Allocation – APFC's Asset Allocation portfolio includes the Fund's cash holdings (benchmarked to 90-day treasury bills with a target allocation of 40% of the portfolio), coupled with a variety of other strategies that are meant to provide liquid beta exposures (benchmarked to the APFC's total fund performance with a target allocation of 60% of the portfolio). During the first half of FY19, this $3.3 billion portfolio returned -4.44% versus a -1.03% benchmark return. The cash portion of the portfolio earned 1.00% FYTD, while the liquid beta portfolio of the portfolio, which includes Risk Parity as well as a bond/stock futures overlay program, incurred losses along with the losses experienced in the global equity and fixed income markets that it tracks.

Statutory net income as defined in AS 37.13.140 totals $1.6 billion as of December 31, 2018. This is the statutory calculation that directs the amount of income that flows to the Earnings Reserve Account.

Performance overviews and updates for each asset class will be presented to APFC's Board of Trustees during their quarterly meeting on February 27-28, 2019 in Juneau. Additional detailed information can be found at apfc.org and the following links for the Alaska Permanent Fund's financial statements and investment performance.

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