APFC ALASKA PERMANENT FUND CORPORATION
801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

News Release
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Contact: Paulyn Swanson 907.796.1520

APFC's Board of Trustees Annual Meeting 2020

Juneau – The Board of Trustees reviewed the fiscal year 2020 (FY20) investment performance of the Alaska Permanent Fund (Fund), approved a budget proposal to bring forth for inclusion in the FY22 operating budget, considered an overview of risk as it relates to the portfolio, and accepted the Annual Audit presented by KPMG.

As provided in the 2020 Annual Report, released at the meeting, the Fund's total value was $65.3 billion as of June 30, 2020, comprised of $52.4 billion in the Principal and $12.9 billion in the Earnings Reserve Account. Through prudent management and opportunistic positioning, the Fund recovered most of its losses incurred at the onset of the global pandemic and returned 2.01% for FY20, demonstrating strength in the diversity of assets, investments, and our team.

Based on the audited financial statements, the total value of the Fund did go from $66.3 billion at the end of FY19 to $65.3 billion at the end of FY20. This change in value is summarized below.

The decline in fund value from FY19 to FY20 was due to the fact that more was drawn than earned during the year. The POMV transfer for FY20 was 5.25% based on the average market value over five years, resulting in an effective draw rate of 4.5%. Thus, the Fund's performance returns for FY20 are less than the effective POMV draw for FY20.

It is important to note that the Fund is invested for the long-term, and it is recognized that performance will fluctuate from year to year – highs and lows. The Board of Trustees has a long-term objective for the Fund to achieve a return of 5% plus inflation. The FY20 5% plus inflation target is 5.65%, based on an inflation rate of 0.65% and the Fund's inflation-adjusted real return for FY20 is 1.36% (total return of 2.01% - 0.65% inflation).

Angela Rodell, Chief Executive Officer, notes in reaction to presentations on the capital markets and the global outlook that "we learned this week that this period of great uncertainty is expected to continue for some time with global interest rates at historic lows and a world pandemic that continues to impact economic growth. Our ability to generate large returns will be much more challenging going forward, but we are pleased the actions taken by the Board this week will help keep the Fund on track to meet our obligations and responsibility to all Alaskans."

The Board of Trustees discussed the current expectations regarding performance and liquidity placed on the Fund in meeting the annual percent of market draw to support state services and programs. The Alaska Permanent Fund's structure is unique. It has both a Principal that protects the deposits and an Earnings Reserve Account (ERA) that holds all of the net realized earnings from the investment activity. Only the net realized investment earnings are available for appropriation by the Legislature. Thus, the discussion of liquidity was somewhat muted given that Callan, APFC's general consultant, noted that the limitation on the amount available in the ERA would be triggered before the Fund's overall liquidity issues.

During the Annual Meeting, the following agenda items were also considered by the Board of Trustees:

- A presentation highlighting the importance of establishing an optimal threshold for risk-appetite to inform asset allocation and efficiently manage risk vs. return investment strategies within the portfolio.

- A panel discussion with PGIM Fixed Income and Bridgewater Associates on the global markets outlook.

- An amendment to the Investment Policy allowing investment of Gold-backed ETFs as part of the investible options within the Fund's Cash and Absolute Return portfolios.

- An overview of the Earnings Reserve Account providing insights into its unique construct, including the low correlation between total performance return and the ERA balance.

- Approval of APFC's budget request to be put forward for the Fiscal Year 2022 to the Governor and the Alaska State Legislature, which includes one additional position for Fixed Income and funding for an incentive compensation program for investment staff.

- A review of the framework for an external communication program as we strive to meet our goal of building upon APFC's positive reputation and further educating Alaskans on the workings of the Alaska Permanent Fund, the Corporation, and its resources to support the stability and sustainability of the Fund.

Per APFC's Bylaws, an election of corporate officers was held as part of the Annual Meeting protocols. Trustee Bill Moran was elected to Chair and Trustee Steve Rieger to Vice-Chair of the APFC Board. Assignments to the Governance and Audit Committees will be posted on our website at a later date.

Learn more about the Alaska Permanent Fund and the Alaska Permanent Fund Corporation's strategies, investments, financial statements, and people in the 2020 Annual Report that is now available and can be viewed online at apfc.org. On our website, you will also find the first in a series of animated educational videos this one titled: "What is the Permanent Fund?"

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