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ANNUAL MEETING OF THE BOARD OF TRUSTEES

September 23-24, 2020

8:30 a.m. to 4:30 p.m. on Wednesday, September 23, 2020

8:30 a.m. to 5:00 p.m. on Thursday, September 24, 2020

**Due to health and public safety precautions
APFC Board of Trustees meetings are closed to in-person public attendance.
We invite the public to join via Webex or by phone.**

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(907) 796-1519 to receive a teleconference number at least two days prior to the meetings**

AGENDA

WEDNESDAY, SEPTEMBER 23, 2020

- 8:30 a.m. CALL TO ORDER
- ROLL CALL (Action)
- APPROVAL OF AGENDA (Action)
- APPROVAL OF MINUTES (Action)
- May 20-21, 2020
- SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION
- 8:45 a.m. CHIEF EXECUTIVE OFFICER'S REPORTS (Information/Standard Reports)
- Pending Board Matters, Trustee Education Report, Disclosure Report, Staff Summary Report, HR Summary Report
- Communications Report
- Financial Reports
- Investment Management Fee Report
- FY21 Budget Report
- 9:00 a.m. CHIEF INVESTMENT OFFICER'S REPORT
 Marcus Frampton, Chief Investment Officer
- 9:30 a.m. REAL ESTATE UPDATE (information)
 This item may include an EXECUTIVE SESSION
 Marcus Frampton, Chief Investment Officer
 Tim Andreyka, Sr. Portfolio Manager, Real Estate

- 10:15 a.m. **ADVISOR COMMENTS (Information)**
- 10:45 a.m. **BREAK**
- 11:00 a.m. **CAPITAL MARKET OVERVIEW (Information)**
Greg Allen and Steve Center, Callan LLC
- 12 p.m. **BREAK / LUNCH**
- 12:30 p.m. **RISK OVERVIEW (Information)**
Sebastian Vadakumcherry, Chief Risk Officer
- 1:30 p.m. **ASSET CLASS OVERVIEW (Information)**
Marcus Frampton, Chief Investment Officer
Greg Allen and Steve Center, Callan LLC
- 3:00 p.m. **BREAK**
- 3:15 p.m. **ASSET CLASS UPDATE: FIXED INCOME (Information)**
Jim Parise, Director of Fixed Income
Tom O'Day, Portfolio Manager
- 4:00 p.m. **RISK PARITY/CASH PRESENTATION (Information)**
Valeria Martinez, Director of Asset Allocation
- 4:30 p.m. **RECESS FOR THE DAY**

THURSDAY, SEPTEMBER 24, 2020

- 8:30 a.m. **MEETING RECONVENES**
- 8:35 a.m. **GLOBAL OUTLOOK (Information)**
PGIM Fixed Income: Greg Peters, Head of Multi-Sector and Strategy
Bridgewater Associates: Fred Post, Senior Portfolio Strategist
Andrew Mikolasy, Client Relations
- 10:45 a.m. **BREAK**
- 11:00 a.m. **INVESTMENT POLICY – AMENDMENT (Action)**
Marcus Frampton, Chief Investment Officer
- 12:00 p.m. **BREAK/LUNCH**
- 12:30 p.m. **REPORT OF ANNUAL AUDIT (Action)**
Mike Hayhurst, Engagement Partner, KPMG
Valerie Mertz, Chief Financial Officer
- 1:00 p.m. **FY22 BUDGET APPROVAL (Action)**
Sara Race, Administrative Operations Manager

- 1:30 p.m. EARNINGS RESERVE DISCUSSION (Information)
Valerie Mertz, Chief Financial Officer
- 2:00 p.m. LEGISLATIVE INITIATIVE: EDUCATION/COMMUNICATIONS PLAN 2020
(Information)
Paulyn Swanson, Communications Manager
- 2:45 p.m. *BREAK*
- 3:00 p.m. GOVERNANCE: CHARTER REVIEW (Action)
Chris Poag, General Counsel
- 3:30 p.m. ELECTION OF CORPORATE OFFICERS (Action)
Chair Richards and Vice Chair Moran, APFC Board of Trustees
- 4:00 p.m. OTHER MATTERS (Action)
2021 and 2022 Calendar of Board Meetings
Angela Rodell, Chief Executive Officer
- 4:15 p.m. ADVISOR COMMENTS (Information)
- 4:45 p.m. TRUSTEE COMMENTS
FUTURE AGENDA ITEMS
- 5:00 p.m. *ADJOURNMENT*

*NOTE: TIMES MAY VARY AND THE CHAIR MAY REORDER AGENDA ITEMS
(Please telephone Jennifer Thorsteinson at 907.796.1519 with agenda questions.)*

SUBJECT: Approval of Minutes

ACTION: X

DATE: September 23, 2020

INFORMATION:

BACKGROUND:

Staff reviewed the following Board of Trustees meeting summary minutes, draft copies are attached for your approval.

- May 20-21, 2020 Quarterly Meeting

RECOMMENDATION:

Approval of the summary minutes of the Board of Trustees meetings listed above.

ALASKA PERMANENT FUND CORPORATION
QUARTERLY MEETING OF THE BOARD OF TRUSTEES

May 20-21, 2020
10:00 a.m.

Videostreaming via Webex Originating at:
Michael J. Burns Building
David Rose Board Room
801 West 10th Street, Suite B
Juneau, Alaska 99801

SUMMARY MINUTES

Trustees Present:

Craig Richards, Chair
William G. Moran, Vice Chair
Marty Rutherford
Corri Feige
Lucinda Mahoney
Steve Rieger

Trust staff present:

Angela Rodell, CEO	Marcus Frampton, CIO
Val Mertz, CFO	Steve Mosely
Valeria Martinez	Jim Parise
Sebastian Vadakumcherry	Katherine Smith
Ross Alexander	Sara Race
Logan Rahn	Rose Duran
Tim Andreyka	Rafa Ramirez
Sam LaPierre	Ed Rime
Yulian Ninkov	Chad Brown
Danielle Graham	Jennifer Thorsteinson

Investment Advisor:

George Finn

Others Present:

Gregory Allen, Callan Associates
Steven Center, Callan Associates
Doug Woodby, 350Juneau
Kate Troll
Cathy Giessel, Senate President
Senator Jesse Kiehl
Representative Jennifer Johnston
Eileen Wagner
Scott Balovich
Sharmila Kassam
Andrew Sawyer
John Skjervem
Kenneth Frier
Jeb Burns

PROCEEDINGS

May 20, 2020 - 10:00 a.m.

CALL TO ORDER

CHAIR RICHARDS called the Alaska Permanent Fund Corporation Quarterly Meeting to order and asked for a roll call.

MS. MEINERS called the roll and stated that there was a quorum.

CHAIR RICHARDS moved to the approval of the agenda.

APPROVAL OF AGENDA

MOTION: A motion to approve the agenda was made by TRUSTEE RUTHERFORD; seconded by TRUSTEE FEIGE.

After the roll call vote, the MOTION was APPROVED. (Rieger, Rutherford, Moran, Feige, Mahoney, Richards).

CHAIR RICHARDS moved to the approval of the minutes.

APPROVAL OF MINUTES (February 19-20, 2020; March 05, 2020)

MOTION: A motion to approve the minutes for February 19-20, 2020, was made by TRUSTEE MAHONEY; seconded by TRUSTEE RUTHERFORD.

After the roll call vote, the MOTION was APPROVED. (Mahoney, Feige, Rutherford, Richards, Moran; Trustee Rieger abstained).

MOTION: A motion to approve the minutes for March 05, 2020, was made by TRUSTEE RUTHERFORD; seconded by TRUSTEE MAHONEY.

After the roll call vote, the MOTION was APPROVED. (Mahoney, Feige, Rutherford, Richards, Moran, Trustee Rieger abstained).

SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION

CHAIR RICHARDS moved to the public comments and stated that there was a list of six people who wished to comment. He asked that public comments stay to three minutes. He recognized Ms. Troll.

MS. TROLL thanked the board for the opportunity to testify. She stated that she wrote a letter signed by herself and Rick Steiner and read it into the record. She asked the Board of Trustees to stop the bleeding of losses in the Permanent Fund's fossil fuel holdings. which she noted violates the prudent investor rule. She spoke about the requirements in Alaska's Constitution, Section 15, which state that the principal of the Permanent Fund is to be used only for income-producing investments specifically designated by law as eligible for the Permanent Fund investments. She

added that AS 37.13.120 says that there are no exemptions or exceptions for any particular class of investments because the Legislature wanted the Permanent Fund to be driven solely by maximizing the expected total return and not by politics or government policy. She continued explaining aspects of the prudent investor rule. She noted that Alaskans have been steadily, repeatedly highlighting how global sovereign wealth funds and other large pension funds have been steadily divesting from oil and gas exploration to shield their funds from a long-term fall in oil prices. She asked the Board to commit to following the recommendations of an independent investment analyst contracted to review the Fund's fossil fuel holdings in the context of prevailing in ordinary prudence used by similar investment institutions.

CHAIR RICHARDS recognized Doug Woodby as the next person on the agenda for public comment.

MR. WOODYBY stated that he represented 350 Juneau Climate Action for Alaska. He thanked the Corporation staff for all they do to protect and grow the Fund for the benefit of all Alaskans. His comments focused on fiduciary concerns and not on environmental social issues. He went over two graphs; the first one showed the price return of the traditional energy sector relative to the other major sectors over the last ten years. He noted that by the end of the decade, the S&P 500 had outperformed the energy sector by more than a factor of 30. The second graph showed the value of the energy sector as a proportion of the overall S&P 500 over the past 40 years. He continued that the graph shows that the energy sector had been on a long term, substantial decline from a high in the early 1980s to March of this year; a loss of about 90 percent. Given this historic and glaring underperformance, he asked if there was any justification for maintaining investments in fossil-fuel-related industries. He stated that oil companies have historically paid good dividends, but they can't possibly compensate for the overall issues in value. He continued that, in prior testimony, the Corporation had been encouraged to conduct an analysis of climate risk, and it was his understanding that the Corporation may be bringing on an intern perhaps later this year to do that. He thanked them for moving forward on that, and for considering his comments.

CHAIR RICHARDS thanked Mr. Woodby and recognized Senator Kiehl.

SENATOR KIEHL thanked all for letting him speak and stated it was his great privilege to represent the Capital City in the Senate, which makes one of his constituents a former trustee and current executive director, Angela Rodell. He continued that the Alaska State Legislature this year honored Director Rodell on being named to the Sovereign Wealth Quarterly's 100 Most Significant and Impactful Asset Owners and Public Executives of 2019. He yielded his time to Senator Cathy Giessel.

CHAIR RICHARDS stated that it was a pleasure to have President Giessel here.

SENATOR GIESSEL stated that this citation is a small representation of the profound pride that we have and Ms. Rodell's accomplishments. The women of the Legislature are particularly proud of her. She continued that the citation cites her accomplishment, and we feel it is such a small symbol, but asked that every time she looks at it, to remember how proud we are of her. She stated that Representative Jennifer Johnston, one of the sponsors of this citation, was also trying to get on.

REPRESENTATIVE JOHNSTON stated that it is a pivotal time for Alaska and its Permanent Fund, and Alaska is very fortunate to have Ms. Rodell. She embodies consistent innovative growth management that allows the State to have confidence in its valuable asset, the Fund. The confidence in her management is validated by her international ranking and other international awards received by the Fund. Ms. Rodell is the right person at the right place at the right time.

CHAIR RICHARDS thanked all the members of the Legislature for their kindness in giving such a nice and heartfelt thank you for the CEO.

TRUSTEE RUTHERFORD asked if Ms. Rodell would like to say something in response to the Legislators' honor.

CEO RODELL stated that she is speechless and thanked them for the honor. It means a lot, and she hoped to continue delivering all that is expected of us.

CHAIR RICHARD stated that there was a final person for public testimony, and recognized Eileen Wagner.

MS. WAGNER stated that she has been an Alaska resident for 45 years and stated concern with climate risk for the Alaska Permanent Fund. She took a minute to remind all of the recent actions of other large fiduciary institutions. Some of the biggest names in the financial news have turned their backs on fossil fuel projects in the Arctic: Goldman Sachs, J. P. Morgan, European Investment Bank, Royal Bank of Scotland, Lloyd's, Wells Fargo, Citigroup, and the list goes on. The onset of COVID-19 and sudden drop in oil prices revealed that the oil industry is a house of cards. There is still time to get out of oil stocks before they tank. She thanked all for the work done to protect Alaska's Permanent Fund.

CHAIR RICHARDS thanked her for her testimony, and moved to the committee reports.

COMMITTEE REPORTS

AUDIT COMMITTEE

TRUSTEE RUTHERFORD stated that she is chairman of the Audit Committee, and the most recent meeting was May 19th. She explained that an audit preview and risk assessment was given by Mike Hayhurst, the new engagement partner with KPMG. KPMG has a policy that an engagement partner for an entity can only serve for a certain number of years, and Beth. Stuart had termed out. Mr. Hayhurst has been in the No. 2 slot as a review auditor for some time, and Melissa Beedle will continue participating on the audit. She continued with the fiscal year '20 year-to-date financial statement review by Valerie Mertz. It was interesting, depressing and somewhat expected. Also noted is that it is time for the annual audit committee self-assessment, which is done yearly. The committee members of the Audit Committee committed to provide Ms. Mertz, the CFO, with review assessments by the end of this two-day meeting. She also noted that last year a couple of additional noncommittee trustee members decided to participate and welcomed any trustees with that desire.

CHAIR RICHARDS thanked Trustee Rutherford and moved on to the communication from the State Auditor. This is an item for executive session. He asked Mr. Poag to give a quick minute on the issue.

COMMUNICATION FROM STATE AUDITOR

MR. POAG explained that the purpose of this agenda item is to update the Board on the status of the fiscal year '18 and '19 royalty payments that were not appropriated to the Permanent Fund. That is roughly \$299 million. The statutory royalty payments are those above the constitutional floor of 25 percent and were set out in statute in 1980. This issue is ripe to the point where litigation is now possible, and because of that he recommended convening in executive session to have that discussion.

CHAIR RICHARDS asked for a motion.

MOTION: A motion that the Board of Trustees convene in executive session for the purpose of receiving legal advice from the Board's attorney, Chris Poag, regarding the fiscal year 2018 and 2019 statutory royalty payments -- this topic is appropriate for executive session because it requires a candid discussion of the facts and possible litigation strategies. A public discussion of this matter could be harmful to the public interest -- was made by TRUSTEE RUTHERFORD; seconded by TRUSTEE RIEGER.

CHAIR RICHARDS asked that the vote be called.

After the roll-call vote, the MOTION was APPROVED. (Mahoney, Feige, Rutherford, Richards, Moran, Rieger).

(Executive session from 10:33 a.m. until 11:40 a.m.)

CHAIR RICHARDS called the meeting back to order.

MOTION: A motion to move back out of executive session was made by TRUSTEE RIEGER; seconded by TRUSTEE FEIGE.

After the roll-call vote, the MOTION was APPROVED. (Mahoney, Feige, Rutherford, Richards, Moran, Rieger).

CHAIR RICHARDS stated that while in executive session, the Board considered only the matters mentioned in the motion and took no action. Coming out of executive session, the following guidance will be provided to staff: Mr. Poag will contact the Legislative Auditor and, on the issue of the past royalty payments, let her know that the trustees have direction from the Department of Law. This matter is between the Department of Law and the Legislative Auditor to resolve. He moved to the next agenda item.

ELECTION OF VICE CHAIR

CHAIR RICHARDS opened the nominations for the Vice Chair.

TRUSTEE MAHONEY nominated TRUSTEE MORAN for Vice Chair; seconded by TRUSTEE RIEGER.

CHAIR RICHARDS asked for any other nominations. There being none, the nominations were closed.

CEO RODELL stated the need for a roll-call vote.

CHAIR RICHARDS asked for a roll-call vote for Bill Moran for Vice Chair.

After the roll call vote, the MOTION was APPROVED. (Mahoney, Feige, Rutherford, Richards, Moran, Rieger).

MS. MEINERS stated that Trustee Moran is Vice Chair.

CHAIR RICHARDS moved on to the Chief Executive Officer's report

CHIEF EXECUTIVE OFFICER'S REPORTS

CEO RODELL stated that one of the requests in the Audit Committee was to have Scott Balovich, director of IT, to provide the Board members with a brief statement about security in this time of working remotely.

MR. BALOVICH stated that, in terms of being able to balance the ability for folks to carry out the mission and do it in a secure way, two years ago we chose to use Virtual Desktop infrastructure as the platform for the desktop for folks. He explained that they have a two-factor authentication to get into the systems, which leads to the security. There is a PIN that they set, and then there is a software token that is used to generate a code. Staff is prompted with that, and then they are prompted with their regular credentials. He noted that one of the biggest struggles was increasing the bandwidth due to the whole office being out.

CEO RODELL stated that there were a number of standard reports and that she would be happy to answer any questions on them. There was a detail done in the audit report on the financial statements and the net-of-fee report is in there. There will be a more detailed budget discussion tomorrow, and those numbers will be going lower. She explained that a lot of that has to do with assets-under-management valuations. She continued to the Anchorage office and stated that in December the Board had approved moving forward and opening an Anchorage office in the fall. She added that there were no financial resources included in the FY21 budget to procure space for this physical office. Staff has learned a lot about working remotely, about what the capability is. She continued that employees can be in Anchorage, which would not necessarily require a formal physical office space. She stated that a lot has changed, and this may be something for the Board to reaffirm the commitment to open a physical office in Anchorage.

CHAIR RICHARDS stated that one of the major topics of conversation at the strategic retreat last summer was the challenge of recruiting investment personnel over the last few years. Two ways to address that problem were identified, one of which was to increase compensation; and the other item was having the ability for folks to work in different places may be helpful to improve recruiting. He asked that staff put the plan together as discussed and circulated by July 1. If the Board wants to take a different action, it could be done after looking at the plan.

CEO RODELL talked about the challenges of an Anchorage office and noted that the compensation discussion has to stay at the front for all staff. It is important to recognize that in whatever is being done, to do it for all of the staff, and not just in terms of attracting and recruiting one group or another.

CHAIR RICHARDS moved to the next item on the agenda and recognized George Zinn, for Investment Advisor Comments.

INVESTMENT ADVISOR COMMENTS

MR. ZINN started with a general overview and talked about the equity market. He reminded all that the amount and the magnitude and alacrity with which both the fiscal and monetary sides of the government have moved have been entirely different than the last crisis. He stated that people are reconsidering their real asset allocation and looking into that. He also believes that people have been implementing a number of overlay programs in an attempt to either simply adjust duration without turning over their entire fixed-income portfolio or other strategies for tail risk. He then talked about the investment strategy where the overall view is maintaining where it was pre-crisis, equal weight, and then overweight duration.

CHAIR RICHARDS thanked Mr. Zinn and moved to the CIO report.

CIO REPORT

MR. FRAMPTON began with a summary update in asset classes and fund positioning. He went through each of the asset classes, highlighting some COVID impacts. The main thing in March was rebalancing. The fixed-income market did get fairly illiquid at certain points, but we were able to manage through it. He went through the real estate portfolio update. He also talked about REITs, which will be added July 1. That would help immediately with some of the underweights to those areas, and we are happy to be moving forward with that.

CHAIR RICHARDS stated that he hoped there would be a special session on the real estate portfolio for the new Board members. There has been some real concern with the real estate portfolio. There have been some real write-offs and a lack of concern that there is a real vision and plan for the real estate group. A lot of changes have been made in the last year. He continued that he would like an update on what has happened, what has changed, and what is being done to address some of those challenges at the next Board meeting. He would also like addressed the very troubling letter from the partners at 529 Park.

MR. FRAMPTON continued on to absolute return and then talked about the cash and risk parity portfolio. He quickly went through the investment actions and concluded his report.

TRUSTEE RUTHERFORD talked about some recommendations Tim Walsh made regarding real estate “aligning expectations with capacity,” or something like that. She asked that be addressed and included in the discussion at the next Board meeting.

MR. FRAMPTON replied that he would put together some kind of report card for the next Board meeting and share it ahead of time.

CHAIR RICHARDS called a break.

(Break.)

CHAIR RICHARDS called the meeting back to order, and recognized Sebastian Vadakumcherry.

RISK OVERVIEW

MR. VADAKUMCHERRY began the risk overview section and stated that there are two parts. The second part is the basic risk reporting done every quarter, and the first part looks at the risk appetite comparison and a closer look at the portfolio vis-à-vis risk numbers during this crisis. He rehashed the risk appetite and stated that they are in a review period trying to look at the portfolio or trying to make a definition and articulation of the risk appetite as to how much risk to take. This is not related to the benchmark. It is on an absolute basis. One of the considerations is looking at and reviewing the definition of risk appetite in terms of a risk-tolerance portfolio. The way risk is defined is to look at it in parameters. One is simple, straightforward value at risk, called standard deviation or volatility. Then there are three other metrics looked at in terms of a stress parameter -- how much would the portfolio decline in value for three defined stress scenarios. That is how risk tolerance or risk appetite is defined for the portfolio.

CHAIR RICHARDS recognized Callan.

CAPITAL MARKET OVERVIEW

MR. ALLEN stated that he is from Callan and introduced Steve Center. He gave a quick update on the firm and stated that it went fully remote on February 13th. He explained that they are operating fully functionally. They are doing manager researchers virtually; doing presentations and town halls, and generating performance reports at the same pace. He turned it over to Mr. Center.

MR. CENTER stated that he just celebrated his ten-year anniversary with Callan. He began with a snapshot of trailing performance for both the fixed income and equity markets as of March 31st. The U.S. equity markets were down, and there was some stark improvement since March 31st. He continued his presentation, explaining as he went along. He commented on the quick drawdown in equity markets which was the sharpest and fastest equity market decline that was ever seen: 16 trading days to read a “bear market” and, peak to trough, 33 percent decline in 23 trading days. He added that there has been an incredible snapback as well: about as long as it took to decline, there was an increase of more than 10 percent. He moved on to the asset class summary. U.S. equities were impacted dramatically; energy down 50 percent during the first quarter, and financials down 30 percent. There has been some recovery there. He talked about the yield curve and then moved to real estate. He finished up on private equity, which is an area with a lot of question marks. It takes a little while for these sorts of changes to trickle into the private asset classes. Private equity is where additional changes in the next quarter are expected.

ASSET CLASS OVERVIEW

MR. CENTER began by looking at the Total Fund’s asset allocation as of the end of the first quarter. The Permanent Fund was allocated 36 percent to public equity; 22 percent to fixed income and fixed-income-plus; 42 percent to alternatives. That represented a decrease to public equity and fixed income, and an increase to alternatives to calendar and 2019. This is a report on the private asset investments on a one-quarter lag. He moved into the Fund’s performance and went through the benchmarks.

MR. ALLEN stated that this exercise is done every year with the Alaska Permanent Fund, and most of the other clients where they come up with capital market projections. These are

designed to be long-term, to be strategic planning tools, and then to look at the portfolio and give some idea of what the midpoint of the expected return is and what the range of outcomes look like. He continued that the first question is if the point of view on the capital market projections have changed. He replied that there is no plan to change the capital market projections. They are long-term planning tools and are purposefully slow-moving, and tend toward long-term averages as opposed to reflect what happened in the most previous quarter. There is a large reduction in the target to private real estate. He stated that it is not the time to buy into an open-ended fund because valuations have not come down to reflect the actual values. He continued that they are counseling clients not to make new allocations to private funds unless they are closed-end funds where capital is raised and will have dry powder. He concluded his presentation.

CHAIR RICHARDS adjourned the meeting, and stated they would reconvene tomorrow.

(Alaska Permanent Fund Corporation Quarterly Board Meeting recessed at 2:35 p.m.)

May 21, 2020 - 10:00 a.m.

CHAIR RICHARDS asked for the roll call and stated there was a quorum. He moved to the interviews and recognized CEO Rodell.

CEO RODELL stated that there were three spots open on the investment advisory group. Historically, either two or three candidates filled those positions. She explained that Jerry Mitchell retired and did not seek to renew his seat. Tim Walsh resigned his seat due to a conflict. Currently, George Zinn is the only investment adviser, and we have put out a request for applications. She continued that she, Marcus Frampton, Val Mertz, and Sebastian Vadakumcherry reviewed the applications and narrowed it down to the field here today.

CHAIR RICHARDS moved to the interviews of Sharmila Kassam, Andrew Sawyer, John Skjervem, Kenneth Frier and Jeb Burns. After the interviews, he asked for a motion to go into Executive Session.

MOTION: Per Alaska Statute 44.62.310 (c) pertaining to the Open Meetings Act, a motion that the Board of Trustees convene in executive session to discuss the hiring of members to the Investment Advisory Committee. This topic does fall under Subsection 2 of that statute as a subject that could tend to prejudice the reputation and character of any person, provided the person may request a public discussion was made by TRUSTEE FEIGE; seconded by TRUSTEE RIEGER.

After a roll call vote, the MOTION was APPROVED (Mahoney, Rutherford, Moran, Rieger, Feige, Richards).

(Executive Session from 11:20 a.m. until 12:15 p.m.)

MOTION: A motion to come out of Executive Session was made by TRUSTEE RIEGER; seconded by TRUSTEE FEIGE.

After a roll call vote, the MOTION was APPROVED (Rutherford, Moran, Rieger, Feige, Richards).

CHAIR RICHARDS explained that the Board met in Executive Session to review five candidates who were just interviewed in public. It was universally recognized that all five of the candidates were exceptional and would have been wonderful additions to the Permanent Fund team. He stated that all five were extremely qualified, and we were very lucky to have an applicant pool of this strength. In terms of how the Board awards work, there are three independent advisory positions that are on staggered three-year terms. These tend to be automatic renewals, although the independent adviser does have the choice to not renew at the end of a term. In this instance, there is a one-year term and a three-year term available. He asked for a motion.

MOTION: A motion that the Alaska Permanent Fund Corporation Board award two investment adviser contracts, one to Mr. Ken Frier until 2023, and one to Mr. John Skjervem, until 2021 -- both of the contracts are renewable -- was made by TRUSTEE RUTHERFORD; seconded by TRUSTEE FEIGE.

After the roll call vote, the MOTION was APPROVED. (Moran, Richards, Rutherford, Feige, Mahoney, Rieger).

CHAIR RICHARD asked someone from staff to reach out to the selected candidates over the break.

(Break.)

CHAIR RICHARD called the meeting back to order. He recognized Marcus Frampton who presented the revised investment policy review and adoption.

INVESTMENT POLICY REVIEW & ADOPTION

MR. FRAMPTON stated that this investment policy project has been going on for the last year and has involved input from most areas within the firm. He continued that this presentation was structured the same as the one in February. He went through each item so that the trustees were clear on what was changing from the current investment policy.

MOTION: A motion to accept the investment policy as recommended by the staff, absent the authority for gold, was made by TRUSTEE MORAN; seconded by TRUSTEE RUTHERFORD.

CHAIR RICHARDS asked for discussion. He stated that a lot of the material had been discussed, but he did not think everything had been discussed.

CEO RODELL stated that there had been a very good discussion and pointed out that there were numerous discussions on various parts of it but not a holistic line-by-line on the policy at any one point. She continued that all of the really big topics have been covered at length at some point.

TRUSTEE MORAN stated that it seemed that all of the changes have been thoroughly discussed. Just about everything that has been changed has been discussed as to why.

TRUSTEE RUTHERFORD added that the aspects that were not changed have been reported against over the course of the last four years and is part of our regular exchange of information.

CHAIR RICHARDS called the question.

After the roll call vote the MOTION was APPROVED. (Feige, Moran, Rutherford, Mahoney, Rieger, Richards).

PACING APPROVAL

CHAIR RICHARDS recognized Steve Moseley.

MR. MOSELEY stated that he manages alternatives and continued that the conversation about pacing is more about how we got to where we are. He continued that the recommendation was to commit and invest approximately \$650 million in private income the next fiscal year and about \$1.6 billion in private equity and special opportunities, which is almost precisely what was done in the current year that is about to end. He added that the pacing discussion is helpful and necessary because of the way the Fund invests. He explained all in more detail and then did the same with private income.

MOTION: A motion to approve the alternative investments pacing as outlined in Pages 427 through 439 of the Board packet was made by TRUSTEE RIEGER; seconded by TRUSTEE MAHONEY.

After the roll call vote the MOTION was APPROVED. (Moran, Rutherford, Feige, Mahoney, Richards, Rieger).

CHAIR RICHARDS moved to the next item, which is a presentation of the potential idea to expand the in-state investment program.

IN-STATE INVESTMENT PROGRAM UPDATE

CHAIR RICHARD stated that if the Permanent Fund were to respond to COVID-19, the working group -- himself, Trustee Rutherford, Marcus Frampton, Steve Moseley and CEO

Rodell -- worked on formulating the best proposal. He continued that this is a presentation of the thought process that came out of that working group. He added that if policymakers are to push the Permanent Fund into reacting to COVID-19, this is the way it could be done.

TRUSTEE RUTHERFORD agreed and added that it is quite possible and stated that some of her friends and acquaintances have raised the concept of: “Now is the time to dip into the Permanent Fund \$60 billion to resolve the state’s budget in a very aggressive fashion.” This is about busting through into the corpus, and she added that she is very concerned. She continued that the Fund needs to be prepared with a definitive plan. This presentation is some ideas that resulted from the working group.

MR. MOSELEY stated that this is hypothetical and there is no action plan. He summarized the framework: There in the short-term to potentially deploy more capital in the state and begin to build kind of a financial services ecosystem, an investment managers ecosystem in the state of Alaska. He then described thematically the types of investment programs that were designed and discussed. He moved to the steps that would be required: the planning, the execution and the ongoing management, which take time and resources, but are all necessary to execute the plan described.

CHAIR RICHARDS thanked all for their hard work and moved on to the budget review.

APFC BUDGET REVIEW

MS. RACE stated that she is the administrative operations manager for the Corporation. She began by reviewing the FY20 budget that included the projections through the end of the fiscal year. The Corporation’s budget consists of two components: corporate operations and investment management fees. Currently, there is one open capital appropriation.

CHAIR RICHARDS asked for a motion.

MOTION: A motion to authorize expenditures as laid out in the budget projections was made by TRUSTEE MORAN; seconded by TRUSTEE MAHONEY.

After a roll call vote, the MOTION was APPROVED (Mahoney, Rutherford, Moran, Rieger, Feige, Richards).

ADVISOR COMMENTS

MR. ZINN reflected on the two-day meetings, specifically on some of the questions from the trustees to the investment advisers, as well as to himself. He stated that staff deserved a commendation for the discipline implementing the government structure that the trustees have laid out. He continued, that was discussed in terms of rebalancing on the way down in the markets as well as taking advantage of the opportunities in investment-grade fixed income. He added that the governance structure in place is working really well.

CHAIR RICHARDS asked for any other matters.

CEO RODELL reminded all about the calendars for the balance of 2020 and the 2021 schedule. These calendars are adopted every September. She appreciated everyone's patience with this first virtual meeting. She added that this was Maggie's last Board meeting. She is heading off to Dartmouth to get her MBA. Jennifer Thorsteinson will be taking over for her.

CHAIR RICHARDS moved to Trustee Comments.

TRUSTEE COMMENTS

CHAIR RICHARDS stated that it was sad to conduct this first meeting without Carl Brady. He was a monumental member of this Board, and he will be missed.

TRUSTEE FEIGE echoed what was said regarding Carl Brady and his passing; a very sad and great loss to Alaska and the APFC. She thanked staff for the tremendous steady hand in staying the course over the last few months.

TRUSTEE MORAN seconded Trustee Feige's comments.

TRUSTEE RUTHERFORD also echoed what Trustee Feige said, and she stated well done on the foresight to set up such a wholesome, substantive remote program to pull off this great meeting.

TRUSTEE RIEGER also echoed what was said and thanked all for the warm welcome and looked forward to meeting everyone. He also congratulated the staff for pulling off this tough meeting.

TRUSTEE MAHONEY stated it had all been said. She stated appreciation for the great meeting.

CHAIR RICHARDS adjourned the meeting.

(Alaska Permanent Fund Corporation Quarterly Board Meeting adjourned at 3:10 p.m.)

SUBJECT: Pending Board Matters

ACTION:

DATE: September 23, 2020

INFORMATION: X

BY	TASK	CAPTURED	TARGET	COMPLETED
Vadakumcherry	Risk Appetite Assessment	10/18	5/20	5/20
Rodell/Brown	Internship Program	5/18	5/20	5/20
Frampton/ Vadakumcherry	Investment Policy	5/19	5/20	5/20
Rodell / Brown	Anchorage Office Plan	12/19	09/20	
Swanson	Communications Plan	9/20	12/20	
Rodell / Brown	Flexible Work Remote Policy	9/20	12/20	
Rodell / Brown	Personnel Management Policy Review and Adoption	9/20	12/20	
Rodell / Balovich	Cybersecurity Review	9/20	12/20	

SUBJECT: Trustee Education

ACTION: _____

DATE: September 23, 2020

INFORMATION: X

BACKGROUND:

APFC Board of Trustees Charters and Governance Policies

The Board of Trustees of the APFC has established a Trustee Education Policy with the following objectives:

- To ensure that the members of the Board have access to the knowledge and information necessary for them to fulfill their fiduciary duties as trustees of the Alaska Permanent Fund; and
- To assist them in becoming well informed in all matters pertaining generally to the management of a large institutional fund, both public and private, and more specifically to the management and investments of the APFC.

In accordance with the Trustee Education Policy, the following is a list of conferences and seminars that Trustees may wish to attend.

TRAINING OPPORTUNITY	TOPIC	LOCATION	DATES
Callan	How to Navigate Private Equity Fees and Terms	Virtual	October 7, 2020
	October Workshops	Virtual	October 27, 2020
	2021 National Conference	San Francisco	June 21-23, 2021
Pacific Pensions & Investments	Opportunities in the Face of Turbulence – Asia Pacific Roundtable	Virtual	October 20-22, 2020
	The Role of Guarantees in the Age of Covid-19	TBD	TBD
	December Town Hall & Year in Review	TBD	TBD
	Winter Roundtable	Vancouver, Canada	February 17-19, 2021
	Summer Roundtable	Westlake Village, CA	July 14-16, 2021

Memo

To: Craig Richards, Chair
Governance Committee

Through: Angela Rodell
Executive Director

From: Chad Brown
HR Manager

Date: September 23, 2020

Re: APFC Financial Disclosures

As required by AS 37.13.110(b) and Alaska Permanent Fund Corporation policy relating to personal investments conduct and reporting, trustees and staff must disclose certain financial interests. Below is a list of disclosures for transactions made by trustees and staff, covering a period of April 1st – June 30th, 2020.

April 2020			
Name	Position Title	Disclosure Type	Received
Christopher LaValle	Senior Portfolio Accountant II	Individual Transaction	9/1/2020
Norix Mangual-Arbelo	Portfolio Accountant	Individual Transaction	5/5/2020
Logan Rahn	Investment Associate	Individual Transaction	5/13/2020
Angela Rodell	Chief Executive Officer	Individual Transaction	5/5/2020
Alex Smith	Investment Operations Analyst	Individual Transaction	6/24/2020

May 2020			
Name	Position Title	Disclosure Type	Received
Norix Mangual-Arbelo	Portfolio Accountant	Individual Transaction	6/10/2020
Tom O'Day	Portfolio Manager	Individual Transaction	6/11/2020
Logan Rahn	Investment Associate	Individual Transaction	6/16/2020
Alex Smith	Investment Operations Analyst	Individual Transaction	6/24/2020
Jennifer Thorsteinson	Executive Administrative Specialist	Initial Disclosure	7/6/2020
Stephen Rieger	Board of Trustee	Individual Transaction	6/12/2020
Chris LaValle	Senior Portfolio Accountant II	Individual Transaction	9/1/2020

June 2020			
Name	Position Title	Disclosure Type	Received
Norix Mangual-Arbelo	Portfolio Accountant	Individual Transaction	7/28/2020
Tom O'Day	Fixed Income Portfolio Manager	Individual Transaction	7/7/2020

Logan Rahn	Investment Associate	Individual Transaction	7/27/2020
Angela Rodell	Chief Executive Officer	Individual Transaction	8/18/2020
Jennifer Thorsteinson	Executive Administrative Specialist	Individual Transaction	7/13/2020
Steve Rieger	Board of Trustee	Individual Transaction	7/9/2020
Chris LaValle	Senior Portfolio Accountant II	Individual Transaction	9/1/2020

All disclosures have been reviewed by the Executive Director or me, in our capacity as compliance officers. All disclosures were in compliance with policy requirements. Disclosures will be filed in the appropriate personnel file and copies will be placed behind the corporate minutes of the next meeting.

If you have any questions, please call me at 796-1541.

SUBJECT: Travel, Training, and Diligence Summary Report

ACTION:

DATE: September 23, 2020

INFORMATION: X

Background:

This report includes APFC staff completed travel for the period April 1 – June 30, 2020. The travel report is presented to the Board of Trustees for review at each board meeting as required by APFC Resolution 04-10. Due to Covid-19, all scheduled travel was canceled, therefore, there is no travel to report.

Staff Training and Education Summary:

Staff participated in 18 hours of training courses, continuing education, and conferences online. Topics ranged from human resources strategies to state procurement policies. Classes were offered through the Table Group, CAIA, and Alaska SHRM.

Due Diligence Summary:

Department	Number of Meetings Held	
	In Person	Telephonically
Executives (5)	0	39
Fixed Income	0	8
Public Equity	0	34
Infrastructure & Private Credit (3)	0	364
Real Estate (3)	0	151
Private Equity	0	669
Asset Allocation	0	8

Travel Summary:

Budget-to-Actual Report: July 1, 2019 through June 30, 2020

*The following can be found in full in the FY20 Budget Report

CORPORATE OPERATIONS	BOARD-AUTHORIZED BUDGET	EXPENDITURES	BUDGET REMAINING
Travel	\$929,000	\$430,794.38	\$498,205.62
Staff	\$671,877	\$362,467.20	\$309,409.80
Trustees	\$45,623	\$18,341.73	\$27,281.27
Moving/Non-Employee	\$211,500	\$49,985.45	\$161,514.55

Memo

To: Board of Trustees

From: Chad A. Brown
Human Resources Manager

Date: September 23, 2020

Re: Human Resources – FY 2020 Summary

HR Philosophy

It is the philosophy of the HR Team to closely partner with our managers to assist in developing a culture where people enjoy coming to work, and provide a robust selection hiring process that allows potential hires to see what makes us a remarkable place to work and elegantly acknowledges the challenges we face and to ensure the corporation is protected from potential litigation. The HR team meets regularly with all managers to ensure their needs are being met and we are providing the level of support they expect.

Recognition

The HR Team was acknowledged with the SHRM Veterans Workplace Certificate acknowledging APFC as a Veteran friendly employer.

Chad Brown continues to play an active role with the Forbes Human Resources Counsel he was selected to participate in 2019 providing insight and guidance to HR colleagues across the country.

Challenges

APFC continues to fight an uphill battle regarding compensation particularly for our investment staff.

Compensation consistently rates at the top of the employee satisfaction surveys as a reason people would NOT recommend APFC as a place to work.

Impacts of COVID-19

- Recruiting – Recruiting at APFC paused in the first quarter of the calendar year as the world dealt with the challenges of the COVID pandemic.
- I'm incredibly proud of the entire staff being willing to sit through many hours of video interviews and the extra precautions taken to ensure staff and candidates were safe. Through all of this we were able to continue to bring on talent including a couple challenging to fill positions.
- Despite working incredibly hard to put together a comprehensive internship experience for both Corporate and External Partner interns, all internships for 2020 were cancelled. We are working with our investment partners to evaluate how we can partner for Summer 2021.

- HR partnered closely with APFC’s Crisis Management Team to ensure timely and detailed communication regarding changes in travel, health mandates, and our phased process to come back to the office after the initial closure.
- Working remotely APFC was well prepared from a technology standpoint to transition quickly to working remotely.
- Subsequent employee surveys have indicated a high degree of employee satisfaction with APFC handling of the Coronavirus situation and provide insight for future planning.

I am able to perform my job working from home as well as if I were in the office		
	Agree Somewhat	18%
	Agree Strongly	82%
I have the technology necessary to do my job working from home		
	Agree Somewhat	14%
	Agree Strongly	86%
I am able to do my job while working from home with minimal distractions		
	Agree Somewhat	41%
	Agree Strongly	55%
I feel connected to my colleagues even while working from home		
	Agree Somewhat	55%
	Agree Strongly	32%
My organization understands the additional flexibility I now need to manage personal responsibilities		
	Agree Somewhat	12%
	Agree Strongly	73%
Which of the following best represents your desire?		
	I would like to work from home all of the time	9%
	I would like to work from home most of the time	50%
	I would like to work from home some of the time	41%
	I do not want to work from home	0%

NEW MEMBERS OF THE APFC TEAM IN FY 2020			
NAME	JOB TITLE	DIVISION	DEPARTMENT
Mangual Arbelo, Norix	Portfolio Accountant	Finance	Accounting
Rime, Ed	Portfolio Manager	Investments	Alternatives / Private Equity
Fischer, Alyssa	Administrative Specialist	Operations	Administration
Thorsteinson, Jennifer	Administrative Specialist	Operations	Administration
Murray, Larissa	IT Specialist	Operations	Information Technology

Recruitment Statistics –

- 12,161 people visited our Applicant Tracking System
- 472 candidates applied
- 136 phone, video and in person interviews

CURRENT POSITIONS & VACANCIES AS OF 9/22/2020*		
CURRENT COUNT BY DIVISION	FILLED FTE	VACANT FTE
Executive	3	1
Investments	20	6
Finance	9	2
Operations**	13	3
Risk & Compliance	3	0
	48	12

*Statistics do not include summer interns

**Includes 2 Part Time FTE

CURRENT VACANT POSITIONS (12)		
TITLE	DIVISION	DEPARTMENT
Investment Officer – Senior PM Real Estate	Investments	Real Estate
Investment Officer – Senior PM Alternatives / PE	Investments	Alternatives / Private Equity
Investment Officer – PM Public Equities	Investments	Public Equities
Investment Officer – Senior PM Alts	Investments	Alternatives / Private Equity
Investment Associate – Alternatives / PE	Investments	Alternatives / Private Equity
Investment Associate – Public Equities	Investments	Alternatives / Private Equity
Investment Operations – Analyst	Finance	Trade Operations
Accountant	Finance	Accounting
Business/Data Analyst	Operations	IT
COO	Operations	Executive
Admin Specialist / Receptionist – Part Time	Operations	Operations
Admin Specialist / Receptionist – Part Time	Operations	Operations

STAFFING HIGHLIGHTS	2016	2020
Total Staff	43	60
Alternatives	5	9
Fixed Income	4	6
Risk & Compliance	.5	3

SUBJECT: Communications

ACTION:

DATE: 9/23/2020

INFORMATION: X

Presentations – Discussions – Speaking Engagements - Interviews

Angela Rodell, Chief Executive Officer

May 2020

- AR – Interview: Matthieu Favas, The Economist
- AR – Speaker: Milken Institute Sr. Regional Leaders Roundtable
- AR – Interview: Sarah Min, CIO Magazine, Physical Office Reopening COVID

June 2020

- AR – Panelist: Top 1000 Funds, Fiduciary Investors Symposium

July 2020

- AR – Panelist: IFSWF, Sovereign Wealth Funds In a Time of COVID

August 2020

- AR – Interview: James Brooks, ADN, Anchorage
- AR – Interview: Greg Knight - Pete Carran, KINY, Juneau
- AR – Interview: Chris Wright, Euromoney, Singapore
- AR – Interview: Charles Murphy, News of the North, Juneau
- AR – Speaker: Milken Institute GCMAC Virtual Roundtable

Communications Plan est. 2016

APFC's Communications are designed to provide reliable and objective information to our Alaskan stakeholders and global audience on matters about the Alaska Permanent Fund and the Corporation. APFC's Communications Plan has identified three strategic goals:

- APFC ACHIEVES AND MAINTAINS NECESSARY SUPPORT TO OPTIMIZE ITS ABILITY TO PROTECT AND GROW THE FUND.
- APFC MAINTAINS AND BUILDS UPON INTERNATIONAL RECOGNITION AND IS HELD IN HIGH REGARD AMONG GLOBAL PEERS AND POTENTIAL PARTNERS.
- ALASKANS UNDERSTAND APFC'S ROLE AND DISTINGUISH THE CORPORATION FROM THE PERMANENT FUND DIVIDEND DIVISION.

Communications Consultant

MSI Communications has been selected through a competitive procurement process to support APFC staff in the strategy, design, and implementation of our communications program. MSI has the capacity and in-house expertise to assist APFC in meeting statutory publication requirements and producing multi-media assets to enhance our stakeholder education program.

An update of APFC's Communications Plan will be undertaken this fall to affirm communications goals and ensure strategic alignment of objectives and tactics amongst stakeholders.

Communications Projects

APFC's communications projects are developed to meet the goals of our plan, deliver on comprehensive education objectives, and meet statutory obligations.

▪ **Annual Report**

Complete. The fiscal year 2020 Annual Report is now printed and available for distribution to the Governor, Legislature, and Alaskans; the report is also available on our website at apfc.org.

Alaska Statutes, Section 37.13.170. Reports and publications.

By September 30 of each year, the board shall publish a report of the fund for distribution to the governor and the public. The board shall notify the legislature that the report is available. The report shall be written in easily understandable language. The report must include financial statements audited by independent outside auditors, a statement of the amount of money received by the fund from each investment during the period covered, a statement of investments of the fund including an appraisal at market value, a description of fund investment activity during the period covered by the report, a comparison of the fund performance with the intended goals contained in AS 37.13.020, an examination of the effect of the investment criteria of this chapter on the fund portfolio with recommendations of any needed changes, and any other information the board believes would be of interest to the governor, the legislature, and the public. ...

▪ **General Election Pamphlet**

Complete. The 2020 general election pamphlet is developed and submitted to the Division of Elections for publication. This publication offers an opportunity to reach a statewide audience and provide information about the Fund and APFC's stewardship.

Alaska Statutes, Section 37.13.170. Reports and publications.

...The income statement and balance sheet for the two fiscal years preceding the publication of the election pamphlet under AS 15.58 shall be included in that pamphlet.

▪ **APFC Educational Videos**

Current. In today's communications, digital assets are essential, and we are working to establish a bank of multi-media assets and having to do so without the benefit of filming due to COVID precautions. APFC is working with MSI to animate, edit and produce four :30- : 90-second educational videos: *What is the Permanent Fund?*, *How does it make money for AK?*, *Where does the money go?*, *What is the Alaska Permanent Fund Corporation?*. The videos will explain financial and investment operations to the general public, so they can better understand how the Permanent Fund works and why it is beneficial and unique to the State of Alaska. The videos will be shared on APFC's social media platforms, our website and added to a developing educational toolkit.

▪ **APFC Corporate Video**

On-Hold. APFC embarked on exciting new projects this summer, an APFC corporate video together with Human Resources recruitment vignettes. These videos will tell the story of the Permanent Fund and the Corporation - where APFC is now and how the Fund is managed by professionals whose investment strategies benefit the State of Alaska. They will emphasize the uniqueness of the Corporation's location and lifestyle, as well as highlight its global recognition as a sovereign wealth fund. Due to COVID precautions, filming was put on hold and will be rescheduled once it is safe to do so.

Communications Projects - continued

▪ **Alaskan's Guide to the Permanent Fund**

On Deck. This sought-after guide was last published in 2009, and much has changed since then. The 2020 update will provide Alaskans with a historical review of the Fund, an overview of the two-account structure, updated information on the POMV methodology for Fund distributions, and current uses of the Fund. It will also highlight the role of APFC's Board of Trustees and Staff in the investment and management of the Fund for the past 40 years. It is anticipated this project will be wrapped up this fall and available as both a printed and web-based publication.

▪ **Educational Tool Kit**

On Deck. In our ongoing effort to educate the Alaskan public and policymakers, we are developing a comprehensive tool kit. The kit will utilize print materials, Trustees Papers, web, and video assets. Content will be structured to share the history, structure, and use of the Alaska Permanent Fund and the role of APFC in managing and investing these precious financial resources. This will be compiled before the gaveling in of the 32nd Alaska State Legislature.

▪ **Newspaper Insert**

On Deck. This publication provides information on APFC's management of the Fund, education about the structure of the Fund, and highlights Board of Trustees initiatives, resolutions, and papers. This will be targeted for release in early January 2021. Financial statements are incorporated into the layout and fulfill the statutory requirements.

Alaska Statutes, Section 37.13.170. Reports and publications.

...The annual income statement and balance sheet of the fund shall be published in at least one newspaper in each judicial district...

▪ **Enhancing APFC's Digital Communications and Social Media Presence**

Ongoing. Social media provides the opportunity to advance APFC's goals and objectives in educating our stakeholders about the Fund and APFC. Facebook and LinkedIn are the two social media platforms that APFC currently utilizes. APFC's website also provides a wealth of information, resources, and opportunity to share the work we do with fellow Alaskans and our global audience.

▪ **Crisis Communications Planning**

Ongoing. Work has been done and remains to be done in the development of a matrix of potential crisis scenarios. This crisis plan will provide our APFC team with an established process/plan in the event of a crisis: how we would/should respond, what message we would need, and to which audience, among other critical details.

▪ **Communications Plan - Update**

On Deck. APFC's current plan was developed in 2016. The success of the 2016 plan is that APFC has an established uniform brand and a solid foundation to build upon for our integrated communications program. Work will be commencing this fall to update and revise the overall plan to affirm goals and develop effective, pro-active strategies to achieve them.



**Financial Report
June 30, 2020**

Fiscal Year 2020 Net Assets

Balances through June 30, 2020

(in millions)

Total assets	\$ 67,904.6
Less liabilities	(2,602.4)
Net assets	<u>65,302.2</u>
Fund Balances:	
Non-spendable	
Permanent Fund corpus—contributions and appropriations	46,618.8
Not in spendable form—unrealized appreciation on invested assets	<u>5,789.3</u>
Total non-spendable fund balance	52,408.1
Committed	
General Fund Commitment	3,091.5
Commitment to Principal	-
Current FY inflation proofing	-
Current FY AK Capital Income Fund	-
Committed fund balance	<u>3,091.5</u>
Assigned for future appropriations	
Realized earnings	8,378.3
Unrealized appreciation on invested assets	<u>1,424.3</u>
Total assigned fund balance	9,802.6
Total fund balances	<u>\$ 65,302.2</u>

Fiscal Year 2020 Income

For the twelve months ending June 30, 2020

(in millions)

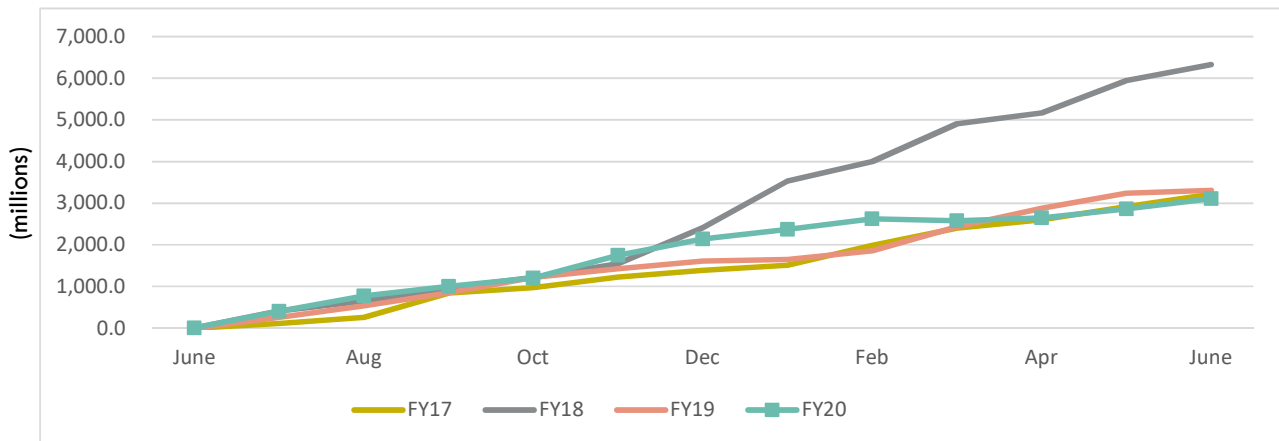
Statutory (Realized) Net Income

Interest, dividends, real estate, and other income	\$ 1,402.9
Realized gains on the sale of invested assets	1,851.8
Less operating expenses/legislative appropriations	(128.2)
Less Alaska Capital Income Fund committed realized earnings	(20.5)
Statutory net income	<u>3,106.0</u>

GAAP (Accounting) Net Income

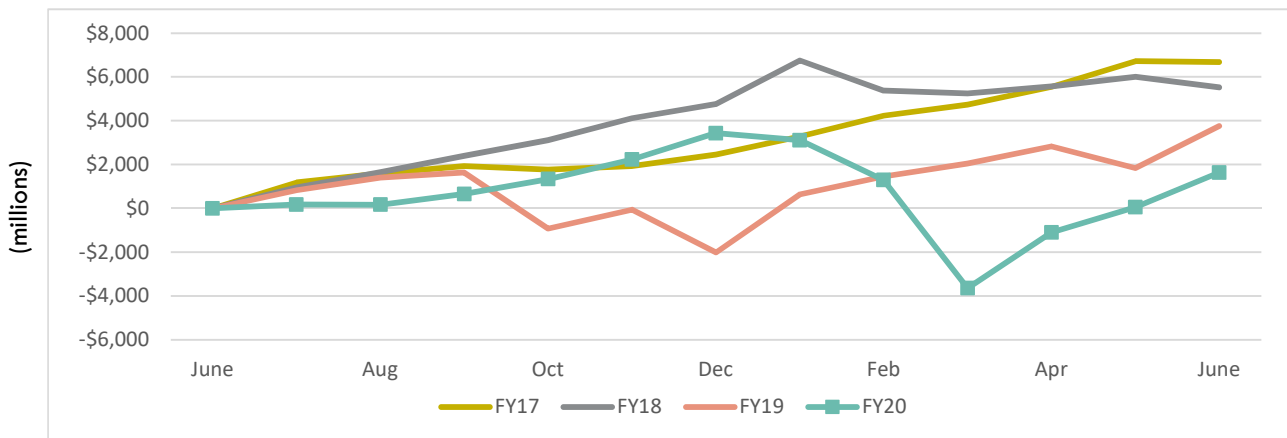
Statutory net income	3,106.0
Unrealized loss on invested assets	(1,490.0)
Alaska Capital Income Fund committed realized earnings	20.5
Accounting net income	<u>\$ 1,636.5</u>

Statutory Net Income, Fiscal Years 2017 - 2020



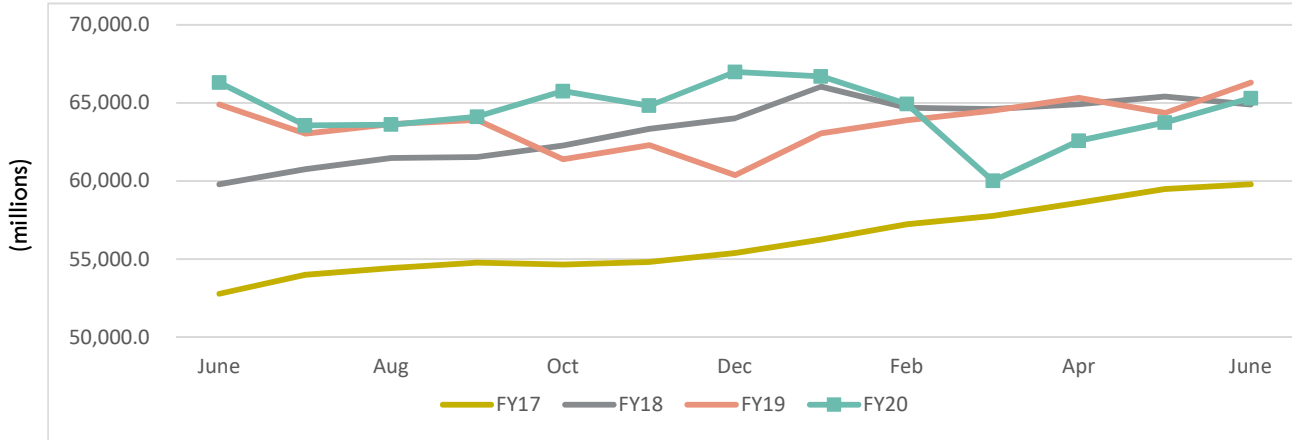
- Comprised of receipts from interest on fixed income, real estate rentals, stock dividends, and all realized gains and losses on the sales of invested assets, less AK Capital Income Fund committed amounts and operating expenses.
- FY17 statutory net income was \$3,214.2 million.
- FY18 statutory net income was \$6,324.4 million.
- FY19 statutory net income was \$3,305.1 million.
- FY20 statutory net income was \$3,106.0 million.

GAAP Accounting Net Income (Loss), Fiscal Years 2017 - 2020



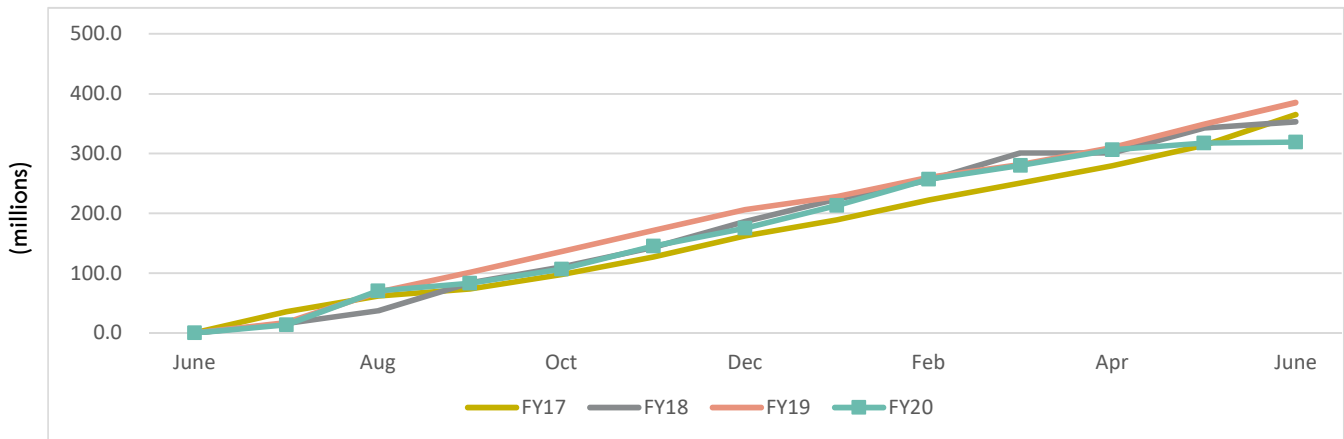
- Accounting net income is the same as statutory net income, except it includes unrealized gains and losses.
- Accounting net income for FY17 was \$6,675.6 million.
- Accounting net income for FY18 was \$5,525.5 million.
- Accounting net income for FY19 was \$3,765.8 million.
- Accounting net income for FY20 was \$1,636.5 million.

Market Value of Fund Net Assets, Fiscal Years 2017 - 2020



- FY17 net assets as of June 2017 were \$59.8 billion, basically unchanged from the FY16 ending balance.
- FY18 net assets as of June 2018 were \$64.9 billion, an increase of \$5.1 billion over the FY17 ending balance.
- FY19 net assets as of June 2019 were \$66.3 billion, an increase of \$1.4 billion over the FY18 ending balance.
- FY20 net assets as of June 2020 were \$65.3 billion, a decrease of \$1.0 billion from the FY19 ending balance.

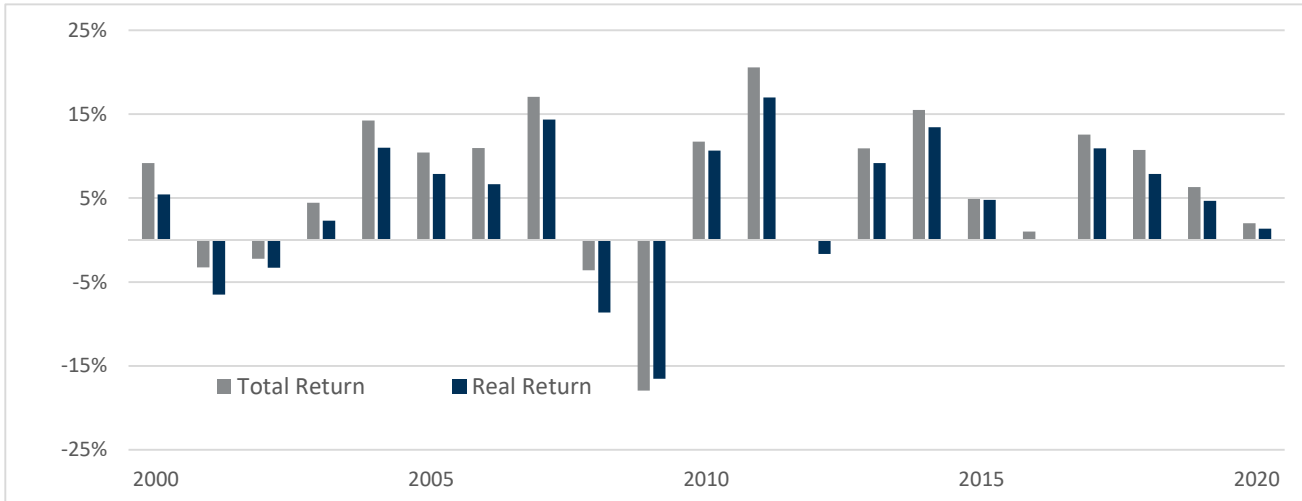
Dedicated Mineral Revenues, Fiscal Years 2017 - 2020



- FY17 mineral revenue was \$364.9 million.
- FY18 mineral revenue was \$353.1 million.
- FY19 mineral revenue was \$385.2 million.
- FY20 mineral revenue was \$319.0 million.

Alaska Permanent Fund Historical Returns, Fiscal Years 2000 - 2020

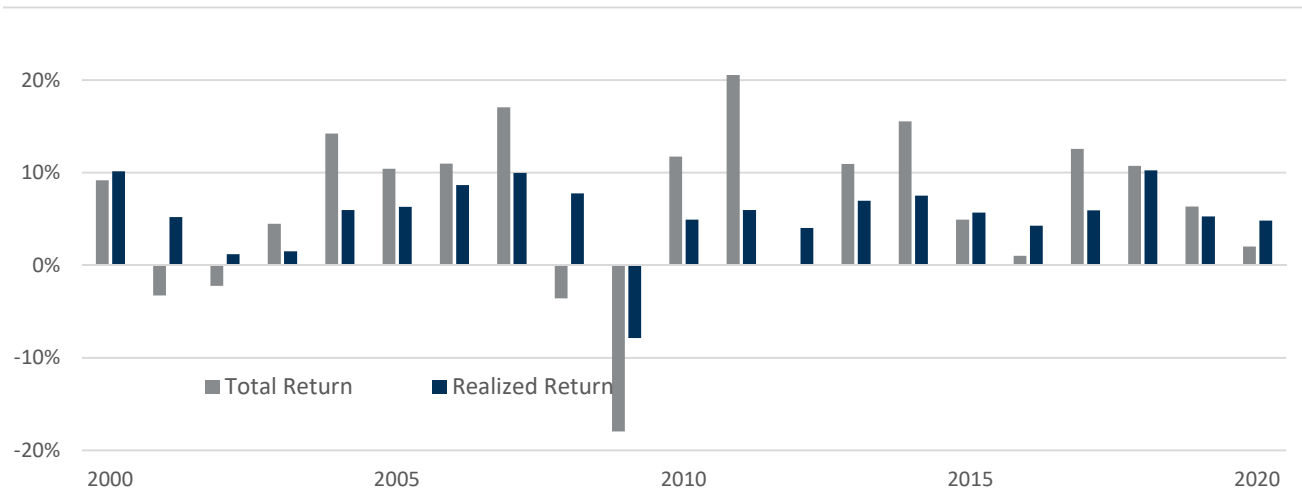
Total return minus inflation equals real return



- Total return annualized over 36 years is 8.68%
- Real return annualized over 36 years is 6.14%

Alaska Permanent Fund Historical Returns, Fiscal Year 2000 - 2020

Total return minus unrealized gains/losses equals realized return



- Total return annualized over 36 years is 8.68%
- Realized return annualized over 36 years is 7.43%

Board of Trustees - APFC Transfers - April 1 to June 30, 2020

<u>Type of Transfer</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>Total</u>
Public Equities	49,069,692	(425,981,062)	(311,171,512)	(688,082,882)
Fixed Income Plus	(249,528)	(432,219)	386,953,867	386,272,120
Private Equity & Special Opportunities	135,973,942	(43,099,162)	(14,158,059)	78,716,721
Real Estate	14,493,402	(4,270,798)	(4,069,819)	6,152,785
Infrastructure & Private Income	(76,442,214)	6,860,244	(6,477,571)	(76,059,541)
Absolute Return	(152,397,453)	(200,000,000)	(5,418,474)	(357,815,927)
Asset Allocation	(200,030,873)	649,999,832	1,327,764,085	1,777,733,044
Operating Cash	(24,157,070)	23,153,901	(1,389,036,951)	(1,390,040,121)
Net Transfers	(253,740,103)	6,230,736	(15,614,434)	(263,123,801)

Board of Trustees - APFC Transfers - April 2020

Description	Operating Cash	Public Equities	Fixed Income Plus	Pvt. Equity & Spec. Opps.	Real Estate	Infr. & Pvt. Income	Absolute Return	Asset Allocation	Net
State of Alaska & Administrative									
Mineral revenue	25,571,921								25,571,921
Securities Lending income	2,838,313								2,838,313
Class action proceeds	99								99
Appropriation to SOA GF from ERA	(283,084,121)								(283,084,121)
AMHT Transfer to APF	9,300,000								9,300,000
Corporate expenses	(8,366,315)								(8,366,315)
Public Equities									
SSGA MSCI World	(107,135)	107,135							-
APF Tactical Tilts	(171,764,823)	171,764,823							-
APF Tac Tilts Cash	121,764,823	(121,764,823)							-
SSGA International	9,000	(9,000)							-
Public EQ Sec Lend	1,028,443	(1,028,443)							-
Fixed Income Plus									
APF Global Fixed Income	(55,527,720)		55,527,720						-
APF China Bond Market	55,527,720		(55,527,720)						-
APF TBA Collateral	(604)		604						-
SSGA Listed Infrastructure	34,300,000		(34,300,000)						-
SSGA REITs	(11,992,865)		11,992,865						-
APF Fixed Income Plus Cash	(22,200,000)		22,200,000						-
Fixed Income Sec Lending	142,996		(142,996)						-
Private Equity & Special Opportunities									
Private Equity distributions	59,964,930			(59,964,930)					-
Private Equity capital calls	(174,026,265)			174,026,265					-
Special Opportunities distributions	21,146,519			(21,146,519)					-
Special Opportunities capital calls	(43,059,127)			43,059,127					-
Real Estate									
Direct Real Estate distributions	1,800,083				(1,800,083)				-
Direct Real Estate capital calls	(2,429,899)				2,429,899				-
Real Estate Coinvestment capital call	(13,863,586)				13,863,586				-
Infrastructure, Private Credit & Private Income									
Infrastructure distributions	102,635,035					(102,635,035)			-
Infrastructure capital calls	(13,880,713)					13,880,713			-
Private Credit distributions	16,390,038					(16,390,038)			-
Private Credit capital calls	(44,719,300)					44,719,300			-
Private Income distributions	20,908,418					(20,908,418)			-
Private Income capital calls	(4,891,263)					4,891,263			-
Absolute Return									
Absolute Return distributions	152,397,453						(152,397,453)		-
Asset Allocation, Other									
APF Internal Cash	100,000,000							(100,000,000)	-
PanAgora	100,000,000							(100,000,000)	-
NISA Margin	5,169							(5,169)	-
APF NISA Overlay	25,704							(25,704)	-
Net Transfers - April	(24,157,070)	49,069,692	(249,528)	135,973,942	14,493,402	(76,442,214)	(152,397,453)	(200,030,873)	(253,740,103)

Board of Trustees - APFC Transfers - May 2020

Description	Operating Cash	Public Equities	Fixed Income Plus	Pvt. Equity & Spec. Opps.	Real Estate	Infr. & Pvt. Income	Absolute Return	Asset Allocation	Net
State of Alaska & Administrative									
Mineral revenue	17,230,490								17,230,490
AIM STIF interest	25,376								25,376
Securities Lending income	1,224,471								1,224,471
Class action proceeds	2,427								2,427
Corporate expenses	(12,252,028)								(12,252,028)
Public Equities									
APF Tactical Tilts	450,785,748	(450,785,748)							-
APF Tac Tilts Cash	(25,785,748)	25,785,748							-
Public EQ Sec Lend	981,062	(981,062)							-
Fixed Income Plus									
APF Global Fixed Income	9,037,184		(9,037,184)						-
APF China Bond Market	(9,037,184)		9,037,184						-
APF TBA Collateral	269,748		(269,748)						-
Fixed Income Sec Lending	162,471		(162,471)						-
Private Equity & Special Opportunities									
Private Equity distributions	67,186,895			(67,186,895)					-
Private Equity capital calls	(40,449,614)			40,449,614					-
Special Opportunities distributions	20,724,436			(20,724,436)					-
Special Opportunities capital calls	(4,362,555)			4,362,555					-
Real Estate									
Direct Real Estate distributions	4,724,298				(4,724,298)				-
Direct Real Estate capital calls	(453,500)				453,500				-
Infrastructure, Private Credit & Private Income									
Private Credit distributions	7,329,169					(7,329,169)			-
Private Credit capital calls	(1,625,000)					1,625,000			-
Private Income distributions	819,252					(819,252)			-
Private Income capital calls	(13,383,665)					13,383,665			-
Absolute Return									
Absolute Return distributions	200,000,000						(200,000,000)		-
Asset Allocation, Other									
APF Internal Cash	(650,000,000)							650,000,000	-
BlackRock Market Adv	56							(56)	-
PanAgora	111							(111)	-
Net Transfers - May	23,153,901	(425,981,062)	(432,219)	(43,099,162)	(4,270,798)	6,860,244	(200,000,000)	649,999,832	6,230,736

Board of Trustees - APFC Transfers - June 2020

Description	Operating Cash	Public Equities	Fixed Income Plus	Pvt. Equity & Spec. Opps.	Real Estate	Infr. & Pvt. Income	Absolute Return	Asset Allocation	Net
State of Alaska & Administrative									
Mineral revenue	9,732,720								9,732,720
AIM STIF interest	26,646								26,646
Securities Lending income	43,142								43,142
Class action proceeds	4,507								4,507
Appropriation to SOA GF from ERA	(22,756,600)								(22,756,600)
Corporate expenses	(2,664,849)								(2,664,849)
Public Equities									
APF Tactical Tilts	460,739,341	(460,739,341)							-
APF Global EQ	(262,548)	262,548							-
APF Tac Tilts Cash	(150,739,341)	150,739,341							-
McKinley Capital Management	262,548	(262,548)							-
Public EQ Sec Lend	1,075,797	(1,075,797)							-
International Transition	95,720	(95,720)							-
Fixed Income Plus									
APF - Domestic Structured	(600,000,000)		600,000,000						-
Rogge Global Partners	5,429,000		(5,429,000)						-
Rogge Global Partners CNY	(5,429,000)		5,429,000						-
APF TBA Collateral	(116,955)		116,955						-
Capital Guardian HY EM Gov't	26,196		(26,196)						-
SSGA Listed Infrastructure	74,490,000		(74,490,000)						-
Cohen & Steers Listed Infrastructure	177,814,508		(177,814,508)						-
SSGA REITs	149,900,000		(149,900,000)						-
AEW Global RE securities	24,887,411		(24,887,411)						-
APF Fixed Income Plus Cash	(214,099,282)		214,099,282						-
Fixed Income Sec Lending	144,256		(144,256)						-
Private Equity & Special Opportunities									
Private Equity distributions	45,497,624			(45,497,624)					-
Private Equity capital calls	(38,543,401)			38,543,401					-
Special Opportunities distributions	108,902,546			(108,902,546)					-
Special Opportunities capital calls	(101,698,711)			101,698,711					-
Real Estate									
Direct Real Estate distributions	6,873,201				(6,873,201)				-
Direct Real Estate capital calls	(1,631,542)				1,631,542				-
Real Estate Coinvestment distributions	2,993,482				(2,993,482)				-
Real Estate Coinvestment capital call	(4,165,322)				4,165,322				-
Infrastructure, Private Credit & Private Income									
Private Credit distributions	24,528,424					(24,528,424)			-
Private Credit capital calls	(22,332,741)					22,332,741			-
Private Income distributions	27,448,248					(27,448,248)			-
Private Income capital calls	(23,166,361)					23,166,361			-
Absolute Return									
Absolute Return distributions	5,493,227						(5,493,227)		-
Absolute Return capital calls	(74,753)						74,753		-
Asset Allocation, Other									
Adrian Lee FX	1,828,799							(1,828,799)	-
APF Internal Cash	(1,272,391,919)							1,272,391,919	-
APF NISA Overlay	(57,200,966)							57,200,966	-
Net Transfers - June	(1,389,036,951)	(311,171,512)	386,953,867	(14,158,059)	(4,069,819)	(6,477,571)	(5,418,474)	1,327,764,085	(15,614,434)

ALASKA PERMANENT FUND FUND FINANCIAL HISTORY & PROJECTIONS as of June 30, 2020

Projections extend ten years, and are based on best available information (\$ in millions)

FY	Nonspendable Fund Balance - Principal							Assigned Fund Balance - Earnings Reserve Distributions							TOTAL FUND FY-End Balance		
	FY-Begin Contrib. Balance	Dedicated ⁽¹⁾ State Revenues	Inflation Proofing & Special Approp.	FY-End Balance Contributions	Unrealized Gain (Loss) FY-End Balance	FY-End Nonspendable Balance	Acct. Net Income ⁽²⁾	Statutory Net Income ⁽³⁾	Div/POMV Transfer ⁽⁹⁾	Inflation Prfg & Spec Approp.	FY-End Balance Realized	ACIF	Unrealized Gain (Loss) FY-End Balance	FY-End Assigned Balance			
																FY	
77-10	0	11,868	19,756	31,624	421	32,045	34,847	36,637	18,385	16,458	421	1,194	16	1,210	77-10	33,255	
11	31,624	887	533	33,044	4,788	37,833	6,812	2,143 ⁽⁸⁾	801	533	13 ⁽⁵⁾	2,016	292	2,308	11	40,141	
12	33,044	915	1,073	35,033	3,220	38,253	(100)	1,568	605	1,073	17	1,905	175	2,081	12	40,333	
13	35,033	840	743	36,615	4,184	40,800	4,314	2,928	604	743	30	3,487	567	4,054	13	44,854	
14	36,615	779	546	37,941	7,062	45,002	6,848	3,531	1,235	546	32	5,237	975	6,212	14	51,214	
15	37,941	600	624	39,165	6,473	45,638	2,384	2,907	1,373	624	24	6,147	1,016	7,163	15	52,801	
16	39,165	284	0	39,449	4,750	44,199	398	2,198	696 ⁽⁷⁾	0 ⁽⁸⁾	18	7,649	921	8,571	16	52,770	
17	39,449	365	0	39,814	7,155	46,969	6,676	3,214	0	0 ⁽⁸⁾	25	10,863	1,952	12,816	17	59,785	
18	39,814	353	0	40,167	5,863	46,030	5,526	6,324	726	0 ⁽⁸⁾	43	16,461	2,403	18,864	18	64,894	
19	40,167	385	989	41,541	6,278	47,820	3,766	3,305	2,723	989	22	16,053	2,426	18,481	19	66,300	
20	41,541	319	4,758 ⁽¹⁰⁾	46,618	5,790	52,408	1,081	3,106	2,933	4,758 ⁽¹⁰⁾	21	11,468	1,424	12,894	20	65,302	
21	46,618	213	0	46,831	5,243	52,074	4,304	4,274	3,091	0 ⁽⁸⁾	30	12,651	1,416	14,069	21	66,143	
22	46,831	226	1,059	48,116	5,255	53,371	4,359	4,330	3,069	1,059	30	12,852	1,404	14,258	22	67,629	
23	48,116	230	1,088	49,434	5,274	54,708	4,454	4,424	3,203	1,088	30	12,985	1,385	14,373	23	69,080	
24	49,434	241	1,118	50,793	5,293	56,086	4,548	4,518	3,281	1,118	30	13,104	1,366	14,472	24	70,558	
25	50,793	264	1,149	52,205	5,311	57,516	4,646	4,616	3,323	1,149	30	13,248	1,348	14,598	25	72,115	
26	52,205	288	1,181	53,675	5,327	59,002	4,749	4,719	3,366	1,181	30	13,420	1,332	14,754	26	73,756	
27	53,675	317	1,215	55,206	5,343	60,549	4,857	4,827	3,434	1,215	30	13,598	1,316	14,916	27	75,465	
28	55,206	347	1,250	56,803	5,359	62,162	4,969	4,939	3,510	1,250	30	13,777	1,300	15,079	28	77,241	
29	56,803	380	1,287	58,469	5,366	63,836	5,211	5,182	3,589	1,287	30	14,084	1,293	15,378	29	79,214	
Cumulative Totals																	
Proj. for FY20-FY29							2,825	14,104									
							43,177	44,934	32,800	14,104	288						

Assumptions:	Total Return - Inflation = Total Real Return			Statutory Return
FY20 ⁽³⁾	2.01%	1.81%	0.20%	6.55%
FY21-FY29 ⁽⁴⁾	7.00%	2.25%	4.75%	7.00%

Notes related to financial history and projections:

⁽¹⁾ Dedicated State Revenues in current and future fiscal years are based on the Spring 2020 Department of Revenue forecast.

⁽²⁾ Accounting net income is based on United States Generally Accepted Accounting Principles (GAAP).

⁽³⁾ Current year returns and inflation are based on 2019 Callan capital market assumptions. Actual results will vary.

⁽⁴⁾ Future returns are based on 2019 Callan capital market assumptions and median expected returns (the mid case). Actual results will vary.

⁽⁵⁾ During FY 2009, the ACIF realized losses of \$33.3 million, which are excluded from statutory net income, and are included in the ending unreserved balance as a deficit account. During FY 2010 and FY 2011, the ACIF had realized income of \$20.8 and \$25.3 million, which is excluded from statutory net income, and served to reduce the FY 2009 deficit.

⁽⁶⁾ The statutory inflation calculation for FY 2010 was -.36%; therefore, there was no inflation proofing transfer during FY 2010.

⁽⁷⁾ The dividend transfer reported for FY16 was paid out in dividends during FY17.

⁽⁸⁾ There was no appropriation for inflation proofing in FY16, FY17, FY18 and FY21.

⁽⁹⁾ Per AS 37.13.140, beginning in FY19, transfers are based on a percent of market value (POMV) calculation and are to the General Fund. In previous years, transfers were based on an earnings calculation and were to the Dividend Fund.

⁽¹⁰⁾ In FY20, an additional \$4 billion was appropriated from the ERA to principal. The intent of the legislation is to forward fund inflation proofing.

⁽¹¹⁾ All transfers out of the Earnings Reserve are subject to Legislative appropriation

FY20 POMV Distribution (actual) ⁽¹¹⁾		FY20 Statutory Dividend Transfer (actual) ⁽¹¹⁾	
Ending Fund Value (ex Am Hess)		Statutory Net Income	
FY18	\$ 64,469.9	FY19	\$ 3,305.0
FY17	59,360.8	FY18	6,324.4
FY16	52,345.1	FY17	3,214.2
FY15	52,376.1	FY16	2,198.0
FY14	50,789.5	FY15	2,907.0
Average Value \$ 55,868.3		Avail for Dist (21%) \$ 3,769.2	
Statutory Distribution	\$ 2,933.1	Statutory Trnsfr Amt	\$ 1,884.6

FY21 POMV Distribution (actual) ⁽¹¹⁾		FY21 Statutory Dividend Transfer (actual) ⁽¹¹⁾	
Ending Fund Value (ex Am Hess)		Statutory Net Income	
FY19	\$ 65,875.8	FY20	\$ 3,106.0
FY18	64,469.9	FY19	3,305.0
FY17	59,360.8	FY18	6,324.4
FY16	52,345.1	FY17	3,214.2
FY15	52,376.1	FY16	2,198.0
Average Value \$ 58,885.5		Avail for Dist (21%) \$ 3,811.0	
Statutory Distribution	\$ 3,091.5	Statutory Trnsfr Amt	\$ 1,905.5

Income Year-to-Date as of June 30, 2020

FY20 YTD Statutory Net Income	
Interest, dividends, real estate & other income	\$ 1,402.9
Realized gains (losses) on the sale of assets	1,851.8
Less operating expenses	(128.2)
Less AK Capital Inc. Fund realized earnings	(20.5)
	\$ 3,106.0

FY20 YTD Accounting (GAAP) Net Income	
Statutory net income (loss)	\$ 3,106.0
Unrealized gains (losses) on invested assets	(1,490.0)
AK Capital Income Fund realized earnings	20.5
Accounting (GAAP) net income (loss)	\$ 1,636.5



FYTD 2020 Fees & Expenses by Funding Source*

Report Date	June 30, 2020
Total Fund Balance	65,837,081,396
YTD Change in Total Fund Balance (Net of Transfers)	(4,302,839,000)

Investment Management Fees

	Paid From Investments	Paid from Investment Management Allocation	Paid from Operations Allocation	Total
Public Equity	2,734,000	49,113,463	1,965,000	53,812,463
Fixed Income Plus	58,000	10,549,000	4,271,000	14,878,000
Absolute Return	51,296,000	1,369,000	844,000	53,509,000
Asset Allocation**	2,998,000	1,384,000	0	4,382,000
Private Equity & Special Opps	109,178,000	21,465,000	3,226,000	133,869,000
Infrastructure & Private Income	76,738,000	3,062,000	1,688,000	81,488,000
Real Estate	33,083,000	5,365,000	2,859,000	41,307,000
Total Mgmt Fees by Source	276,085,000	92,307,463	14,853,000	383,245,463
Basis Points	42	14	2	58

Profit Sharing/Performance

	Paid From Investments	Paid from Investment Management Allocation	Paid from Operations Allocation	Total
Public Equity	0	13,986,537	0	13,986,537
Fixed Income Plus	0	0	0	0
Absolute Return	17,436,000	0	0	17,436,000
Asset Allocation	0	0	0	0
Private Equity & Special Opps	109,088,000	0	0	109,088,000
Infrastructure & Private Income	95,646,000	0	0	95,646,000
Real Estate	113,000	0	0	113,000
	222,283,000	13,986,537	0	236,269,537

* All amounts presented, including fund balance and change net of transfers, consist of both APF and AMHT combined.

**Operating expenses related to Asset Allocation are spread across the other asset classes.



Budget-to-Actual Report: July 1, 2019 through June 30, 2020

<u>Corporate Operations</u>	Board-authorized Budget	Expenditures	Remaining Budget
Personal Services	\$ 11,861,201	\$ 10,375,740	\$ 1,485,461
Staff	11,843,781	10,366,048	1,477,733
Board: Honoraria	17,420	9,692	7,728
Travel	929,000	429,269	499,731
Staff	671,877	362,965	308,912
Trustees	45,623	18,342	27,281
Moving/Non-Employee	211,500	47,962	163,538
Contractual Services	4,174,899	3,140,089	1,034,810
Audit, Legal, Consulting	435,683	545,067	(109,384)
Public Communications	146,500	146,498	2
Board Support and Meetings	56,350	52,668	3,682
Information Technology	2,361,564	1,582,604	778,960
HR and Recruitment	62,824	57,192	5,632
Training/Education	186,620	62,589	124,031
Office Support	925,358	693,471	231,887
Commodities	435,300	307,910	127,390
Equipment	400,000	368,316	31,684
Corporate Operations Total	\$ 17,800,400	\$ 14,621,323	\$ 3,179,077
Investment Management			
Investment Systems	\$ 5,300,415	\$ 4,843,720	\$ 456,694.52
Investment Due Diligence	7,178,200	4,073,397	\$ 3,104,803.31
Custody Fees	1,500,000	1,342,972	\$ 157,028.29
Investment Manager Fees	136,520,085	95,345,259	\$ 41,174,825.65
Public Equities	82,493,617	61,935,759	\$ 20,557,858.21
Fixed Income	13,116,245	12,184,289	\$ 931,956.14
Alternative Assets	40,910,223	21,225,212	\$ 19,685,011.30
Investment Management Total	\$ 150,498,700	\$ 105,605,348	\$ 44,893,352
Legislative Appropriation	\$ 8,848,200	\$ 7,792,162	\$ 1,056,038
Capital Project: Renovation	\$ 4,050,000	\$ 3,676,156	\$ 373,844
Total Appropriation	\$ 181,197,300	\$ 131,694,989	\$ 49,502,311



APFC

ALASKA PERMANENT
FUND CORPORATION

CIO Report
Marcus Frampton, Chief Investment Officer
September 23, 2020



1. Investment Department Current Topics

Investment Department Current Topics

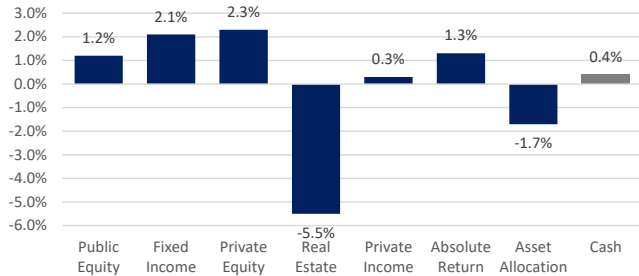
- Current Positioning and Views on Current Market Conditions
- Recent Performance
- Investment Policy Proposed Amendment – Gold
- COVID-19 Impact on Due Diligence and Portfolio
- Personnel Developments – Departures, New Hires, and Open Positions
- Investment Process
- Liquidity



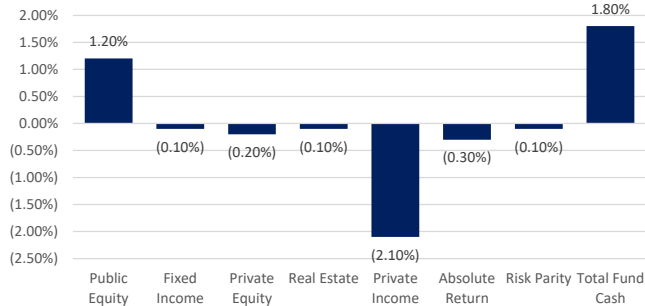
2. Summary Update on Asset Classes and Fund Positioning

Total Fund Positioning as of Month-end August

Asset Allocation vs. Target (4/30/20) ⁽¹⁾



Asset Allocation vs. Target (8/31/20) ⁽¹⁾

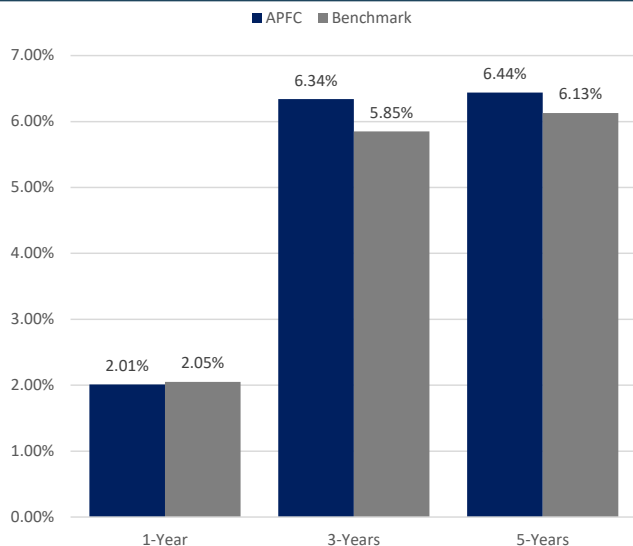


- The Fund’s positioning at the end of April (presented at the May Board meeting) featured a large underweight to Real Estate with 1-2% overweights to most other asset classes – reflecting a desire to maintain a balanced posture vs. the benchmark while not being able to rapidly change private exposures (such as Real Estate)
- With the change to our Investment Policy effective July 1, 2020; and reset of benchmarks, we are now running closer to target on all asset classes
 - Going forward, Investment Team is focused on growing Real Estate exposures to long-term target of 12% of the total Fund and Private Equity & Special Opportunities to long-term target of 19% of the total Fund
 - As equity markets have continued to climb higher over the Summer and into the Fall, most of the Investment Team’s rebalancing activities have been around trimming equities and redeploying capital into Fixed Income, Cash, and Absolute Return
 - After a large secondary sale transaction that closed in June, Private Income’s underweight is the most material deviation from benchmark weights today

Total Fund Performance

- Each basis point of performance reflects a dollar value of \$6.5-7.0 million

Total Fund Performance vs. Benchmark



FY 2020 Total Fund Performance Attribution

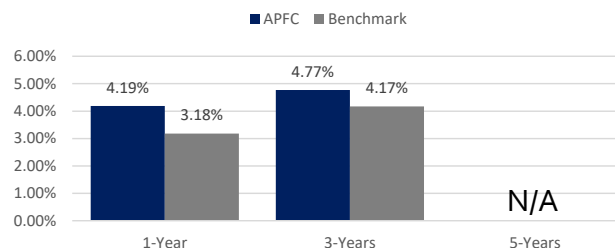
	FY 2020	FY 2020	
	Target Allocation	Return	Benchmark
Public Equity	37%	0.41%	1.17%
Fixed Income	20%	4.19%	3.18%
Private Equity	13%	1.94%	2.12%
Real Estate	12%	(0.16%)	5.28%
Private Income	8%	(0.39%)	(7.73%)
Absolute Return	5%	1.46%	(0.54%)
Asset Allocation ⁽¹⁾	5%	(0.25%)	2.00%
Total Fund		2.01%	2.05%
Explained by Asset Classes Performance ⁽²⁾			(0.18%)
Impact of Real Estate Underweight vs. Benchmark ⁽³⁾			(0.21%)
<u>Explained by Fund Positioning Other than Real Estate ⁽⁴⁾</u>			0.35%
<u>Total Performance vs. Benchmark</u>			(0.04%)

- On July 1, Asset Allocation was divided into its two components: (i) Total Fund Cash and (ii) Risk Parity.
- Calculated as each asset class' return vs. benchmark multiplied by target allocation as a % of the Fund.
- NCREIF return of 5.28% minus 2.05% multiplied by 6.5% underweight to Real Estate.
- Plug vs. Total Performance vs. Benchmark which implies value added or lost via tactical positioning.

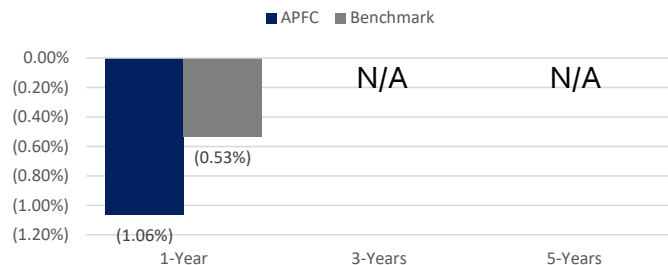
Risk Parity / Real Estate / Fixed Income

- At this Board meeting, Trustees will hear directly from Investment Directors at APFC responsible for Fixed Income, Risk Parity, and Real Estate
- Accordingly, comments here on recent performance and positioning will be brief with more detail on the other asset classes

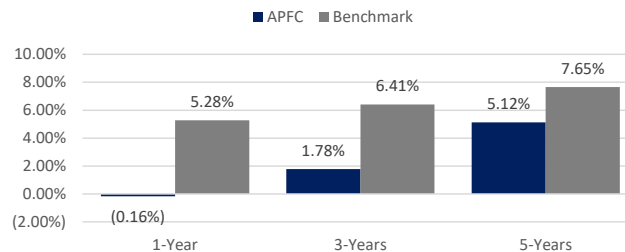
Fixed Income Performance – June 30, 2020



Risk Parity Performance – June 30, 2020

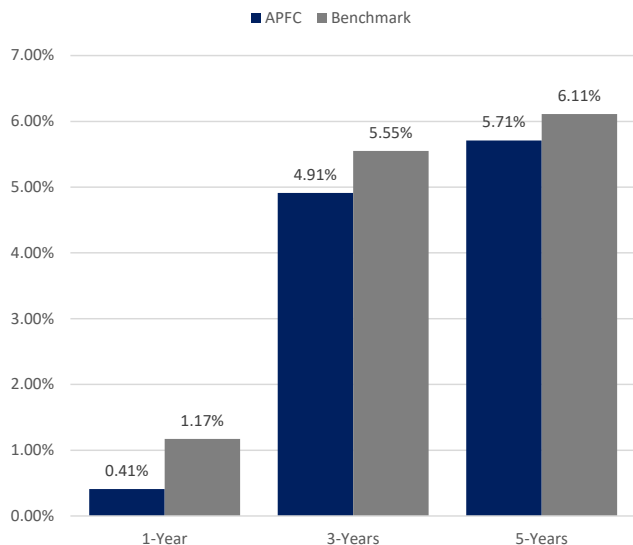


Real Estate Performance – June 30, 2020



Public Equity

Public Equity Performance – June 30, 2020



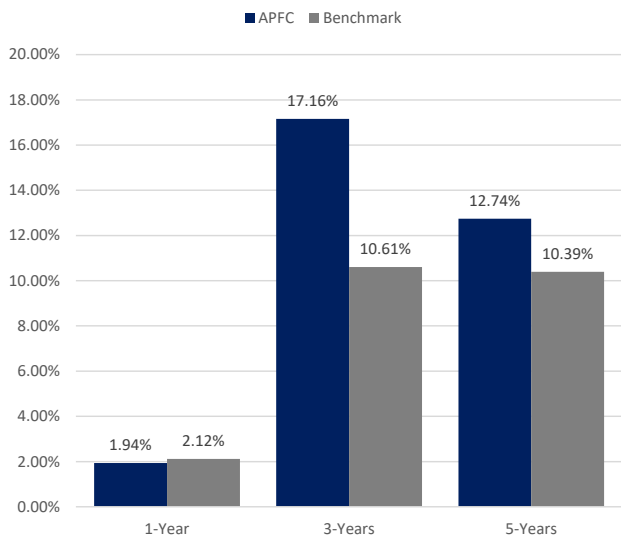
- Almost the entire current tracking error of ~200 bps for public equity portfolio today is allocated to a value tilt vs. the index; this positioning almost fully explains recent modest underperformance for the portfolio
- The variation of performance (and resultant valuation differential) between value and growth stocks has reached extreme levels in Staff's view; more extreme than in the late 1990's on many measures

Public Equities (Attribution)	Q4 (bps)	FY 2020 (bps)
Tactical Tilt	+44 bps	+162 bps
Active Managers	+158 bps	+26 bps
Factor-based Managers	-20 bps	-161 bps
Over/Underweight (size, style, regions)*	-64 bps*	-104 bps*
Excess Returns (bps)	+118 bps	-77 bps

*Plug figures
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Private Equity & Special Opportunities

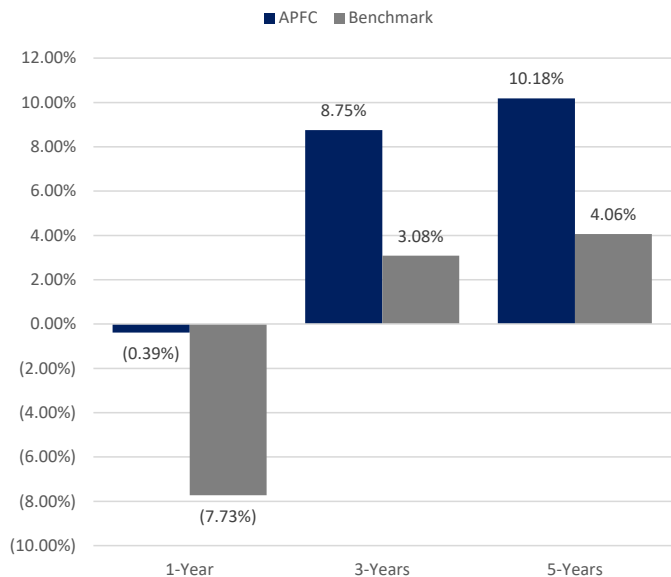
PESO Performance – June 30, 2020



- Last fiscal year ending June 30, 2020 (which is based on March 31 valuations) was a relatively subdued performance year for APFC's Private Equity and Special Opportunities portfolio
- Performance subsequent to March 31 has been particularly strong; with roughly 75% of partnerships reporting as of the end of August, portfolio appears poised to deliver a mid-teens return for calendar Q2 with an associated gain to the Fund in excess of \$1 billion
- Subsequent to June 30, the top 20 publicly-traded positions in the portfolio have generated ~\$750 million of gains as of late August
- APFC has one of the best-performing institutional private equity programs in the country; 10-year net return of 19% compares to 16.7% for the top-performing state pension fund in July 2020 American Investment Council Public Pension Fund study

Private Income

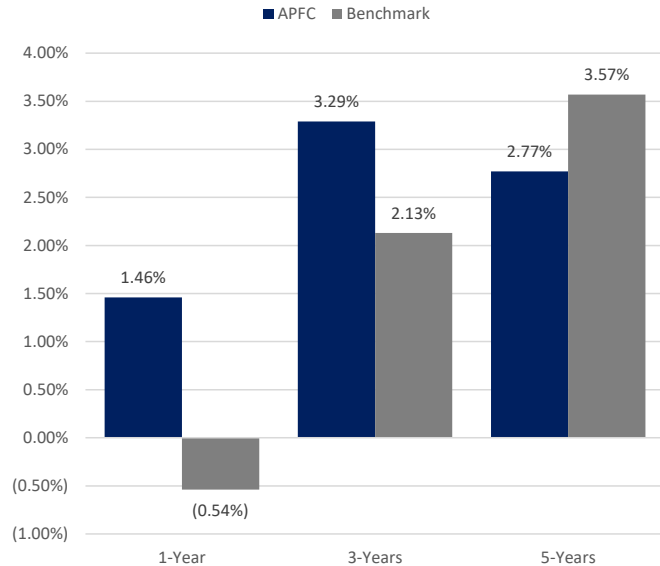
Private Income Performance – June 30, 2020



- APFC's Private Income portfolio continues to deliver above market returns and strong outperformance vs. benchmark
- Portfolio includes infrastructure, private credit and income opportunities investments
- Flat 9% target allocation to asset class results in planning targeted deployment of \$650 million per annum, a modest reduction from past several years
- Team closed a significant sale of infrastructure assets that closed in June
 - APFC realized Net IRR of 13.9% and 1.65x TVPI for sold interests
 - Transaction locked in attractive returns, de-risked portfolio, and created additional dry powder to re-deploy at attractive point in market cycle
- In Q1 exited a majority of the Fund's \$110 million investment in Generate Capital; investment sits at 22.9% IRR and 1.5x TVPI

Absolute Return

Absolute Return Performance – June 30, 2020



- Recent performance remains strong (1 and 3-year) with 5 year returns trailing benchmark reflecting poor performance prior to strategy change in late 2016
- Since inception annualized return of new direct strategy is 4.3% with a volatility of 4.0%; this represents an excellent risk adjusted return (Sharpe Ratio), however, Staff optimally would like to introduce more volatility and higher return into the portfolio's returns
- Current strategy mix is: 51% equity market neutral, 25% macro, 17% hedged event driven, 5% fixed income relative value, and 2% CTA
 - While we are comfortable with approximately half the portfolio in equity market neutral strategies, Staff is exploring pursuing more exposure in other strategies, most notably global macro



3. Report on Investment Actions for Quarter Ending March 31, 2020

Investment Actions

Quarter Ending June 30, 2020

Public Equity

- No external manager moves to report for the quarter
- In the quarter ending June 30; cash flows in and out of public equities were all moved through the Tactical Tilts portfolio within Global Equities

Contributions in April to Rebalance up to Target of 37%

April 1:	\$100 million
April 3:	\$100 million

Withdrawals in April – June to Rebalance back down to Target of 37%

April 17:	\$150 million
May 15:	\$425 million
June 3:	\$360 million

Contributions in Late June to Move Portfolio Up to New Target of 39% Effective July 1

June 25:	\$150 million
June 26:	\$250 million
June 29:	\$150 million

Investment Actions

Quarter Ending June 30, 2020

Fixed Income

- The composition of the Fixed Income portfolio changed significantly at the end of the fiscal year with the externally managed REIT and Listed Infrastructure mandates being removed and a new dedicated Structured Products portfolio added
- Removed – Global REITs portfolio managed by AEW and State Street (\$1.4 billion); Global Listed Infrastructure Portfolio managed by Cohen & Steers, Lazard and State Street (\$687 million)
- Added – Securitized Product \$1.4 billion
- After a review of conviction around the three active managers involved in the transfers (AEW, Cohen & Steers, and Lazard), Staff elected to retain AEW to manage a domestic REIT's account within Real Estate, to retain Lazard to manage a Global Listed Infrastructure account within Infrastructure, and Staff elected to terminate APFC's investments with Cohen & Steers

Absolute Return

- \$100 million redeemed from a global macro manager
- \$50 million redeemed from an equity market neutral manager
- \$200 million redeemed from a global macro manager

Investment Actions

Quarter Ending June 30, 2020

Private Equity & Special Opps

- **\$127 million of fund commitments closed in the quarter**
 - \$40 million to Spectrum IX
 - \$20 million to Summit Venture Capital V
 - \$42 million to Sequoia China Venture VIII/Growth VI
 - \$25 million to Sequoia US Venture XVII/Growth IX

Private Income

- **Exits and Redemptions**
 - \$637 million of Infrastructure investments sold and closed
 - \$188 million redemption requested from King Street (subject to lock-up)
- **\$100 million of fund commitments closed in the quarter**
 - \$50 million to Whitehorse Liquidity Partners IV
 - \$50 million to Audax Mezzanine V

Investment Actions

Quarter Ending June 30, 2020

Real Estate

- \$200 million commitment to Kayne Anderson Real Estate Opportunistic Debt (“KAROD”)
- On July 1, funded \$700 million domestic REIT account managed by AEW with an approximate 70% / 30% split between multi-family and industrial REIT’s, respectively

Risk Parity & Total Fund Cash

- **Risk Parity** – In March and April, Staff redeemed \$300 mm roughly equally from the Fund’s three risk parity managers in order to manage liquidity; in May Staff re-allocated \$300 million back into these three managers bringing the allocation to Risk Parity back up to target levels of 1%
- **Total Fund Cash**
 - During the quarter ended June 30, the Fund received net inflows of \$513 million from private markets; the largest driver of these flows was a large secondary sale transaction closed in late June
 - During the quarter ended June 30, the Fund transferred the final \$283 million to the State General Fund as part of the FY 2020 POMV appropriation
 - The Fund received \$53 million in DNR royalty proceeds during the quarter



APFC

ALASKA PERMANENT
FUND CORPORATION

Real Estate Update
Marcus Frampton & Tim Andreyka
September 23, 2020

Strategy Considerations & High Level Review

Executive Summary

- The Real Estate portfolio plays a unique and important role in APFC's investment portfolio – inflation-resistant cash yield that embodies characteristics of both debt and equity; lease payments, the contractual responsibilities of tenants, resemble fixed income obligations, while the property's residual value contains equity-like attributes
 - The APFC historically has pursued a strategy of holding high quality, generally Class A, properties on a direct basis
 - In recent years, the Investment team has also been active in funds; in 2018 three opportunistic funds were selected, more recently, open-ended funds and debt funds have been more of a focus
 - On July 1, 2020, APFC's Real Estate Investment Trust ("REIT") portfolio was moved from Fixed Income back to Real Estate
- APFC's Real Estate efforts in recent years have been negatively impacted by (i) sub-optimal sector positioning (overweight Retail, underweight Multi-Family), (ii) difficulty building up Multi-family and Industrial exposures given prevailing valuation environment, (iii) overall underweight to Real Estate asset class following material divestiture in 2018, and (iv) certain portfolio positions that, while appropriately-sized at ultimate 12% allocation and are not undue concentration risks for the overall Fund, are fairly large based on current sizing
- In the course of the past year, there has been a strategic dialogue around Real Estate with the Board of Trustees, which has led to the priorities and goals that will be articulated in the following pages
- On September 1, 2020, APFC's Director of Real Estate, Rose Duran, retired; Tim Andreyka who has been with APFC since 2015 with significant prior Real Estate at MetLife, Citibank, JMB, and Meridian is capably stepping into the Director of Real Estate Investments role on the portfolio and joining the presentation today

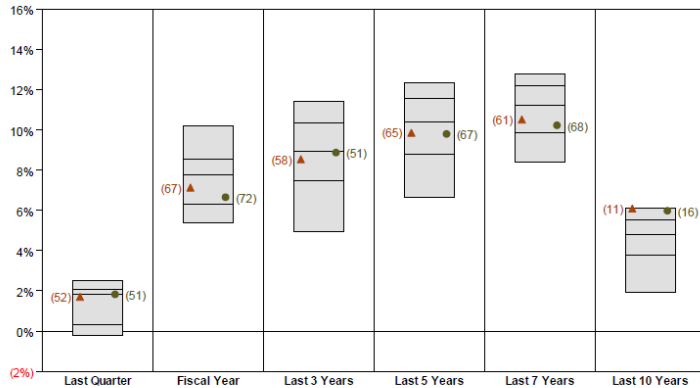
Key Strategic Considerations

- Following recent Board meetings, the following strategic considerations were identified
 1. How is the real estate staff evolving its approach in terms of investment strategy and its role in managing portfolios?
 2. Pacing / Investment schedule to arrive at ultimate 12% target allocation on a responsible timeframe (5 years contemplated in current Investment Policy)
 3. Path towards getting sector allocations closer to benchmark
 4. Evaluation of property-level concentration risk
 5. Continued dialogue around direct strategy vs. fund investment strategy
- This presentation will address current status of each of these points

Performance Context

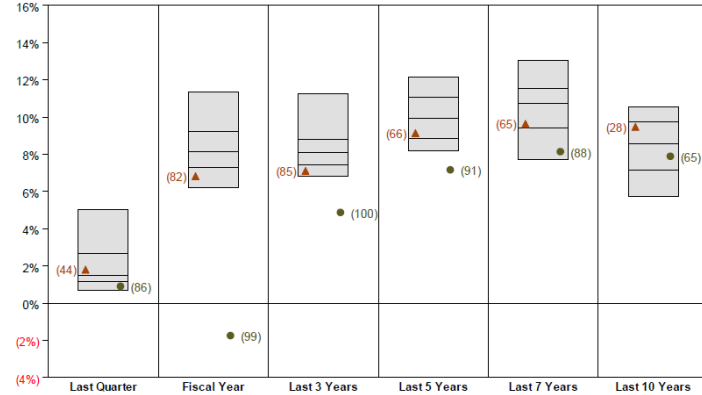
- Between June 2018 and June 2019, APFC's real estate performance (on a 10-year basis) dropped from near top-decile to around average; 1, 3, and 5-year returns have trended worse, however, longer-term measures are most appropriate
- In addition to sub-optimal sector mix, the Great Financial Crisis (when APFC's portfolio performed quite well, and groups focused on more private equity-style RE investing generally got hit hard) rolled out of the ten year numbers in 2019

Real Estate Callan Performance Report
June 30, 2018



10th Percentile	2.53	10.20	11.39	12.33	12.78	6.12
25th Percentile	2.08	8.54	10.33	11.57	12.20	5.51
Median	1.81	7.74	8.94	10.39	11.20	4.78
75th Percentile	0.30	6.31	7.45	8.78	9.84	3.76
90th Percentile	(0.22)	5.39	4.95	6.64	8.40	1.92
APFC Real Estate (NOF)	● 1.78	6.60	8.83	9.75	10.18	5.94
APFC Target	▲ 1.70	7.12	8.53	9.85	10.50	6.09

Real Estate Callan Performance Report
June 30, 2019



10th Percentile	5.05	11.34	11.27	12.13	13.04	10.57
25th Percentile	2.67	9.23	8.82	11.04	11.52	9.76
Median	1.48	8.12	8.08	9.95	10.73	8.59
75th Percentile	1.16	7.28	7.45	8.96	9.40	7.17
90th Percentile	0.68	6.19	6.80	8.20	7.73	5.76
Real Estate (NOF)	● 0.87	(1.78)	4.83	7.13	8.10	7.85
APFC Target	▲ 1.80	6.83	7.11	9.14	9.64	9.48

1. Investment Actions Taken Since February 2020 and Evolving Approach

- Following extensive discussions around Real Estate at the December 2019 and February 2020 Board of Trustees meetings, APFC staff went to work; the investments below add additional qualified third parties who will deliver deal flow and management capabilities
- Investments also represent a meaningful first step in (i) addressing the portfolio overweight to Retail, (ii) diversifying away from existing chunky asset exposures, and (iii) building toward the ultimate 12% target allocation for the asset class

Kayne Anderson

Capital Advisors, L.P.

- In March 2020, APFC committed \$200 million to Kayne Anderson Real Estate Debt Opportunities Fund
- Debt investments backed multi-family properties purchased at a discount on the open-market in the midst of the March COVID sell-off
- Over half of APFC's commitment was called shortly after closing



- On July 1, 2020, AEW began managing a \$700 million REIT strategy on behalf of APFC; this custom portfolio is weighted roughly 70% multi-family and 30% industrial to add immediate exposure to underrepresented sectors
- AEW is a longstanding REIT manager for APFC, however, previously was managing a diversified global REIT strategy within Fixed Income; this exposure has been replaced by the new domestic mandate focused on multi-family and industrial property types



- In July 2020, APFC closed on a \$250 million commitment to an opportunistic debt strategy managed by Mesa West Capital (a Morgan Stanley subsidiary), we expect the capital to be drawn over the next 12-18 months



- In August 2020, APFC closed on a \$100 million commitment to an open-ended Industrial/Logistics fund managed by Realterm Logistics
- We expect the capital to be drawn over the next 12-18 months

Other Investments

- APFC's real estate consultant, RCLCO, recently concluded an open-ended fund search focused on multi-family funds; Staff expects at least one of the recommended groups to end up with an allocation from APFC
- APFC has participated in several direct acquisition opportunities in past several months working both with existing separate account managers and at least one new relationship; the competitive deal market for high quality industrial and multi-family assets, however, has resulted in no completed, successful bids
- APFC is continuing to work with a third-party developer around "build-to-core" multi-family opportunities on existing APFC-controlled parcels; Staff is optimistic that at least one of these situations will move ahead to construction in the next twelve months

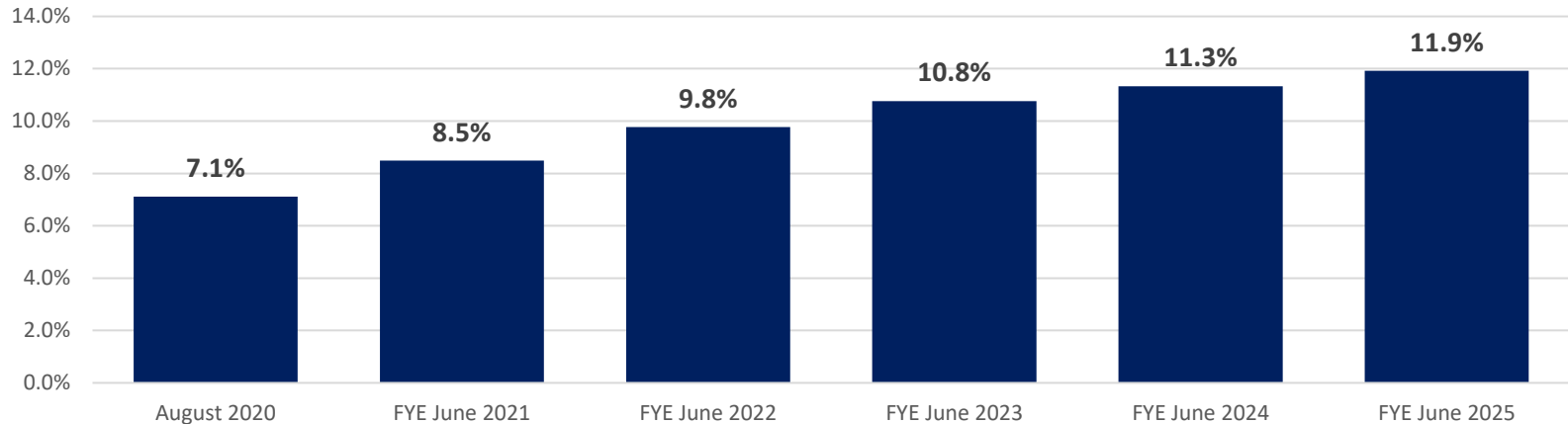
Investment mix going forward is anticipated to be a blend of REITs, open-ended funds, JV opportunities, REOC's, and directly-held property assets; APFC is continuing to grow our real estate manager relationships to assist with both new deal origination and asset management

2. Pacing / Investment Schedule to Arrive at Ultimate 12% Target Allocation

- Key Assumptions:

- REIT's maintained at 15% of total Real Estate portfolio (in-line with benchmark)
- In addition to investments summarized on prior page, a new \$300 million Multi-family open-ended fund commitment is closed in next 12 months
- Total APFC fund growth (net of POMV) of 2.0% annually
- NAV growth of private real estate holdings of 5.0% annually (except for retail assets)
- \$350 million annual deployment to private opportunities
- Absent changing market conditions and opportunity sets, in recognitions of lumpy nature of private real estate opportunities, Staff intends to manage Real Estate exposures close to target allocations going forward using deviations from the 15% REIT's assumption as tool to manage inevitable deviations along the way

(Real Estate Exposure as a % of Total APFC)



3. Path Towards Getting Sector Allocations Closer to Benchmark

- Key Assumptions:
 - Assumes REIT's are maintained at 15% of Total Real Estate portfolio with a 70% / 30% multi-family / industrial split; given liquid nature of REIT's assumption can be toggled significantly to further shape sector exposures
 - Assumes APFC ends FY 2025 with modest overweights to multi-family and industrial and an underweight to office; views on this tactical positioning likely will evolve over time
 - Assumes that sector mixes of sector agnostic funds will match NCREIF weights (actual results will likely differ, perhaps materially so)
 - Further detail included in Appendix to this presentation

	Aug-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	NCREIF
Multi-family	21.4%	24.8%	27.1%	28.4%	28.4%	28.4%	26.0%
Industrial	13.7%	15.7%	17.2%	17.6%	18.1%	18.6%	18.0%
Office	28.3%	28.4%	28.3%	29.2%	30.4%	31.5%	35.0%
Retail	35.0%	29.7%	26.0%	23.5%	21.9%	20.4%	20.0%
Hotel	1.6%	1.4%	1.3%	1.2%	1.2%	1.1%	1.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

4. Evaluation of Property Level Concentration Risk

- At APFC's February 2020 Board of Trustees meeting, a former member of APFC's IAG presented on the Fund's Real Estate strategy noting a concern about concentration in the portfolio
 - See page 288 of 575 in the February 2020 BOT Packet
 - Quoting from the presentation: "APFC portfolio has approximately 55 assets; one of the largest core-open ended funds (over \$40 billion in assets) has more than 160 assets and the top 5 positions are approximately 17% of the portfolio" (implication was that more like 20% portfolio concentration in top 5 assets was more appropriate)
- As indicated in the table to the right, growth in the overall real estate portfolio as we build back up to 12% total allocation and replace multi-family exposure that was divested in 2018 with new assets will bring concentration (as measured by top 5 assets as a % of the portfolio) within reasonable levels
- Given the recent emphasis on fund investments, we expect that the # of underlying properties in the portfolio will start converging up to the 160 level recommended by this presentation
- The NAV of the largest position in the portfolio (a retail center in Washington DC metro area) represents a 1.3% exposure of the overall Fund; a level that APFC's Chief Investment Officer is comfortable with from a total fund perspective

APFC Real Estate Portfolio – Concentration Analysis

(\$ in millions)

Top 10 Assets Held in APFC's Name Through Separate Accounts

Asset	Sector	City	APFC NAV
Asset #1	Retail	Washington D.C.	\$866
Asset #2	Office	New York, NY	\$373
Asset #3	Retail	Chicago, IL	\$155
Asset #4	Office, Multifamily	White Plains, NY	\$145
Asset #5	Office	Redwood City, CA	\$144
Asset #6	Retail	New York, NY	\$130
Asset #7	Industrial	Orlando, FL	\$119
Asset #8	Office	Denver, CO	\$108
Asset #9	Medical Office	Houston, TX	\$104
Asset #10	Multifamily	Washington D.C.	\$99

Concentration Analysis

Total Real Estate Portfolio NAV (8/27/20)	\$4,714
Top 5 Assets as a % of Total Current Real Estate Portfolio	35.7%
Top 10 Assets as a % of Total Current Real Estate Portfolio	47.6%
Total Real Estate Portfolio NAV - at 12% of Current APFC Fund Value	\$8,249
Top 5 Assets as a % of Total Current Real Estate Portfolio	20.4%
Top 10 Assets as a % of Total Current Real Estate Portfolio	27.2%
Total Real Estate Portfolio NAV - at 12% of 2025 APFC Fund Value ⁽¹⁾	\$9,108
Top 5 Assets as a % of Total Current Real Estate Portfolio	18.5%
Top 10 Assets as a % of Total Current Real Estate Portfolio	24.6%

65 of 463 ¹ Assumes Fund value grows at 2% annually (roughly consistent with CPI + 5% returns coupled with ~5% POMV draw).

5. Continued Dialogue Around Direct Strategy vs. Fund Investment Strategy

- Given staffing and resource constraints, Staff acknowledges the strategic importance of a continued dialogue around deploying capital via fund investments vs. directly-held property investments
- There have been a wide range of viewpoints expressed about what is “typical” deployment strategy for large institutional allocators; however, Staff continues to believe that APFC’s peer plans most closely resembling APFC in size and sophistication are focusing on increasing their direct real estate exposure; plans in this cadre of peers include Washington State Investment Board, CalSTRS, and Florida State Board of Administration (among others)
- Nonetheless, we believe that a mix of funds, REITs, and direct holdings make sense and, as indicated in point #1 from a prior page, most recent activity has been on the fund and REITs side for APFC
- Summary of investment approaches to gain real estate exposure for APFC going forward
 - Directly-held property assets advised and managed in a separate account structure
 - Directly-held property assets managed directly by APFC Staff (with assistance from on-the-ground property management and leasing from third parties)
 - Open-ended Real Estate Funds
 - Closed-ended Private Equity-Style Real Estate Funds (3 commitments made historically, not focus going forward)
 - Closed-ended Funds and Separate Accounts targeting debt opportunities in real estate
 - Publicly-traded Real Estate Investment Trusts (“REITs”) (15% of benchmark going forward)
 - Joint Ventures and/or REOC investments

Vision for the Portfolio / Asset Class Going Forward

- In the current environment where market yields are greatly reduced and the prospective achievement of CPI + 5% total fund returns are as challenging as ever, the role for a conservatively-constructed, high quality real estate portfolio is as important as ever
 - With market cap rates today around 5% and rents generally adjusting for inflation, private real estate remains one of the most pure ways an investor can earn a CPI + 5% return
 - Based on portfolio role, primary focus is on “core” properties that provide inflation-protected yield; in the realm of funds, generally speaking, open-ended funds are preferred over private equity-style draw-down funds to provide this desired steady cash flow and to rely less on leveraged returns and capital gains in favor of regularized cash flow returns
- We recognize that as a predominantly private market asset class, the portfolio can't be repositioned on an immediate basis (as one could with a liquid asset class) and there is value to vintage year diversification; therefore between now and 2025 Staff will progressively:
 1. Build up to a 12% allocation of the total fund for real estate
 2. Address sector diversification issues by allocating primarily to multi-family and industrial sector opportunities
 3. Reduce exposure to retail to benchmark weight and reduce outsized individual exposures as a % of the total real estate portfolio by growing the portfolio in areas that are currently underweight

Vision for the Portfolio / Asset Class Going Forward (continued)

- Tactics

1. Recognizing APFC's limited staffing resources, we will continue to rely on third-party managers to assist with deal origination, due diligence and post-closing asset management on most properties, but while retaining Staff's "finger on the pulse" of the portfolio by responsibly monitoring this work
2. In spite of #1, Staff will continue to invest in internal capabilities including ability to handle asset management directly on certain of the less complex portfolio assets

- Structures

- Staff has been working to expand from the historical predominant approach in the portfolio of relying on third party separate account managers with third party on-the-ground property management and leasing agents
- In 2017, Heitman was hired to originate and manage real estate debt opportunities in a \$100 million mandate
- In 2018, RCLCO was hired as our first real estate asset class consultant
- In 2018, APFC committed ~\$500 million to three opportunistic private equity-style real estate funds
- Most recently, we have closed two material opportunistic debt investments (Mesa West and Kayne Anderson) and engaged with RCLCO around searches for open-ended private funds focused on both industrial and multi-family markets
- REIT's were added back into Real Estate on July 1, 2020 with the focus shifted to Industrial and Multi-family
- Other potential structures going forward that leverage third-party capabilities include JV Platforms and REOC opportunities

Portfolio Update & Summary

Real Estate Portfolio Overview for 2Q20

Mar 31, 2020	Market Value \$(mm)	% of Fund
Private Real Estate	\$3,778	
Debt Investments	\$51	
Fund Investments	\$147	
TOTAL REAL ESTATE PORTFOLIO	\$3,976	6%
Real Estate Allocation	\$7,293	12%

Portfolio Composition	APFC	NCREIF
HOTEL	1%	1%
INDUSTRIAL	11%	18%
MULTI-FAMILY	9%	26%
OFFICE	34%	35%
RETAIL	45%	20%
	100%	100%

Note: Portfolio weightings do not include Fund Investments

Private Real Estate Performance for 2Q20

Property Type	No. of Props	March 2020 Market Value (\$mm)	% of Portfolio	GROSS RETURNS					
				1 Year		3 Year			
				APFC	NCREIF	APFC	NCREIF		
Hotel	1	\$74	2%		11.3%	-0.7%	10.2%	4.1%	
Industrial	19	\$408	11%		13.4%	12.9%	12.5%	13.5%	
Multi-Family	6	\$329	9%		6.1%	5.1%	5.2%	5.8%	
Office	14	\$1,301	34%	3) 8.9%	3.5%	6.2%	3) 10.6%	1.2%	6.5%
Retail	16	\$1,666	45%	4) 1.2%	-7.7%	-1.9%	4) 6.5%	-0.6%	2.0%
Total:	56	\$3,778	100%	5) 5.3%	-1.1%	5.3%	5) 7.9%	1.2%	6.4%

Performance Impact:

- 1) Significant overweight to Retail; the underperforming property type in NCREIF
- 2) Underweight to Industrial and Multifamily, the best performing property types in NCREIF
- 3) Office properties producing superior returns of 8.9% vs benchmark of 6.2%, except for underperforming property
- 4) Retail portfolio, excluding UK, produced a 1.2% return vs -1.9% for NCREIF
- 5) Overall portfolio returns, excluding these 3 properties produce a 1 year 5.3% return vs benchmark of 5.3%, and a 3 year 7.9% vs benchmark of 6.4%

(Note: Real Estate values and returns are reported with a one quarter lag.) 71 of 463

Private Real Estate Portfolio by Manager for 2Q20

Manager	Performance			
	Mar 2020	% of Total	1Q 2020 3 Mos.	Mar 2020 12 Mos.
CBRE Europe	\$144	5%	-0.1%	6.2%
CSCM	\$439	11%	4.2%	21.4%
Heitman	\$635	16%	-1.8%	N/A
L&B	\$1,844	46%	0.4%	3.6%
LaSalle UK	\$45	1%	-47.0%	-82.2%
Lincoln	\$170	4%	-1.8%	12.8%
Sentinel	\$501	13%	0.9%	5.0%
Heitman Debt	\$51	1%	2.0%	6.5%
Brookfield Strategic RE III	\$97	2%	-6.1%	N/A
H.I.G. Europe RE II	\$16	0%	-7.2%	25.9%
Harbert Europe RE V	\$34	1%	-0.6%	24.7%
Total:	\$3,976	100%	-0.8%	-0.8%
<i>NCREIF Property Index</i>			0.7%	5.3%

Note: L&B assets include partnered assets with Macerich

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Private Real Estate Portfolio Debt Maturities

Debt Maturities							
	LTV	2020 (mm)	2021 (mm)	2022 (mm)	2023 (mm)	2024+ (mm)	Totals (mm)
Multi-Family	20.9%	\$0.0	\$0.0	\$55.0	\$0.0	\$32.0	\$87.0
Retail	37.0%	\$0.0	\$71.8	\$0.0	\$83.0	\$825.4	\$980.2
Office	32.2%	\$0.0	\$14.7	\$0.0	\$111.9	\$492.1	\$618.8
Industrial	25.1%	\$0.0	\$0.0	\$9.8	\$30.9	\$96.3	\$137.0
Total Debt:	32.5%	\$0.0	\$86.5	\$64.8	\$225.7	\$1,445.9	\$1,823.0
% of Total Debt		0.0%	4.7%	3.6%	12.4%	79.3%	100%
Weighted Average Interest		0.0%	3.0%	3.4%	3.9%	4.2%	4.1%

Note: Portfolio level limit of 40% LTV

Appendix – Sector Pacing Detail

Sector Pacing Detail

- Key Assumptions:

- REIT's maintained at 15% of total Real Estate portfolio (in-line with benchmark) with a composition of 70% multi-family and 30% industrial
- In addition to investments already closed, a new \$300 million Multi-family open-ended fund commitment is closed in next 12 months
- Total APFC fund growth (net of POMV) of 2.0% annually
- NAV growth of private real estate holdings of 5.0% annually (except for retail assets which are assumed to grow NAV at 0.0% annually for conservatism)
- \$350 million annual deployment to private opportunities with changing annual mix of multi-family, industrial and office
- Absent changing market conditions and opportunity sets, in recognitions of lumpy nature of private real estate opportunities, Staff intends to manage Real Estate exposures close to target allocations going forward using deviations from the 15% REIT's assumption as tool to manage

Projected Sector Mixes ⁽¹⁾							NCREIF
	8/27/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025	
Multi-Family							
REITS	\$517	\$625	\$733	\$824	\$885	\$950	
New Private Deployment	\$0	\$100	\$230	\$342	\$459	\$582	
Fund Exposure	\$198	\$405	\$570	\$684	\$649	\$615	
Existing Direct/Separate Account Exposure	\$329	\$345	\$362	\$380	\$399	\$419	
Total Multi-Family	\$1,043	\$1,475	\$1,896	\$2,230	\$2,392	\$2,566	
% of Portfolio	21.4%	24.8%	27.1%	28.4%	28.4%	28.4%	26%
Industrial							
REITS	\$222	\$268	\$314	\$353	\$379	\$407	
New Private Deployment	\$0	\$100	\$205	\$290	\$380	\$474	
Fund Exposure	\$41	\$140	\$235	\$267	\$272	\$278	
Existing Direct/Separate Account Exposure	\$408	\$429	\$450	\$473	\$496	\$521	
Total Industrial	\$671	\$936	\$1,204	\$1,383	\$1,528	\$1,680	
% of Portfolio	13.7%	15.7%	17.2%	17.6%	18.1%	18.6%	18%
Hotel							
Fund Exposure	\$2	\$5	\$8	\$9	\$9	\$9	
Existing Direct/Separate Account Exposure	\$74	\$77	\$81	\$85	\$89	\$94	
Total Hotel	\$76	\$82	\$89	\$94	\$98	\$103	
% of Portfolio	1.6%	1.4%	1.3%	1.2%	1.2%	1.1%	1%
Office							
New Private Deployment	\$0	\$150	\$283	\$472	\$670	\$879	
Fund Exposure	\$81	\$175	\$263	\$315	\$315	\$315	
Existing Direct/Separate Account Exposure	\$1,302	\$1,367	\$1,435	\$1,507	\$1,582	\$1,661	
Total Office	\$1,382	\$1,692	\$1,980	\$2,294	\$2,568	\$2,855	
% of Portfolio	28.3%	28.4%	28.3%	29.2%	30.4%	31.5%	35%
Retail							
Fund Exposure	\$46	\$100	\$150	\$180	\$180	\$180	
Existing Direct/Separate Account Exposure	\$1,666	\$1,666	\$1,666	\$1,666	\$1,666	\$1,666	
Total Retail	\$1,712	\$1,766	\$1,816	\$1,846	\$1,846	\$1,846	
% of Portfolio	35.0%	29.7%	26.0%	23.5%	21.9%	20.4%	20%

1. Note: assumes same sector mixes on sector agnostic funds where APFC has no control over investments selected matches overall NCREIF sector weightings. Actual results will likely differ, perhaps materially so.

September 23, 2020



Alaska Permanent Fund Corporation

2nd Quarter 2020

Capital Markets Review

Greg Allen

CEO and Chief Research Officer

Steven Center, CFA

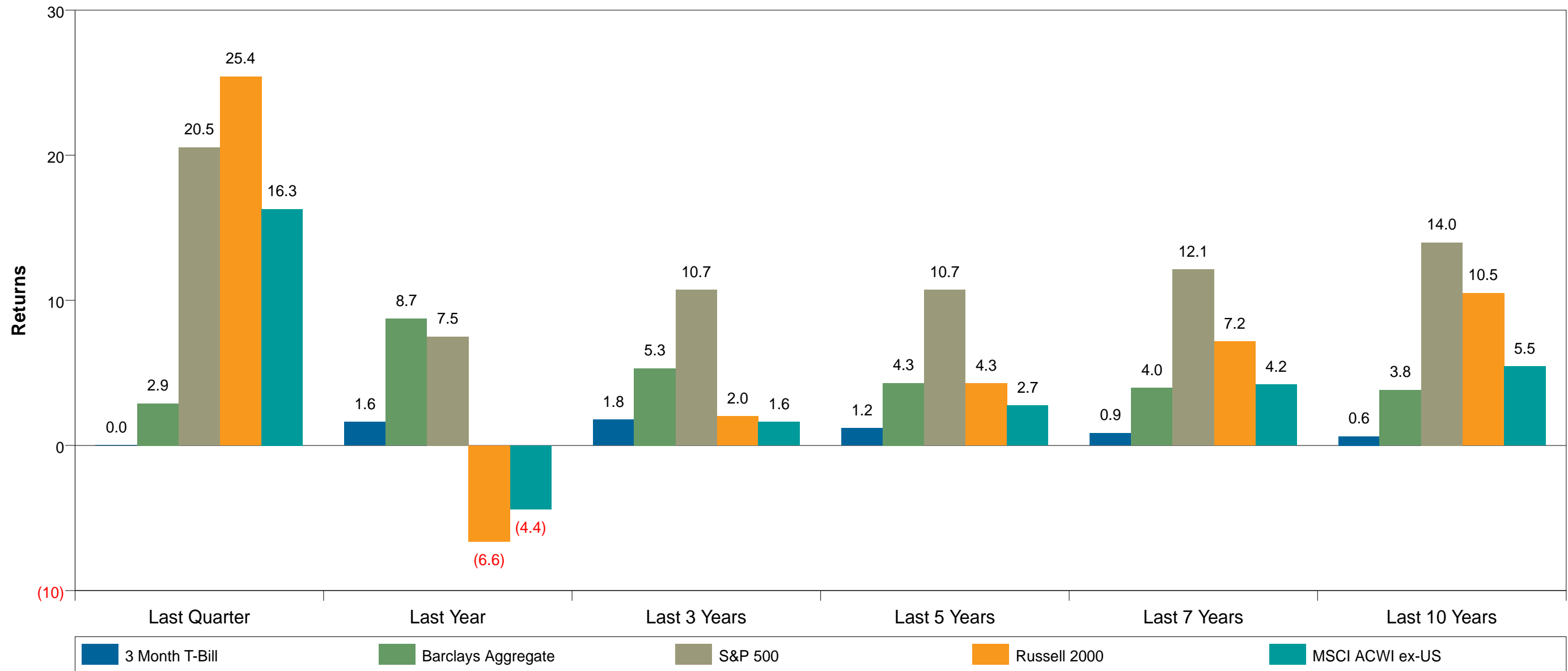
Senior Vice President

Chris Park, CFA

Assistant Vice President

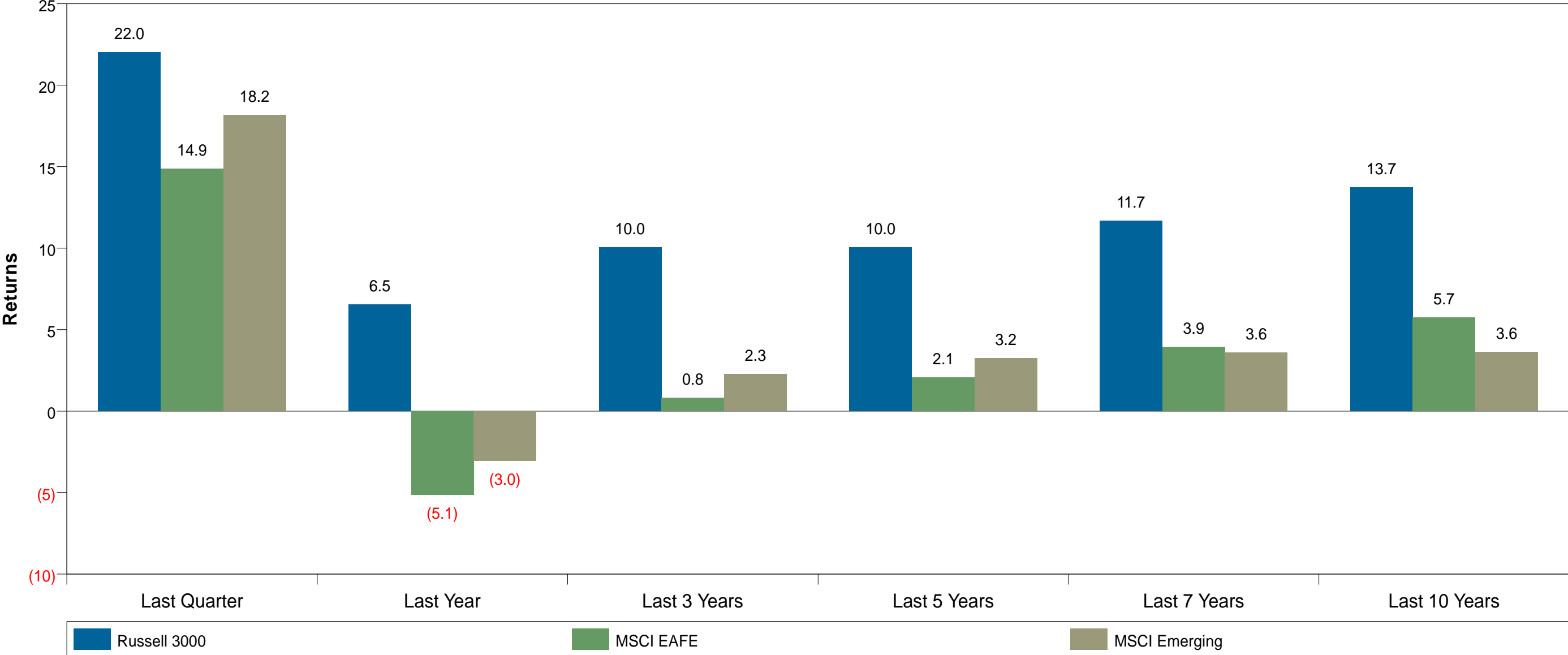
Broad Capital Market Performance

Periods Ended June 30, 2020



Public Equity Capital Market Performance

Periods Ended June 30, 2020



Callan Periodic Table of Investment Returns

Returns for Key Indices

2011	2012	2013	2014	2015	2016	2017	2018	2019	2 Qtrs. 2020
Bloomberg Barclays Aggregate 7.84%	MSCI ACWI ex USA SC 18.52%	Russell 2000 38.82%	S&P 500 13.69%	MSCI ACWI ex USA SC 2.60%	Russell 2000 21.31%	MSCI Emerging Markets 37.28%	Bloomberg Barclays Aggregate 0.01%	S&P 500 31.49%	Bloomberg Barclays Aggregate 6.14%
Bloomberg Barclays Corp High Yield 4.98%	MSCI Emerging Markets 18.23%	S&P 500 32.39%	Bloomberg Barclays Aggregate 5.97%	S&P 500 1.38%	Bloomberg Barclays Corp High Yield 17.13%	MSCI ACWI ex USA SC 31.65%	Bloomberg Barclays Corp High Yield -2.08%	Russell 2000 25.52%	Bloomberg Barclays Global Agg ex US 0.61%
Bloomberg Barclays Global Agg ex US 4.36%	MSCI World ex USA 16.41%	MSCI World ex USA 21.02%	Russell 2000 4.89%	Bloomberg Barclays Aggregate 0.55%	S&P 500 11.96%	MSCI World ex USA 24.21%	Bloomberg Barclays Global Agg ex US -2.15%	MSCI World ex USA 22.49%	S&P 500 -3.08%
S&P 500 2.11%	Russell 2000 16.35%	MSCI ACWI ex USA SC 19.73%	Bloomberg Barclays Corp High Yield 2.45%	MSCI World ex USA -3.04%	MSCI Emerging Markets 11.19%	S&P 500 21.83%	S&P 500 -4.38%	MSCI ACWI ex USA SC 22.42%	Bloomberg Barclays Corp High Yield -3.80%
Russell 2000 -4.18%	S&P 500 16.00%	Bloomberg Barclays Corp High Yield 7.44%	MSCI Emerging Markets -2.19%	Russell 2000 -4.41%	MSCI ACWI ex USA SC 3.91%	Russell 2000 14.65%	Russell 2000 -11.01%	MSCI Emerging Markets 18.44%	MSCI Emerging Markets -9.78%
MSCI World ex USA -12.21%	Bloomberg Barclays Corp High Yield 15.81%	Bloomberg Barclays Aggregate -2.02%	Bloomberg Barclays Global Agg ex US -3.09%	Bloomberg Barclays Corp High Yield -4.47%	MSCI World ex USA 2.75%	Bloomberg Barclays Global Agg ex US 10.51%	MSCI World ex USA -14.09%	Bloomberg Barclays Corp High Yield 14.32%	MSCI World ex USA -11.49%
MSCI Emerging Markets -18.42%	Bloomberg Barclays Aggregate 4.21%	MSCI Emerging Markets -2.60%	MSCI ACWI ex USA SC -4.03%	Bloomberg Barclays Global Agg ex US -6.02%	Bloomberg Barclays Aggregate 2.65%	Bloomberg Barclays Corp High Yield 7.50%	MSCI Emerging Markets -14.57%	Bloomberg Barclays Aggregate 8.72%	MSCI ACWI ex USA SC -12.80%
MSCI ACWI ex USA SC -18.50%	Bloomberg Barclays Global Agg ex US 4.09%	Bloomberg Barclays Global Agg ex US -3.08%	MSCI World ex USA -4.32%	MSCI Emerging Markets -14.92%	Bloomberg Barclays Global Agg ex US 1.49%	Bloomberg Barclays Aggregate 3.54%	MSCI ACWI ex USA SC -18.20%	Bloomberg Barclays Global Agg ex US 5.09%	Russell 2000 -12.98%

Source: Bloomberg Barclays, FTSE Russell, MSCI, Standard & Poor's

Callan Periodic Table of Investment Returns

Returns for Key Indices

Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
Russell 2000 25.42%	Bloomberg Barclays Aggregate 8.74%	S&P 500 10.73%	S&P 500 10.73%	S&P 500 12.13%	S&P 500 13.99%	Bloomberg Barclays Corp High Yield 7.00%
MSCI ACWI ex USA SC 22.83%	S&P 500 7.51%	Bloomberg Barclays Aggregate 5.32%	Bloomberg Barclays Corp High Yield 4.79%	Russell 2000 7.17%	Russell 2000 10.50%	Russell 2000 6.69%
S&P 500 20.54%	Bloomberg Barclays Global Agg ex US 0.71%	Bloomberg Barclays Corp High Yield 3.33%	Bloomberg Barclays Aggregate 4.30%	Bloomberg Barclays Corp High Yield 4.99%	Bloomberg Barclays Corp High Yield 6.68%	MSCI ACWI ex USA SC 6.12%
MSCI Emerging Markets 18.08%	Bloomberg Barclays Corp High Yield 0.03%	Bloomberg Barclays Global Agg ex US 2.52%	Russell 2000 4.29%	MSCI ACWI ex USA SC 4.74%	MSCI ACWI ex USA SC 6.05%	S&P 500 5.91%
MSCI World ex USA 15.34%	MSCI Emerging Markets -3.39%	Russell 2000 2.01%	Bloomberg Barclays Global Agg ex US 2.89%	Bloomberg Barclays Aggregate 3.96%	MSCI World ex USA 5.43%	Bloomberg Barclays Aggregate 5.14%
Bloomberg Barclays Corp High Yield 10.18%	MSCI ACWI ex USA SC -4.34%	MSCI Emerging Markets 1.90%	MSCI Emerging Markets 2.86%	MSCI World ex USA 3.77%	Bloomberg Barclays Aggregate 3.82%	Bloomberg Barclays Global Agg ex US 4.11%
Bloomberg Barclays Global Agg ex US 3.38%	MSCI World ex USA -5.42%	MSCI World ex USA 0.84%	MSCI ACWI ex USA SC 2.50%	MSCI Emerging Markets 3.23%	MSCI Emerging Markets 3.27%	MSCI World ex USA 2.98%
Bloomberg Barclays Aggregate 2.90%	Russell 2000 -6.63%	MSCI ACWI ex USA SC -0.17%	MSCI World ex USA 2.01%	Bloomberg Barclays Global Agg ex US 1.31%	Bloomberg Barclays Global Agg ex US 1.98%	

Source: Bloomberg Barclays, FTSE Russell, MSCI, Standard & Poor's

Market Environment

Stunning Recovery in Global Equity Markets in 2Q20

Global equity rally after March market bottom

- S&P -33% from peak (02/19/20) to low on 3/23/20
- Sharp rebound since March, suggesting broad-based recovery, but YTD results concentrated in a few stocks
- Fed cut rates to zero, commenced QE, instituted multiple facilities to backstop money markets, credit markets, and economy.
 - Fed expects to get paid back
 - Further fiscal stimulus expected
- Congress passed fiscal stimulus (CARES) to carry the economy through the crisis.
- Economic recovery will be uncertain as COVID-19 infections continue; re-openings may be reversed.

Returns for Periods ended June 30, 2020

	1 Quarter	1 Year	5 Years	10 Years	25 Years
U.S. Equity					
Russell 3000	22.03	6.53	10.03	13.72	9.28
S&P 500	20.54	7.51	10.73	13.99	9.27
Russell 2000	25.42	-6.63	4.29	10.50	8.16
Global ex-U.S. Equity					
MSCI World ex USA	15.34	-5.42	2.01	5.43	4.68
MSCI Emerging Markets	18.08	-3.39	2.86	3.27	--
MSCI ACWI ex USA Small Cap	22.83	-4.34	2.50	6.05	5.51
Fixed Income					
Bloomberg Barclays Aggregate	2.90	8.74	4.30	3.82	5.36
90-day T-Bill	0.02	1.63	1.19	0.64	2.37
Bloomberg Barclays Long Gov/Credit	6.23	18.91	8.98	7.84	7.72
Bloomberg Barclays Global Agg ex-US	3.38	0.71	2.89	1.98	3.73
Real Estate					
NCREIF Property	-0.99	2.69	6.77	9.70	9.15
FTSE Nareit Equity	11.82	-13.04	4.06	9.05	9.48
Alternatives					
CS Hedge Fund	6.20	-0.73	1.55	3.83	7.49
Cambridge Private Equity*	-7.80	2.12	10.39	12.33	14.68
Bloomberg Commodity	5.08	-17.38	-7.69	-5.82	0.75
Gold Spot Price	12.77	27.36	8.97	3.75	6.36
Inflation - CPI-U	-0.12	0.65	1.56	1.69	2.12

*Cambridge PE data are available through March 31, 2020.

Source: Callan

Unprecedented Shock to Global Capital Markets

A 'Global Hurricane' in the form of a pandemic

The sharpest and fastest equity market decline ever: 16 trading days to reach bear market; -33% after just 23 days

S&P 500 Index Cumulative Returns
Market Peak-to-Trough for Recent Corrections vs.
Current Path of COVID-19 Correction Through 7/17/20

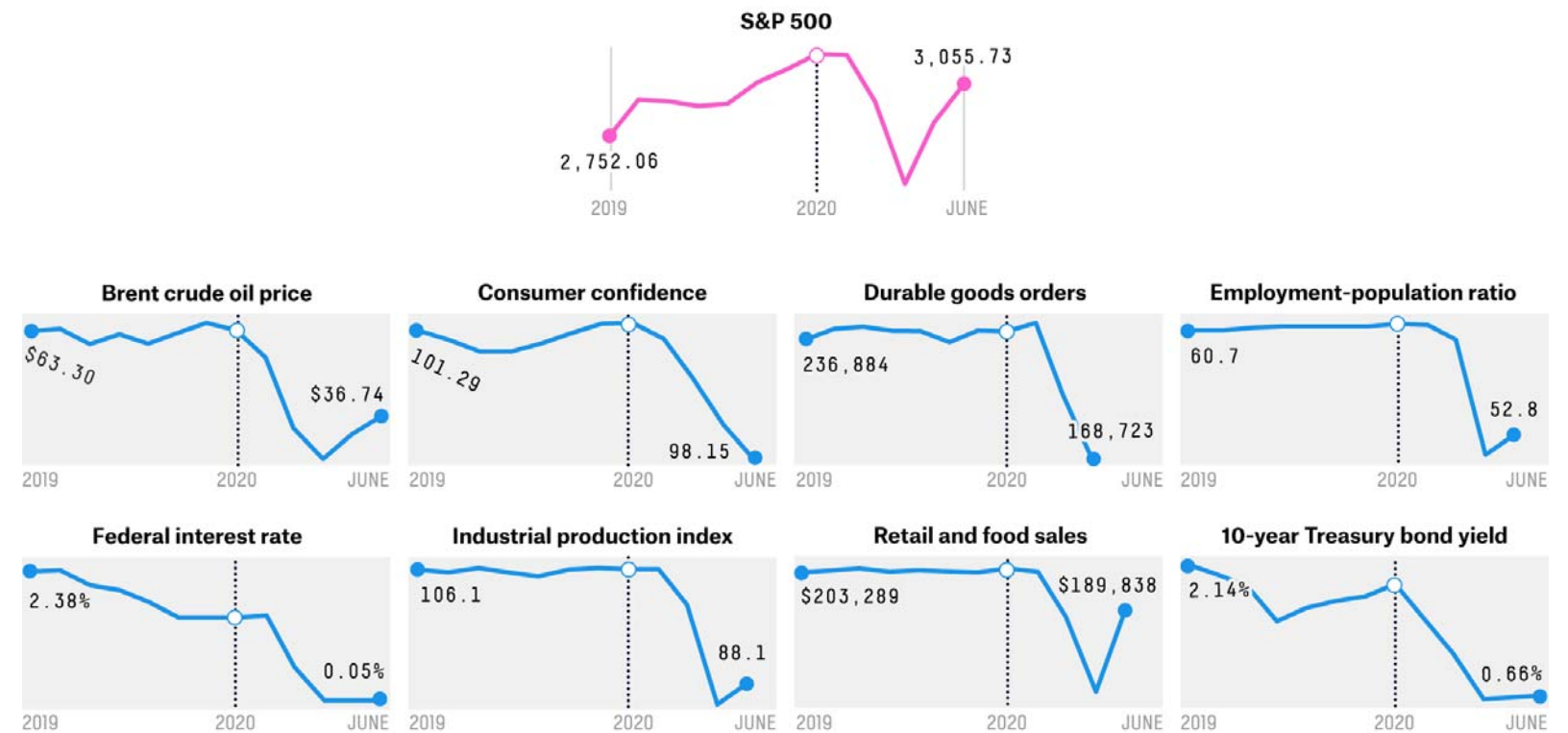


Swift Recovery for Equities; Did Investors Get Ahead of Themselves?

As of July 17, U.S. stock market recouped its YTD loss—how can that be?

- Supreme confidence in efficacy of monetary and fiscal policy
- Apple, Alphabet (Google), Microsoft, Facebook, Amazon are up 35% in 2Q20 and made up 30% of the S&P 500 return, even though they represent 20% of market cap.

The stock market is up while most economic indicators are down
 Various economic indicators, reported at one-month intervals, June 2019 through June 2020

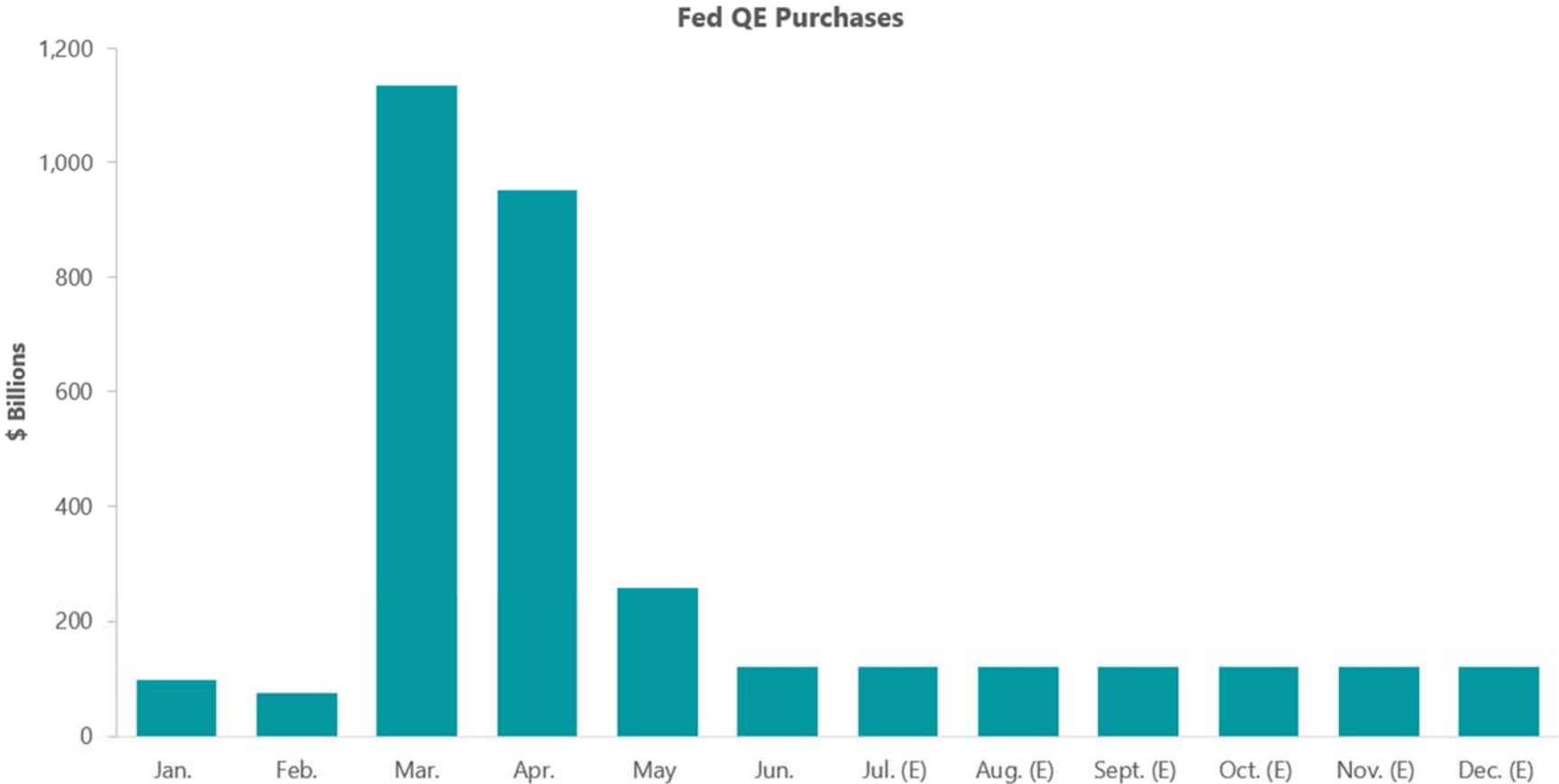


Any economic indicator reported more frequently than once a month is charted here using data from the first day of each month.

FiveThirtyEight

SOURCES: YAHOO FINANCE, OECD, FEDERAL RESERVE BANK OF ST. LOUIS

Fed Supplied a Tsunami of Liquidity



- The Fed’s ~\$3T increase in its balance sheet has buoyed markets.
- Going forward, ~\$225B in monthly Treasury issuance will be a liquidity drag vs. \$120B in expected monthly QE.

Sources: ClearBridge Investments, Federal Reserve Bank of New York
(E) represents estimated Fed QE purchases, data as of 6/30/20.

2020 CARES Act Injects \$2 Trillion in Fiscal Stimulus

Equates to roughly 10% of GDP

Expanded unemployment benefits

- New benefits for those who exhausted eligibility
- Additional \$600/week for up to four months
- Potential for 13 weeks of federal benefits after state benefits exhausted

Cash distributions

- Up to \$1,200 for individuals
- Advance refundable tax credit against 2020 income taxes

Student loan relief

- Suspended payments and interest for some federal student loans
- More flexibility for federal education grants
- Tax-free employer loan payments

Defined contribution plan liquidity

- Relaxation of distribution taxes; expansion of loan amounts

\$58 billion in airline industry relief

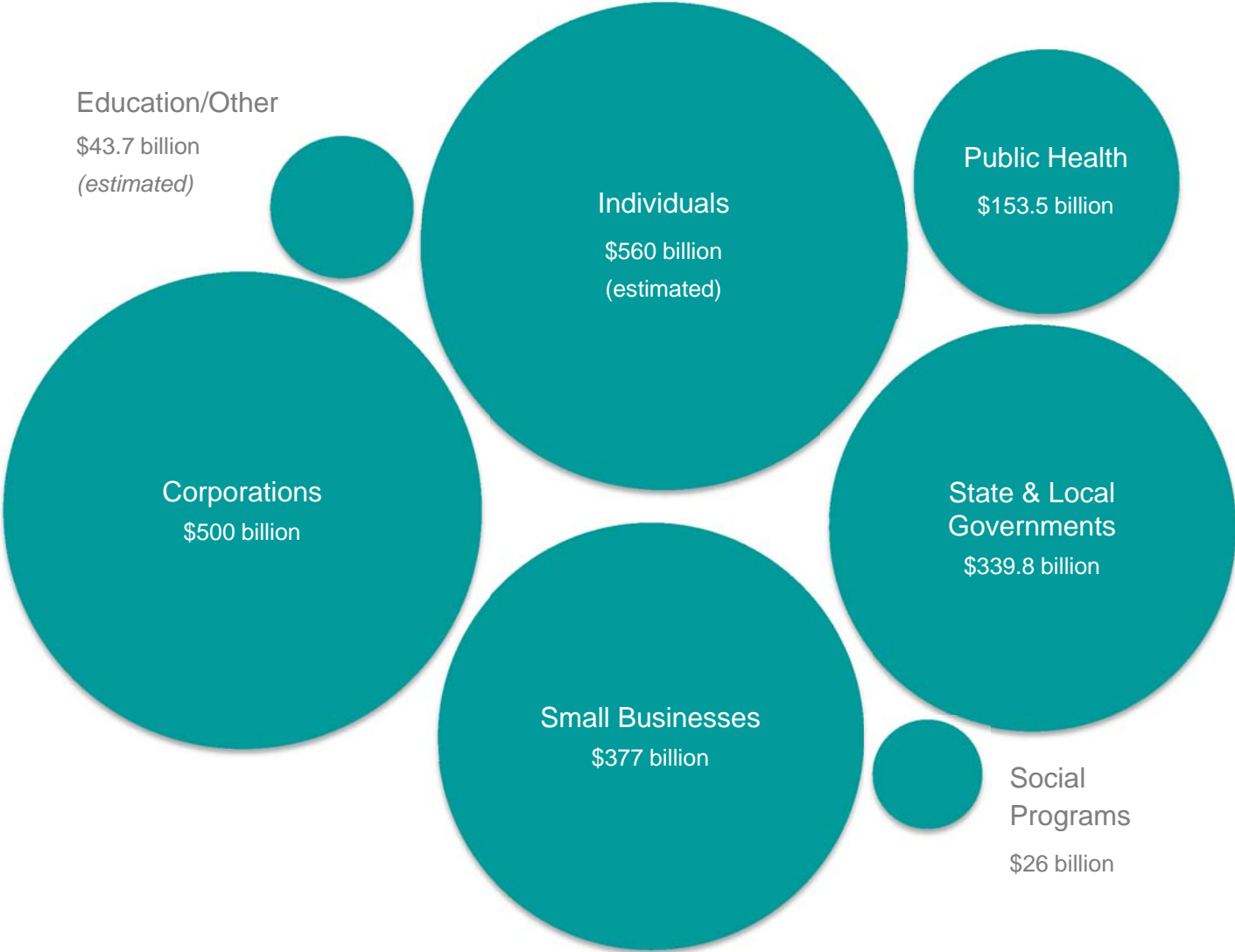
\$377 billion for small businesses

Relaxed credit reporting

Federally backed home loan forbearance

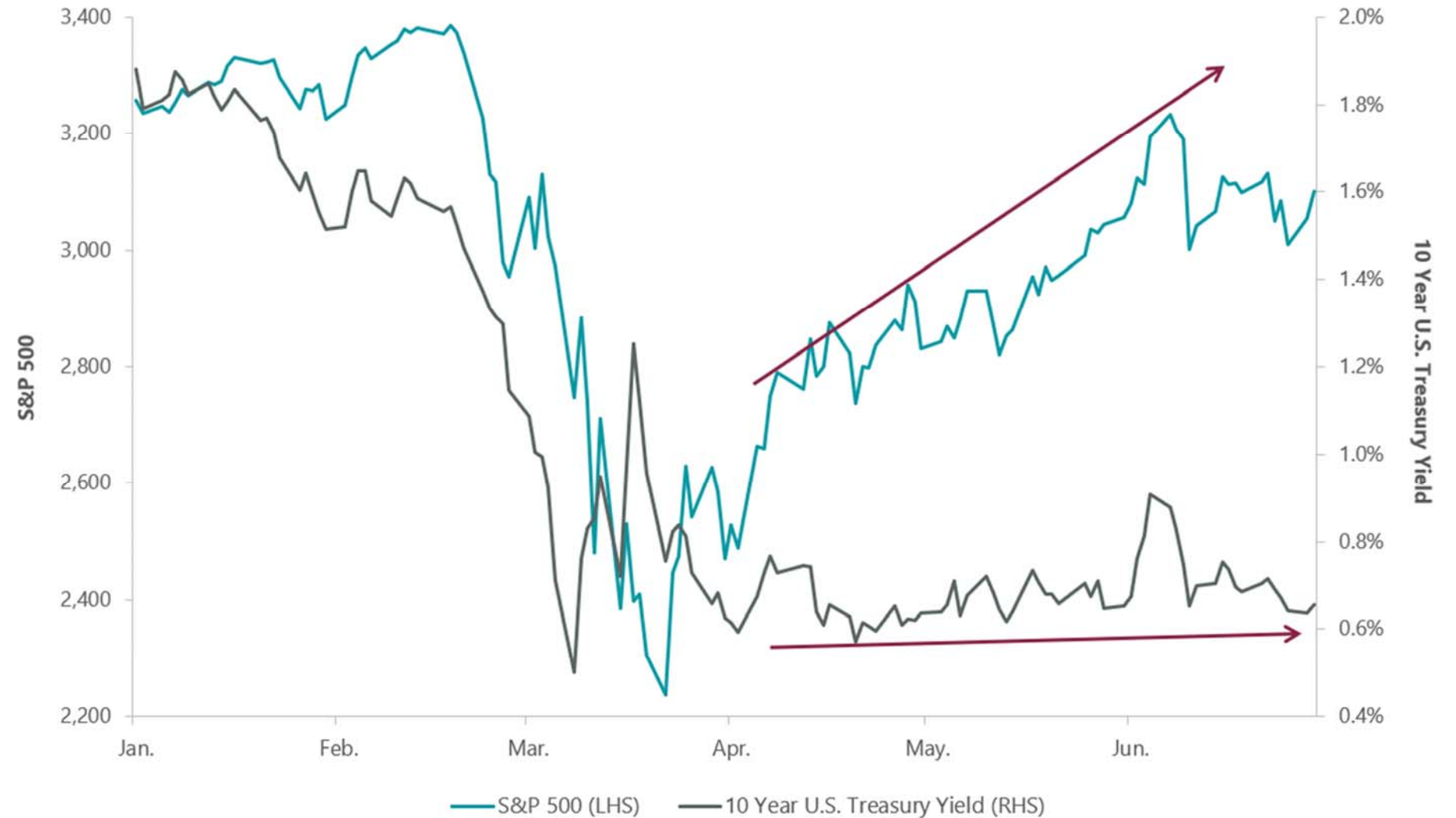
Source: NPR.org

Distribution of the \$2 Trillion from the CARES Act



Not All Markets Have Priced in a Recovery

- Treasuries began to sell off before equities in response to coronavirus risks.
- Yields have remained near trough levels through the stock market rally.



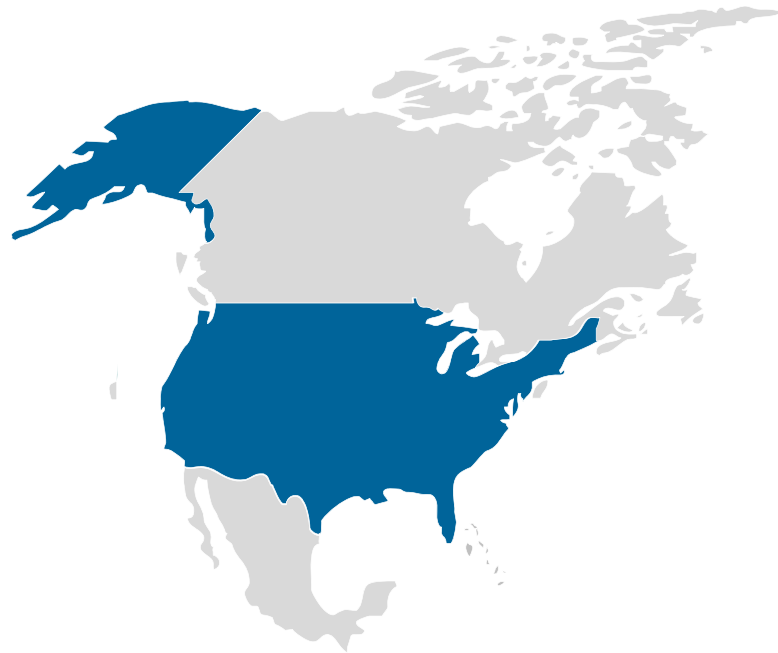
Data as of 6/30/20
Sources: ClearBridge Investments, FactSet.

Market Environment: 2Q20

High degree of uncertainty

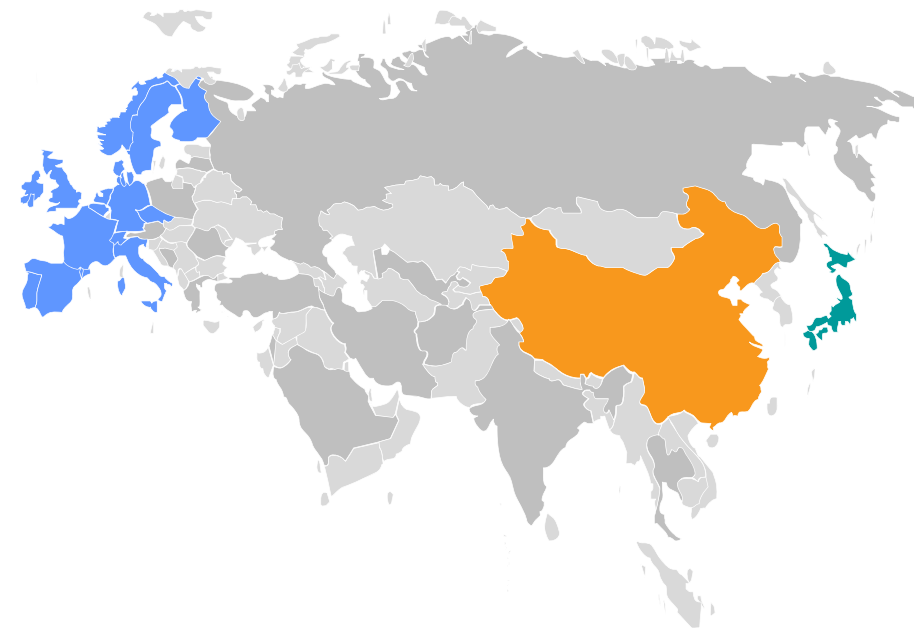
U.S.

- 1Q GDP contracted 5.0%, 2Q expected to be far worse
- Retail sales, durable goods, personal spending rebounded in May but not fully recovered
- Unemployment (11.1% in June) remains elevated
 - *Jobless claims, around 1.5 million per week, have decelerated.*
- Housing benefited from relatively low mortgage rates
- Fed left rates close to 0% and expects to be on hold until at least 2022



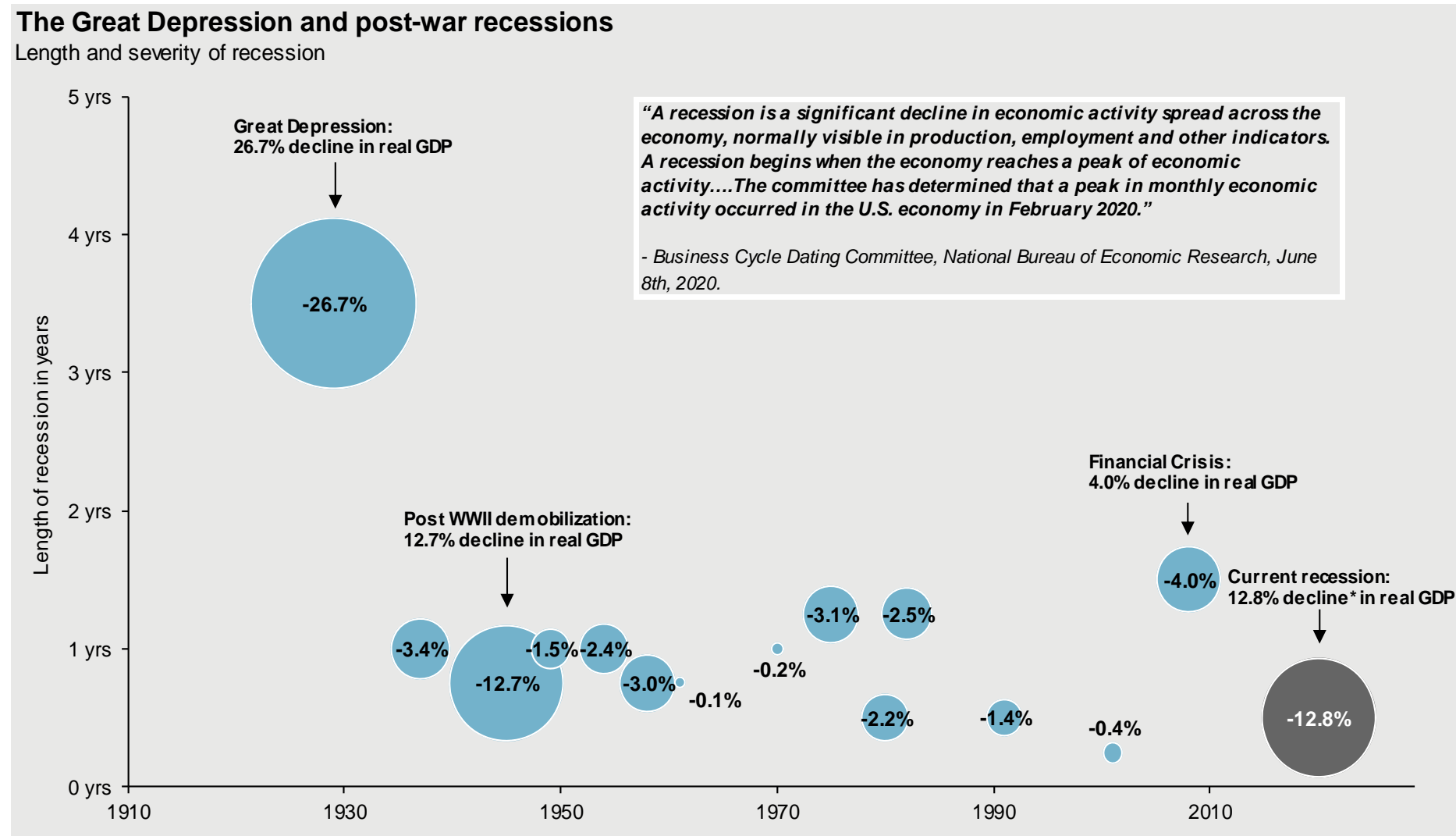
Overseas

- Euro zone 1Q GDP contracted 3.8%; largest quarterly drop on record
- U.K. GDP sank 20% in April, most ever
- Japan's economy shrank 4.4% in April
- China's GDP fell 6.8% in 1Q, first contraction in 28 years.
 - *Chinese government unveiled fiscal stimulus of US\$506 bn, bringing budget deficit to a record high of 3.6% of GDP.*
 - *Growth is expected to be positive in 2Q.*



Size and Duration of U.S. Economic Recessions

Current recession rivals that of the post-WW II demobilization; worst in half a century



Sources: BEA, NBER, J.P. Morgan Asset Management

Bubble size reflects the severity of the recession, which is calculated as the decline in real GDP from the peak quarter to the trough quarter except in the case of the Great Depression, where it is calculated from the peak year (1929) to the trough year (1933), due to a lack of available quarterly data.

*Current recession reflects JPMAM estimate of peak to trough decline for the recession beginning after February 2020 according to the NBER.

Guide to the Markets – U.S. Data as of 6/30/20.

U.S. Equity Performance

Second Quarter 2020

U.S. equity bounced back from March lows

- Best quarterly performance for S&P 500 since 1998
- Returns in excess of 30% for three sectors
- Tech a top performer—“FAAMG” stocks up 35%
- Energy stocks higher after production cuts buoyed oil prices

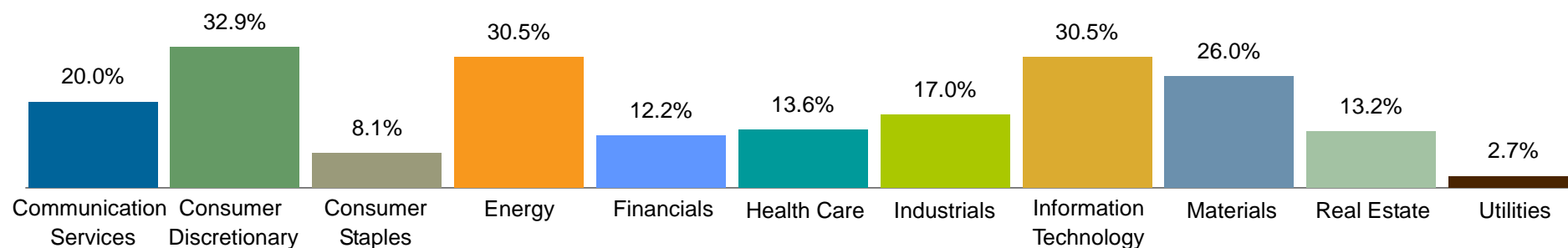
Small cap outgains large cap

- One of three best quarters for Russell 2000 after worst quarterly performance in 1Q20
- Still lags Russell 1000 on a YTD and trailing one-year basis
- Investment sentiment in favor of small cap after better-than-expected economic data and Fed actions

Growth outpaces value across market capitalizations

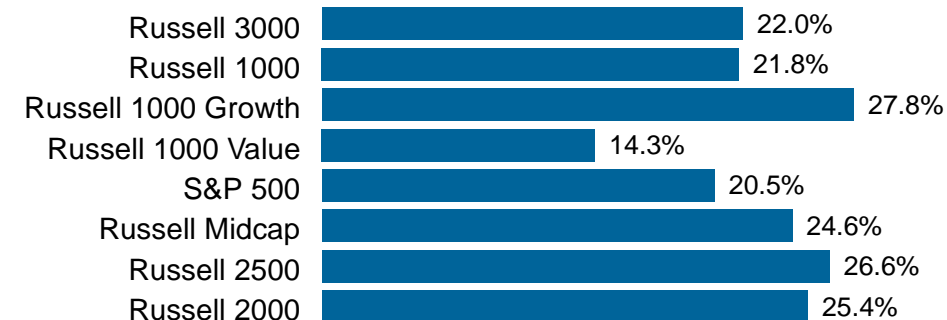
- During both 1Q20 market decline as well as 2Q20 market recovery

Industry Sector Quarterly Performance (S&P 500)

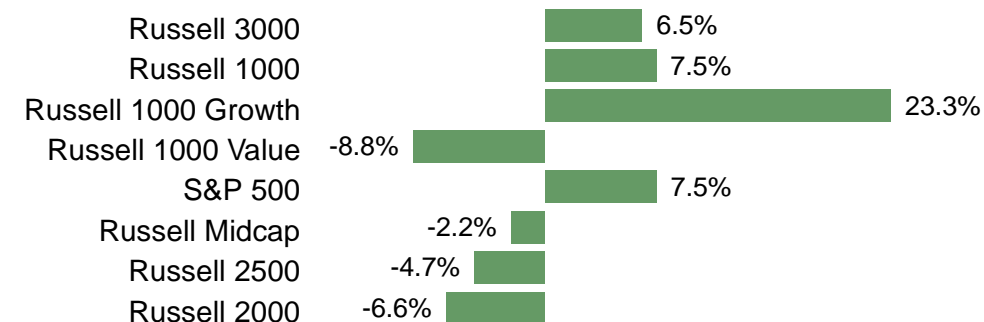


Sources: FTSE Russell, Standard & Poor's

U.S. Equity: Quarterly Returns



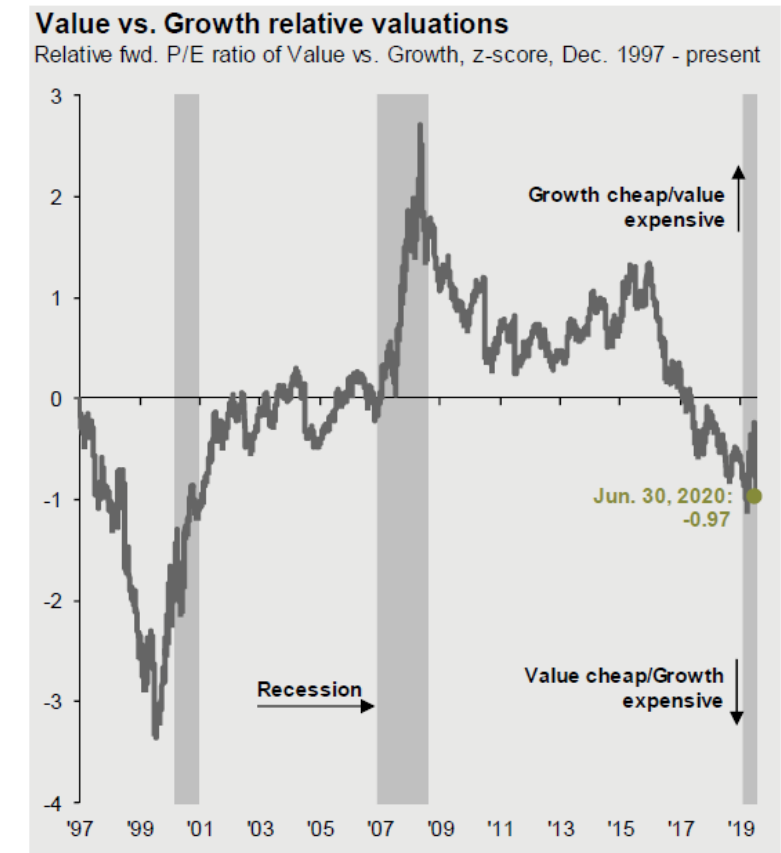
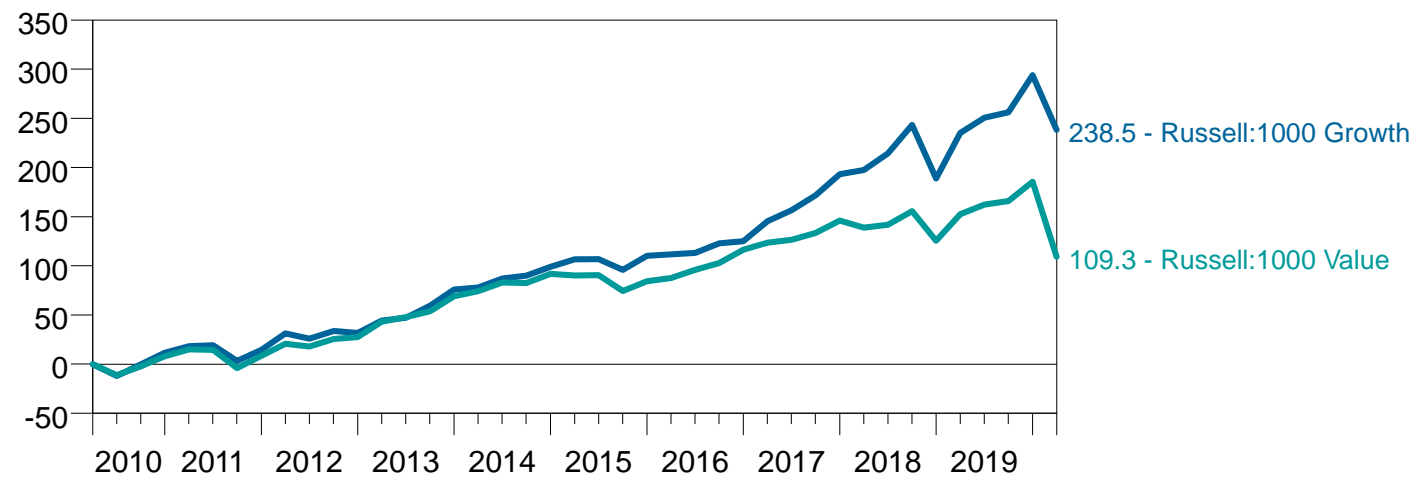
U.S. Equity: One-Year Returns



Value vs. Growth

- Value indices continue to trade at a discount relative to growth on a current P/E vs 20-year average basis.
- Negative GDP environments historically favor value beta and cyclical companies.
- In periods of high unemployment and low GDP growth, small cap value has produced excess forward returns relative to the S&P 500.
- Higher interest rates, a steeper yield curve, economic growth, and improving consumer confidence are among the catalysts that could result in the value style outperforming.
- Universe of active deep value managers is narrow, and high expected volatility is a key consideration.

Cumulative Returns for 10 Years ended March 31, 2020



Current P/E as % of 20-year average P/E

	Value	Blend	Growth
Large	132.9%	140.9%	158.5%
Mid	139.3%	148.5%	192.2%
Small	168.1%	265.3%	—

Valuation and Performance Dispersion in the S&P 500

- The top 10 largest companies by market cap are the best-performing stocks in the S&P 500 YTD.
- Smaller cap companies have lagged the rest of the index YTD.
- There is a large dispersion in regards to valuation within the S&P 500. Larger companies are more expensive relative to smaller companies based on metrics such as P/E and P/B.

S&P 500 Median Results through July 3, 2020

Company Size	Market Cap \$ billions	P/E	P/S	P/FCF	P/B	YTD Returns
Top 10	\$848.5	31.4	6.3	33.2	6.3	9.6%
Top 50	\$198.7	28.7	4.6	23.3	5.5	2.4%
51-100	\$77.6	26.0	3.8	25.0	5.3	-5.7%
101-150	\$49.5	22.9	3.9	23.6	4.1	-1.9%
151-200	\$30.5	26.4	3.0	23.5	4.1	-6.7%
201-250	\$24.6	24.4	2.6	20.0	3.2	-9.3%
251-300	\$20.2	23.2	2.6	21.8	3.3	-5.5%
301-350	\$14.9	23.9	2.8	22.8	2.5	-8.5%
351-400	\$11.8	22.1	1.8	18.4	3.0	-17.6%
401-450	\$8.9	13.3	1.4	12.8	1.9	-22.6%
451-505	\$5.1	13.9	0.8	10.0	1.2	-38.5%
S&P 500	\$21.8	22.8	2.4	20.4	3.0	-11.0%

Global ex-U.S. Equity Performance

Second Quarter 2020

Second quarter recovery

- Accommodative monetary policies, fiscal stimulus a boost for the market
- COVID-19 cases slowed; economies started reopening.
- Strongest quarterly gains in more than a decade for EM over optimism for a global recovery
- Small caps outperformed large as lockdowns eased and business confidence improved.

Cyclical sectors rebound

- Materials, Industrials, and Consumer Discretionary outperformed as consumption and production resumed.
- Factor performance led by momentum (rebound) and volatility (risk-on market mentality).

U.S. dollar vs. other currencies

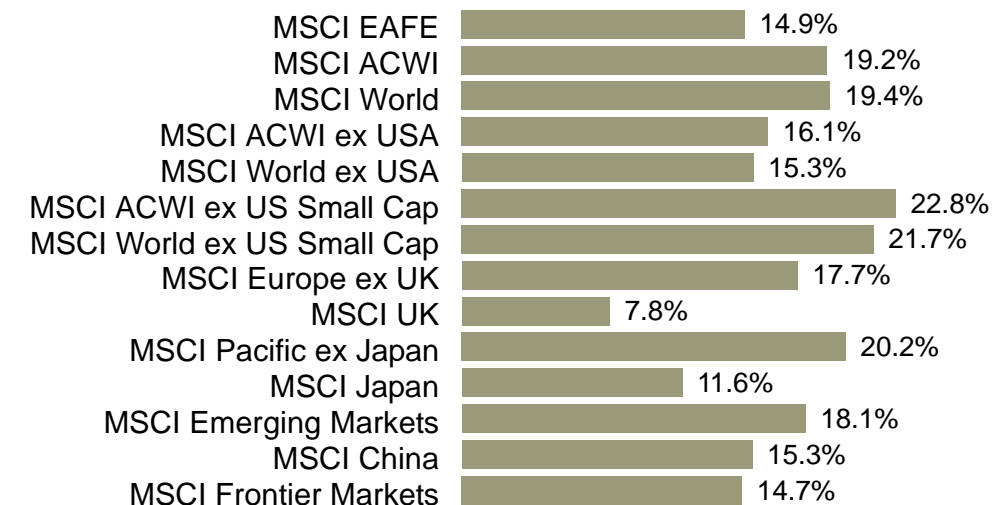
- Dollar flat relative to the British pound and Japanese yen
- Depreciated against euro, Australian dollar, and Canadian dollar as these regions successfully managed COVID-19

Growth vs. value

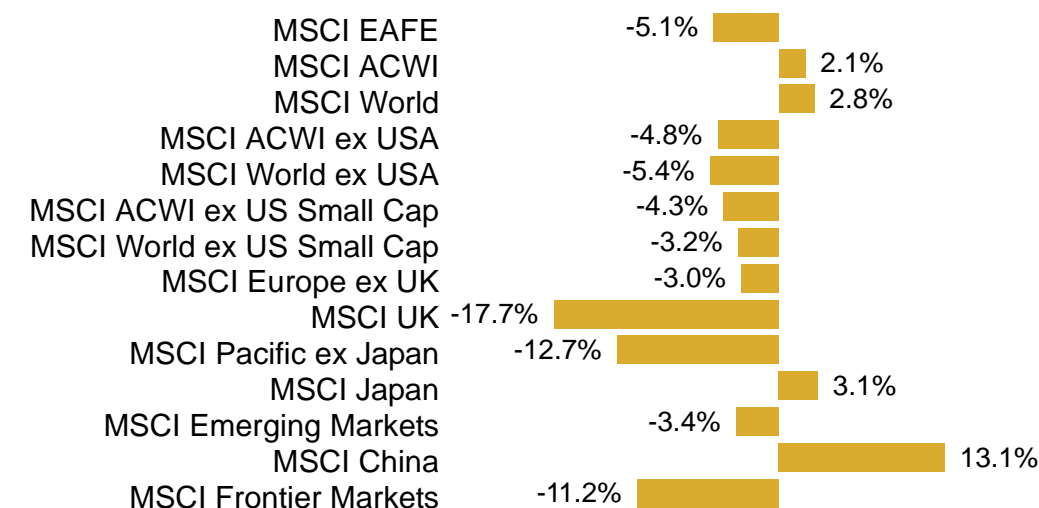
- Growth continued to outperform value
- Support from Technology (due to stay-at-home trends) and Health Care

Source: MSCI

Global Equity: Quarterly Returns



Global Equity: Annual Returns



Turning Point for the U.S. Dollar?

Is the 10-year rally over?

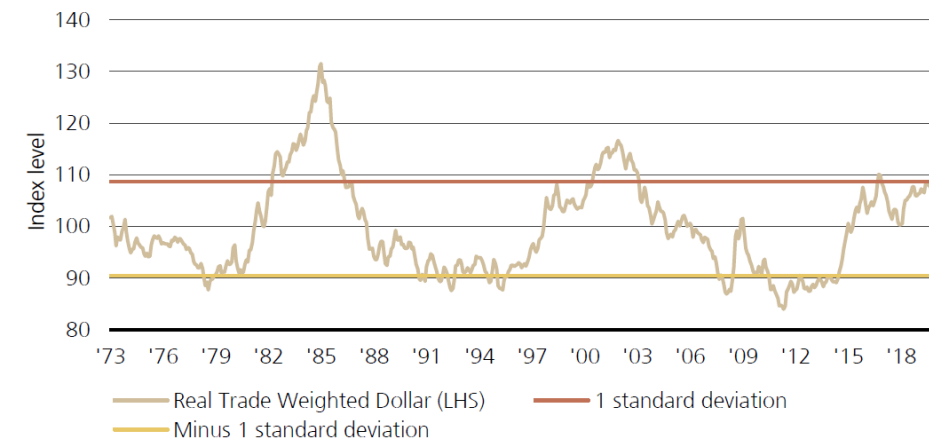
- Persistent use of QE by the Fed could push the USD lower.
- As COVID-19 cases rise in the U.S., confidence in the global currency could wane.
- Potential policy changes and rising political uncertainty within the U.S.
- Prolonged low interest rates—though does still offer above-average carry vs. G10 currencies

Impact on global ex-U.S. equities for U.S. investors

- Year to date 2020 the U.S. dollar has been a safe-haven, negatively impacting global ex-U.S. equities
- But if the U.S. dollar begins to depreciate back to its long-term average, global ex-U.S. equity investments will benefit.

US trade-weighted real dollar at historically elevated valuations

Federal Reserve gauge of USD more than one standard deviation above its long-term average



Source: UBS-AM, Macrobond. Data as of 31 May 2020.

Returns	2020 YTD		2019		15-years	
	Local	USD	Local	USD	Ann	Beta
Regions						
U.S. (S&P 500)	--	-3.1	--	31.5	9.0	0.87
AC World ex-U.S.	-8.8	-10.8	21.4	22.1	5.7	1.10
EAFE	-10.3	-11.1	22.3	22.7	5.3	1.06
Europe ex-UK	-9.0	-8.6	27.5	25.9	5.9	1.20
Emerging Markets	-5.4	-9.7	18.5	18.9	7.8	1.26
Selected Countries						
United Kingdom	-17.7	-23.2	16.5	21.1	4.2	1.01
France	-15.6	-15.5	29.3	27.0	5.9	1.22
Germany	-7.2	-7.1	23.9	21.7	6.4	1.32
Japan	-7.6	-6.9	18.9	20.1	4.3	0.75
China	3.5	3.6	23.3	23.7	11.3	1.26
India	-12.1	-16.9	10.0	7.6	9.2	1.31
Brazil	-16.5	-38.8	31.5	26.7	9.5	1.47
Russia	-14.3	-24.3	38.8	52.7	7.4	1.53

U.S. Fixed Income Performance

Second Quarter 2020

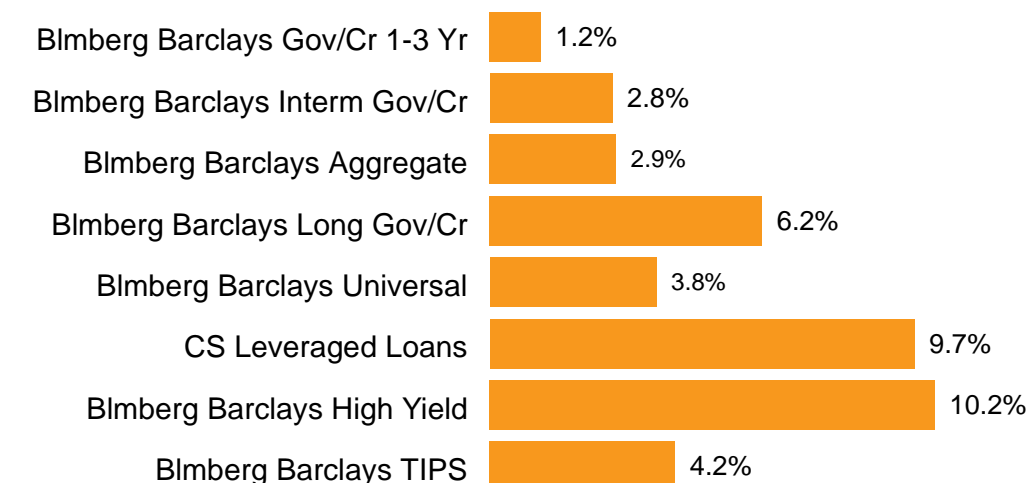
Treasury yields were range-bound

- 10-year U.S. Treasury yield reached 0.91% in June before closing 2Q20 at 0.66%, down slightly from 1Q20.
- Fed left rates at 0% – 0.25% for the foreseeable future, anchoring the low end of the yield curve.

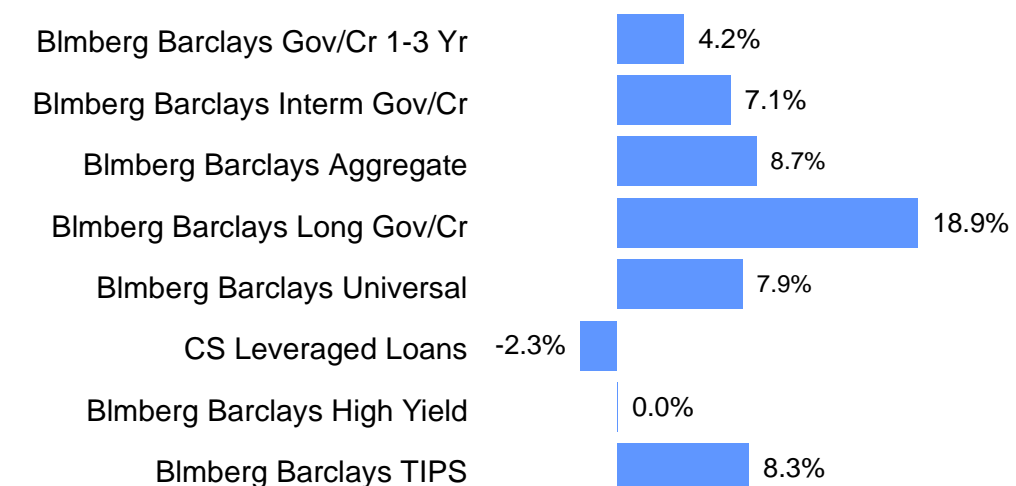
Credit rallied due to spread narrowing

- Corporate credit rebounded amid improving investor confidence and economic data. But fallen angels continued to spark concern, with nearly half of the IG corporate market rated BBB.
- IG corporate spreads narrowed by 122 bps to 150 bps despite companies issuing record debt totaling \$1.4 trillion (+9.0%).
- High yield corporates posted double-digit returns (+10.2%).

U.S. Fixed Income: Quarterly Returns



U.S. Fixed Income: Annual Returns



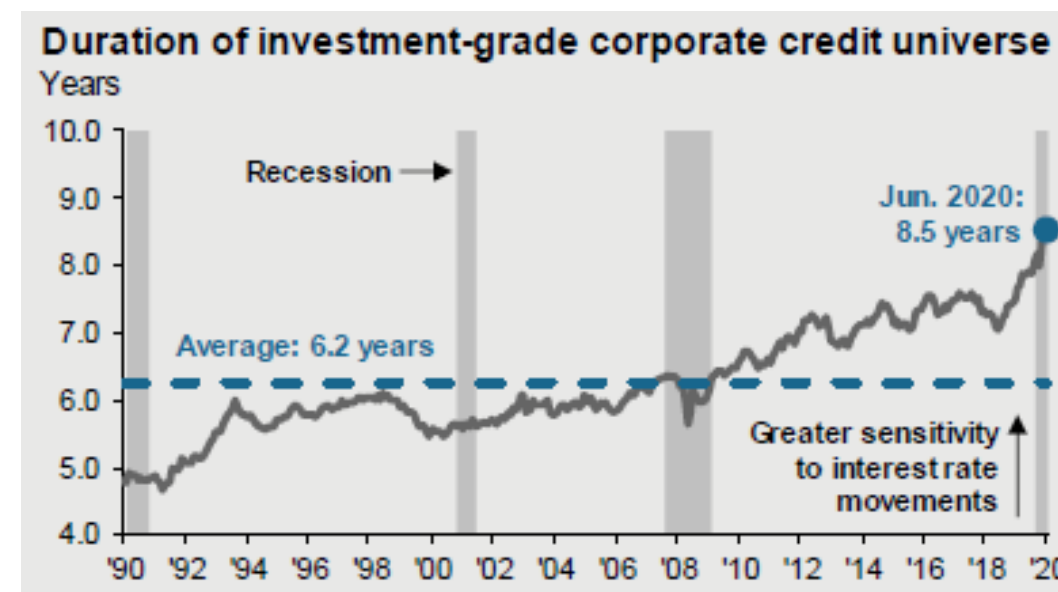
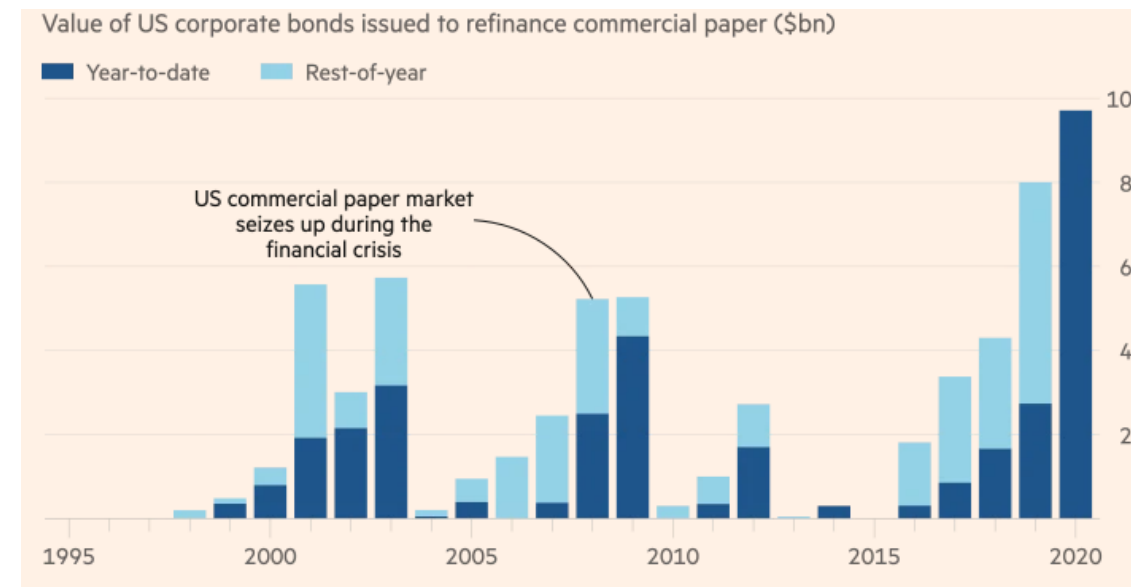
Sources: Bloomberg Barclays, Credit Suisse

Record Bond Issuance and Duration Extension

Interest rate risk has increased within investment grade corporate bonds

Corporate bond issuance at record highs

- Fed’s bond buying program and the sharp decline in interest rates incentivized firms to pay down short-term debt and issue longer-term bonds.
- Net issuance through 6/30/20 (\$864 billion) surpassed previous high in 2009.
- Intermediate- and long-term debt maturities have become heavier weights within IG corporates.
- Longer-dated maturities indicate more sensitivity to interest rate movements
- New issuance has exacerbated duration extension trend; Bloomberg Barclays US Corporate Bond Index is now more sensitive to rate movements than at any point since 1990.
- As duration extends, we will see heightened Index volatility in response to rate changes and managers navigating interest rate risk.



Global Fixed Income Performance

Second Quarter 2020

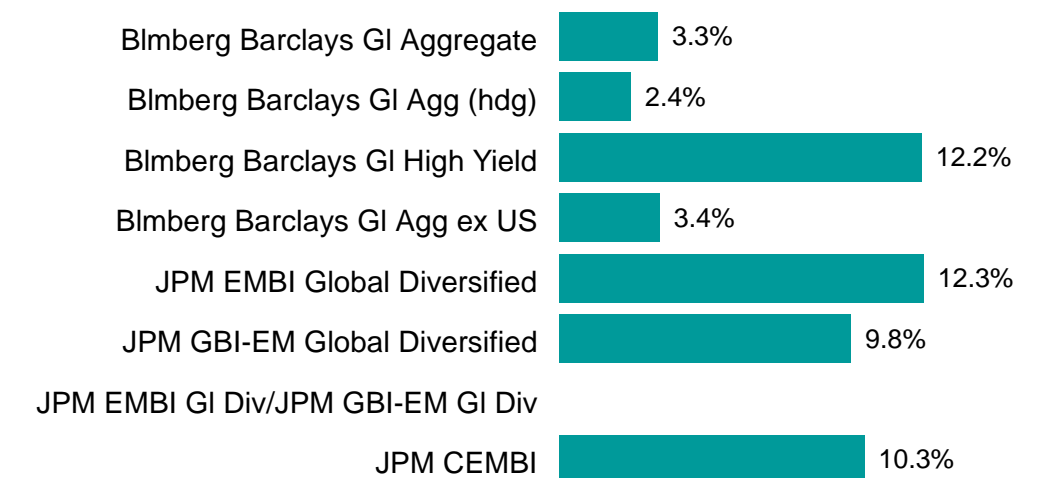
Global ex-U.S. fixed income rose amid rate cuts

- Developed market sovereign bond yields ended the quarter lower amid rate cuts overseas; Global Agg ex-US (unhedged) index: +3.4%.
- ECB expanded stimulus program announced in March from €750 billion to €1.35 trillion.
- USD depreciated modestly against a basket of developed market currencies; flat versus the yen.

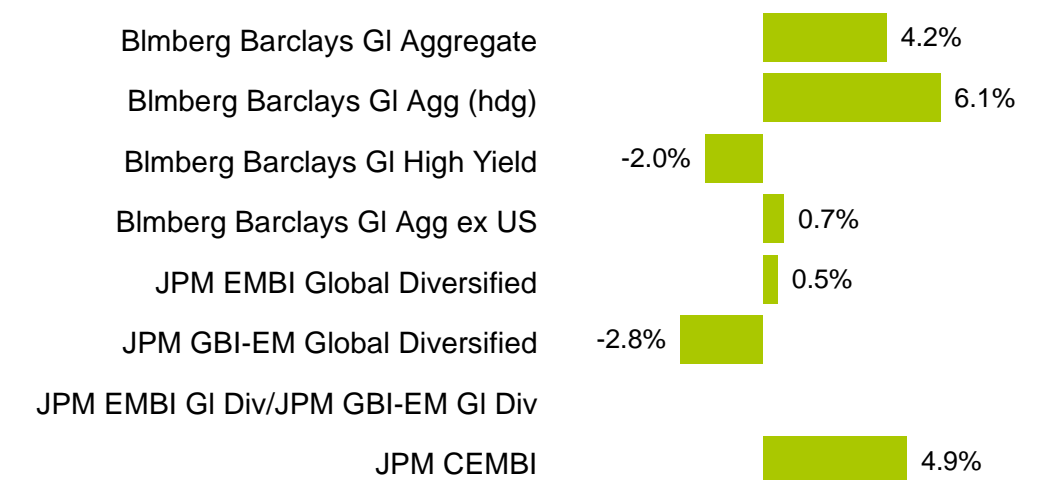
Emerging market debt made up ground

- JPM EMBI Global Diversified (USD) posted strong returns (+12.3%) as oil prices rose and central bank liquidity measures took effect.
- Within the local currency denominated benchmark JPM GBI-EM (+9.8%), returns were positive for the vast majority of constituents. Oil-sensitive economies rebounded to some degree, but remained down YTD.

Global Fixed Income: Quarterly Returns



Global Fixed Income: Annual Returns



Sources: Bloomberg Barclays, J.P.Morgan

Real Estate Market

Second Quarter 2020

U.S. Private Real Assets	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years
Real Estate ODCE Style	-0.62	-0.25	2.46	5.54	7.15	10.05	6.03
NFI-ODCE (value weight net)	-1.75	-1.01	1.33	4.72	6.35	9.78	6.02
NCREIF Property	-0.99	-0.29	2.69	5.44	6.77	9.70	7.69
NCREIF Farmland	0.61	0.50	2.46	4.88	6.16	10.71	12.89
NCREIF Timberland	0.08	0.19	0.34	2.28	2.71	4.39	6.18
Public Real Estate							
Global Real Estate Style	10.47	-17.03	-10.67	2.19	3.74	8.38	5.61
EPRA/NAREIT Developed	10.07	-21.33	-16.25	-1.60	1.27	6.30	--
Global ex-U.S. Real Estate Style	10.13	-17.18	-9.23	3.12	3.50	7.92	5.59
EPRA/NAREIT Developed ex US	8.76	-21.21	-15.36	-0.27	1.29	5.91	4.31
U.S. REIT Style	12.05	-13.88	-7.08	2.92	5.78	10.28	7.06
NAREIT Equity REITs	11.82	-18.71	-13.04	0.03	4.06	9.05	6.02

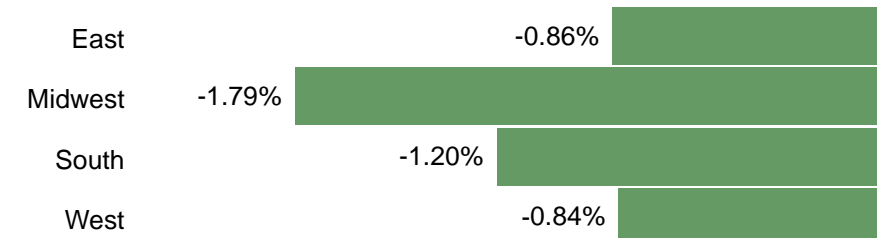
Results

- Pandemic’s continued impact reflected in 2Q results
- Income remains positive except in Hotel sector.
- All sectors experienced negative appreciation, Industrial remains the best performer
- Dispersion of returns by manager within the ODCE Index due to both composition of underlying portfolios and valuation methodologies/approach
- Negative returns expected for 3Q and beyond

Sector Quarterly Returns by Property Type



Sector Quarterly Returns by Region



Sources: Callan, FTSE Russell, NAREIT, NCREIF

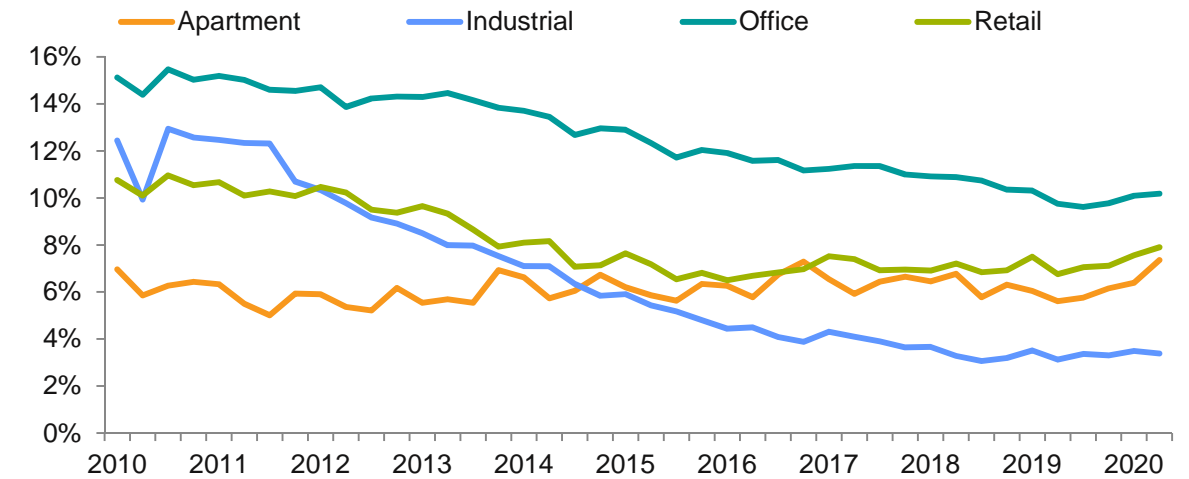
Real Estate Market

Second Quarter 2020

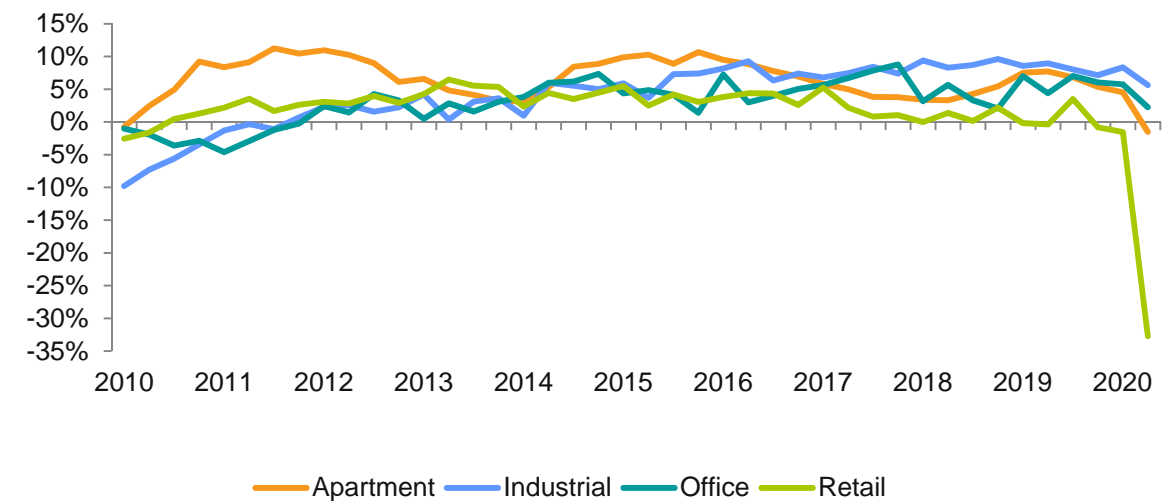
U.S. real estate fundamentals

- Vacancy rates for all property types are or will be impacted.
- Net operating income has declined as retail experienced the largest drop-off in over 20 years.
- Second quarter rent collections show relatively stable income throughout the quarter in the Industrial, Apartment, and Office sectors. The Retail sector remains challenged, with regional malls impacted most heavily.
- Class A/B urban apartments relatively strong, followed by certain types of Industrial and Office
- Supply was in check before the pandemic.
- Construction is limited to finishing up existing projects but has been hampered by shelter in place and material shortages.
- New construction will be basically halted in future quarters except for pre-leased prop

Vacancy by Property Type



Rolling 4-Quarter NOI Growth by Property Type



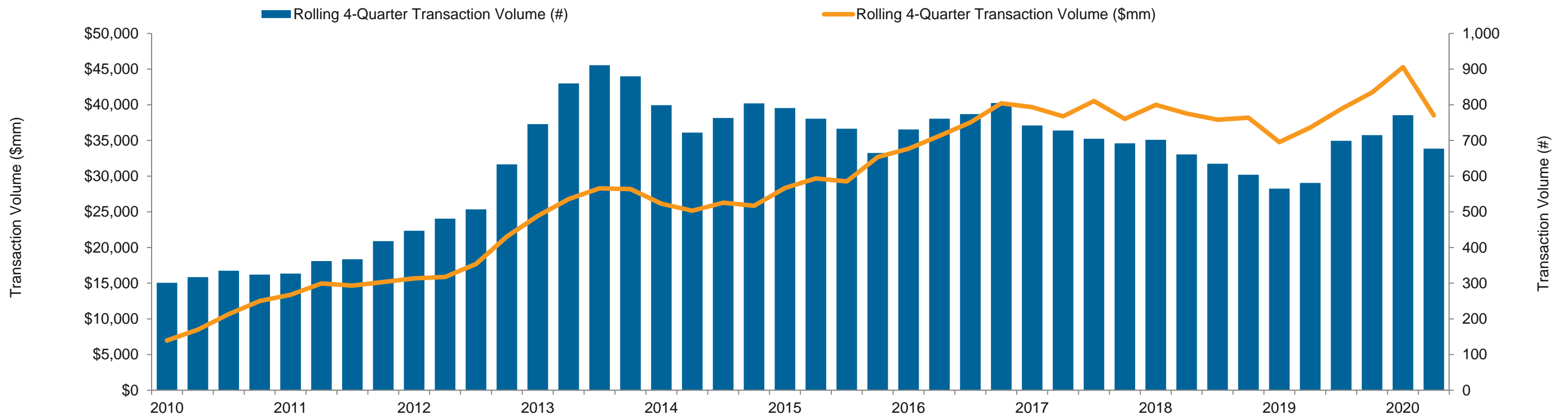
Sources: NCREIF

Real Estate Market

Pricing and transaction volumes have essentially halted in 2Q20

- Transaction volume has dropped off during the quarter with the exception of industrial assets with strong-credit tenants trading at pre-COVID-19 levels.
- Cap rates remained steady during the quarter. The spread between cap rates and 10-year Treasuries is relatively high, leading some market participants to speculate that cap rates will not adjust much. Price discovery is happening and there are limited transactions.
- Callan believes the pandemic may cause a permanent re-pricing of risk across property types. Property types with more reliable cash flows will experience less of a change in cap rates; however, those with less reliable cash flows will see greater adjustments.

NCREIF Rolling 4-Quarter Transaction Totals vs. Cap Rates



Source: NCREIF

Hedge Fund and MAC Industry Trends

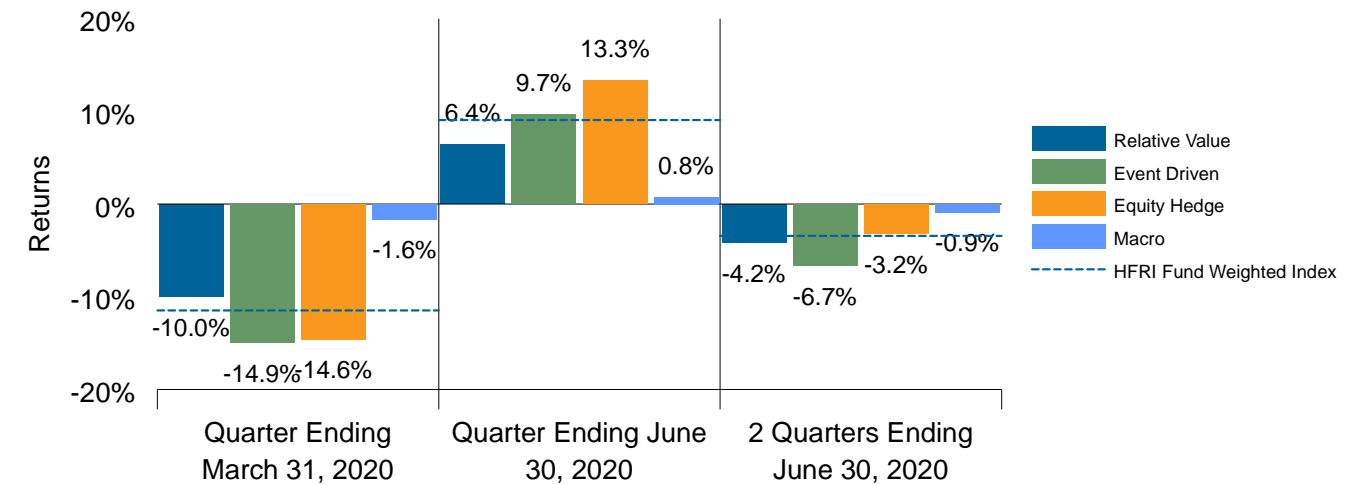
Faster recovery for beta-driven styles

- With more beta, Equity Hedge recovered better in 2Q20.
- With less-liquid positions, Event Driven and Relative Value recouped less of their losses.
- Top-down Macro flat-lined through both quarters.

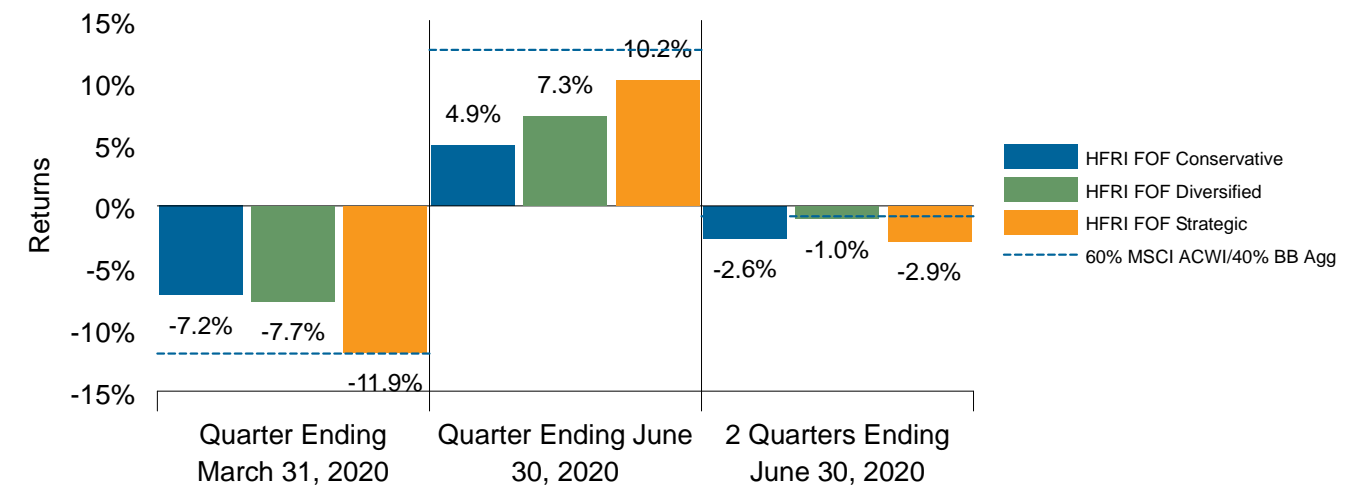
Different route, same finish

- Hedge fund portfolios rebounded less than a traditional 60/40 index but finished YTD the same, more or less.
- Long-short equity FOFs caught more of 1Q's downside than 2Q's upside.
- More credit-oriented portfolios benefited less from economic stimulus than other portfolios.

HFRI Strategy Index Returns versus broad hedge fund universe



HFRI Fund-of-Fund Returns versus 60% Stock/40% Bond Mix



Sources: Callan, Credit Suisse

Hedge Fund and MAC Industry Trends

Long-Biased MACs

- 60% ACWI/40% BB Agg benchmark’s 12.6% gain in 2Q20 set a high bar for long-biased MACs.
- Overweight to equity needed for leading edge

Risk Parity MACs

- Greater exposures to bonds and commodities held back risk parity in 2Q.
- Steady vol targeting and rebalancing mattered

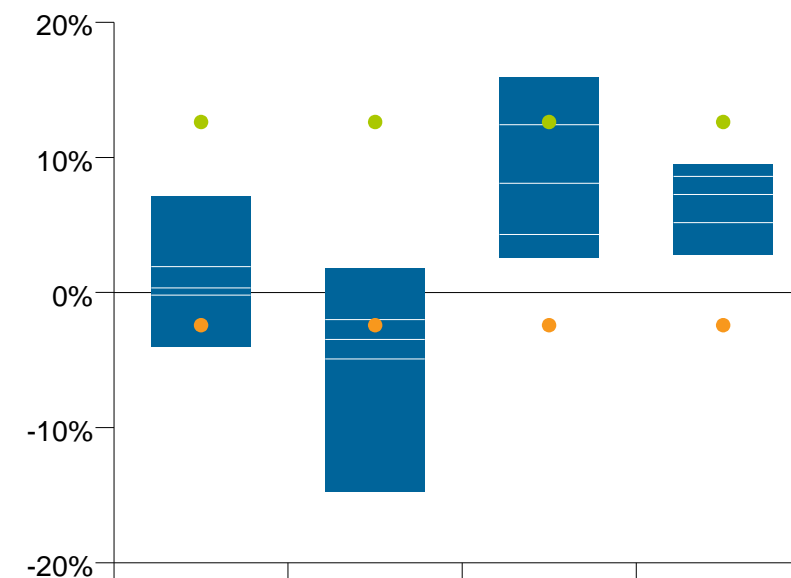
Absolute Return MACs

- Risk-on shift needed for performance edge.
- Defensive or commodity exposures hurt.

Risk Premia MACs

- Eurekahedge MFRP 5% Vol fell 2.1%, adding to 1Q’s 7.0% loss.
- Equity momentum reversal and lackluster value detracted again, while carry and momentum in other asset classes helped.

Callan MAC Style Group Returns (quarter ended 6/30/20)



	Callan MAC Absolute Rtn	Callan MAC Risk Premia	Callan MAC Long Biased	Callan MAC Risk Parity
10th Percentile	7.2	1.8	15.9	9.5
25th Percentile	1.9	-2.0	12.4	8.6
Median	0.3	-3.5	8.1	7.3
75th Percentile	-0.2	-4.9	4.3	5.2
90th Percentile	-4.0	-14.7	2.5	2.8
60% MSCI ACWI/40% BB Aggr	12.6	12.6	12.6	12.6
Eurekahedge MAC RP (5%v)	-2.4	-2.4	-2.4	-2.4

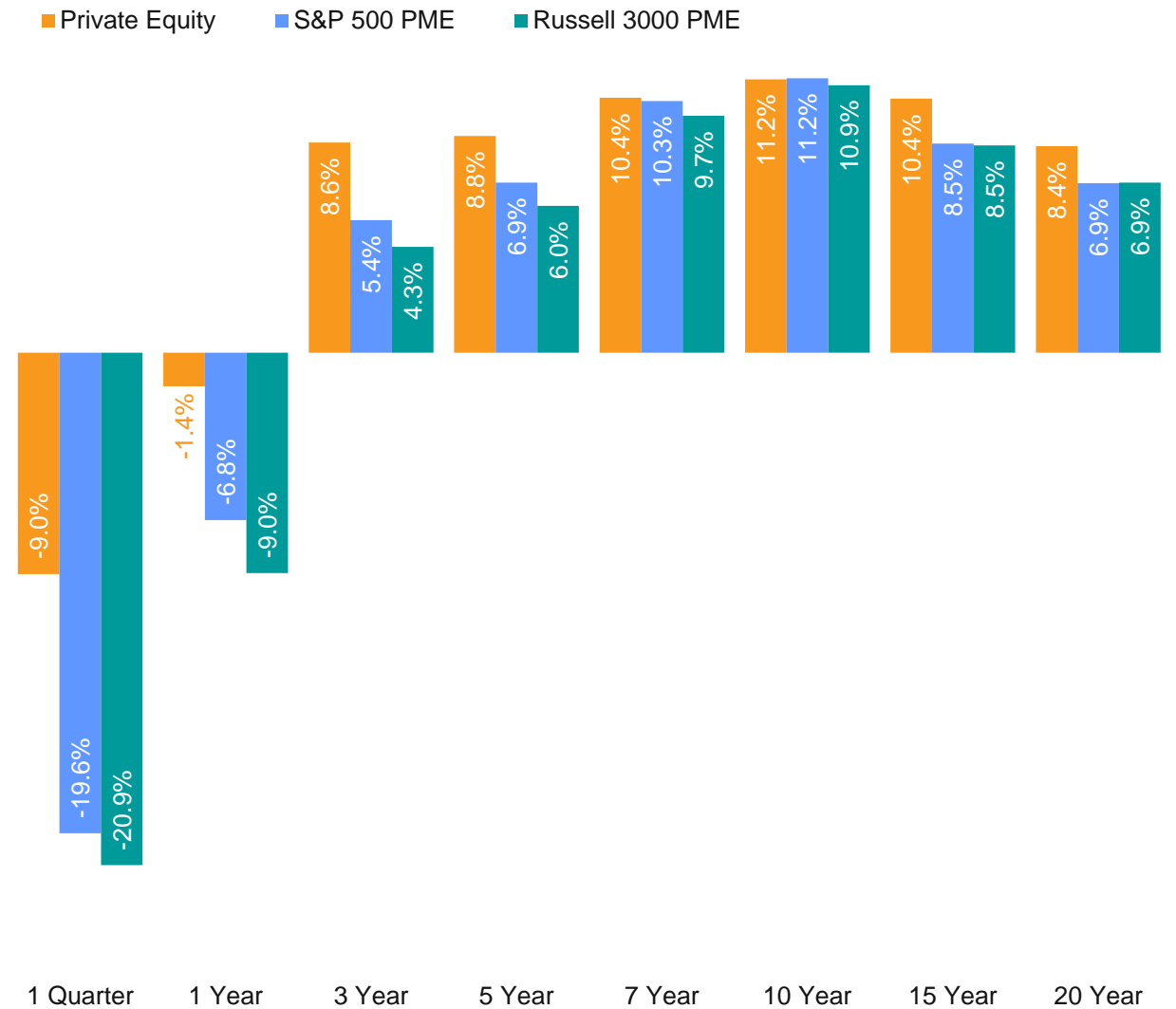
Sources: Callan, HFR, Eurekahedge

Private Equity

Outperformance across a cycle

- Drop in private equity performance in 1Q20
- Decline far less severe than the sharp plunges in the public markets
- 10-year performance finally caught up to public equity returns.
- Expected to exceed public markets as crisis deepens

Net IRRs as of March 31, 2020



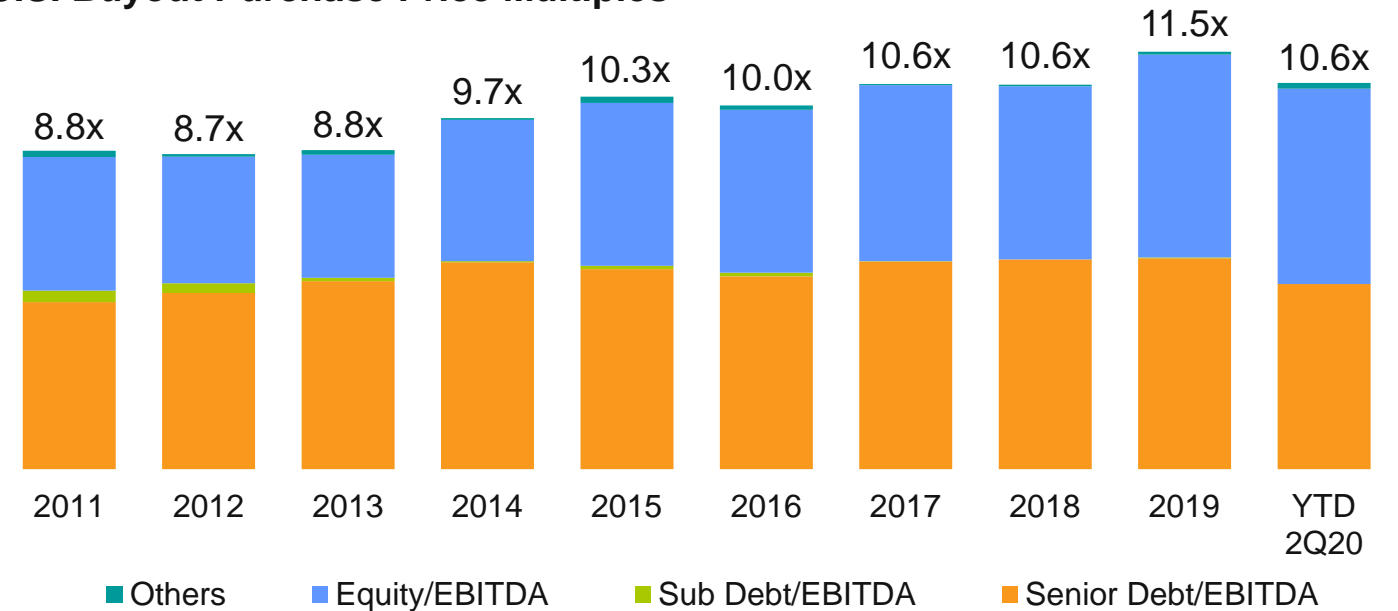
Source: MSCI

Private Equity Company Valuations and Leverage

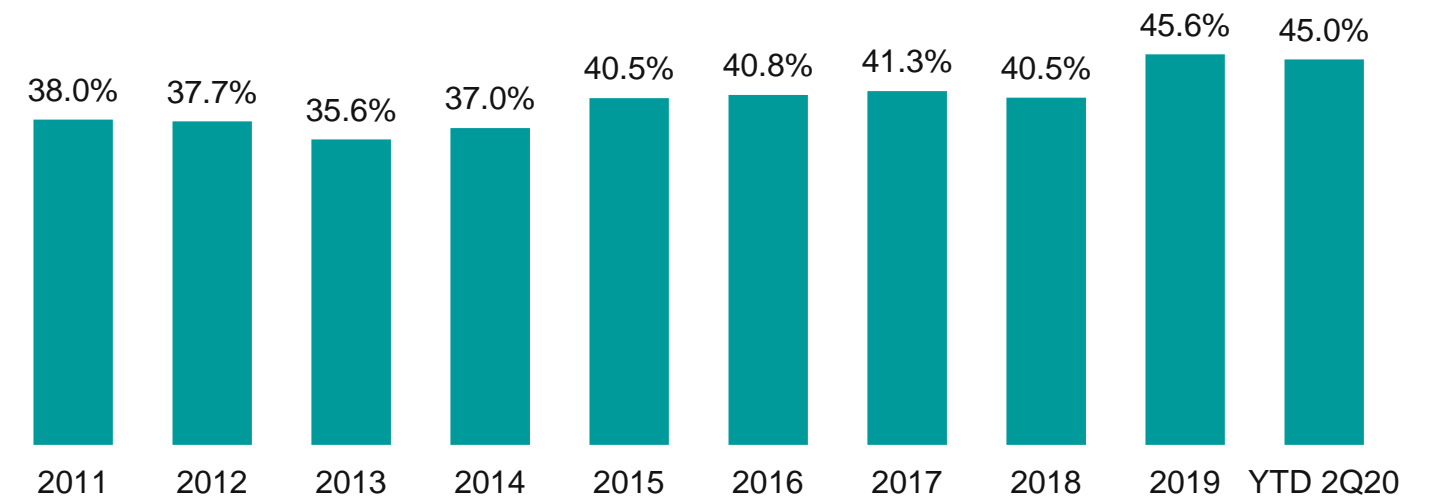
Valuations finally drop

While 1Q buyout purchase prices only experienced minimal impact from COVID-19, they plummeted in 2Q to 9.2x, levels we haven't seen in over six years.

U.S. Buyout Purchase Price Multiples



% Equity Contribution in U.S. Buyout Deals



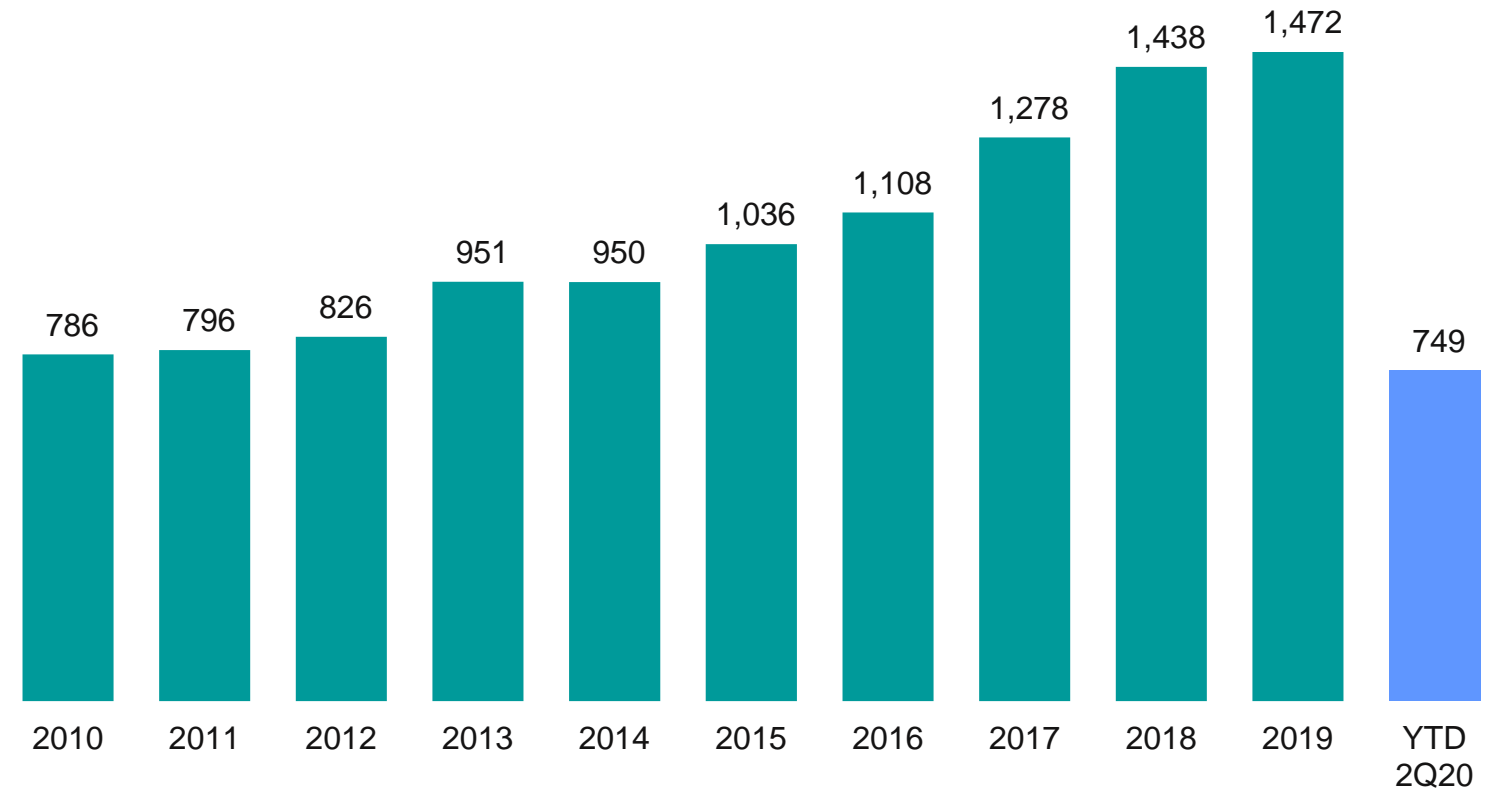
Source: S&P LCD

Private Equity Dry Powder Falls

High levels of capital poised to invest

- Nearly \$1.5 trillion in dry powder at peak in 2019
- New investment activity, which declined by over 30% in 2Q, starting to pick up again
- Investments made during the crisis expected to ultimately outperform, especially once the cycle shifts to the expansion phase
- As general partners deploy this capital, investors need to ensure they have adequate liquidity to meet private equity capital calls.

Dry Powder (\$billions)
Cumulative as of Year End



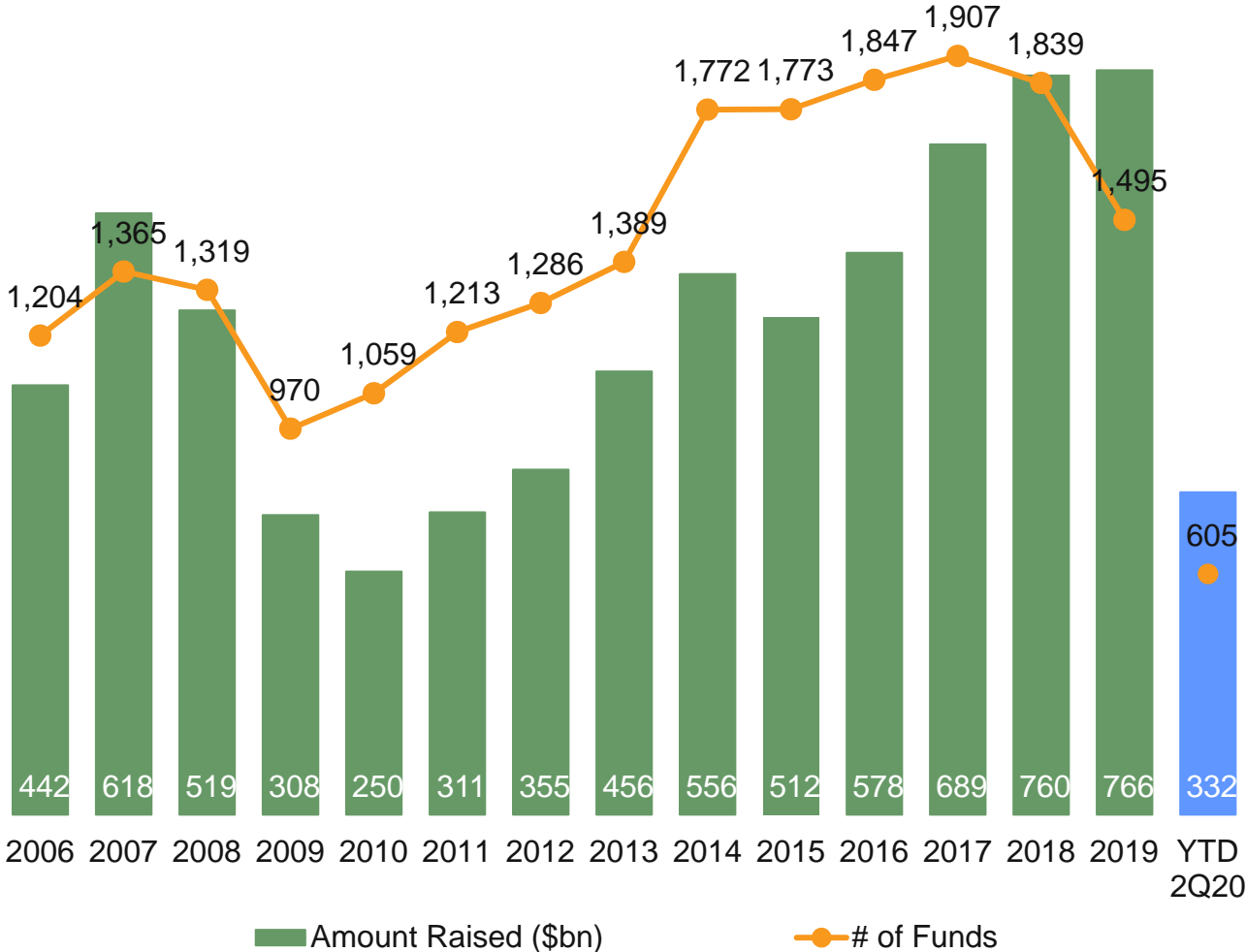
Source: Pitchbook; global, includes private equity and private debt

Global Fundraising

Boom continues... for now

- Fundraising strong through 2Q20
- Many upcoming fundraises pushed out to 2021 due to inability of funds to deploy capital over last few months
- Fundraising for rest of year expected to significantly slow

Annual Fundraising

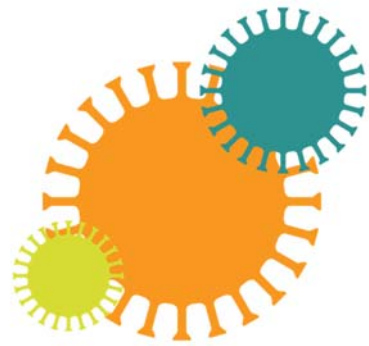


Source: Pitchbook

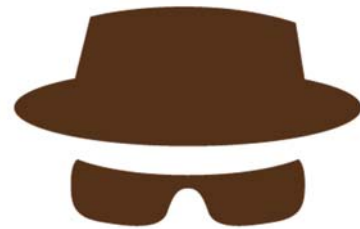


Published Research Highlights from 2Q20

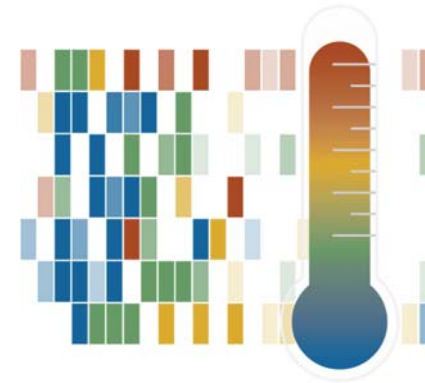
Coping with COVID-19: Investment Manager Survey



Breaking Bad: Better Call Hedge Funds?



Real Estate Indicators: Too Hot to Touch or Cool Enough to Handle?



Pandemic Reshapes the Outlook for Farmland Investments



Recent Blog Posts

Callan Survey: DC Plan Response to CARES Act Varied

Jana Steele

'Social Washing' and How COVID-19 Has Emphasized the 'S' in ESG

Aaron Quach

Plus our [blog](#) contains a wide array of other posts related to the pandemic

Additional Reading

Private Equity Trends quarterly newsletter

Active vs. Passive quarterly charts

Capital Market Review quarterly newsletter

Monthly Updates to the Periodic Table

Market Pulse Flipbook quarterly markets update

Callan Institute Events

Upcoming Conferences, Workshops, and Webinars

“Callan College”

This program familiarizes institutional investor trustees and staff and asset management advisers with basic investment theory, terminology, and practices. It is held over three days with virtual modules of 2.5-3 hours. This course is designed for individuals with less than two years of experience with asset-management oversight and/or support responsibilities. Tuition is \$950 per person and includes instruction and digital materials.

Next Session: October 13-15, 2020

Additional information can be found at:
www.callan.com/cc-introduction-virtual/

“Research, education, and dialogue are more important than ever in these extraordinary times, which is why I’m pleased to announce that we are adding more webinars, and we plan to expand our events to include roundtables and other interactive digital offerings.”

Barb Gerraty
Director, Callan Institute



On-Demand Webinars

Visit our website for On-Demand webinar options at www.callan.com/on-demand-webinars/

Our most recent webinar covered strategies in alternatives.

Upcoming Webinars

Demystifying China

July 29, 2020

In this webinar, Callan’s China specialists will discuss:

- The key factors driving China’s economic growth
- China’s capital markets and where they fit in a global equity structure
- Characteristics of the China manager universe and product offerings
- Strategies for investing in future opportunities

Opportunities in Private Credit

August 20, 2020

Register at www.callan.com/callan-institute-events

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SUBJECT: Risk Overview

ACTION: _____

DATE: September 23, 2020

INFORMATION: X

BACKGROUND:

The Risk Report provides an overview of historical and forward-looking measures of risk for the Total Fund and its underlying asset classes.

STATUS:

The 'Risk Overview' has the following sections:

- **Section-1:** provides a brief explanation of Value at Risk ("VaR"), the key assumptions, the methodology and parameters, and illustrative examples. This section also includes an introduction to risk modeling for private assets, along with a comparative analysis of risk measures for private equity.
- **Section-2:** presents a review of current risk levels versus the *proposed* Risk Tolerance Portfolio (RTP), including a breakdown of risk contributors and their attribution.
- **Section-3:** covers the main measures of risk for the Fund. The APFC's key risk measures include Value at Risk (VaR) on a standalone and relative-to-benchmark basis, tracking error, statistics that measure realized volatility and Sharpe Ratios, asset class and factor contributions to risk and risk scenarios. It also covers Geographic, Currency, and Liquidity risks for the Total Fund.



APFC

ALASKA PERMANENT
FUND CORPORATION

Risk Overview

September 23, 2020

The background of the slide is a solid teal color with a faint, semi-transparent image of a pine branch with needles and a small cone-like structure. The text is centered on the slide.

Section-1: Risk Measurement

- VaR concepts
- Private asset risk measurement

Value at Risk (VaR): assumptions and definition

Key Assumptions

- Risk = Volatility
- Value at Risk ("VaR") is a measure of risk (estimate of future loss in value), computed based on historical volatility
- Normality of markets/factors

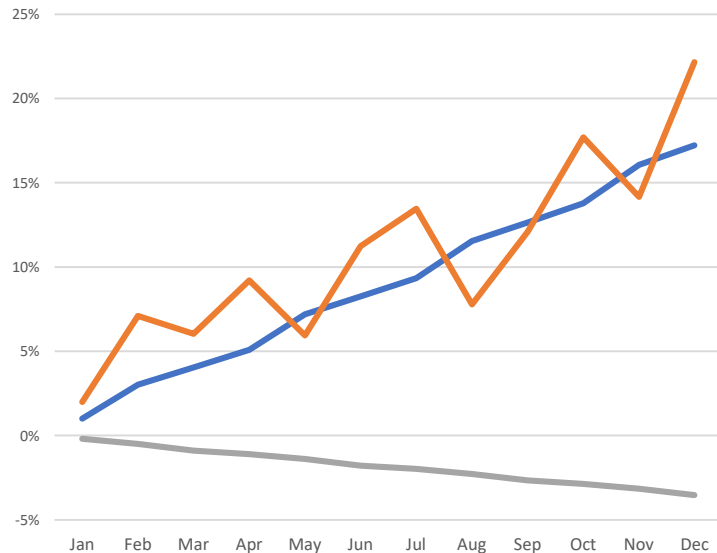
Definition

- VaR is defined in terms of a specified time horizon and confidence level.
- A VaR (1 year, 95%) of \$7 on a \$100 position means: the estimate of loss in value, if this position was held for a year, is \$7, and this estimate has a 95% probability. In other words, there is only a 5% chance of the loss exceeding \$7 over a year. **It also implies that there is a high likelihood of losing up to \$7 over the year.**
- When computing VaR for more than one position (a portfolio), in addition to the volatility of individual positions, the correlation between the positions is also considered to capture the benefit of diversification

Methodology and Model

- Parametric approach, utilizing BlackRock Aladdin BFRE model

VaR: is one measure of risk (uncertainty)



Investment A
Cumul. Return : 22.2%
Volatility : 3.9%

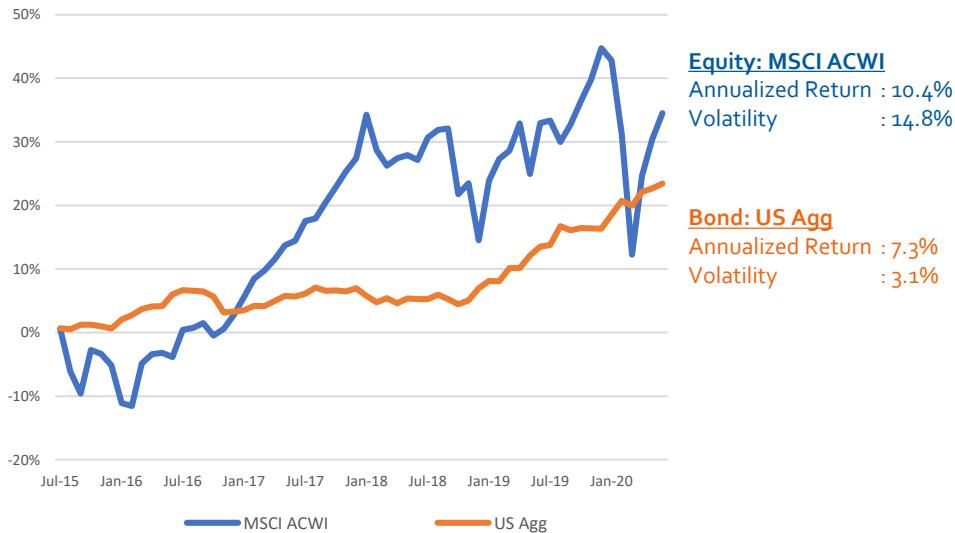
Investment B
Cumul. Return : 17.2%
Volatility : 0.5%

Investment C
Cumul. Return : (3.5%)
Volatility : 0.1%

- While seeking lowest volatility alone may not be most desirable, volatility is a reasonably good measure of risk - in terms of uncertainty
- Other forms of risk (like liquidity, credit, operational, etc.) are not always captured within volatility, and are important to consider
- VaR is effective in that it is a standardized measure, that can be aggregated across different asset classes and investment types
- While VaR has several shortcomings and incorporates simplifying assumptions, in the absence of a better alternative, it is a useful measure of risk.

VaR: correlations and diversification benefit

5-year index returns, ending June 2020



	VaR	Correlation	
		Equity	Bond
\$100 Equity	\$ 14.8	1.0	-0.5
\$100 Bond	\$ 3.1	-0.5	1.0
\$200 Combined	\$ 15.1		
Diversification Benefit	\$ 2.8		

- Correlation is a coefficient that ranges from -1 to +1
- Given that the instances of +1 are rare, diversification almost always leads to lower risk (VaR) levels – possibly, not necessarily, lower returns as well
- Optimization is key

Value at Risk (VaR): Computation & parameters

Volatility (standard deviation) and correlation (covariance) are computed from historical time series

Key Parameters – user specified

1. Time horizon : APFC has selected a 1-year time horizon generally
2. Confidence level : 97.5% (1.96 SD) generally {and 84% (1SD) in some instances}
3. Historical data : Weekly data, ~2 year history, with 0.97 decay

Model outputs are scalable across the various configurations of the first two parameters: time horizon and confidence level, but not for historical data.

Historical Data

Different configurations for the historical data, listed below, may result in materially different model outputs

- Frequency (daily, [weekly](#), monthly, etc.);
- Length of historical time period (1-month, 6-month, [2-year](#), 10-year, etc.); and
- Decay or weighting of history (equally weighted vs [higher weight for recent history](#), etc.)

VaR: Impact of historical data configuration

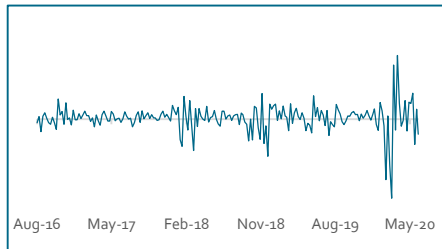
- A key assumption: historical behavior of and relationships between market factors is indicative of future dynamics as well
- The configurations chosen for historical data have material impact on output numbers in **absolute** terms

To Illustrate (Table & Charts below): Volatility of an equity index computed based on different configurations of historical data produce different outputs
Jun 2020

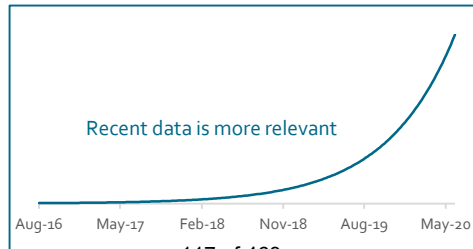
History	Frequency	Weighting	Volatility
10 years	Monthly	Equal	12.4%
10 years	Weekly	Equal	16.2%
2 years	Weekly	Equal	18.7%
2 years	Weekly	Exponential	30.8%

- ✓ Exponential weighting, i.e. recent past is given more weighting / relevance than distant past
- ✓ If markets have been relatively more volatile recently, expected volatility will be higher, and vice-versa
- ✓ When this assumption is properly understood, and applied consistently, the choice of configuration does not really impact relative measures, and inferences

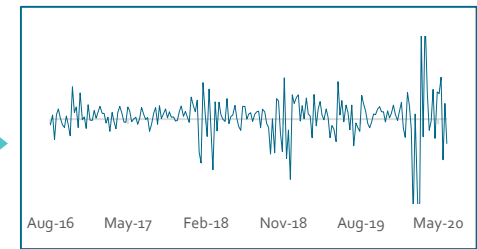
Historical returns of Equity Index



Exponential weighting



Impact of weighting



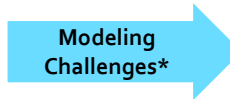
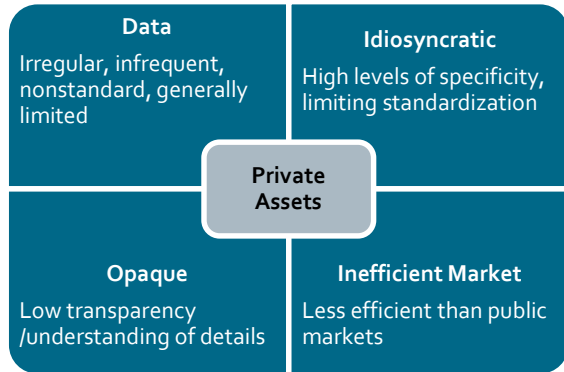
Private Assets: risk measurement

The next few pages of this section aim to address the following questions:

- What is the methodology underlying risk measurement for private assets?
- Does the risk system measure the risk of private equity with reasonable accuracy?
- How does APFC's private equity risk measure compare to other industry measures?

Private Assets: risk measurement challenges

- Most forward looking risk estimation methodologies utilize information from historical data
- The accuracy of estimates depends on: timely, clean, comprehensive and regularly available data



Difficulty in

- quantifying risk for Private assets
- Aggregating and obtaining a 'complete' multi-asset picture of risk

- Improved modeling techniques, better technology, enhanced data sources and expanded resource allocation has led to significant progress in risk measurement for private assets – an evolving space with much more to come.

* These characteristics possibly contribute to potential return premiums as well, for the differentiated investor
119 of 463

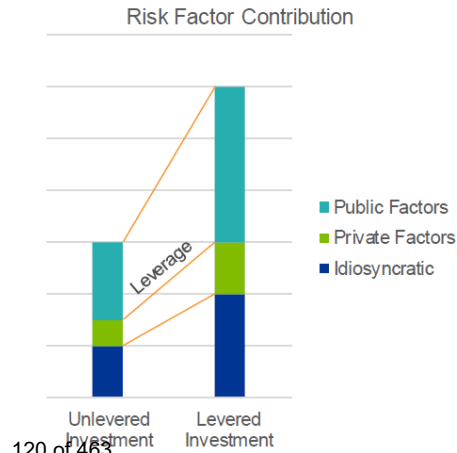
Private Assets: risk measurement methodology

Factor-based, mark-to-market economic risk models

- To quantify the economic relationship between alternative and traditional allocations within a multi-asset portfolio we estimate an answer to the question: *"If it were possible to trade these assets on a daily basis, what would be the volatility of the daily mark-to-market experienced"*
- These models have a general structure:
$$r = \beta * (\text{Public} + \text{Private} + \text{Idiosyncratic}) + \text{FX}$$

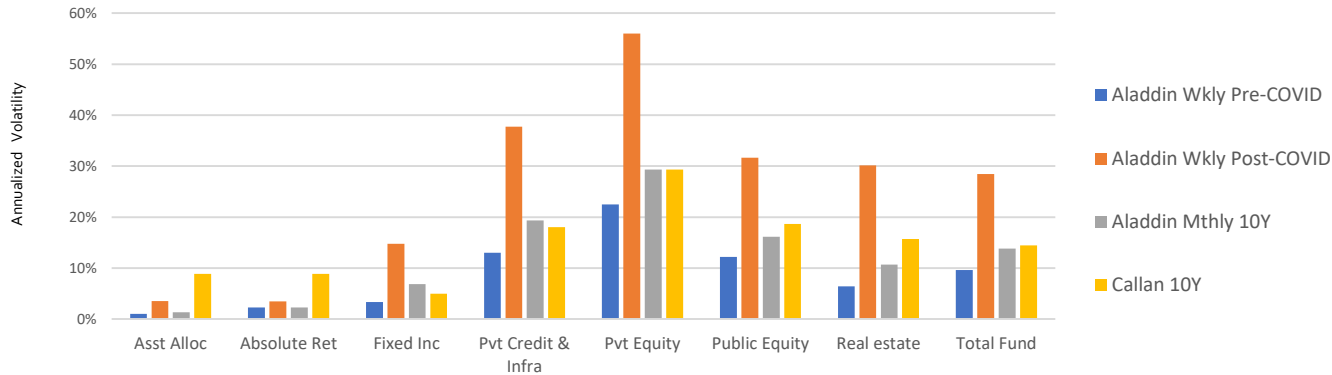
- ❖ "Public" risk factors and exposures seek to identify sources of systematic return and are predominantly calibrated on liquid market data
- ❖ "Private" risk factors and exposures seek to capture the sources of return unique to private assets
- ❖ "Idiosyncratic" risk factors seek to estimate the sources of pure idiosyncratic, or asset specific return

Rather than representing a standalone source of risk, financial leverage takes the role of an exposure multiplier



Private Assets: risk measure comparisons - *absolute*

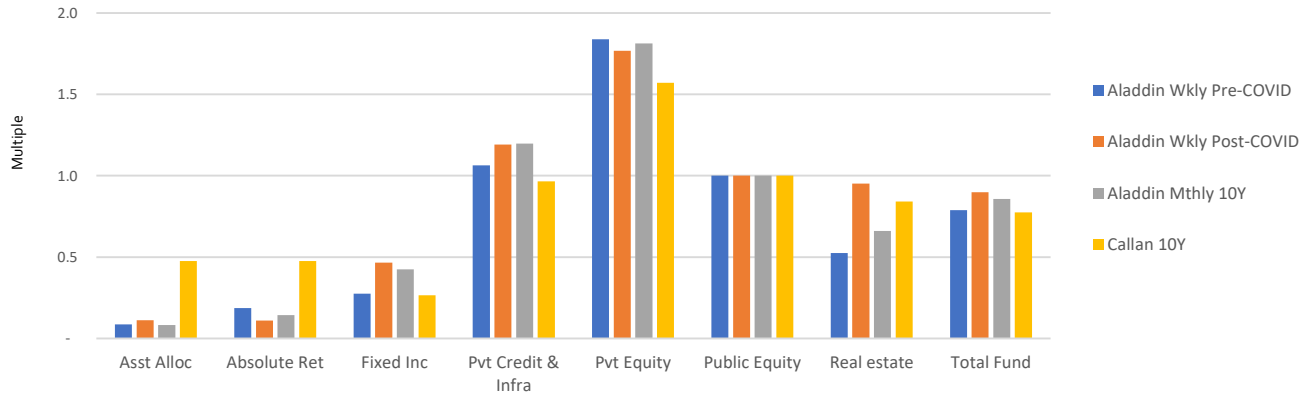
Annualized Volatility levels for APFC asset classes: [Aladdin](#) and [Callan](#)



- Choice of relevant historical period has material impact on risk (VaR) measures
- Essentially, Aladdin's risk (volatility) measures match that of Callan's quite closely, when time horizon is aligned
- Notably, private equity measures are almost exactly the same (~30%)

Private Assets: risk measure comparisons - *normalized*

'Normalized' volatility - expressed as a multiple of Public Equity volatility: [Aladdin](#) and [Callan](#)



- The similarity in risk (volatility) numbers are more explicit when using a normalized scale – in this instance as a multiple of 'Public Equity'
- Such a relative measure helps normalize variations due to different time horizons and other configurations
- As an example, relative risk measures for Private Equity all range between 1.6X and 1.8X of Public equity

Private Assets: risk measure comparison – various perspectives

Volatility: different approaches
private equity (or proxy) expressed as a multiple of public equity

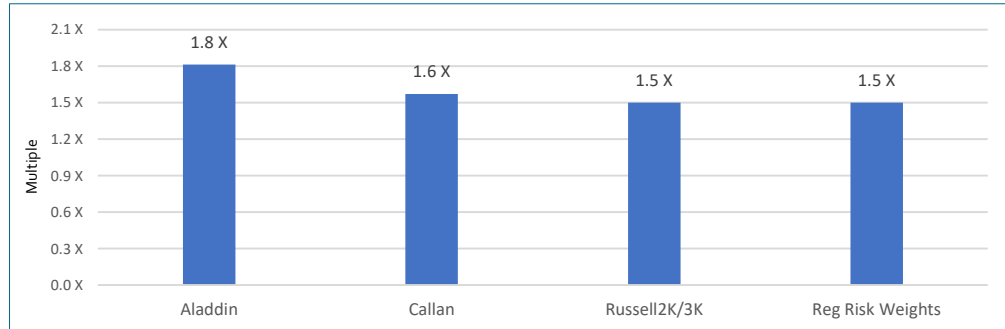


Chart: X-axis label definitions

- Aladdin** : ratio of private equity volatility to public equity volatility
- Callan** : ratio of private equity volatility to public equity volatility
- Russell2K/3K** : ratio of Russell 2000 index volatility to Russell 3000 index volatility
- Reg Risk Weights** : ratio of risk weights for private equity to risk weight for public equity, per FDIC & Basel norms (as applicable to APFC based on assumptions)

- Key message: (1) private equity is 'riskier' than public equity and (2) by about 1.5 times

Note: the Russell 2000, comprising the smallest 2000 companies of the Russell 3000, is considered a proxy for private equity, when the Russell 3000 is a proxy for public equity

Private Assets: correlations are also comparable

	PuE	FIP	PE	RE	PI	AR	
Callan	Public Equity (PuE)	1.00	0.72	0.93	0.75	0.88	0.77
	Fixed Income (FIP)	0.72	1.00	0.59	0.71	0.68	0.68
	Private Equity (PE)	0.93	0.59	1.00	0.66	0.81	0.62
	Real Estate (RE)	0.75	0.71	0.66	1.00	0.70	0.64
	Private Infra/Credit (PI)	0.88	0.68	0.81	0.70	1.00	0.73
	Absolute Return (AR)	0.77	0.68	0.62	0.64	0.73	1.00

	PuE	FIP	PE	RE	PI	AR	
Aladdin	Public Equity (PuE)	1.00	0.81	0.91	0.74	0.90	0.40
	Fixed Income (FIP)	0.81	1.00	0.73	0.84	0.84	0.03
	Private Equity (PE)	0.91	0.73	1.00	0.76	0.89	0.39
	Real Estate (RE)	0.74	0.84	0.76	1.00	0.80	0.03
	Private Infra/Credit (PI)	0.90	0.84	0.89	0.80	1.00	0.27
	Absolute Return (AR)	0.40	0.03	0.39	0.03	0.27	1.00

- Overall, the differences in correlation between Aladdin and Callan have no material impact on Total Fund risk
- Comparatively, Callan estimates lower Fixed Income Plus correlation coefficients (to other asset classes) than Aladdin. However the reverse is true for Absolute Return
- Lower the correlation, more is the benefit from diversification, in terms of risk reduction

Private Assets: Key takeaways

- With expanding allocation to private assets, measuring and aggregating private asset risk has become vital in obtaining a 'complete picture of risk'
- Private Assets, inherently, pose risk modeling challenges. However, over the years, methodologies/systems/markets have evolved offering reasonably sound approximations of risk
- More importantly, when used as a relative measure versus benchmarks and or other asset classes, the model predictions are more accurate and lead to better inferences
- In standalone or absolute terms, Aladdin's risk estimate for private equity closely matches that of Callan's. In terms of a public equity multiple as well Aladdin and Callan estimates are aligned. These multiples are also approximately in line with regulatory capital adequacy norms
- **The risk estimates are even more aligned when measured on a relative basis.** Almost all of APFC's risk measures are relative to respective benchmarks – in such a context, the same 'measuring scale' is used to measure risk of both the portfolio and its benchmark: i.e. configuration variations have little impact
 - An exception to this is the proposed Risk Tolerance Portfolio (RTP) risk appetite definition, which excludes private assets and has only 2 asset classes: public equities and public bonds

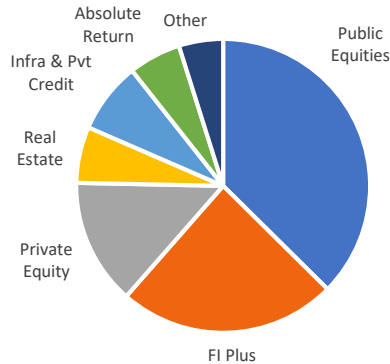
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Section-2: Risk Appetite

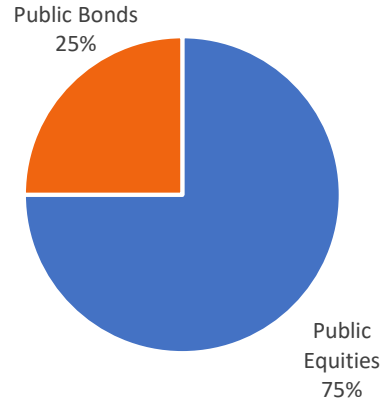
- Refresh methodology
- Update of current levels & key contributors

Risk Appetite: how it works *[refresh from previous BOT meetings]*

Risk of Actual Portfolio



Risk of RTP*



The actual APFC portfolio can have any type and mix of asset classes subject to:

- ✓ Drawdowns <= that of RTP*, when the same 3 drawdown stresses are applied
 - Drawdown-1: estimated drawdown applying '2007 credit crisis'
 - Drawdown-2: estimated drawdown applying '2008 crash' stress
 - Drawdown-3: estimated drawdown applying '2008/9 recession'

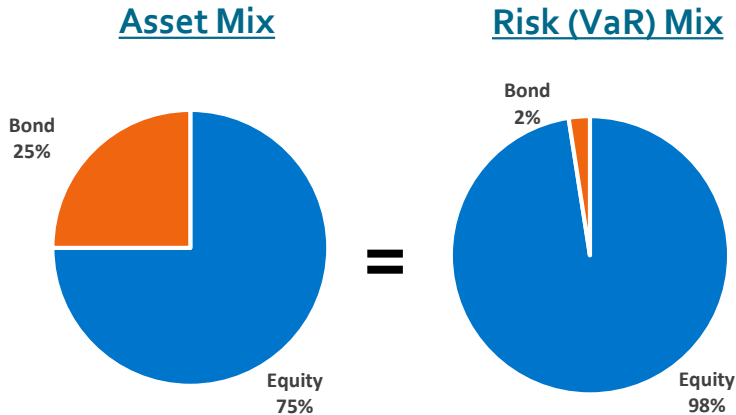
- ✓ VaR (volatility) <= that of RTP*

- ✓ Liquid Assets >= 55% of NAV

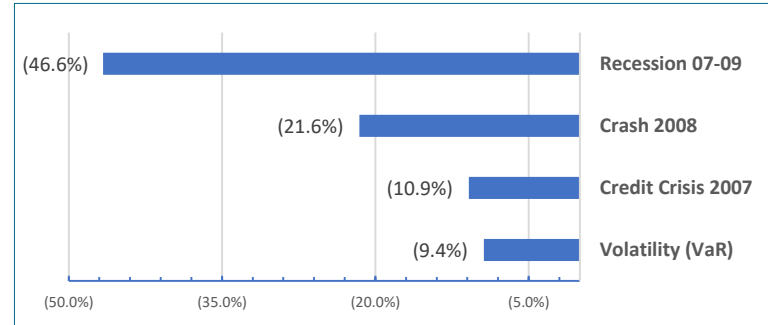
- ✓ Liquidity Pool >= 2% of NAV

* RTP: Risk Tolerance Portfolio

RTP: thresholds *[refresh from previous BOT meetings]*



The estimated drawdown and volatility levels for the RTP, as computed by BlackRock Aladdin, are provided below

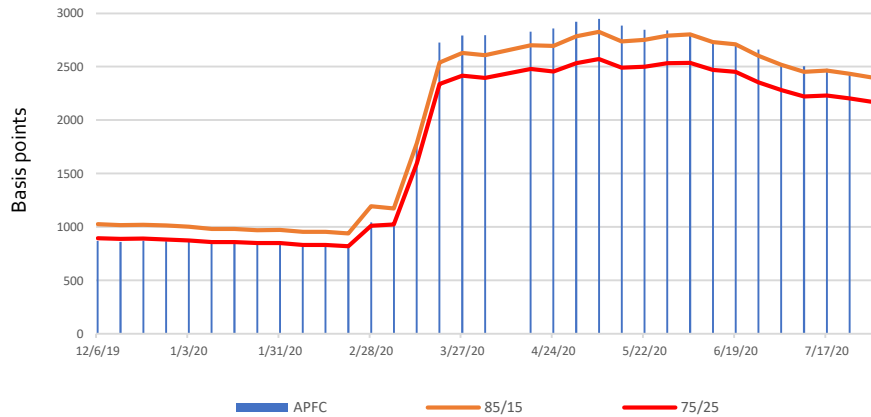


Based on 9/30/19 MV of Fund of \$66.1 bn	In \$ billions
Volatility (VaR)	(6.2)
Credit Crisis 2007	(7.2)
Crash 2008	(14.3)
Recession 07-09	(30.8)

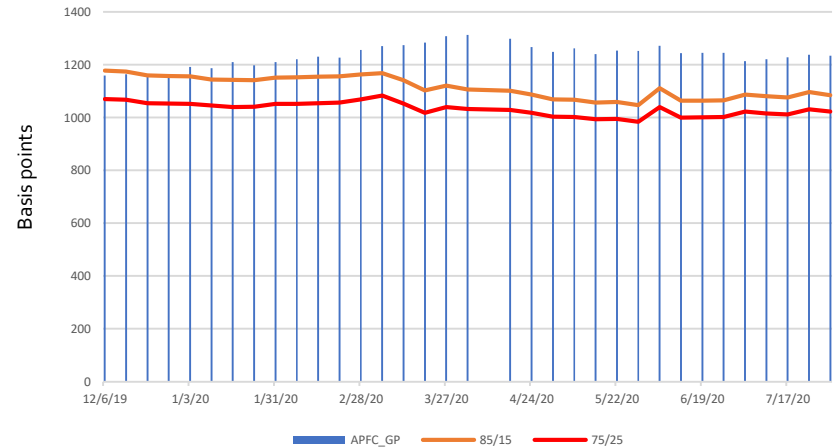
Note: the drawdown and VaR quantum are not absolute static numbers, they are dynamic and would vary based on market data of computation date

Risk Appetite: Actual vs. Risk Tolerance Portfolio (RTP) – 1/2

VaR (1SD)



Drawdown-1 (2007 credit crisis)

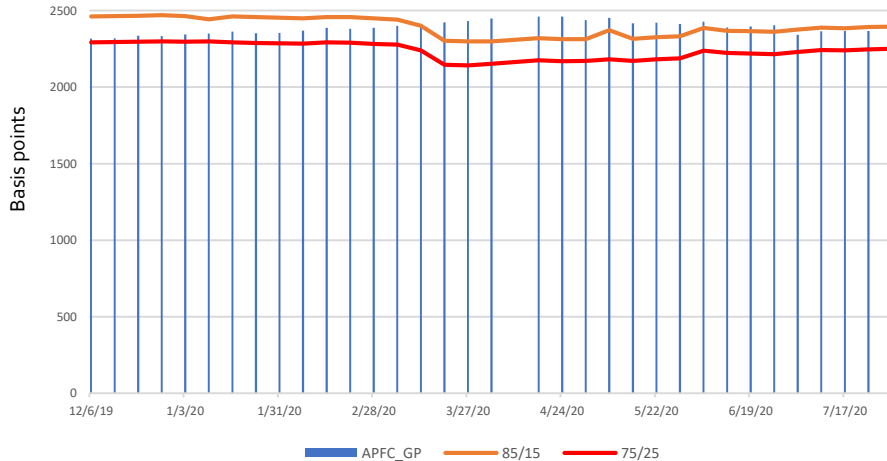


The actual APFC portfolio was measured against the 75/25 RTP (the 85/15 level is also shown) on a weekly basis for the following metrics:

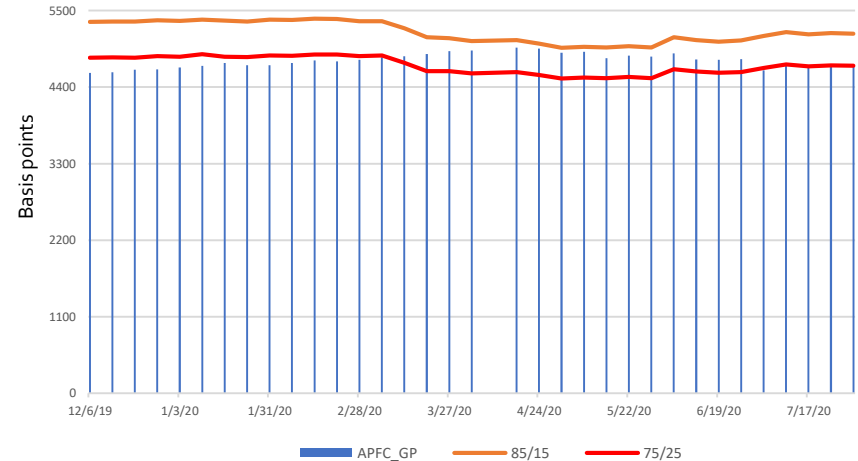
- **VaR**: APFC portfolio has exceeded the 75/25 RTP since Feb 2020. While it exceeded the 85/15 levels in Q2, more recently it is within 85/15 levels
- **Drawdown-1**: APFC portfolio exceeded 75/25 RTP for all weeks (and exceeded even the 85/15, since early Jan)

Risk Appetite: Actual vs. Risk Tolerance Portfolio (RTP) – 2/2

Drawdown-2 (2008 crash)



Drawdown-3 (2007-09 recession)



The actual APFC portfolio was measured against the 75/25 RTP (the 85/15 level is also shown) on a weekly basis for the following metrics:

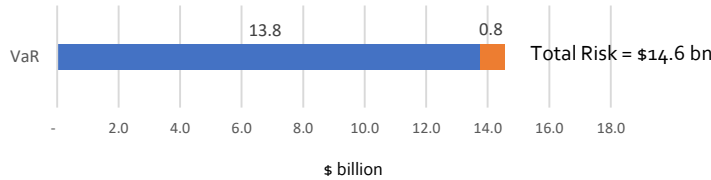
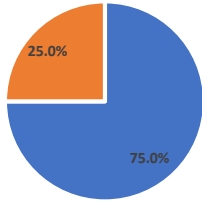
- **Drawdown-2:** APFC portfolio exceeded the 75/25 RTP level for all weeks. While it exceeded the 85/15 levels in Q2, more recently it is within 85/15 levels
- **Drawdown-3:** APFC portfolio exceeded 75/25 RTP level during Q2, otherwise was lower (and was within the 85/15 level at all times)

APFC (Vs) 75/25 RTP: breakdown of VaR components

Asset Allocation

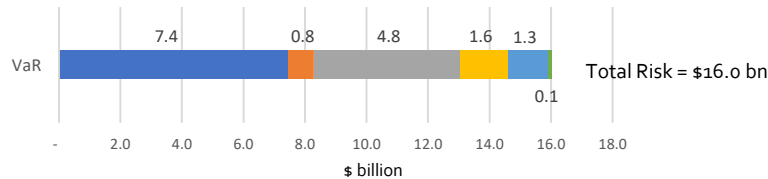
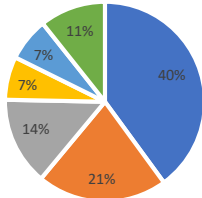
As of 31 July 2020: Risk (VaR) contribution by asset class (based on \$67 bn Fund NAV)

75/25 RTP



Public Equities Fixed Income Private Equity Private Income Real Estate Other

APFC



Key contributors to higher risk within current APFC portfolio, compared to 75/25 RTP:

- Most of the difference (higher) in risk and drawdowns were driven by the private equity and private income allocations

APFC (Vs) 75/25 RTP: breakdown of components

Breakdown of VaR and the 3 Drawdown scenarios for the 75/25 RTP and current APFC portfolio (as of 7/31/2020)

	75 /25 Benchmark RTP								
	Weight	VaR		2007 Credit Crisis		2008 Crash		Recession '07 - '09	
		%	\$Bn	%	\$Bn	%	\$Bn	%	\$Bn
Public Equities	75%	19.4%	13.0	(11.9%)	(7.9)	(17.8%)	(12.0)	(40.1%)	(26.8)
Fixed Income	25%	1.2%	0.8	(1.4%)	(0.9)	(3.1%)	(2.0)	(3.4%)	(2.3)
FX & Other	-	1.1%	0.8	3.1%	2.1	(1.6%)	(1.1)	(3.6%)	(2.4)
Sub Total	100%	21.7%	14.6	(10.2%)	(6.8)	(22.5%)	(15.0)	(47.0%)	(31.5)
Private Equity	-	-	-	-	-	-	-	-	-
Private Income	-	-	-	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-	-	-	-
Hedge Funds	-	-	-	-	-	-	-	-	-
Sub Total	-	-	-	-	-	-	-	-	-
Total	100%	21.7%	14.6	(10.2%)	(6.8)	(22.5%)	(15.0)	(47.0%)	(31.5)

\$Bn is based on a \$67 Bn fund NAV

	APFC Fund								
	Weight	VaR		2007 Credit Crisis		2008 Crash		Recession '07 - '09	
		%	\$Bn	%	\$Bn	%	\$Bn	%	\$Bn
40%	11.3%	7.5	(7.6%)	(5.1)	(11.1%)	(7.4)	(23.7%)	(15.9)	
21%	1.5%	1.0	(1.8%)	(1.2)	(3.6%)	(2.4)	(5.0%)	(3.3)	
4%	0.9%	0.6	2.2%	1.4	(1.3%)	(0.9)	(2.9%)	(1.9)	
65%	13.6%	9.1	(7.3%)	(4.9)	(16.0%)	(10.7)	(31.6%)	(21.1)	
14%	7.9%	5.3	(4.7%)	(3.1)	(6.4%)	(4.3)	(13.0%)	(8.7)	
7%	0.7%	0.5	(0.2%)	(0.1)	(0.5%)	(0.3)	(1.4%)	(1.0)	
7%	1.5%	1.0	(0.0%)	(0.0)	(0.7%)	(0.4)	(1.0%)	(0.6)	
7%	0.2%	0.1	(0.1%)	(0.1)	(0.2%)	(0.1)	(0.3%)	(0.2)	
35%	10.3%	6.89	(5.0%)	(3.36)	(7.7%)	(5.19)	(15.7%)	(10.51)	
100%	23.9%	16.0	(12.3%)	(8.3)	(23.8%)	(15.9)	(47.2%)	(31.7)	

Key Takeaways

Risk Appetite:

- Current risk levels exceed the 75/25 RTP levels across all four measures.
- The key drivers of the excess risk (VaR and drawdown), relative to the 75/25 RTP, are Private Equity and Private Income
- The planned 2025 asset allocation is expected to take risk levels well above the 75/25 level and even over the 85/15 level
- Continue monitoring and reporting on risk levels compared to 75/25 and 85/15 levels

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Section-3: Key Risk Metrics

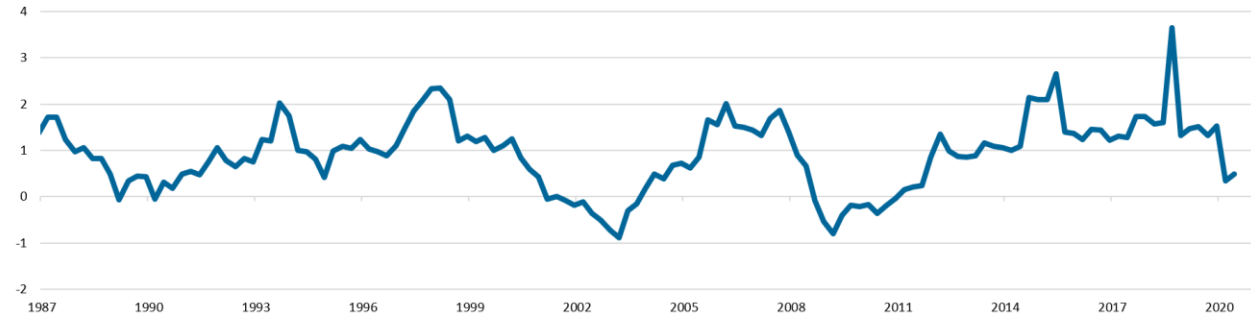
As of June 30, 2020

Total Fund: Realized Volatility & Sharpe Ratio

Realized Fund Volatility



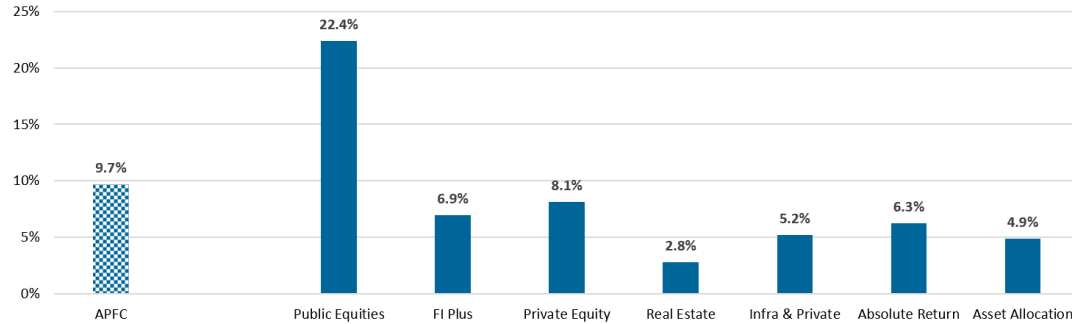
Realized Fund Sharpe Ratio



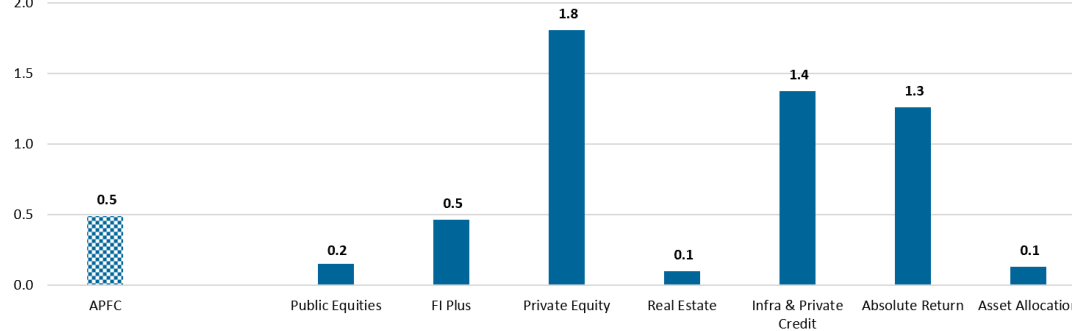
Volatility (standard deviation) and Sharpe ratio have been computed based on rolling 3 year quarterly returns for the Total Fund

Fund & Constituents: Volatility and Sharpe Ratio as of June 30, 2020

Volatility



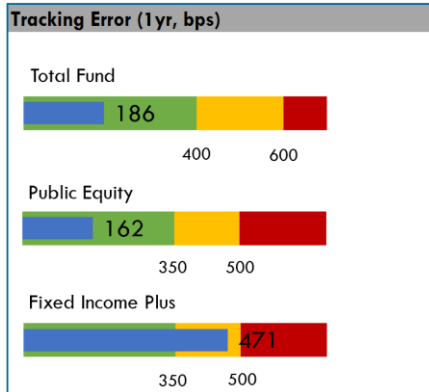
Sharpe Ratio



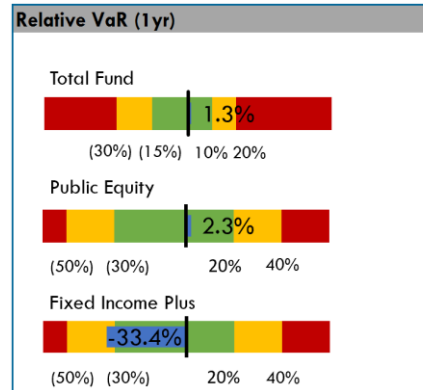
Volatility (standard deviation) and Sharpe ratio have been computed based on historical 3 year quarterly returns, as of June 30, 2020

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Tracking Error and VaR: (Vs) Limits



- Tracking error is an indicator of performance relative to benchmark
- It represents the deviation of portfolio returns from benchmark returns
- It is directionally agnostic and does not indicate over or underperformance

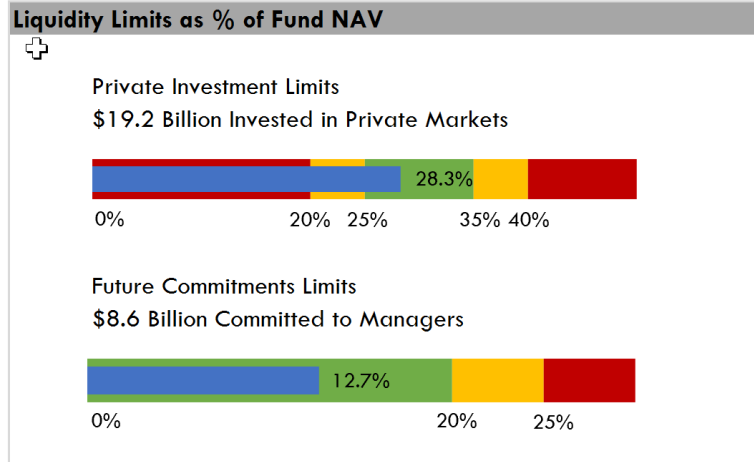


- VaR is an estimate of value decline, based on a 97.5% confidence level and 1 year holding period
- The above chart reflects the Relative VaR of the portfolio versus respective benchmark

Fixed Income Plus (FIP)

- The unusually low Relative VaR and high Tracking Error was due to misalignment in timing of portfolio versus benchmark, pertaining to the rebalancing as per the new investment policy
- REITS and listed infrastructure holdings within FIP were liquidated / transferred out on 6/30/20
- However, the benchmark rebalancing was effective only a day later on 7/1/20

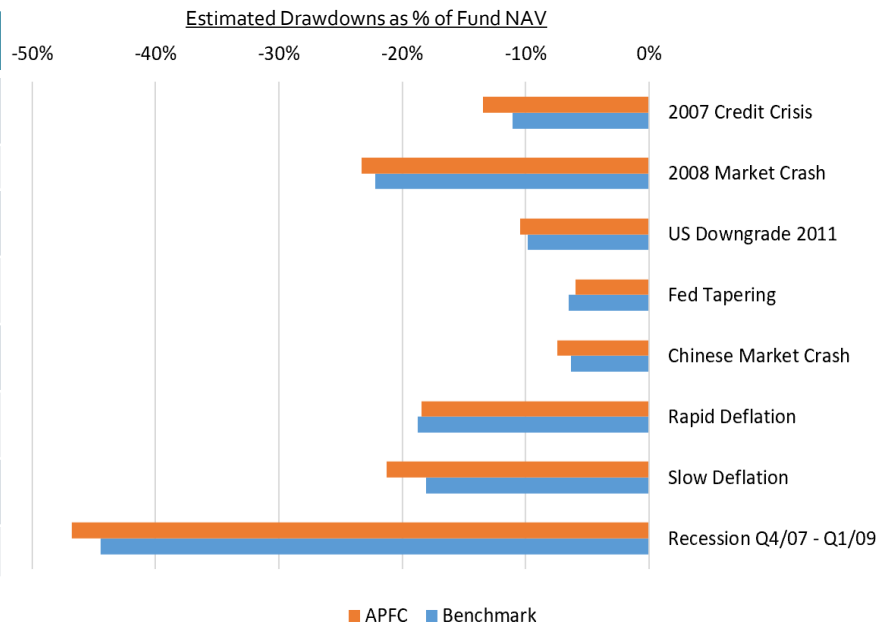
Liquidity Limits: Private Assets



- Private Investments include Private Equity, Infrastructure & Private Income, and Real Estate portfolios
- Both investments made and future commitments were within the stipulated limits

Tail Risk: Current portfolio during extreme events

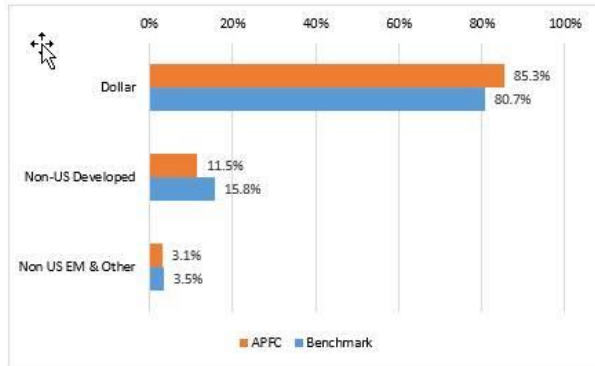
Scenario	Definition
2007 Credit Crisis	Credit & liquidity crisis stemming from a severe slowdown in the housing market causing significant widening of credit spreads, higher implied volatility.
2008 Market Crash	S&P 500 down 20% (2000 bps).
US Downgrade 2011	The period starts with 50% chance US downgrade indication from S&P standards and ends with Operational Twist announcement from the Fed
Fed Tapering Talk 2013	Equity & bond markets sold off. EM suffered badly due to hot money flight back to U.S.
Chinese Market Crash	Chinese stock market crash beginning with the popping of the stock market bubble on June 12, 2015.
Rapid Deflation	Oil down 60% (6000 bps); ST Inflation down 350 bps; Mortgage spreads tighten 25 bps.
Slow Deflation	LT deflation down 200 bps; LT Treasury Rates down 100 bps; Mortgage spreads tighten 25 bps.
Recession Q4/07-Q1/09	Recent recessionary period starting Dec3, 2007 and ending March9, 2009



The estimated drawdowns for the fund exceed that of the benchmark in almost all scenarios

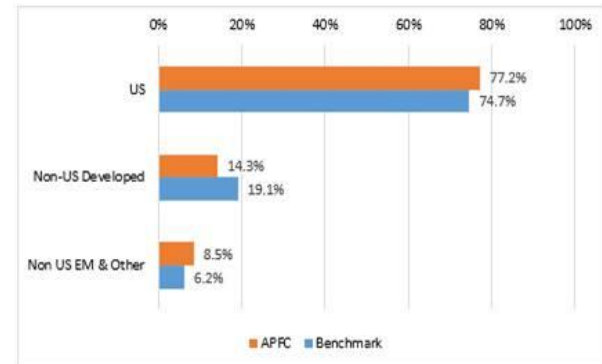
Currency & Geography: breakdowns

Currency breakdown



Currency Name	Exposure (\$, millions)
Euro	2,558
Japanese Yen	1,463
Hong Kong Dollar	1,119
British Pound	815
Australian Dollar	430
Swiss Franc	406
Sub-Total	6,790 (10.4% of NAV)
Total Non-US DM Exposure	7,540 (11.5% of NAV)

Country breakdown

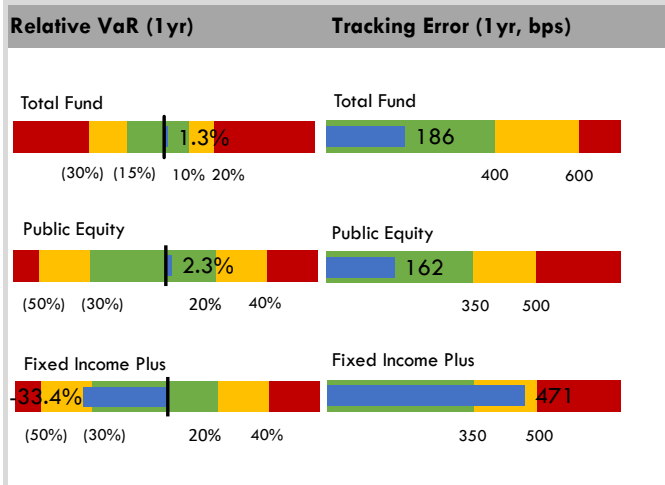


Country Name	Exposure (\$, millions)
China	1,587
South Korea	418
Taiwan	398
India	340
Mexico	215
Brazil	202
Sub-Total	3,161 (4.5% of NAV)
Total EM & Other Exposure	5,551 (8.5% of NAV)

Daily Dashboard - June 30, 2020

NAV : \$ 65,384,824,150

Performance (%) *					Asset Allocation*				
Asset Class	MTD	FYTD	CYTD	1 Year	NAV (m)	NAV	Target	Compliance	Over/Under
Total Fund	1.75	2.02	-3.23	2.02	65,384,824				
Public Equity**	3.43	0.30	-8.33	0.30	25,483,486	39.0%	37%	■	2.0%
Fixed Income Plus	1.27	4.17	0.27	4.17	15,601,738	23.9%	20%	■	3.9%
PE & Special Opps	0.53	3.53	1.13	3.53	9,427,398	14.4%	13%	■	1.4%
Real Estate	0.22	-0.33	-2.40	-0.33	4,085,958	6.2%	12%	■	-5.8%
Inf. & Private Income	0.19	1.36	-2.10	1.36	5,243,689	8.0%	8%	■	0.0%
Absolute Return	0.00	-0.02	-2.08	-0.02	3,670,868	5.6%	5%	■	0.6%
Asset Allocation**	0.03	-2.32	-3.72	-2.32	1,871,687	2.9%	5%	■	-2.1%

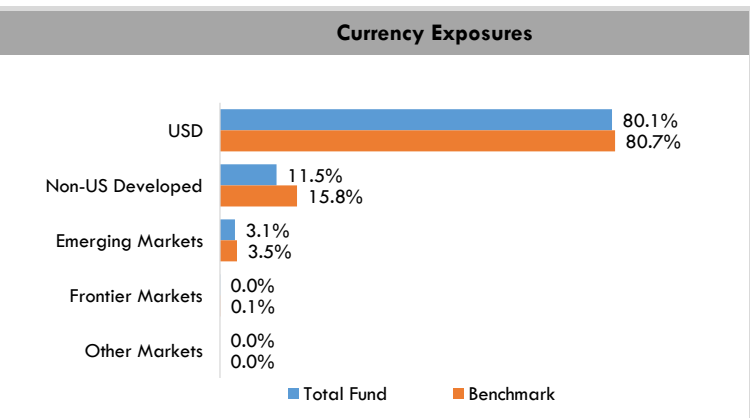
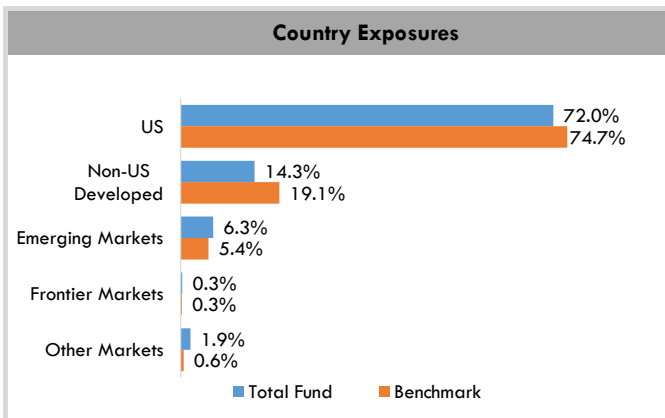
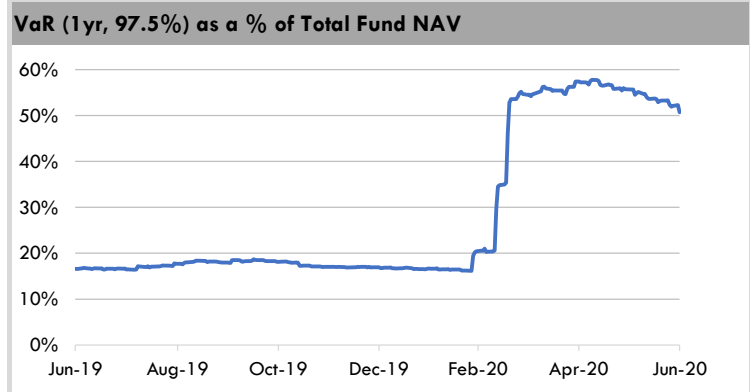


Investment Objectives				
	NAV	Target	Compliance	Over/Under
Growth	61.9%	60%	■	1.9%
Income	38.1%	40%	■	-1.9%
Tradable	65.7%	65%	■	0.7%
Illiquid	34.3%	35%	■	-0.7%

Private Investments Limits				
	NAV	Target	Compliance	Over/Under
Private Assets	28.7%	30.0%	■	-1.3%

Cash in Asset Allocation asset class			
	NAV	Benchmark Weight	Over/Under
Cash	1.9%	2.0%	-0.1%

Economic Indicator (\$) ***	6/30/20	6/29/20
VIX	30.43	31.78
U.S. Dollar/Euro	1.12	1.12
Credit Index OAS	1.42	1.45
Crude Oil (WTI)	39.27	39.70
10-Year Treasury Yield	0.66	0.62
30-Year Treasury Yield	1.41	1.37
S&P 500	3,100.29	3,053.24



* Performance returns and Asset Allocation valuations are obtained from custodian.
 ** FX Overlay is not included in any asset class for performance but included in Asset Allocation asset class for asset allocation and net asset value (NAV).
 *** Economic indicator data is obtained from Bloomberg.

September 23, 2020



Callan

Alaska Permanent Fund Corporation

2nd Quarter 2020

Performance Review

Marcus Frampton, CFA, CAIA, FRM
Chief Investment Officer

Greg Allen
CEO and Chief Research Officer

Steven Center, CFA
Senior Vice President

Agenda

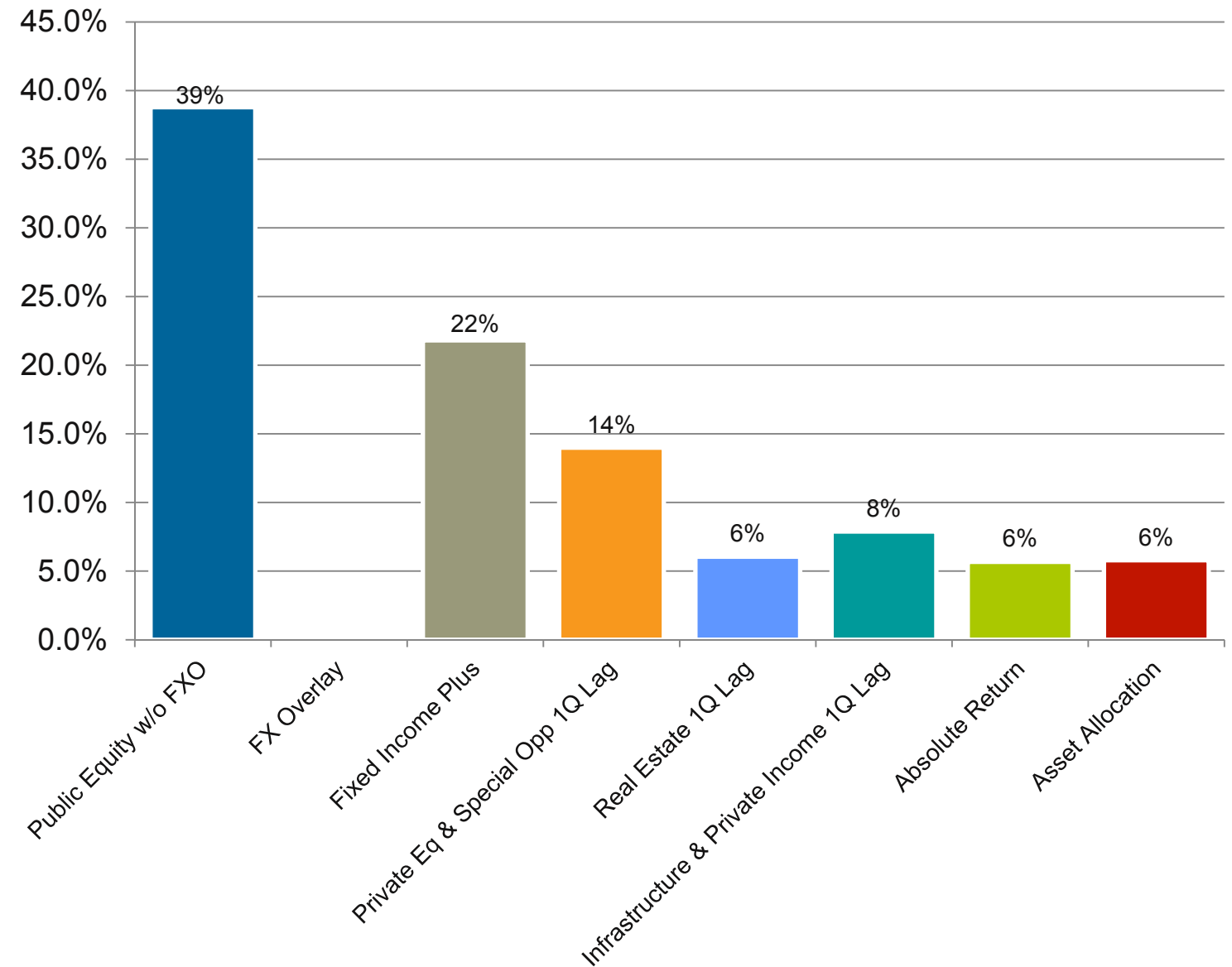
- Total Fund Asset Allocation and Performance
- Asset Class Structure and Performance

Total Fund Asset Allocation and Performance

Total Fund Asset Allocation

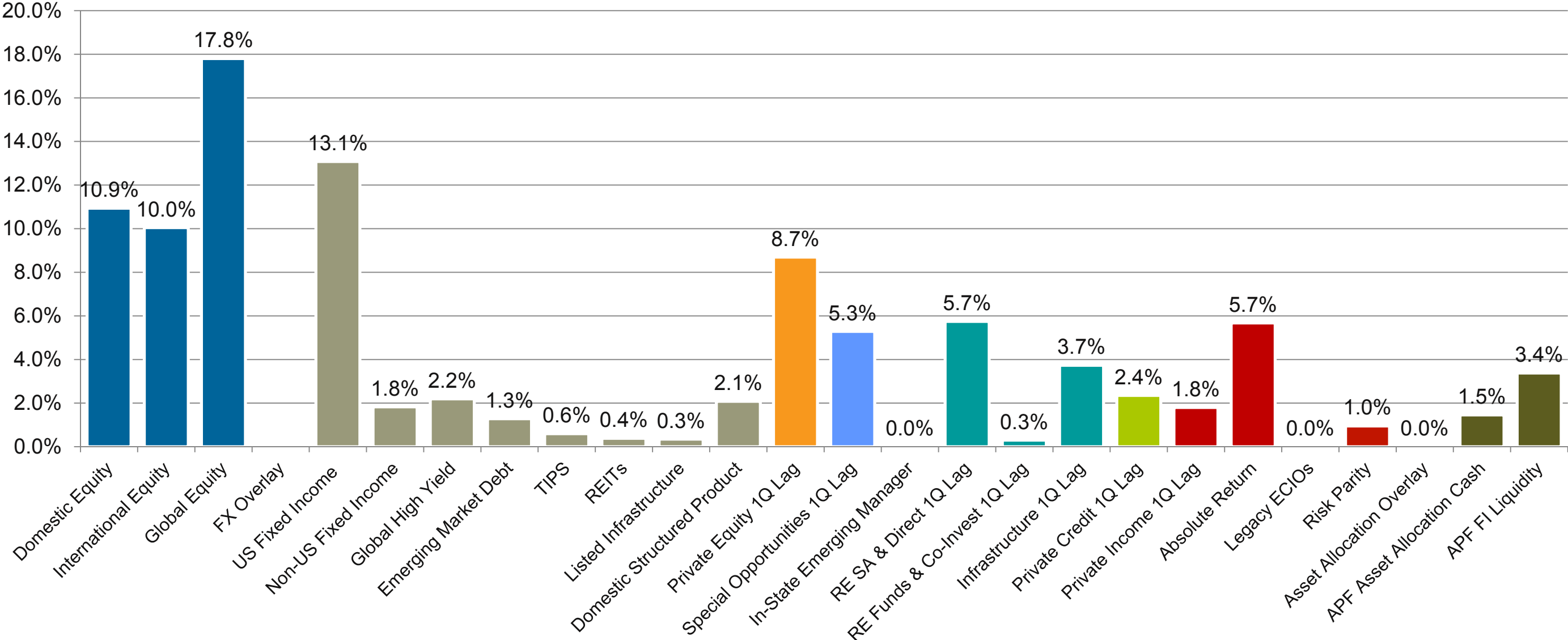
As of June 30, 2020

- APFC portfolio is well diversified across all major asset classes employed by institutional investors.
- Using institutional standard asset class definitions, the portfolio is currently allocated 39% to public equity, 22% to fixed income, and 39% to alternative investments.
- Compared to allocations in the first quarter, this reflects a increase in public equity and decrease in alternatives; fixed income stayed flat.
- Alternatives include private equity, special opportunities, real estate, private infrastructure, private credit, private income, absolute return, and asset allocation.
- Private Equity & Special Opportunities, Real Estate, and Infrastructure & Private Income are reported on a one-quarter lag.
- The FX Overlay program was liquidated in Q2.



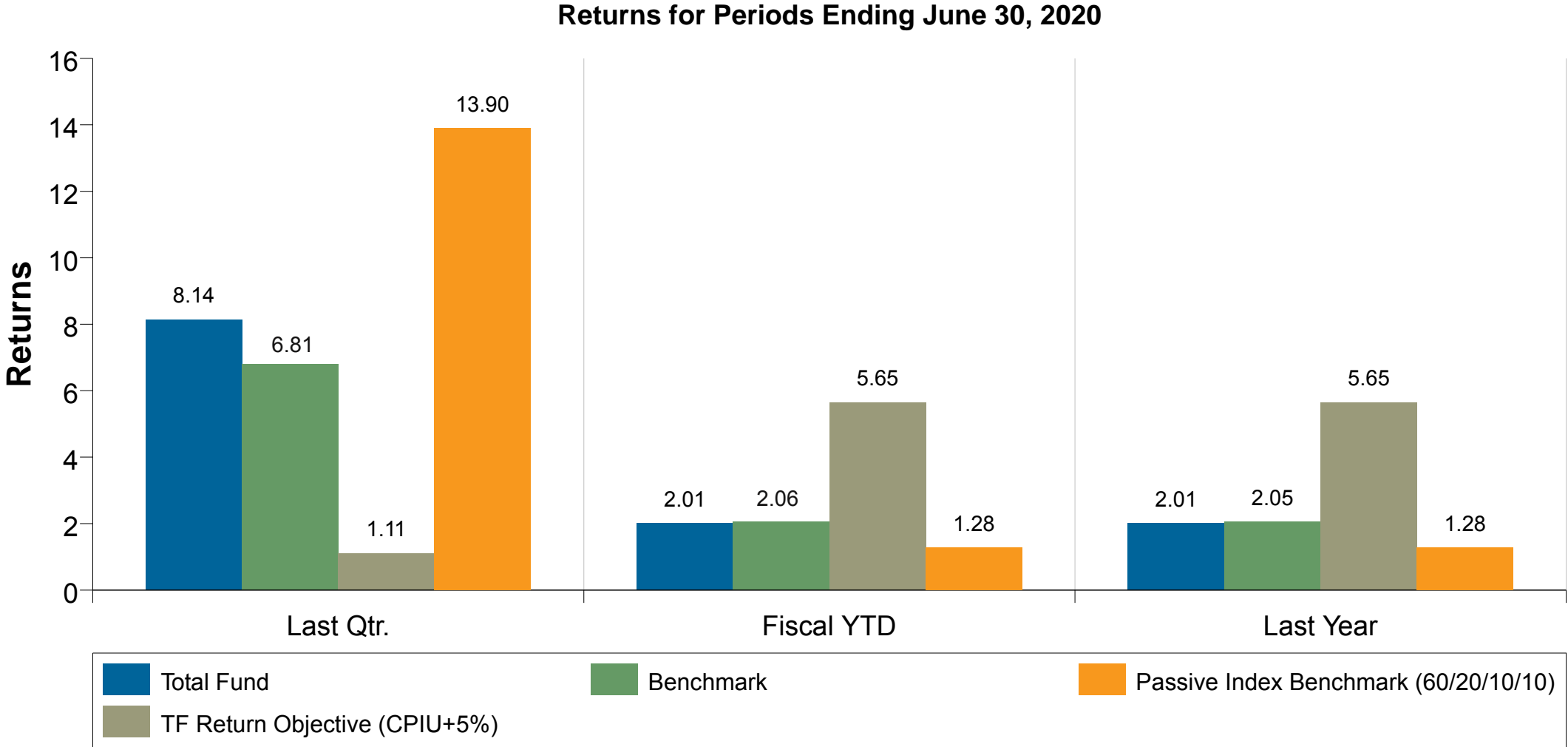
Total Fund Asset Allocation

As of June 30, 2020



APFC Total Fund Cumulative Returns

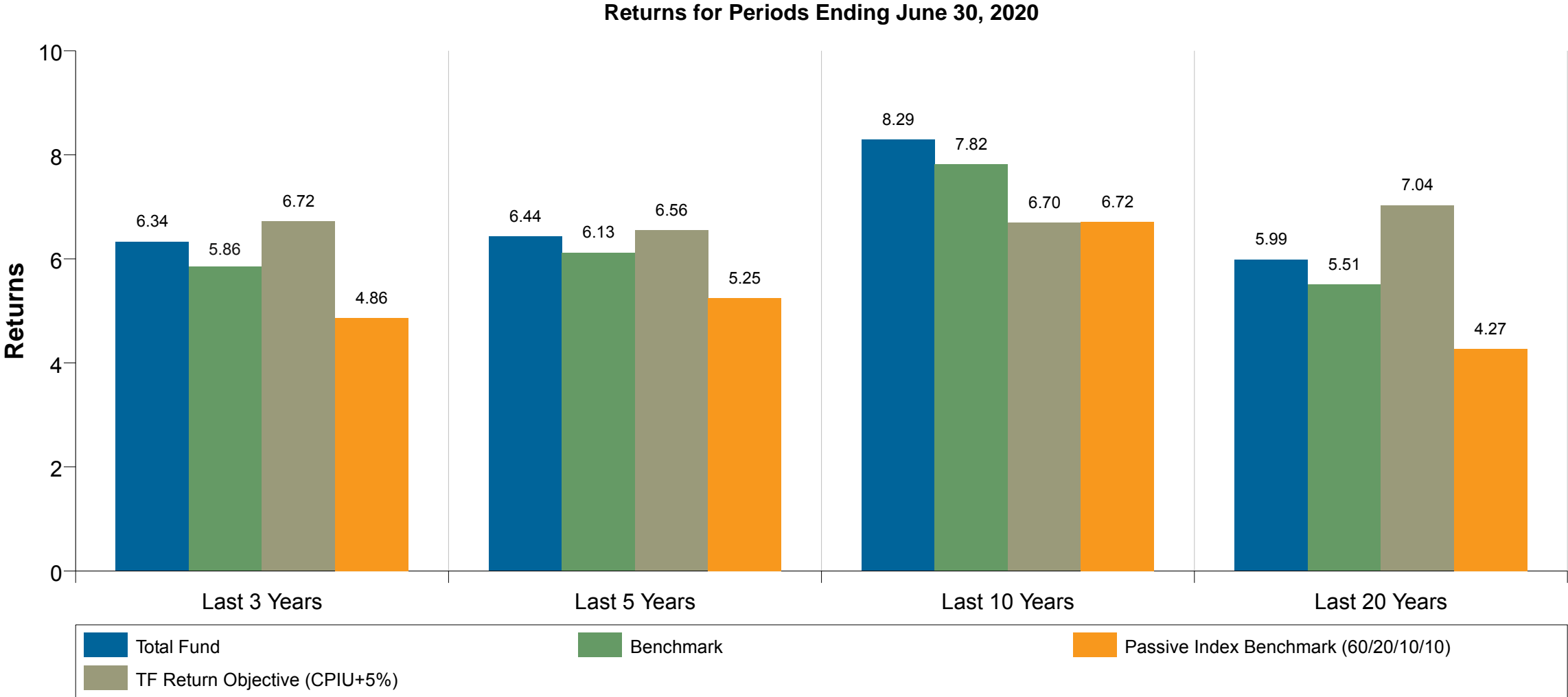
Total Fund versus Total Fund Targets



- Benchmark (FY19-FY20) = 38.0% MSCI ACWI IMI, 1.1% 90 Day T-Bills, 1.1% BB US TIPS, 5.5% BB Agg, 5.5% BB Corp IG, 2.2% BB Global Treasury ex-US Hedged, 0.55% JPM EMBI Global Diversified, 0.55% JPM GBI-EM Global Diversified TR, 2.2% BB US High Yield 2% Issuer Cap, 2.0% S&P Global REIT, 1.1% S&P Global Listed Infrastructure, 12% Cambridge PE (lagged), 11% NCREIF Total Index (lagged), 4.2% FTSE Developed Core Infrastructure (lagged), 2.8% BB US High Yield 2% Issuer Cap (lagged), 5% HFRI Total HFOF Universe (weighted), 2% 90 Day T-Bills, and 3% Performance Benchmark (rounded to nearest tenth).

APFC Total Fund Cumulative Returns

Total Fund versus Total Fund Targets



- Benchmark (FY19-FY20) = 38.0% MSCI ACWI IMI, 1.1% 90 Day T-Bills, 1.1% BB US TIPS, 5.5% BB Agg, 5.5% BB Corp IG, 2.2% BB Global Treasury ex-US Hedged, 0.55% JPM EMBI Global Diversified, 0.55% JPM GBI-EM Global Diversified TR, 2.2% BB US High Yield 2% Issuer Cap, 2.0% S&P Global REIT, 1.1% S&P Global Listed Infrastructure, 12% Cambridge PE (lagged), 11% NCREIF Total Index (lagged), 4.2% FTSE Developed Core Infrastructure (lagged), 2.8% BB US High Yield 2% Issuer Cap (lagged), 5% HFRI Total HFOF Universe (weighted), 2% 90 Day T-Bills, and 3% Performance Benchmark (rounded to nearest tenth).

APFC Total Fund Attribution

For One Quarter Ended June 30, 2020

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Public Equity + FXO	38%	37%	21.01%	19.83%	0.40%	0.02%	0.43%
Fixed Income Plus	22%	20%	7.52%	6.62%	0.20%	(0.01%)	0.19%
Real Estate	6%	12%	(0.60%)	0.71%	(0.09%)	0.33%	0.24%
Infrastructure & Priv Inc	8%	8%	(5.19%)	(15.13%)	0.88%	(0.07%)	0.80%
Absolute Return	6%	5%	3.52%	9.33%	(0.36%)	0.02%	(0.34%)
Private Eq & Special Opp	15%	13%	(5.26%)	(7.80%)	0.42%	(0.37%)	0.05%
Asset Allocation	4%	5%	1.70%	4.08%	(0.08%)	0.04%	(0.04%)
Total			8.14%	= 6.81%	+ 1.38%	+ (0.05%)	1.33%

- In the second quarter, the Total Fund outperformed the Performance Benchmark by 1.3%.
- Manager performance within Infrastructure & Private Income, Private Equity & Special Opportunities, Public Equity + FXO, and asset allocation effects in Real Estate were the primary contributors to relative outperformance.
- In aggregate, active management added 138 basis points to relative performance, while deviations from the Policy Target subtracted 5 basis points.

APFC Total Fund Attribution

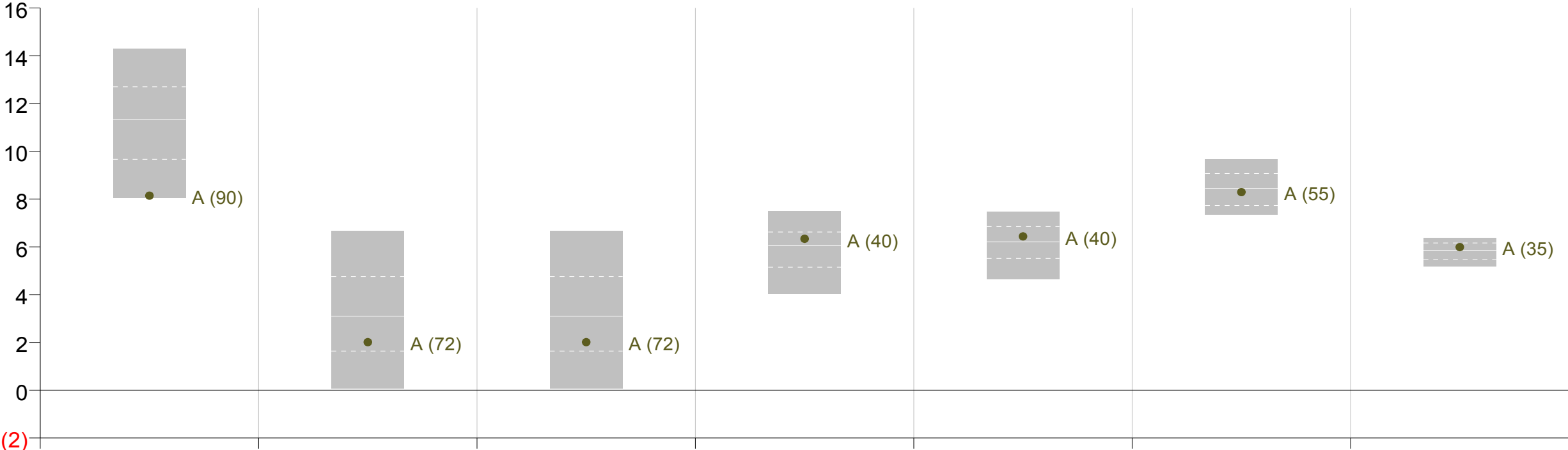
For One Year Ended June 30, 2020

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Public Equity + FXO	37%	37%	0.41%	1.17%	(0.22%)	0.00%	(0.22%)
Fixed Income Plus	24%	20%	4.19%	3.18%	0.22%	0.06%	0.28%
Real Estate	6%	12%	(0.16%)	5.28%	(0.33%)	(0.14%)	(0.47%)
Infrastructure & Priv Inc	8%	8%	(0.39%)	(7.73%)	0.53%	(0.05%)	0.49%
Absolute Return	6%	5%	1.46%	(0.39%)	0.13%	(0.03%)	0.10%
Private Eq & Special Opp	14%	13%	1.94%	2.12%	0.00%	(0.16%)	(0.16%)
Asset Allocation	5%	5%	(0.25%)	2.01%	(0.07%)	0.02%	(0.06%)
Total			2.01%	= 2.06%	+ 0.26%	+ (0.30%)	(0.04%)

- For the one year period ended June 30, 2020, the Total Fund underperformed the Performance Benchmark by 0.4%.
- Manager underperformance in Public Equity + FXO, and Real Estate were the primary contributors to negative relative return. An underweight to Private Equity & Special Opportunities and Real Estate also contributed to underperformance.
- In aggregate, active management added 26 basis points and asset allocation decisions detracted 30 basis points in relative performance.

APFC Total Fund Relative to Callan's Large Public Fund Database

Returns for Periods Ended June 30, 2020
 Group: Callan Public Fund Sponsor - Large (>1B)

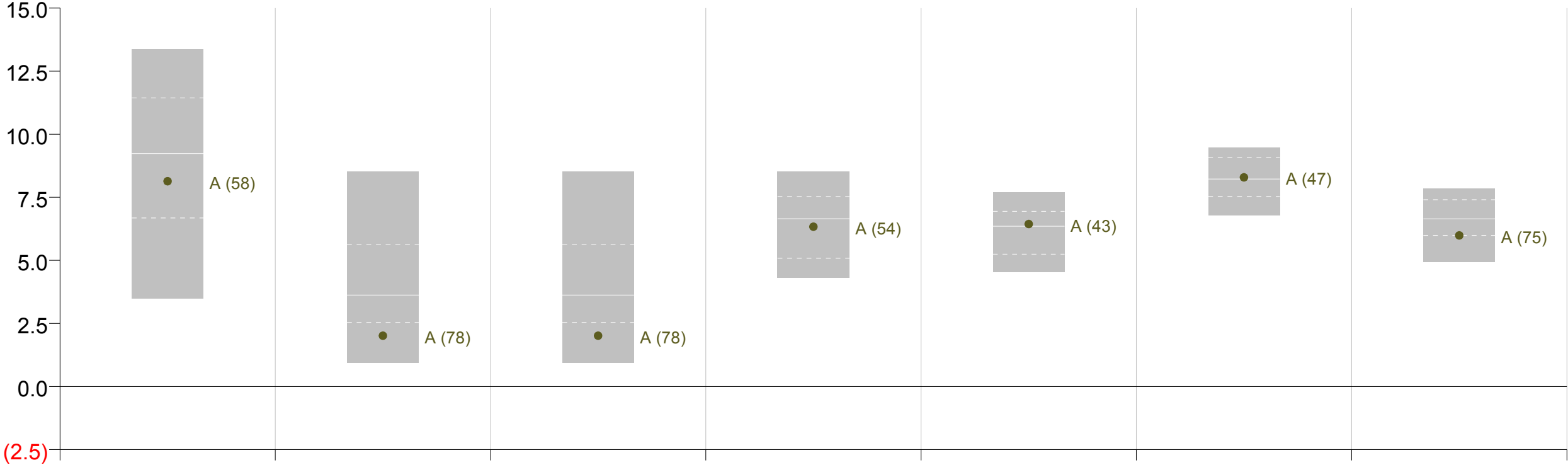


(2)

	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	14.30	6.67	6.67	7.49	7.46	9.66	6.36
25th Percentile	12.70	4.76	4.76	6.62	6.85	9.07	6.17
Median	11.33	3.10	3.10	6.04	6.21	8.45	5.86
75th Percentile	9.67	1.64	1.64	5.15	5.52	7.73	5.48
90th Percentile	8.05	0.06	0.06	4.04	4.64	7.36	5.18
Member Count	92	92	92	92	92	87	75
Total Fund ● A	8.14	2.01	2.01	6.34	6.44	8.29	5.99

APFC Total Fund Relative to Callan's Large Endowment / Foundation Database

Returns for Periods Ended June 30, 2020
 Group: Callan Endow/Foundation - Large (>1B)

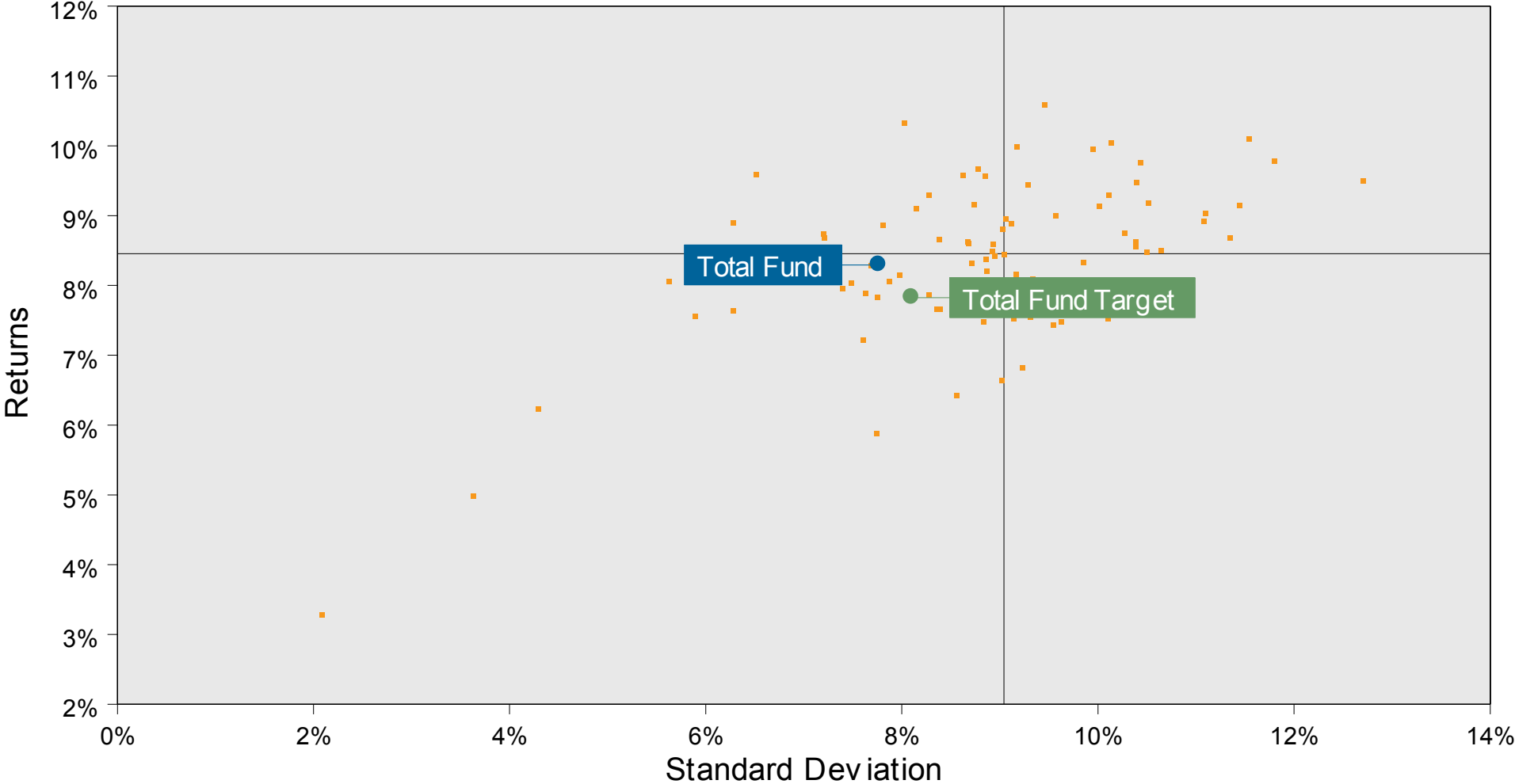


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	13.39	8.51	8.51	8.54	7.70	9.49	7.84
25th Percentile	11.44	5.64	5.64	7.54	6.95	9.08	7.40
Median	9.24	3.63	3.63	6.66	6.35	8.23	6.65
75th Percentile	6.68	2.54	2.54	5.09	5.25	7.54	5.99
90th Percentile	3.49	0.93	0.93	4.32	4.55	6.79	4.93
Member Count	36	36	36	36	36	35	25
Total Fund ● A	8.14	2.01	2.01	6.34	6.44	8.29	5.99

APFC Total Fund Return versus Standard Deviation

Relative to Callan's Large Public Fund Database

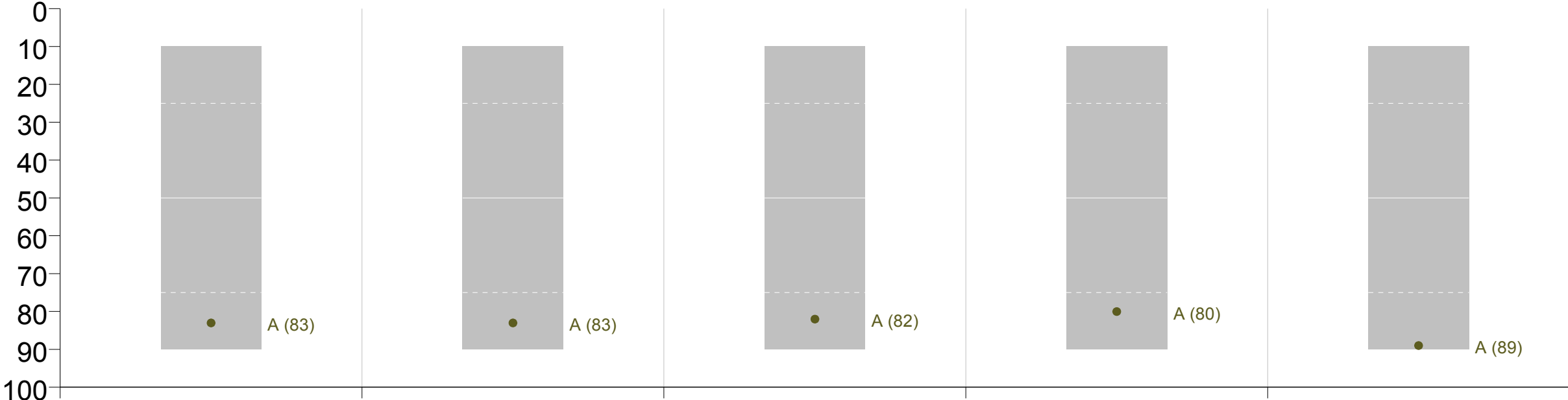
Ten Year Annualized Risk vs Return



Squares represent membership of the Callan Public Fund Spons - Large (>1B)

APFC Total Fund Standard Deviation Relative to Callan's Large Public Fund Database

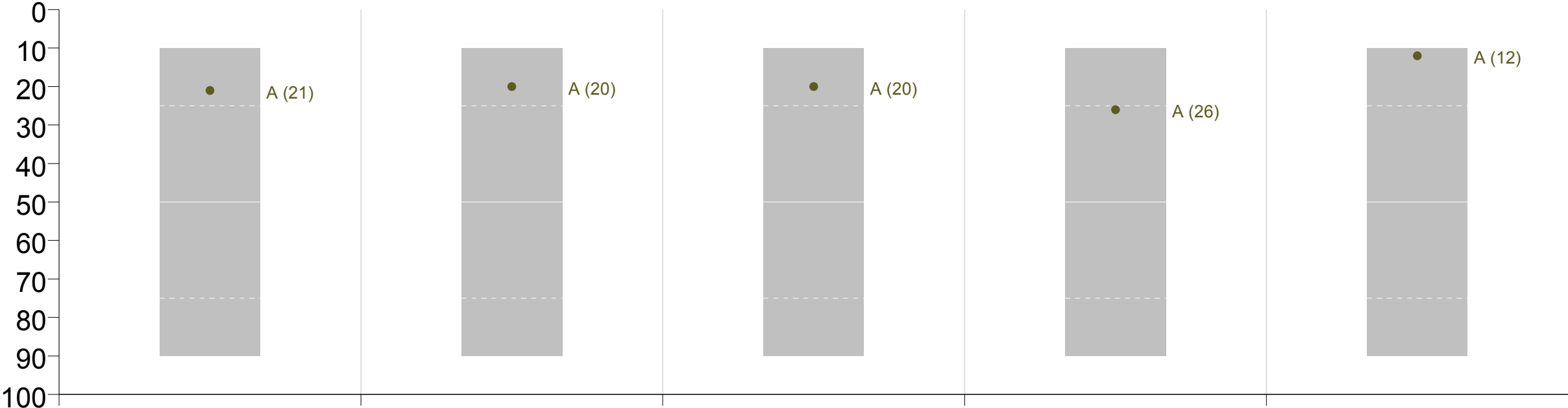
Standard Deviation for Periods Ended June 30, 2020
 Group: Callan Public Fund Sponsor - Large (>1B)



	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
10th Percentile	15.44	12.48	10.59	10.63	11.61
25th Percentile	13.89	11.25	9.78	9.94	11.14
Median	12.65	10.29	8.91	9.04	10.73
75th Percentile	11.17	9.29	8.03	7.96	9.77
90th Percentile	8.69	7.32	6.47	6.56	9.15
Member Count	92	92	90	87	75
Total Fund ● A	10.14	8.31	7.36	7.77	9.28

APFC Total Fund Sharpe Ratio Relative to Callan's Large Public Fund Database

Sharpe Ratio for Periods Ended June 30, 2020
 Group: Callan Public Fund Sponsor - Large (>1B)



	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
10th Percentile	0.58	0.76	1.02	1.15	0.49
25th Percentile	0.43	0.60	0.85	1.00	0.43
Median	0.35	0.50	0.72	0.86	0.40
75th Percentile	0.25	0.39	0.60	0.76	0.37
90th Percentile	0.17	0.34	0.54	0.70	0.34
Member Count	92	92	90	87	75
Total Fund ● A	0.45	0.63	0.91	0.99	0.47

APFC Total Fund Performance Scorecard

As of June 30, 2020

Time Horizon	Objective	APFC	Benchmark	Percentile ¹
Short-Term (1-Year Return)	Outperform 50/50 Blend of Performance and Passive Indexes	2.0%	1.7%	43%
Medium-Term (3-Year Return)	Outperform Peers	6.3%	6.0%	40%
Long-Term (5-Year Return & Sharpe Ratio)	Outperform CPI + 5%	6.4%	6.6%	52%
	Sharpe Ratio > 0.5	0.63	0.62	49%
Average Long-Term Percentile				51%
Average Percentile Ranking Among the Three Objectives				47%

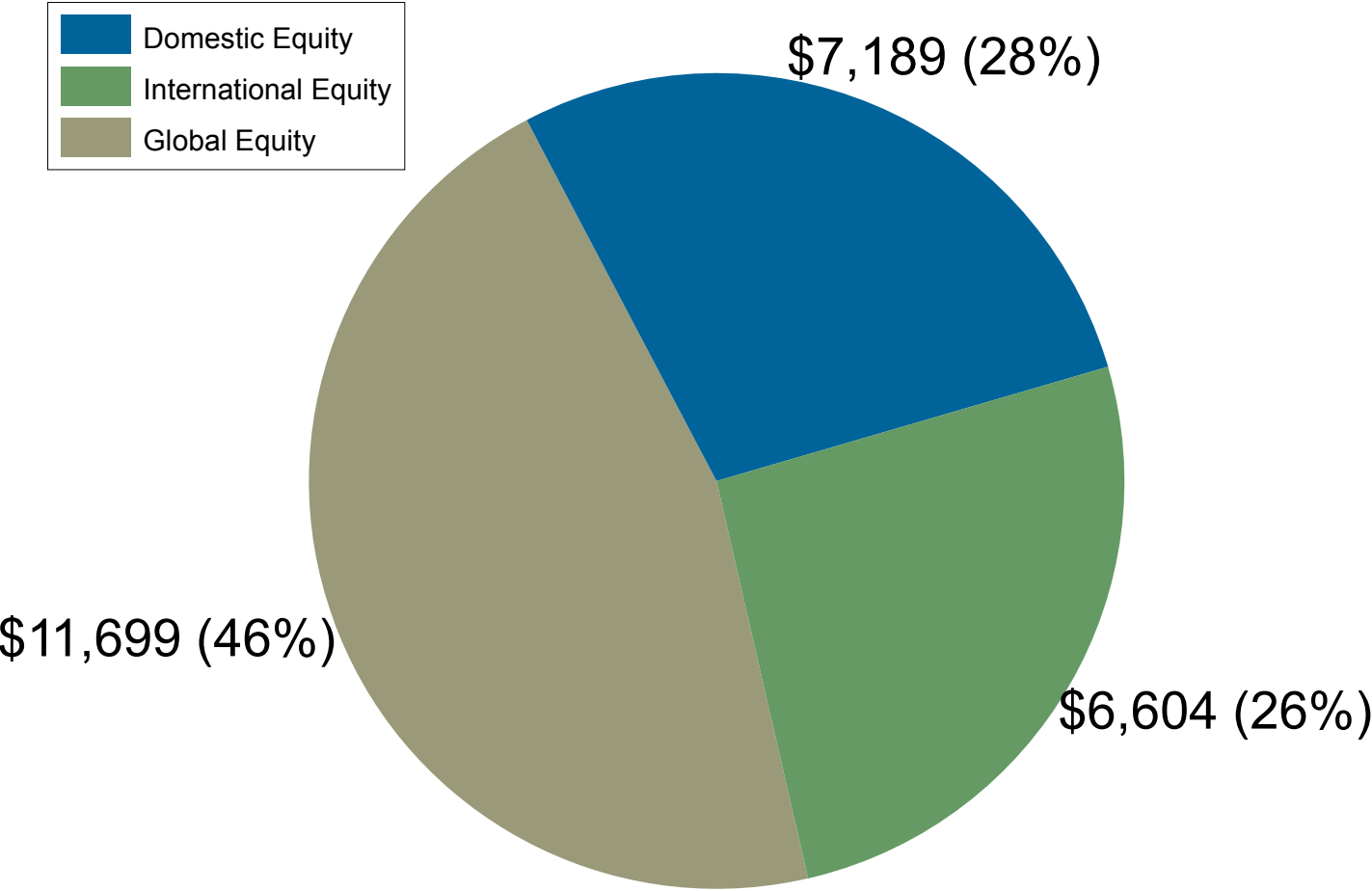
¹Callan's Large Public Fund Peer Group is used for percentile rank purposes for the Medium-Term. Short- and Long-Term percentiles are implied per guidelines.

Asset Classes Structure and Performance

APFC Public Equity Structure

As of June 30, 2020

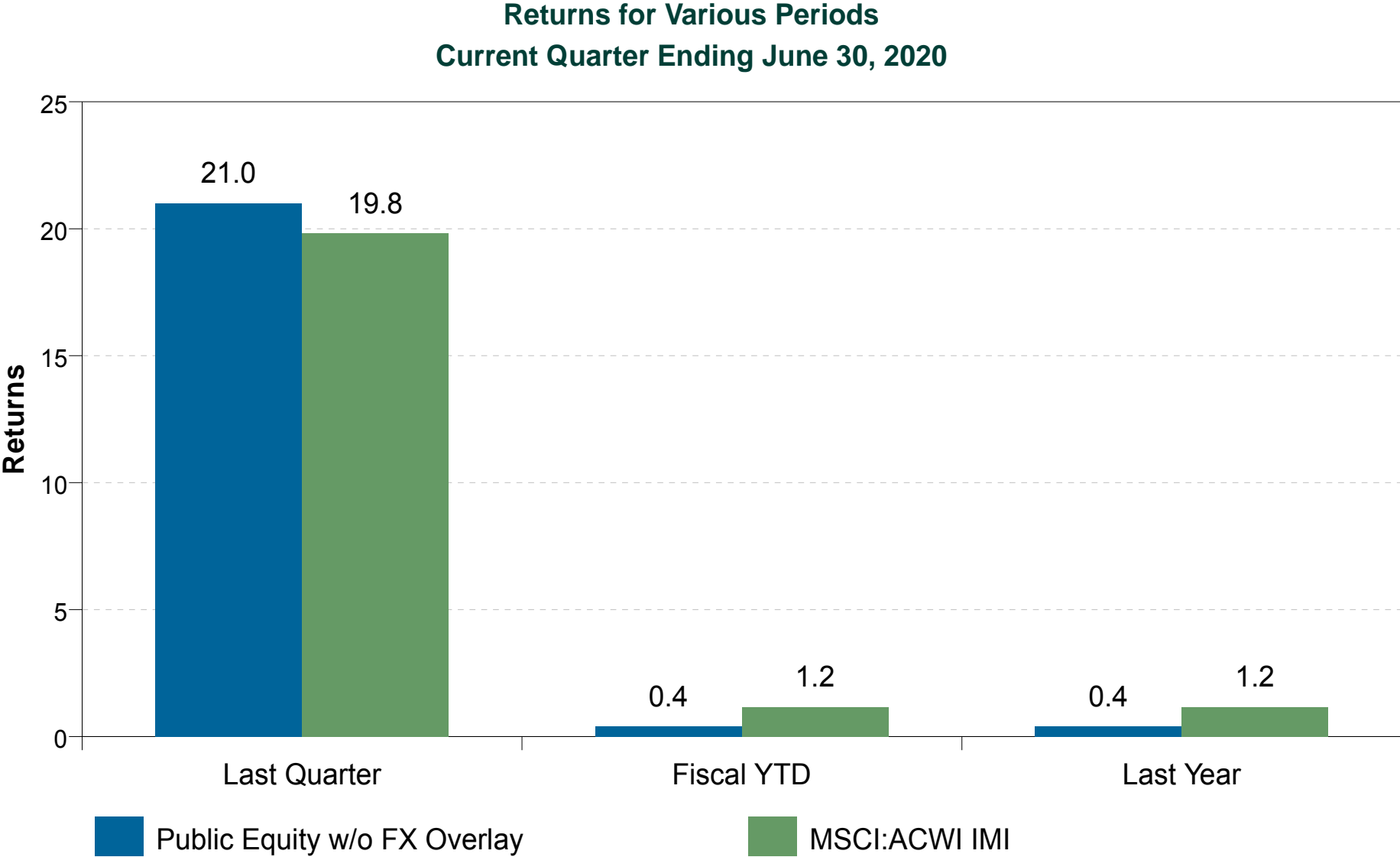
- APFC Public Equity portfolio has a weighting of roughly 56% in US equity, and 44% in non-US equity.
- The MSCI ACWI IMI benchmark has a weighting of roughly 57% in US equity, and 43% in non-US equity.
- The median allocation to US equity across public equity portfolios in Callan’s Large Public Fund Sponsor database is roughly 60%.



APFC Public Equity vs. MSCI ACWI-IMI

Periods Ended June 30, 2020

- APFC Public Equity portfolio outperformed the MSCI ACWI IMI index for the recent quarter and underperformed for the trailing one-year period.
- Domestic, International, and Global Equity composites ended ahead of their respective benchmarks in the latest quarter. Over the one-year period, Domestic and International underperformed while Global Equity outperformed.

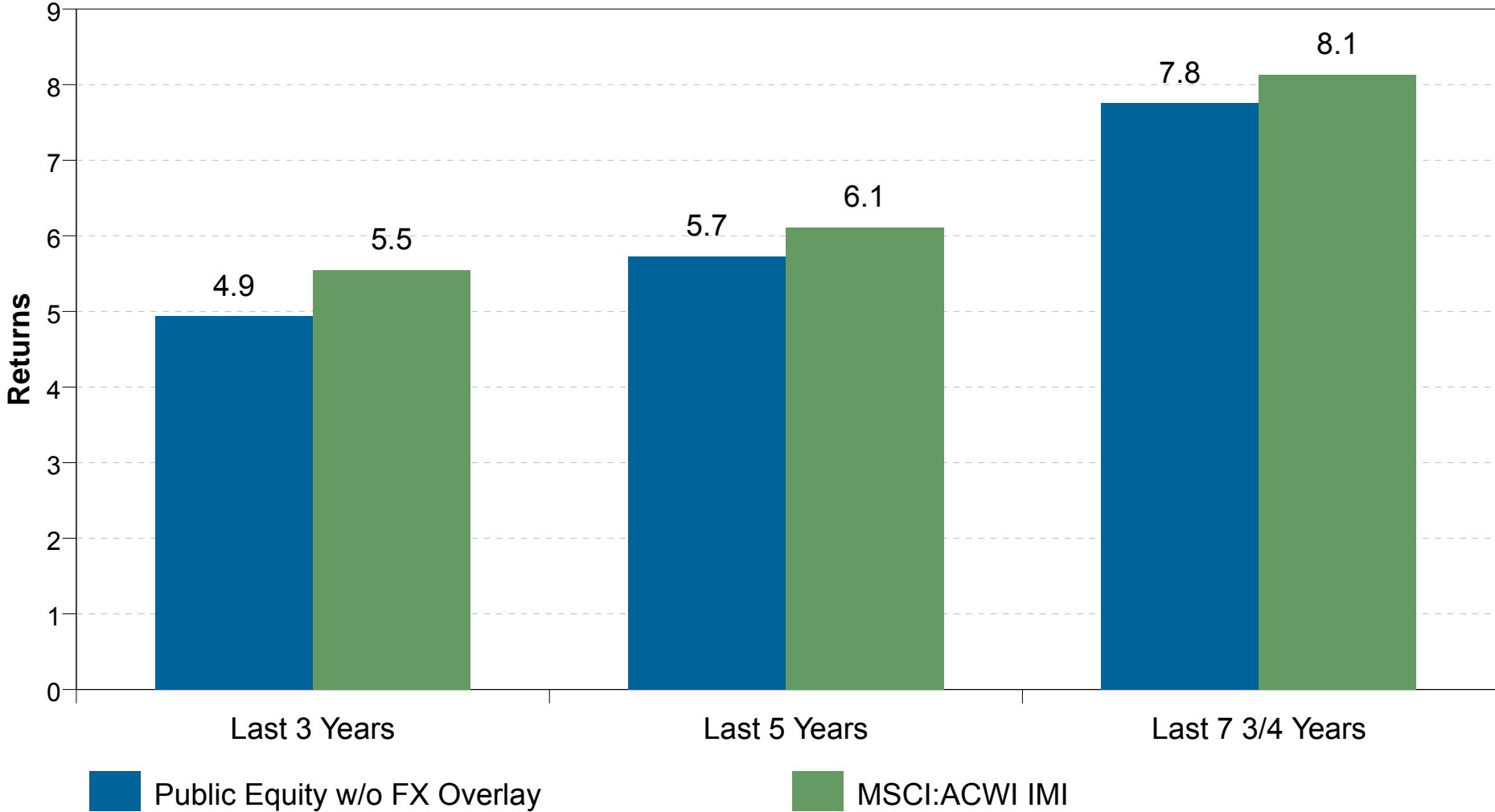


APFC Public Equities Performance vs. MSCI ACWI-IMI

Periods Ended June 30, 2020

- Public Equities continued to lag over the intermediate and long-term. Domestic Equity lagged the most within Public Equities.
- Overall, the portfolio is well diversified across regions, countries, and underlying strategies.

Returns for Various Periods
Current Quarter Ending June 30, 2020

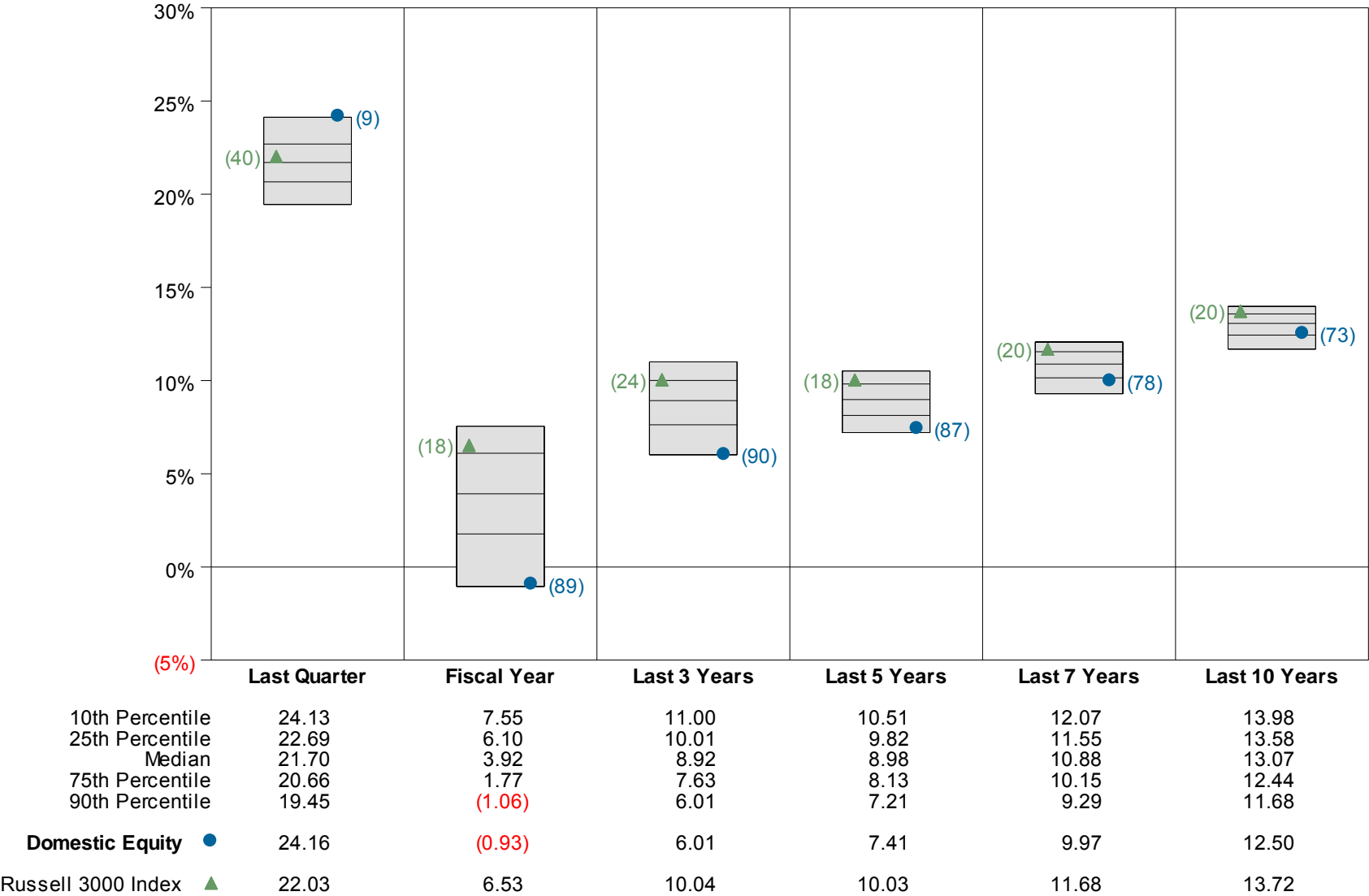


APFC US Equity Performance vs. Fund Sponsor US Equity

Periods Ended June 30, 2020

- The universe is comprised of total domestic equity portfolios of large institutional investors in Callan's Fund Sponsor Database.
- APFC US Equity portfolio ended the recent quarter ahead of its benchmark, but behind it over the last year.
- When compared to US Equity portfolios of other large institutional investors, APFC's US Equity composite ranked below median in the short-, intermediate-, and longer-term time periods shown.

Performance vs Fund Sponsor - Domestic Equity (Gross)



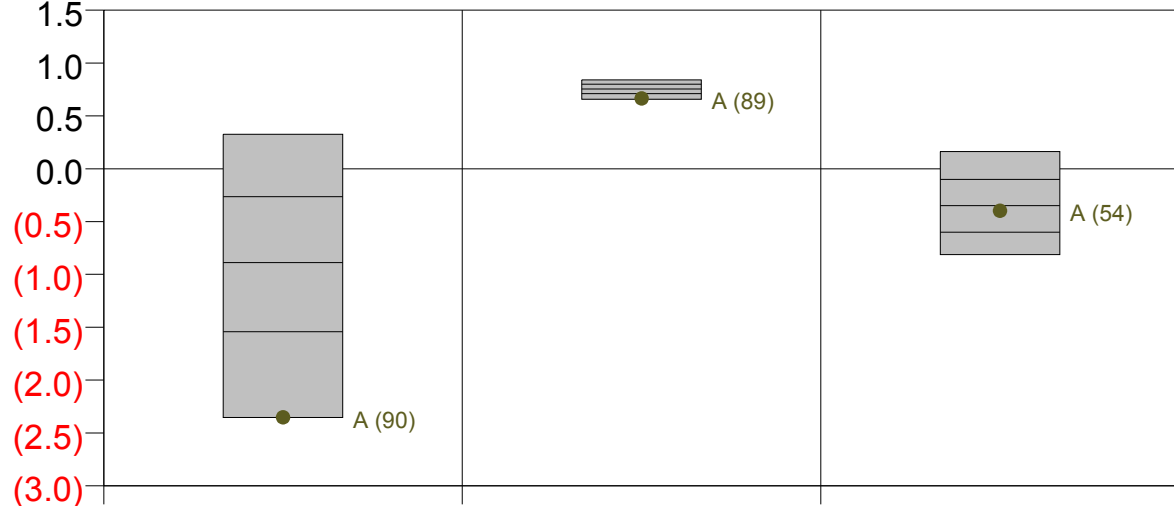
APFC US Equity Portfolio Risk Adjusted Return Rankings

Ten Years Ended June 30, 2020

- The universe is comprised of total domestic equity portfolios of large institutional investors in Callan’s Fund Sponsor Domestic Equity Database.
- For the trailing ten-year period, APFC portfolio ranked in the bottom quartile for all risk adjusted return measures.

- Alpha measures contribution to performance – portfolio’s return above index adjusted for risk.
- Sharpe Ratio represents return gained per unit of risk taken (return/risk).
- Excess Return Ratio measures alpha (return above benchmark) divided by tracking error (risk versus benchmark).

**Risk Adjusted Return Measures vs Russell 3000 Index
Rankings Against Fund Sponsor Domestic Equity Database**



	Alpha	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.33	0.84	0.16
25th Percentile	(0.26)	0.80	(0.10)
Median	(0.89)	0.76	(0.35)
75th Percentile	(1.54)	0.71	(0.60)
90th Percentile	(2.35)	0.66	(0.81)
Domestic Equity ● A	(2.35)	0.67	(0.40)

Capitalization and Style Allocation: US Equity

As of June 30, 2020

- Highlighted cells indicate largest biases relative to the Russell 3000 index.
- Growth continued to outperform value while small cap stocks outperformed large cap after underperforming in the first quarter.
- APFC's active U.S. Value managers outpaced their benchmarks while U.S. Growth managers had mixed results during the quarter.
- Small and mid cap overweights relative to the index are common in actively managed US equity portfolios.

**Style Exposure Matrix
Holdings as of June 30, 2020**

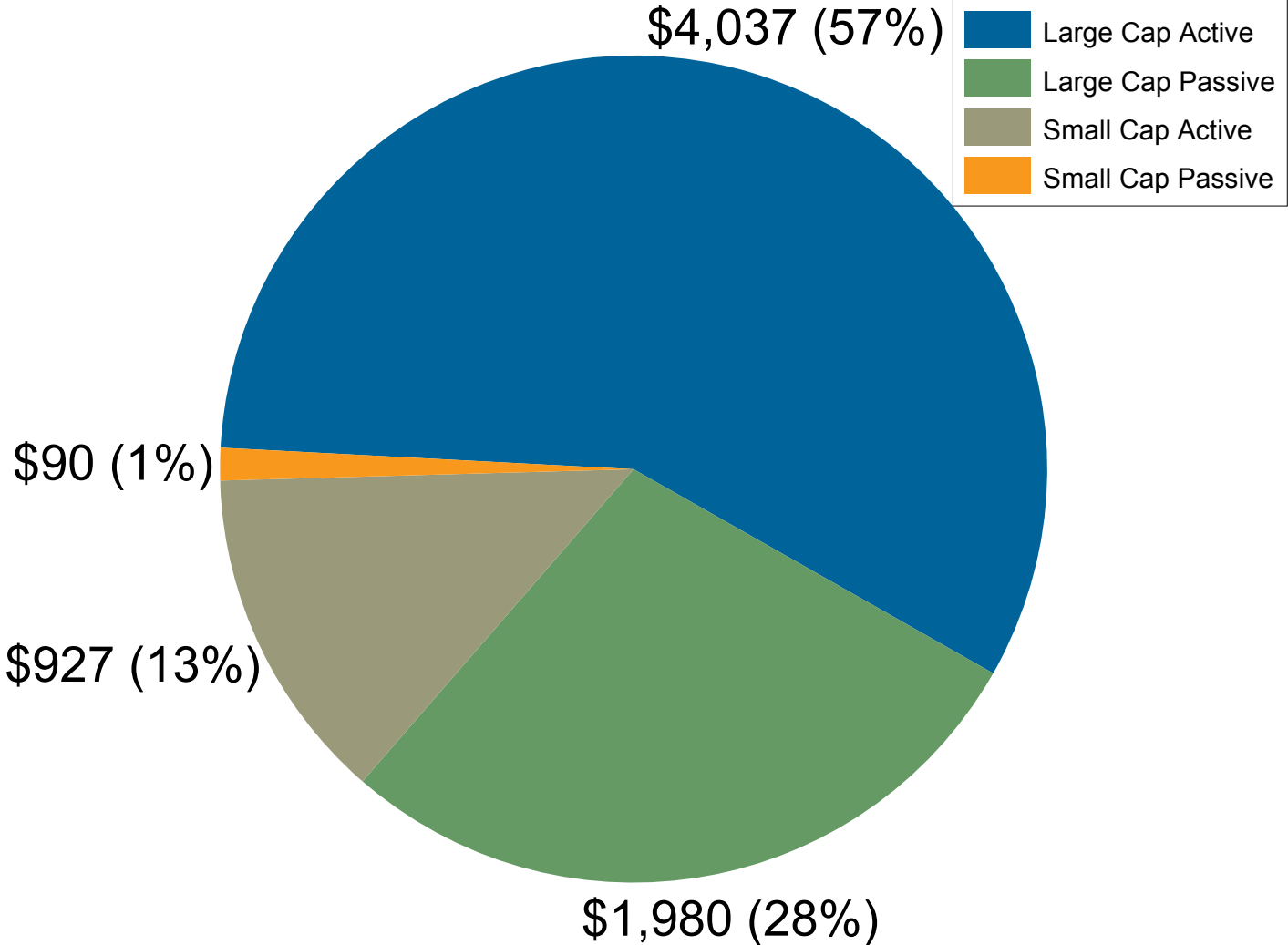
Large	14.6% (101)	10.4% (93)	27.8% (108)	52.8% (302)
	20.0% (99)	20.2% (89)	38.5% (109)	78.6% (297)
Mid	11.4% (163)	10.3% (170)	9.9% (228)	31.6% (561)
	4.3% (162)	4.2% (178)	6.6% (256)	15.1% (596)
Small	4.7% (181)	6.9% (264)	3.2% (144)	14.8% (589)
	1.4% (299)	2.3% (505)	1.9% (386)	5.6% (1190)
Micro	0.5% (38)	0.3% (31)	0.1% (9)	0.8% (78)
	0.2% (346)	0.3% (396)	0.1% (152)	0.6% (894)
Total	31.1% (483)	27.9% (558)	41.0% (489)	100.0% (1530)
	26.0% (906)	27.0% (1168)	47.1% (903)	100.0% (2977)
	Value	Core	Growth	Total

■ APFC Portfolio ■ Russell 3000 Index

APFC US Equity Structure

As of June 30, 2020

- US equity portfolio is roughly 71% actively managed and 29% passive (or quasi-passive).
- Roughly 67% of the large cap allocation is actively managed while 91% of the small cap allocation is actively managed.

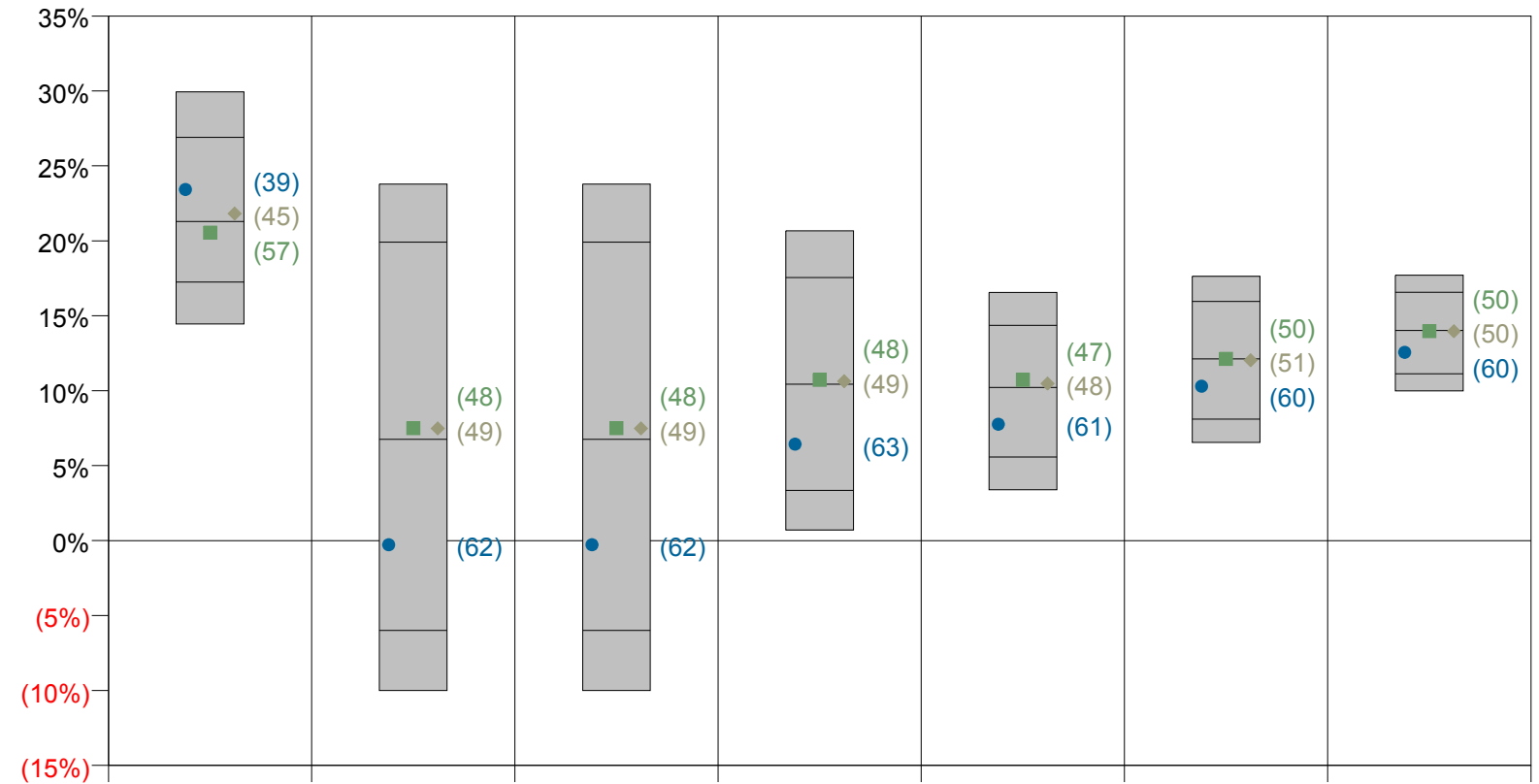


APFC Large Cap Equity Relative to Large Cap Universe

Periods Ended June 30, 2020

- APFC's Large Cap portfolio outperformed its benchmark in the second quarter, but trailed over the one year.
- Outside of the quarter, the portfolio ranked below median within the large cap universe over all standard periods.
- Large cap composite has a small/mid cap size bias relative to the index, which weighed on performance during the quarter.

Performance vs Callan Large Capitalization (Gross)



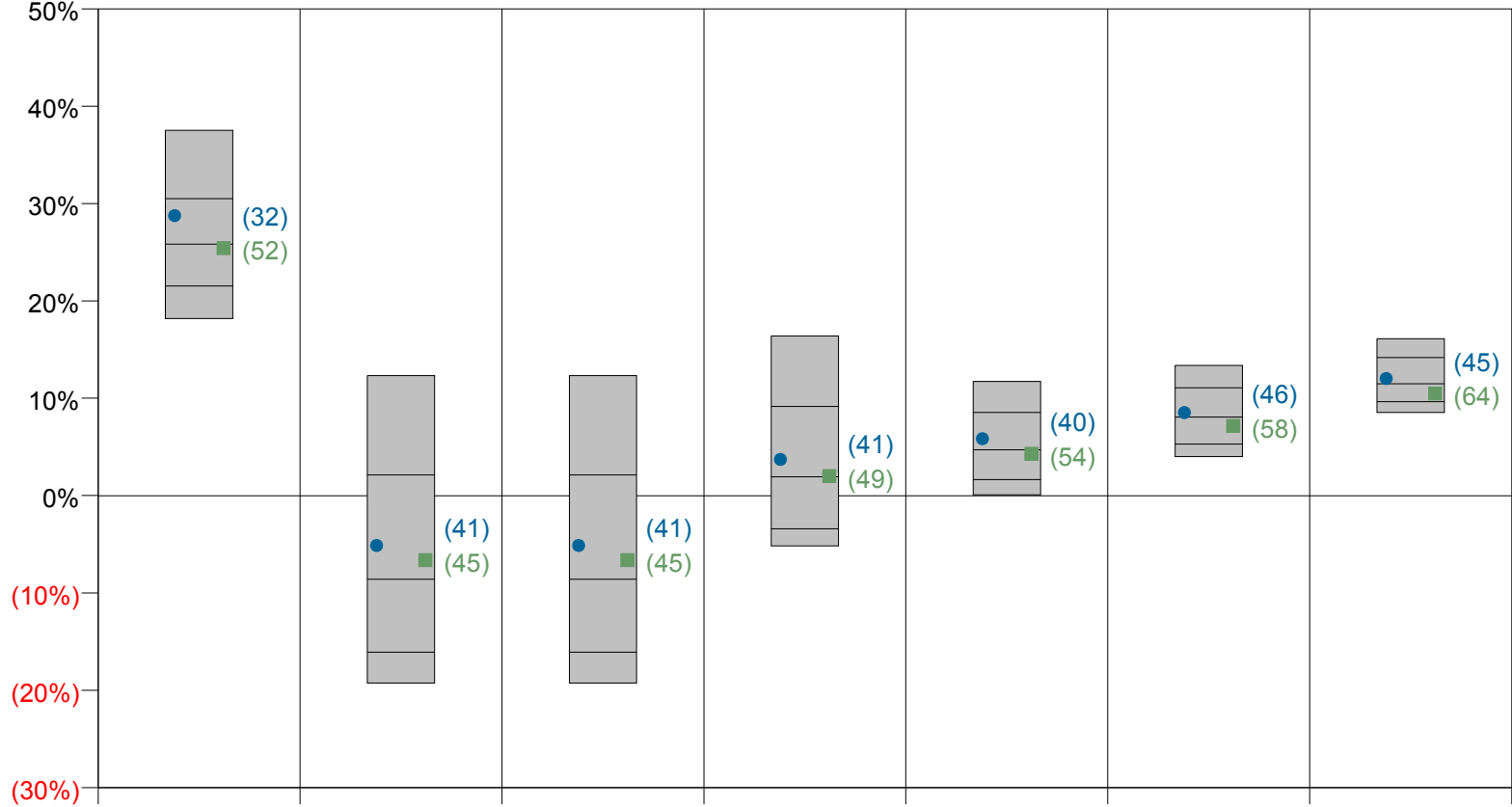
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	29.95	23.79	23.79	20.68	16.55	17.64	17.71
25th Percentile	26.91	19.92	19.92	17.55	14.37	15.96	16.57
Median	21.30	6.76	6.76	10.44	10.22	12.14	14.02
75th Percentile	17.25	(5.99)	(5.99)	3.35	5.58	8.10	11.14
90th Percentile	14.46	(9.99)	(9.99)	0.71	3.40	6.55	9.99
Large Cap Equity ●	23.43	(0.27)	(0.27)	6.44	7.77	10.30	12.56
S&P 500 ■	20.54	7.51	7.51	10.73	10.73	12.13	13.99
Russell 1000 Index ◆	21.82	7.48	7.48	10.64	10.47	12.03	13.97

APFC Small Cap Equity Relative to Small Cap Universe

Periods Ended June 30, 2020

- APFC small cap portfolio posted strong absolute returns and ended the quarter ahead of the index.
- The portfolio ranked above median in the small cap universe over all standard periods.

Performance vs Callan Small Capitalization (Gross)

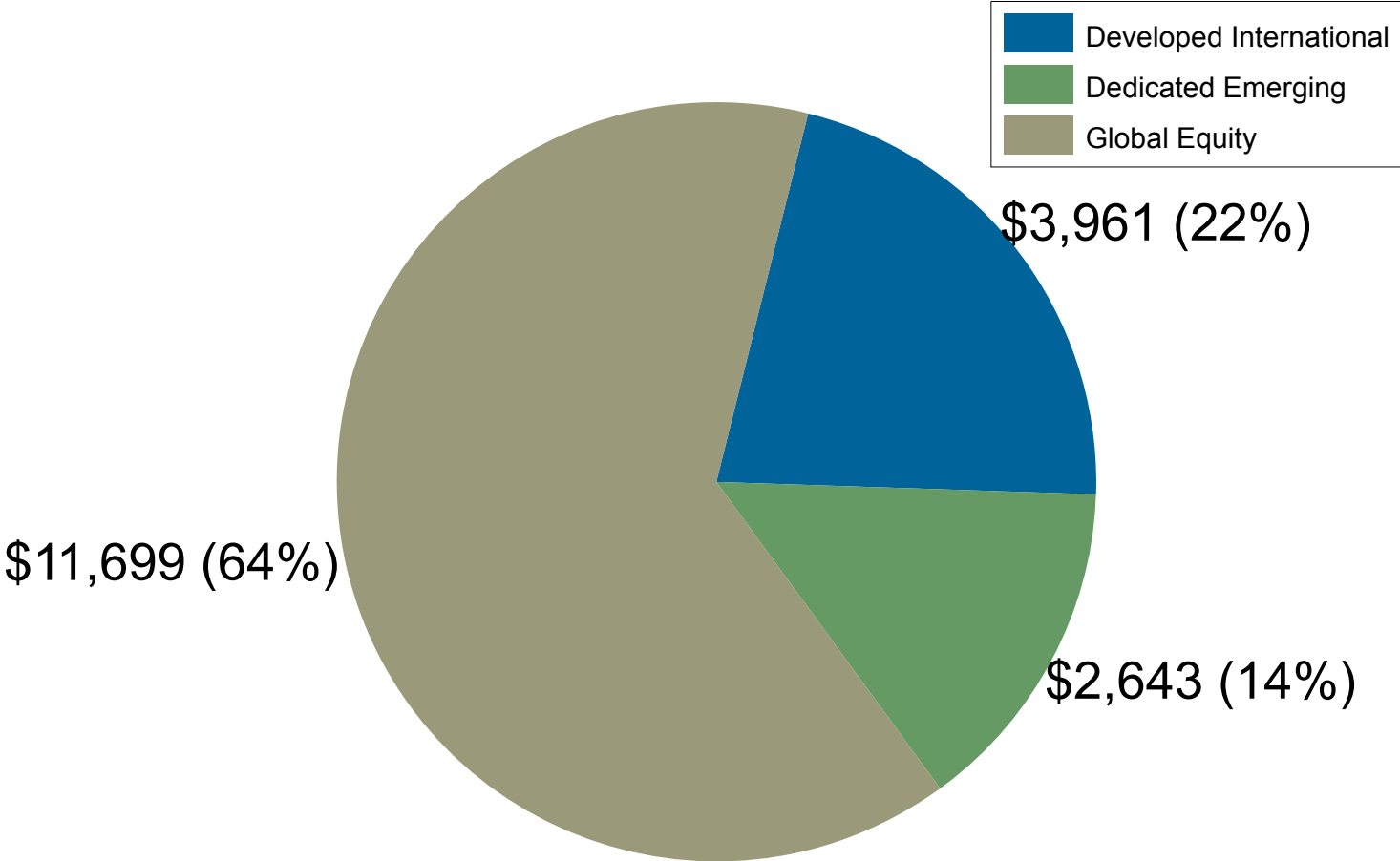


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	37.53	12.33	12.33	16.42	11.73	13.38	16.12
25th Percentile	30.52	2.13	2.13	9.16	8.55	11.08	14.19
Median	25.85	(8.58)	(8.58)	1.94	4.70	8.09	11.50
75th Percentile	21.55	(16.06)	(16.06)	(3.40)	1.65	5.30	9.65
90th Percentile	18.20	(19.24)	(19.24)	(5.16)	0.09	4.01	8.56
Small Cap Equity ●	28.77	(5.11)	(5.11)	3.72	5.85	8.53	12.03
Russell:2000 Index ■	25.42	(6.63)	(6.63)	2.01	4.29	7.17	10.50

APFC Non-US Equity Structure

As of June 30, 2020

- Portfolio is divided between global, non-US, and emerging markets mandates.
- Both global and non-US equity managers invest in emerging markets.
- Global managers invest in US markets as part of their mandate.

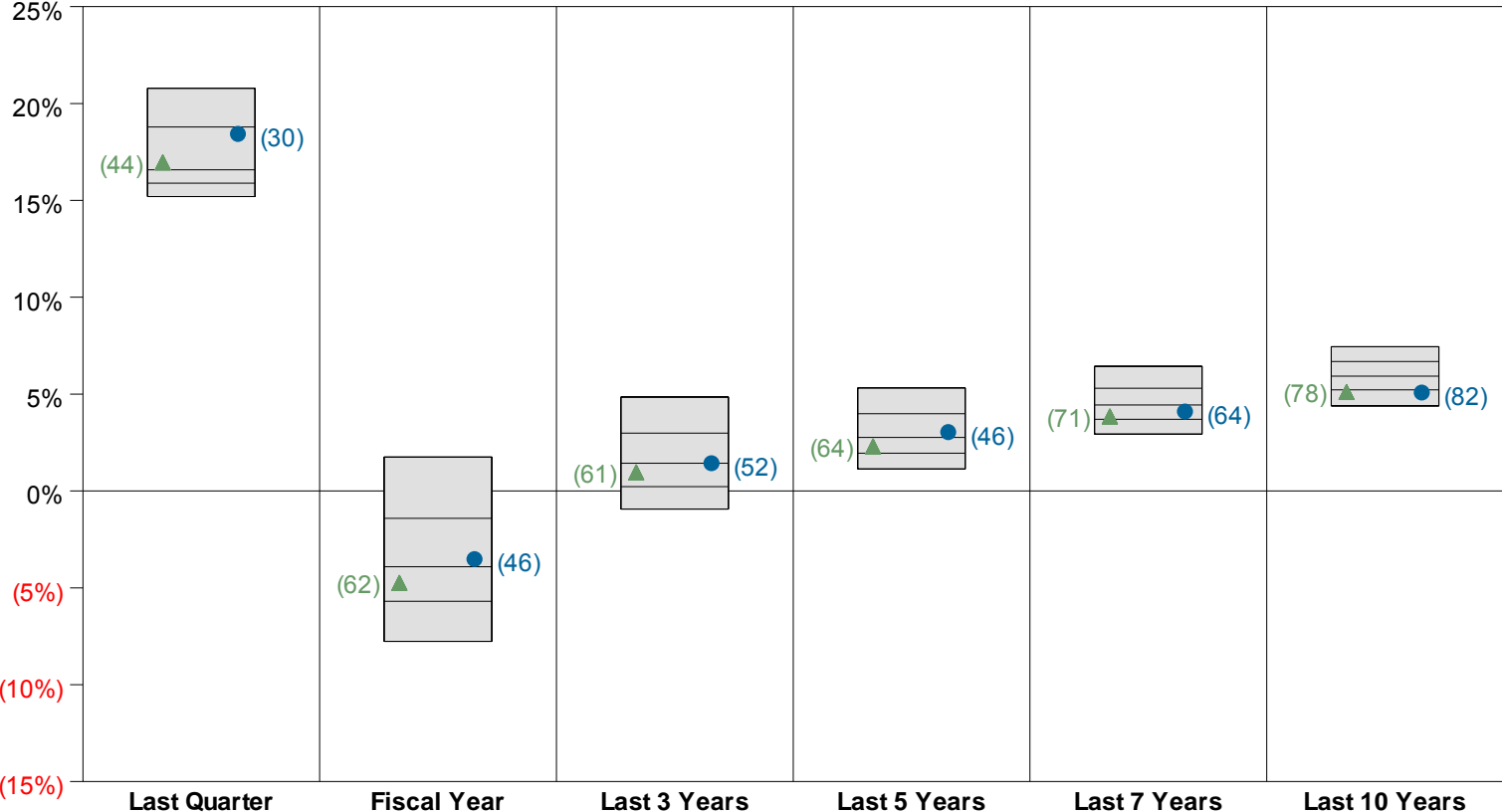


APFC International Equity Relative to Fund Sponsor Universe

Periods Ended June 30, 2020

- International Equity ended the quarter ahead of the benchmark 138 bps.
- The quarter's strong performance showed in longer term numbers, with the portfolio outperforming its benchmark over all periods except the 10-year.
- Relative to other fund sponsor portfolios, International Equity ranked close to median over short-term periods and below median over long-term periods.

Performance vs Fund Sponsor - International Equity (Gross)



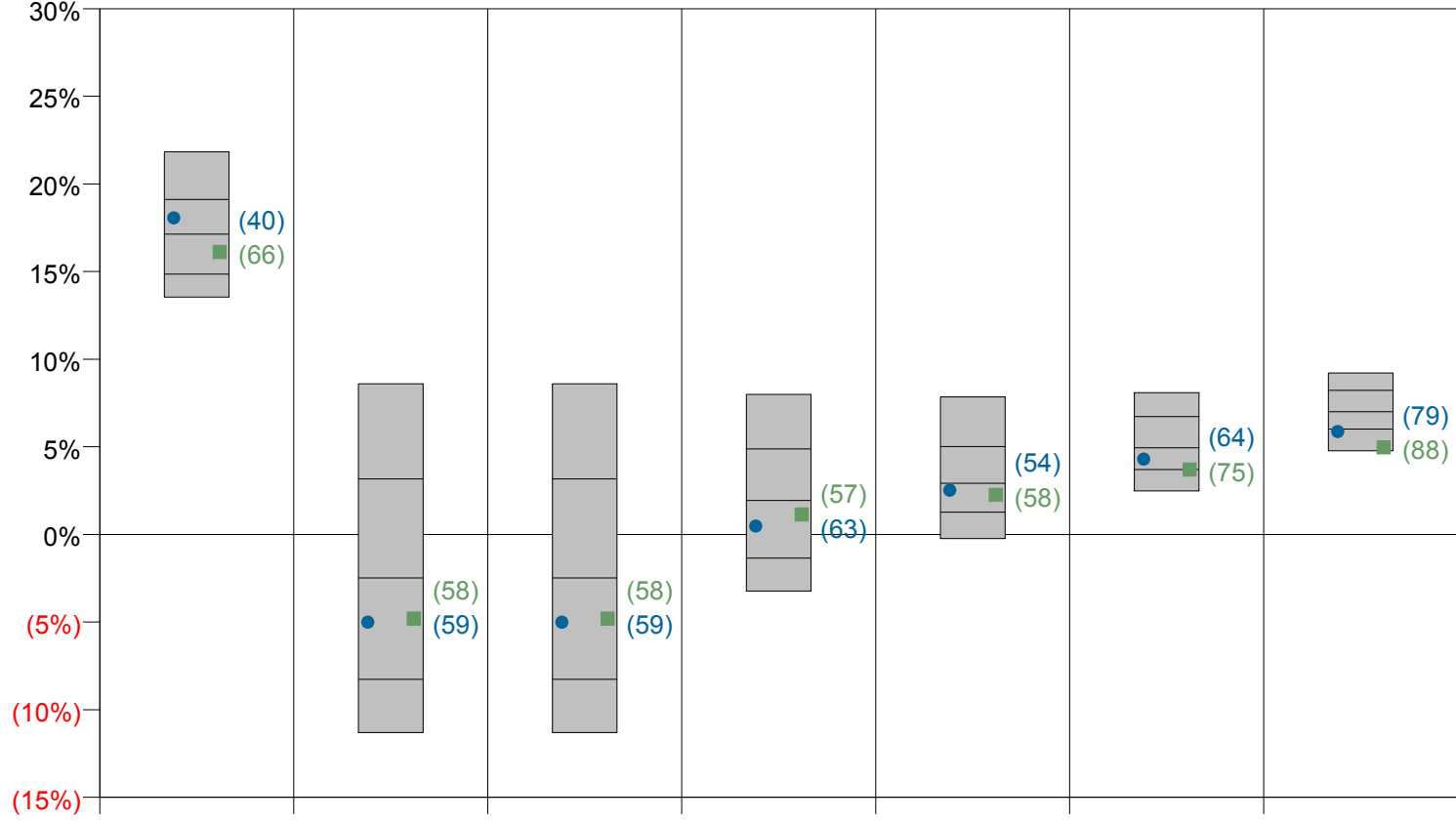
	Last Quarter	Fiscal Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	20.78	1.75	4.85	5.32	6.44	7.44
25th Percentile	18.79	(1.41)	2.98	3.99	5.30	6.68
Median	16.58	(3.91)	1.43	2.76	4.44	5.92
75th Percentile	15.89	(5.69)	0.22	1.94	3.69	5.22
90th Percentile	15.20	(7.76)	(0.93)	1.14	2.94	4.40
International Equity ●	18.34	(3.61)	1.34	2.94	4.02	4.99
MSCI ACWI ex US IMI ▲	16.96	(4.74)	0.96	2.30	3.84	5.11

APFC Int'l Developed Equity Relative to Non-US Equity Universe

Periods June 30, 2020

- The International Developed portfolio increased 18.1% versus the benchmark gain of 16.1%. The portfolio continued to show strong longer-term relative performance.
- Outside of the quarter, the portfolio sits below the peer group median for all standard time periods.

Performance vs Callan Non-US Equity (Gross)



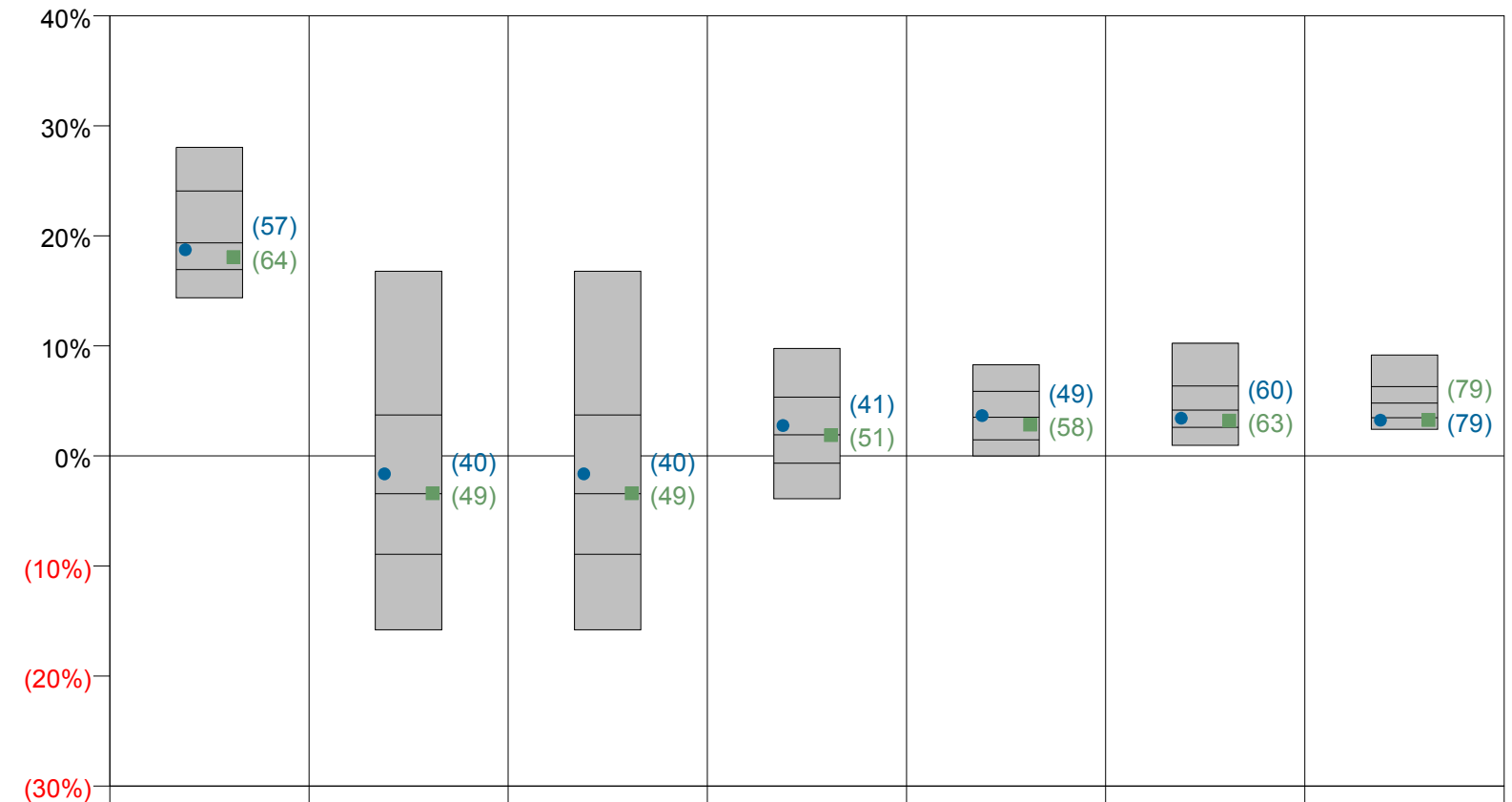
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	21.83	8.60	8.60	8.00	7.85	8.09	9.21
25th Percentile	19.12	3.17	3.17	4.88	5.02	6.73	8.22
Median	17.13	(2.48)	(2.48)	1.93	2.92	4.94	7.01
75th Percentile	14.86	(8.27)	(8.27)	(1.35)	1.27	3.70	6.01
90th Percentile	13.55	(11.30)	(11.30)	(3.23)	(0.23)	2.48	4.77
International Developed ●	18.07	(5.00)	(5.00)	0.48	2.53	4.30	5.88
MSCI ACWI ex US ■	16.12	(4.80)	(4.80)	1.14	2.26	3.71	4.97

APFC Emerging Markets Equity Relative to EM Universe

Periods June 30, 2020

- APFC Emerging Markets Equity portfolio ended the quarter ahead of its benchmark by 66 bps.
- The portfolio leads its benchmark across most standard periods; nearly inline over the 10 year.
- Over the short- and intermediate-term, the portfolio sits above the median while over longer-term periods ranks below the median.

Performance vs Emerging Markets Equity DB



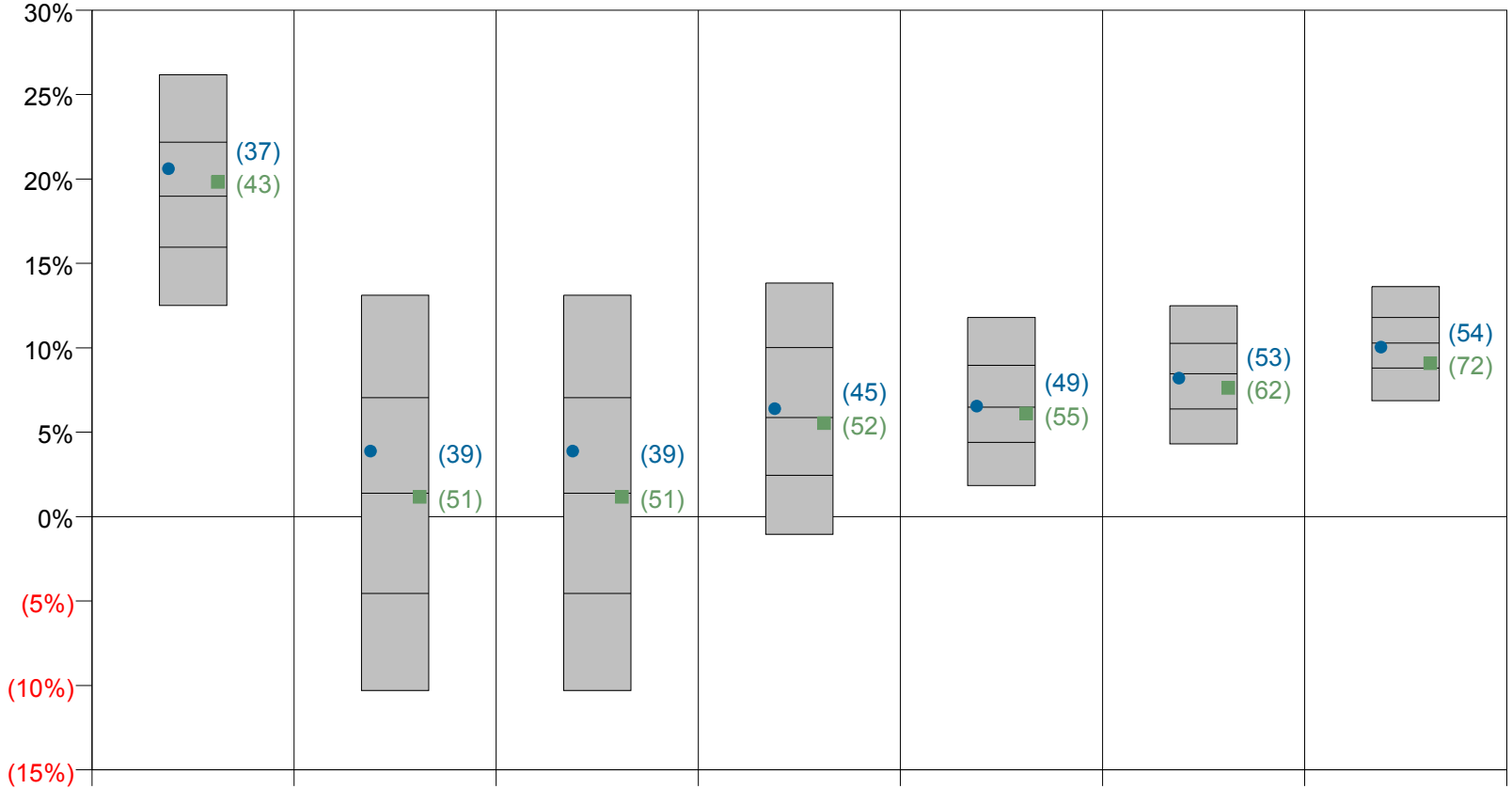
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	28.05	16.80	16.80	9.77	8.30	10.24	9.18
25th Percentile	24.09	3.73	3.73	5.36	5.88	6.37	6.31
Median	19.38	(3.42)	(3.42)	1.92	3.53	4.17	4.82
75th Percentile	16.95	(8.92)	(8.92)	(0.66)	1.47	2.60	3.48
90th Percentile	14.38	(15.80)	(15.80)	(3.88)	0.00	0.98	2.42
Emerging Markets ●	18.74	(1.63)	(1.63)	2.77	3.66	3.44	3.25
MSCI:EM ■	18.08	(3.39)	(3.39)	1.90	2.86	3.23	3.27

APFC Global Equity Relative to Global Universe

Periods Ended June 30, 2020

Performance vs Global Equity Database (Gross)

- APFC Global Equity portfolio outperformed its benchmark in the second quarter. Performance exceeded the benchmark over all standard periods.
- The portfolio ranked above or around median for all time periods.
- Performance from the APFC Tactical Tilts portfolio positively impacted performance over the quarter, 1- and 3-year.

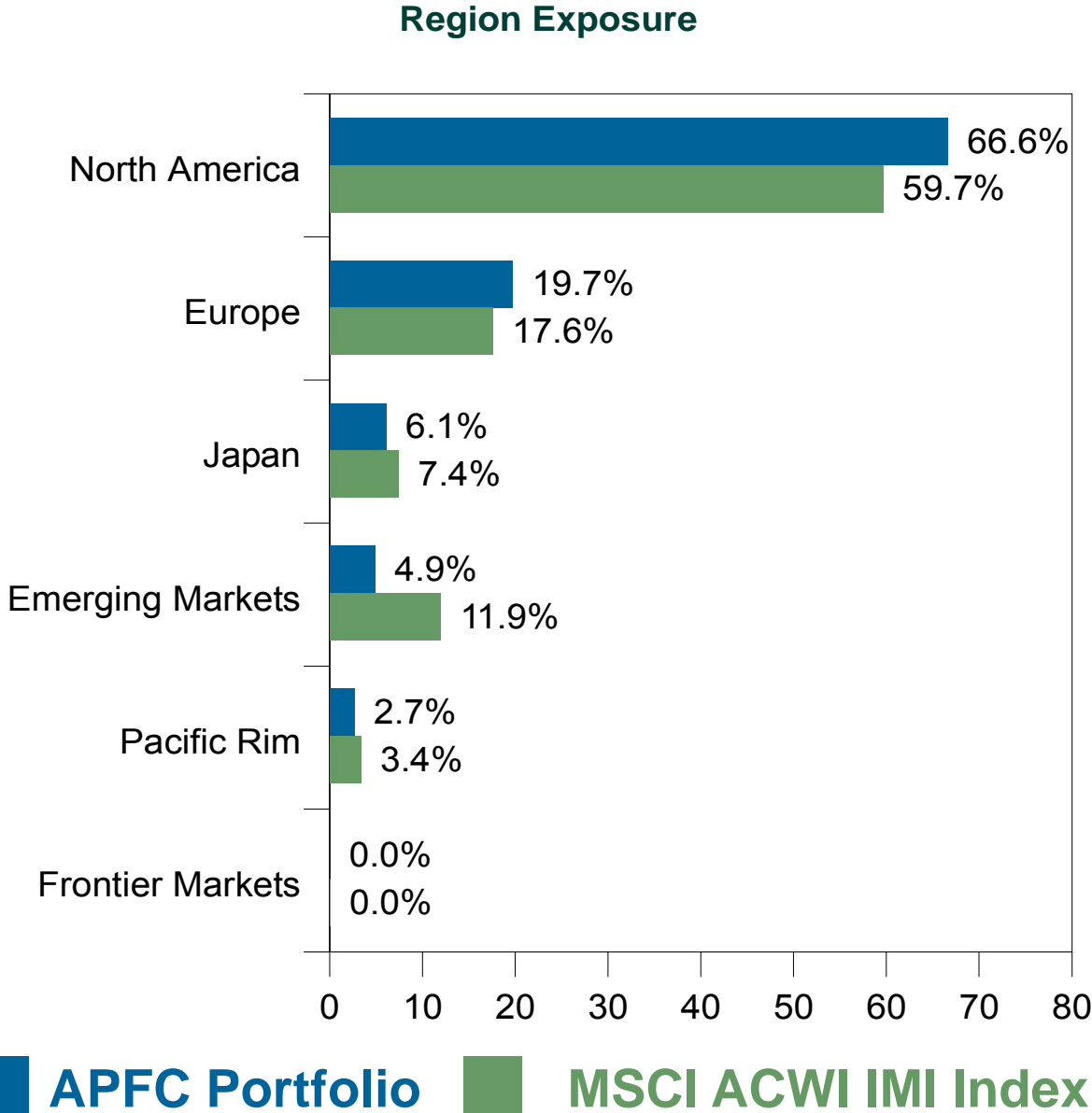


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	26.17	13.12	13.12	13.84	11.80	12.50	13.63
25th Percentile	22.18	7.05	7.05	10.02	8.97	10.27	11.80
Median	18.99	1.39	1.39	5.88	6.49	8.46	10.28
75th Percentile	15.96	(4.54)	(4.54)	2.45	4.40	6.37	8.81
90th Percentile	12.51	(10.30)	(10.30)	(1.04)	1.84	4.31	6.86
Global Equity ●	20.62	3.89	3.89	6.40	6.55	8.21	10.05
MSCI ACWI IMI ■	19.83	1.17	1.17	5.55	6.11	7.63	9.10

APFC Global Equity Portfolio Region Exposure

As of June 30, 2020

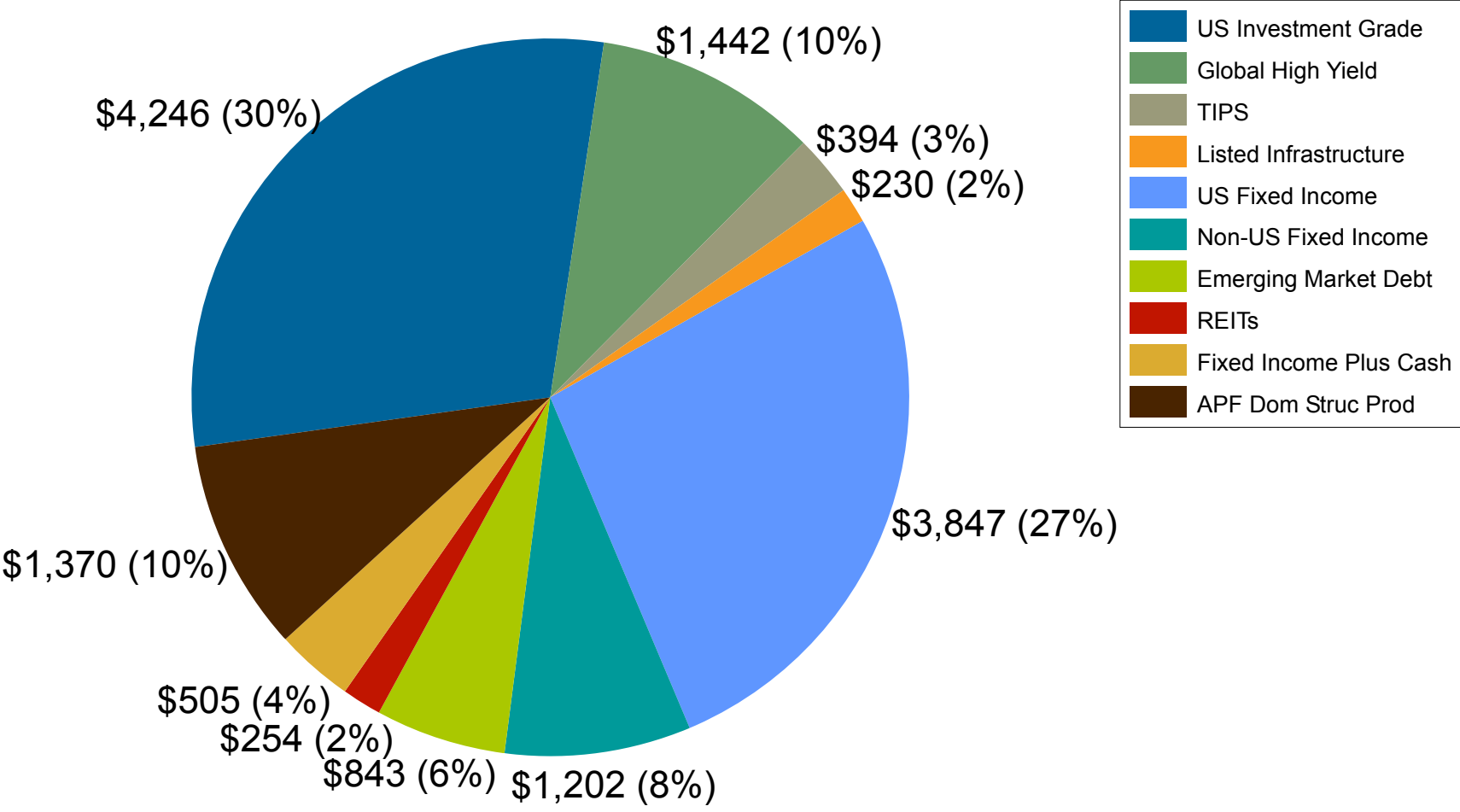
- The APFC global equity portfolio continued to be underweight Emerging Markets, Japan, and the Pacific Rim relative to its benchmark.
- The portfolio had corresponding relative overweights to North America and Europe.
- This positioning and broad based regional gains drove quarterly results.



APFC Fixed Income Plus Structure

As of June 30, 2020

- Approximately 75% of the fixed income plus portfolio is managed internally, including allocations within Fixed Income Plus Cash, US Fixed Income Aggregate, US Investment Grade Corporate, Non-US Fixed Income, Structured Products and TIPS.
- External mandates are focused in specialty areas including Non-US Fixed Income, Global High Yield, Emerging Market Debt, REITs, and Listed Infrastructure.
- The APF Domestic Structured Products portfolio was funded during the quarter.

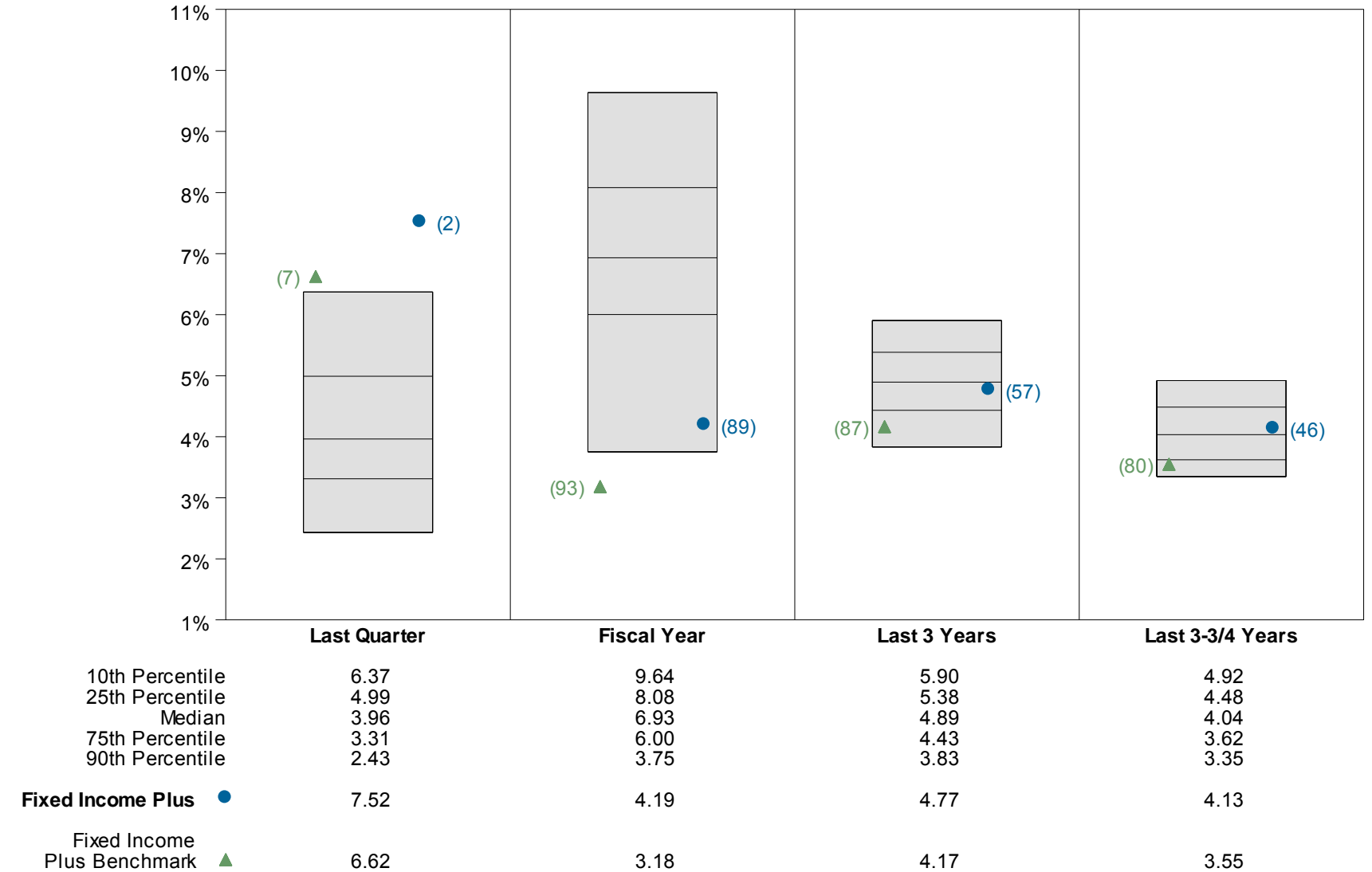


Fixed Income Plus Relative to Public Fixed Income Funds

Periods Ended June 30, 2020

- The APFC Fixed Income Plus portfolio led its benchmark over the quarter and all time periods shown.
- The portfolio swung from bottom quartile to top in the second quarter and now sits above median over the since inception period.

Performance vs Public Fund - Domestic Fixed (Gross)

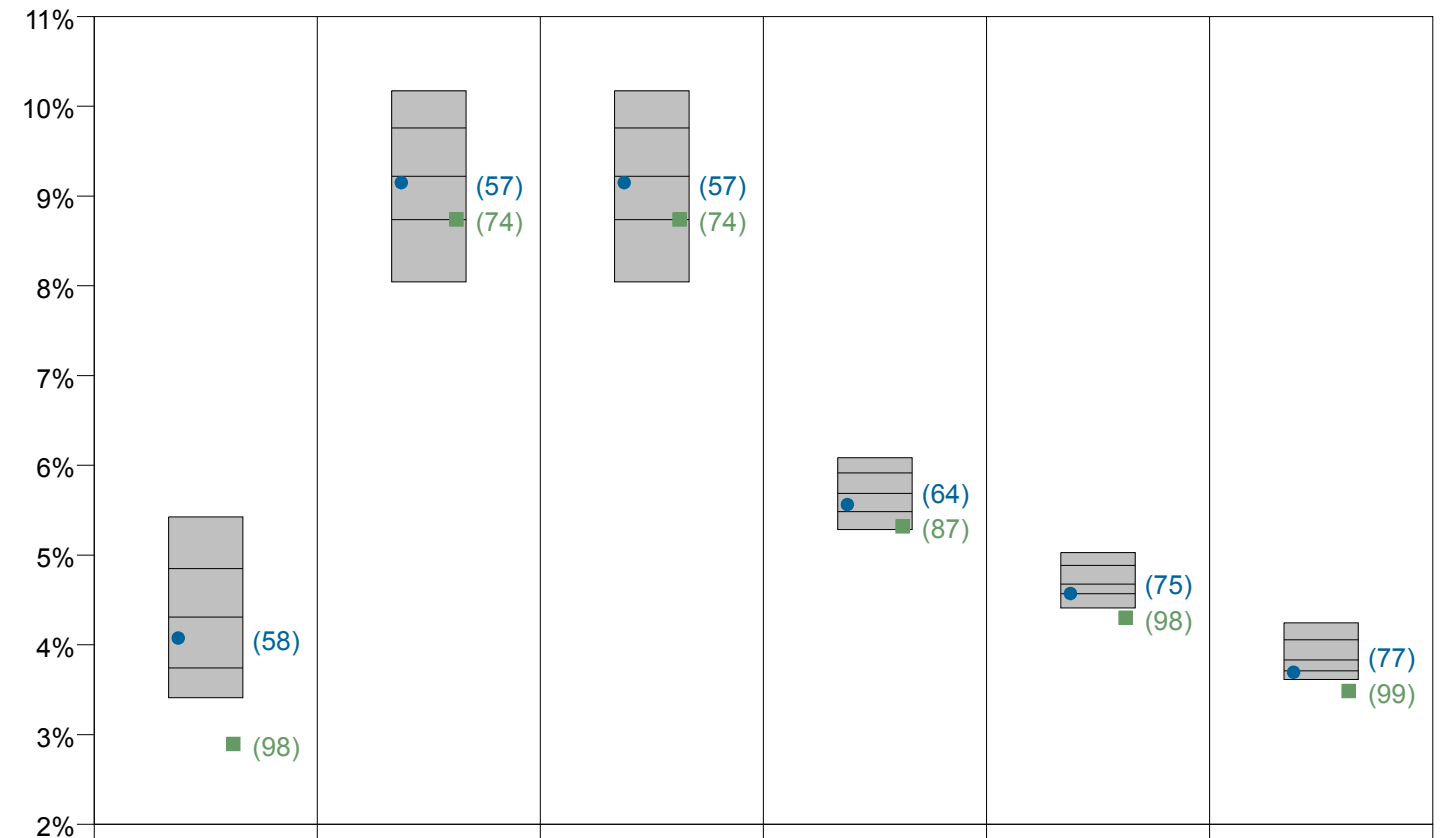


US Fixed Income Aggregate Relative to Core Bond Funds

Periods Ended June 30, 2020

Performance vs Callan Core Bond Fixed Income (Gross)

- APFC US Fixed Income Aggregate portfolio outperformed the Bloomberg Aggregate Index for the quarter.
- The strong quarter placed the US Fixed Income composite ahead of the benchmark over all standard periods.



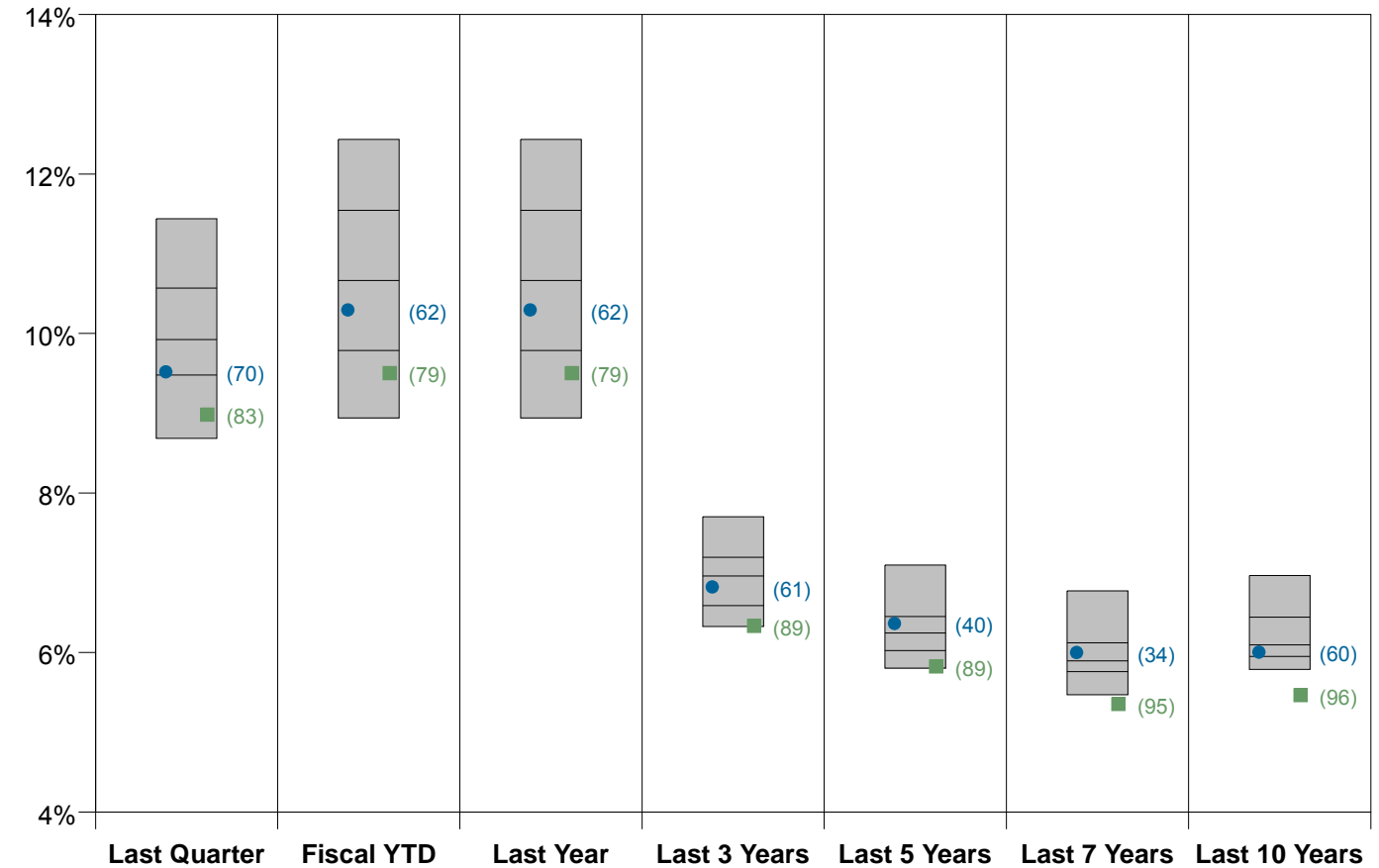
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 1/4 Years
10th Percentile	5.43	10.17	10.17	6.09	5.03	4.24
25th Percentile	4.85	9.76	9.76	5.92	4.88	4.06
Median	4.31	9.22	9.22	5.69	4.68	3.83
75th Percentile	3.74	8.74	8.74	5.48	4.57	3.71
90th Percentile	3.41	8.04	8.04	5.28	4.41	3.61
US Fixed Income Aggregate	4.08	9.15	9.15	5.56	4.57	3.70
Bloomberg Aggregate	2.90	8.74	8.74	5.32	4.30	3.49

US Investment Grade Corp Relative to Investment Grade Funds

Periods Ended June 30, 2020

Performance vs Callan Investment Grade Corporate (Gross)

- APFC US Investment Grade Corporate beat its benchmark for the quarter and all other standard periods.
- The Investment Grade Corporate composite had mixed peer group rankings with below median results over the short-term, above median in the intermediate-term, and below median over the long term.



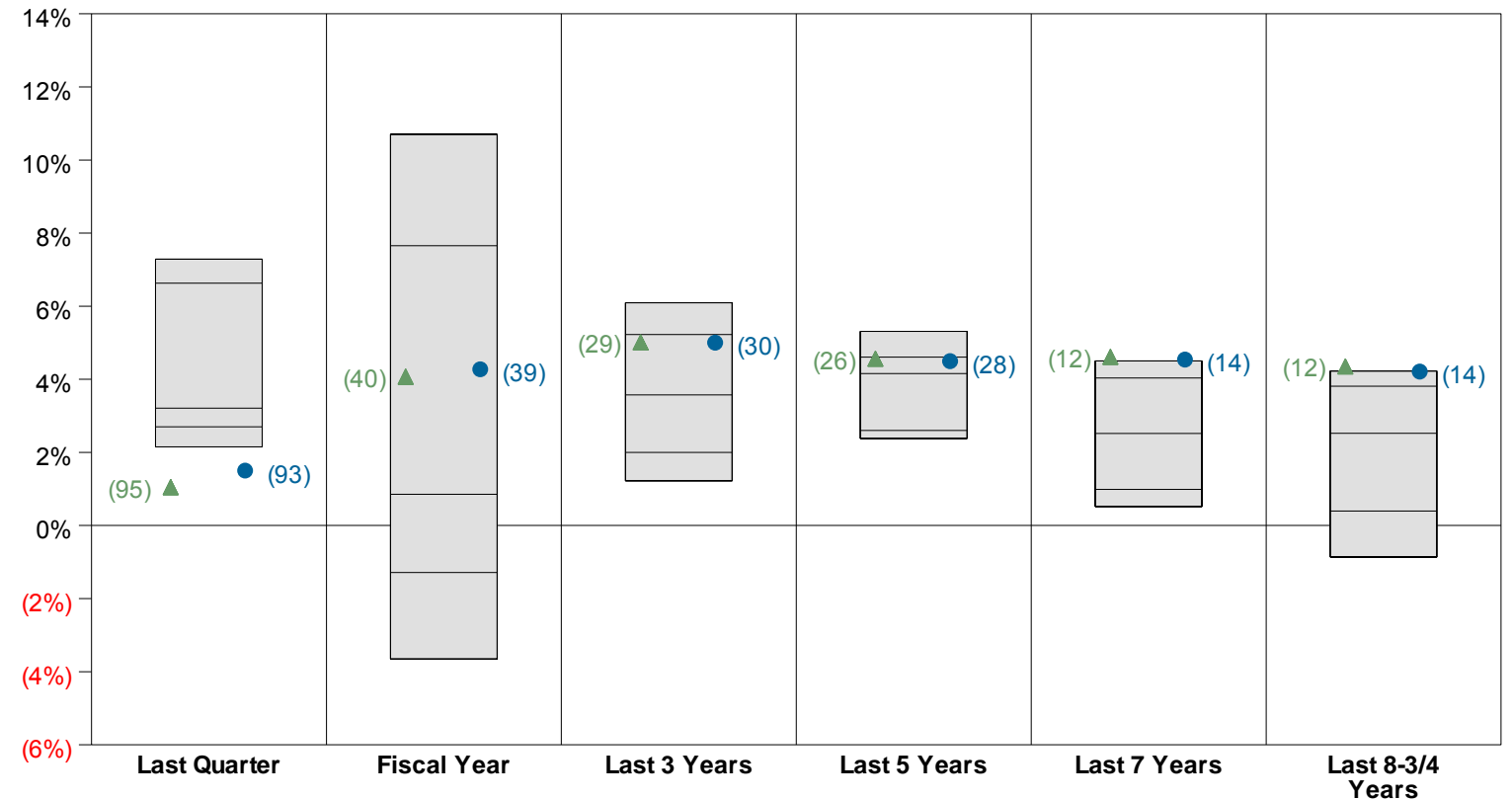
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	11.44	12.43	12.43	7.70	7.10	6.77	6.97
25th Percentile	10.57	11.55	11.55	7.20	6.45	6.12	6.44
Median	9.93	10.67	10.67	6.96	6.25	5.90	6.10
75th Percentile	9.48	9.79	9.79	6.59	6.03	5.76	5.95
90th Percentile	8.69	8.94	8.94	6.33	5.81	5.47	5.79
US Investment Grade Corporate ●	9.52	10.30	10.30	6.83	6.37	6.00	6.01
Blmbg:Corporate ■	8.98	9.50	9.50	6.34	5.83	5.36	5.47

Non-U.S. Fixed Income Relative to International Fixed Income Funds

Periods Ended June 30, 2020

- The APFC Non-U.S. Fixed Income portfolio exceeded the benchmark over the quarter and one year.
- Compared to peers, the portfolio ranked above median over most periods.
- The composite included allocations to Rogge Asset and an In House Global Gov't Bonds mandate.

Performance vs Public Fund - International Fixed (Gross)



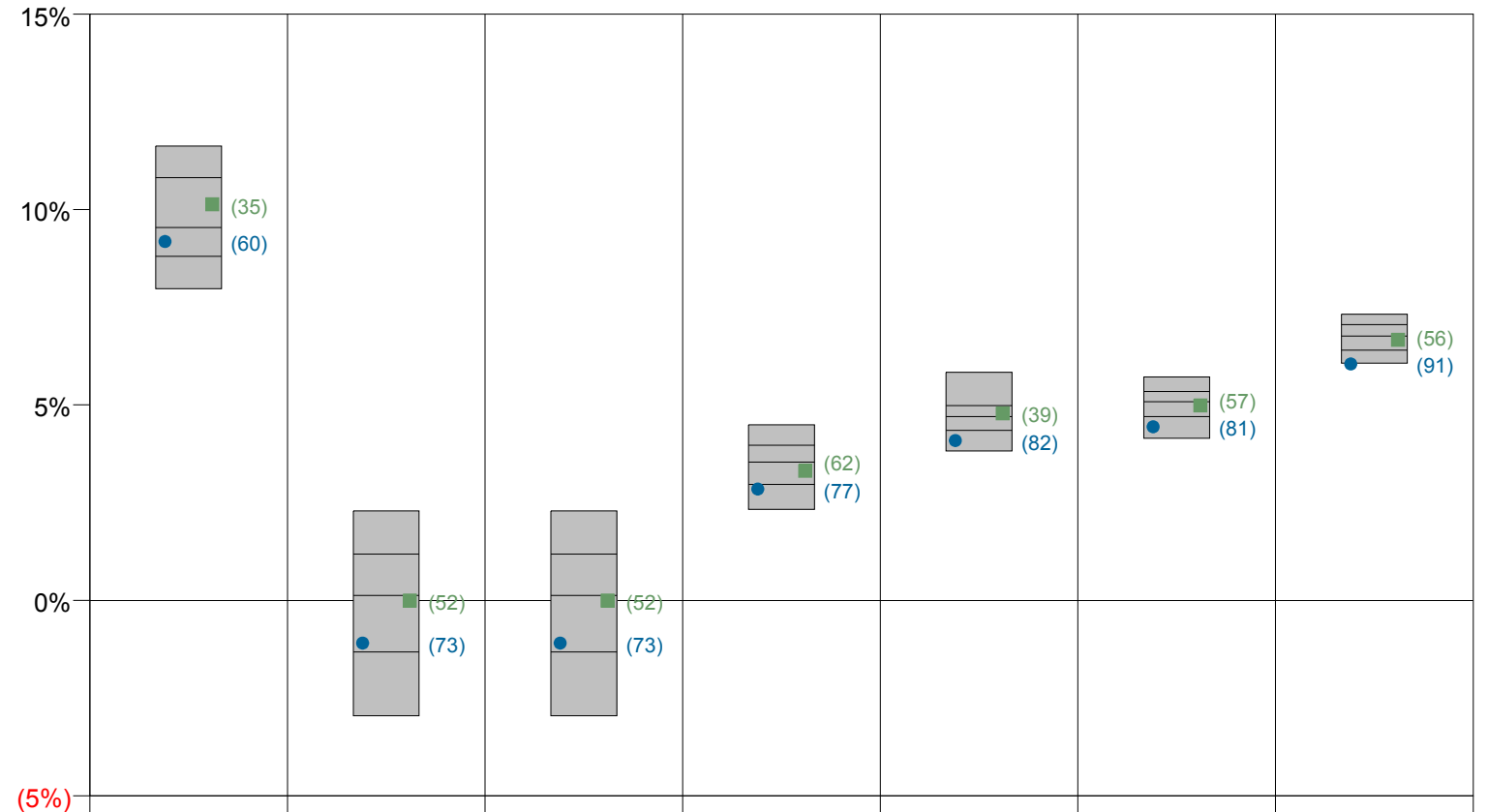
10th Percentile	7.29	10.70	6.09	5.31	4.50	4.22	
25th Percentile	6.63	7.66	5.22	4.61	4.04	3.81	
Median	3.21	0.86	3.58	4.16	2.52	2.52	
75th Percentile	2.70	(1.29)	2.00	2.60	0.99	0.39	
90th Percentile	2.15	(3.65)	1.22	2.38	0.52	(0.86)	
Non US Fixed Income	●	1.45	4.23	4.95	4.45	4.49	4.16
BC Global Treasury ex-US	▲	1.05	4.07	5.01	4.56	4.62	4.35

Global High Yield Relative to High Yield Funds

Periods Ended June 30, 2020

Performance vs Callan High Yield Fixed Income (Gross)

- APFC Global High Yield portfolio unperformed its benchmark in Q2 2020.
- The portfolio ranked below median for all reported periods.
- The composite included allocations to Oaktree, Capital Guardian, and an iShares ETF.



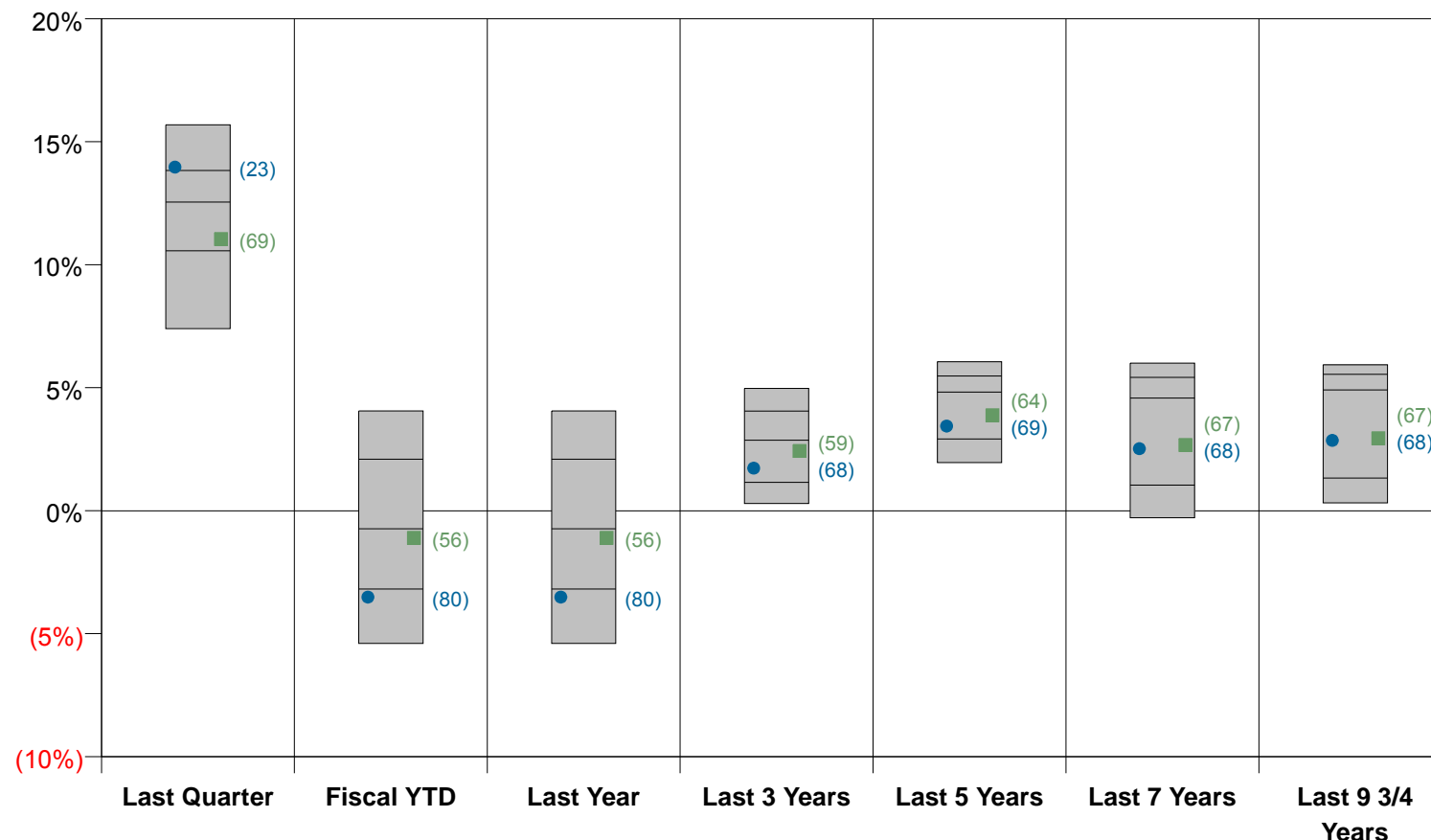
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	11.63	2.29	2.29	4.50	5.84	5.72	7.33
25th Percentile	10.82	1.19	1.19	3.97	4.99	5.35	7.06
Median	9.54	0.13	0.13	3.54	4.70	5.09	6.76
75th Percentile	8.80	(1.32)	(1.32)	2.97	4.35	4.70	6.40
90th Percentile	7.97	(2.95)	(2.95)	2.33	3.83	4.15	6.07
Global High Yield ●	9.18	(1.09)	(1.09)	2.85	4.09	4.45	6.05
Blmbg HY 2% Iss Cap ■	10.14	0.00	0.00	3.32	4.79	4.99	6.67

Emerging Market Debt Relative to EMD Funds

Periods Ended June 30, 2020

- APFC Emerging Market Debt portfolio returns bounced back in the second quarter outperforming its custom benchmark. The negative returns from the first quarter continued to weigh on longer term results.
- Relative to peers, the portfolio ranked below median over all periods exhibited except the quarter.

Performance vs Emerging Debt Database (Gross)



10th Percentile	15.69	4.06	4.06	4.98	6.06	6.00	5.93	
25th Percentile	13.84	2.10	2.10	4.05	5.48	5.43	5.55	
Median	12.55	(0.73)	(0.73)	2.87	4.83	4.58	4.91	
75th Percentile	10.57	(3.18)	(3.18)	1.16	2.92	1.04	1.33	
90th Percentile	7.40	(5.39)	(5.39)	0.30	1.96	(0.29)	0.32	
Emerging Market Debt	●	13.97	(3.51)	(3.51)	1.73	3.44	2.53	2.86
EMD Benchmark	■	11.05	(1.10)	(1.10)	2.43	3.89	2.68	2.95

TIPS Relative to Callan's Inflation Linked Bonds database

Periods Ended June 30, 2020

- APFC TIPS portfolio was nearly inline with the Bloomberg US TIPS Index for the quarter, and behind the benchmark over the year.
- The TIPS composite ranked near median in Callan's Inflation Linked Bonds peer universe over the short-term and below the median over longer-term periods.
- The TIPS allocation includes APCM and an In House TIPS portfolio.

Performance vs Callan Inflation Linked Bonds (Gross)



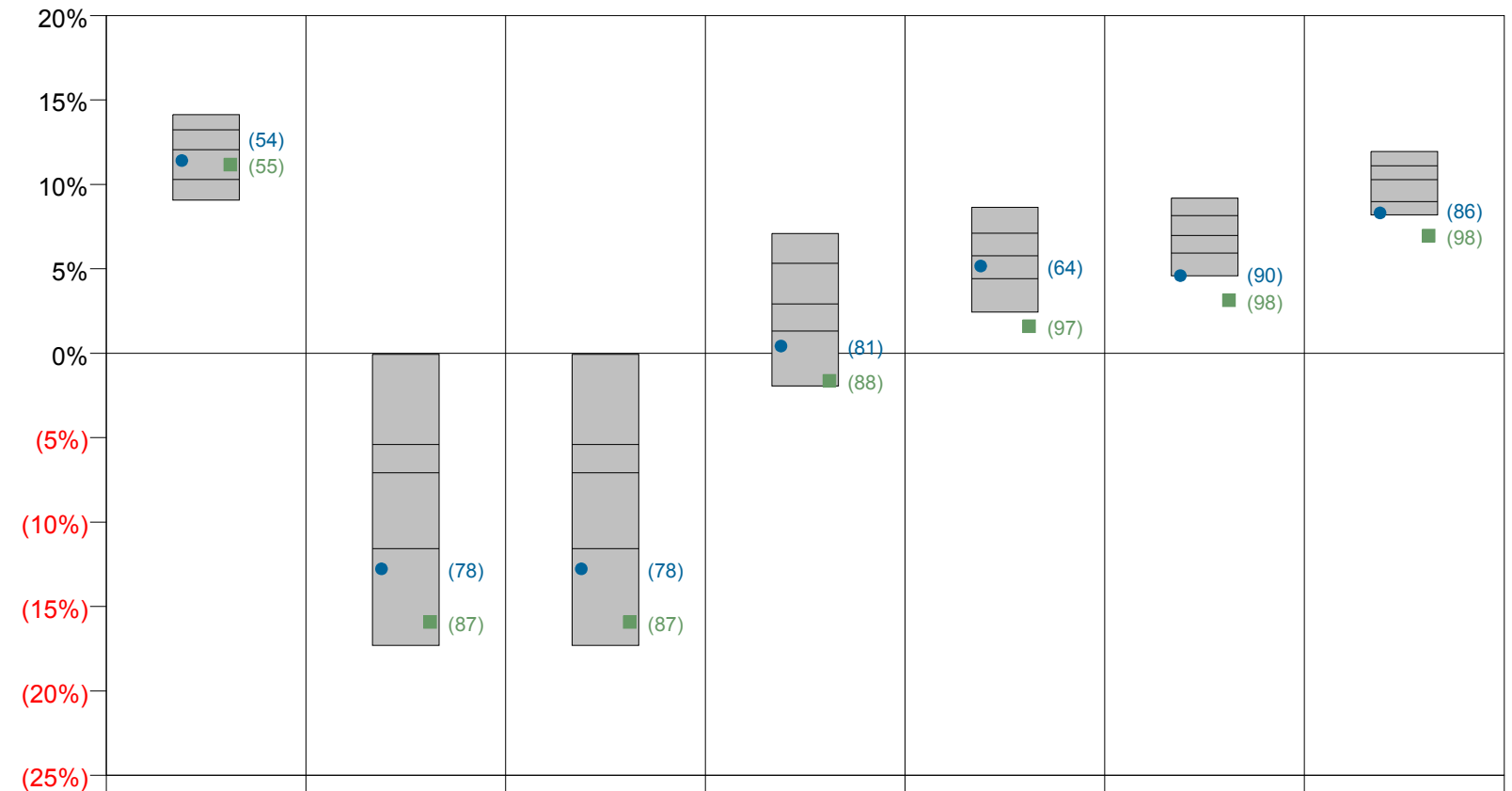
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	6.38	8.68	8.68	5.39	4.17	3.46	3.94
25th Percentile	4.92	8.45	8.45	5.16	3.90	3.20	3.76
Median	4.29	8.15	8.15	5.08	3.79	3.06	3.57
75th Percentile	4.07	6.03	6.03	4.17	3.34	2.64	3.37
90th Percentile	3.75	5.74	5.74	3.98	3.03	2.39	2.70
TIPS	4.20	8.05	8.05	4.92	3.60	2.88	3.49
Blmbg:TIPS	4.24	8.28	8.28	5.05	3.75	3.05	3.52

REITs Performance Relative to Callan's REITs database

Periods Ended June 30, 2020

Performance vs Callan Real Estate REIT (Gross)

- APFC REITs portfolio has performed well relative to its benchmark over the time periods shown.
- The REITs composite ranked below median for most time periods.
- The REITs allocation includes AEW Global and SSGA.



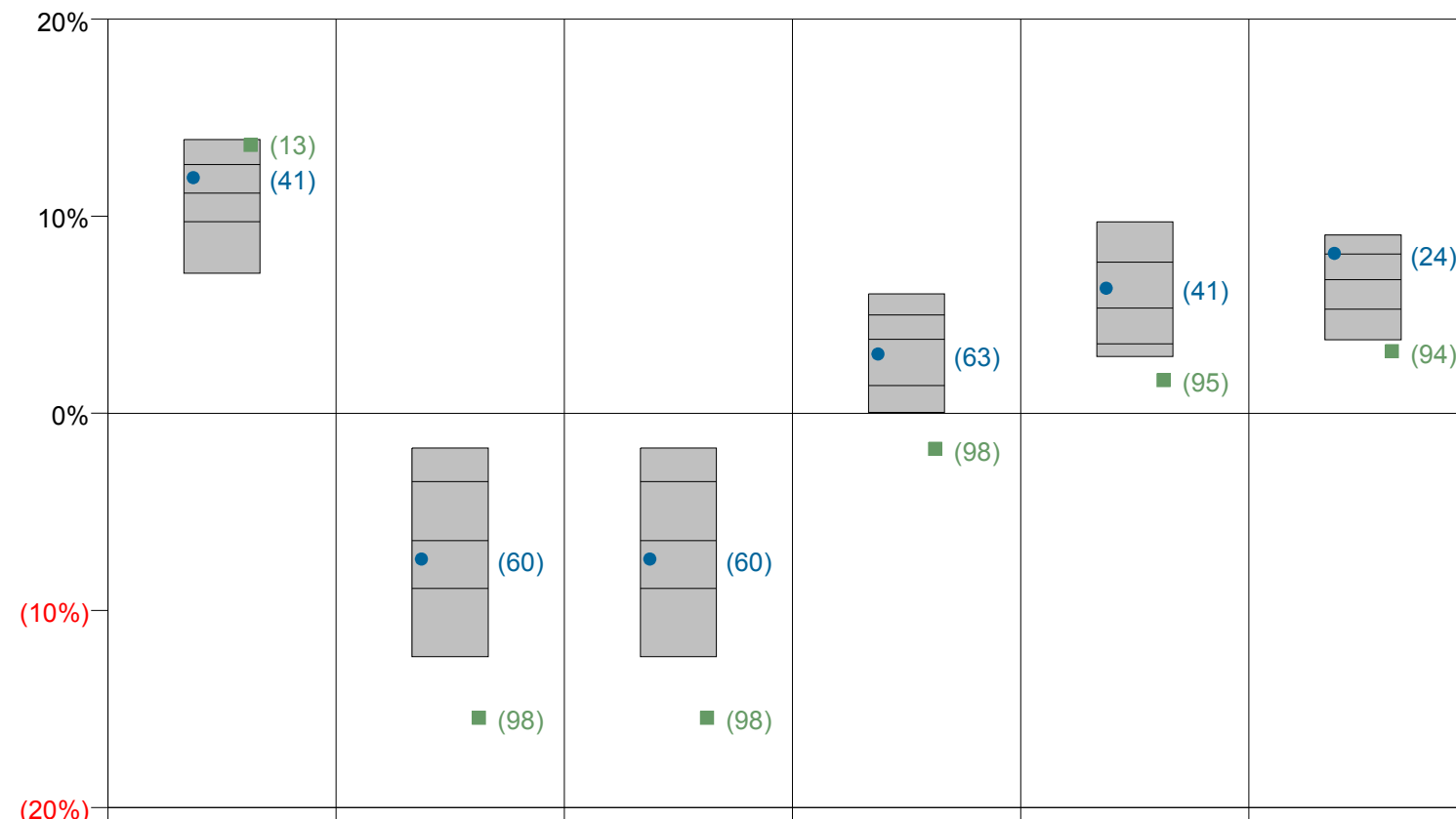
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	14.14	(0.06)	(0.06)	7.09	8.65	9.19	11.95
25th Percentile	13.23	(5.40)	(5.40)	5.33	7.12	8.16	11.11
Median	12.05	(7.08)	(7.08)	2.92	5.78	6.98	10.28
75th Percentile	10.30	(11.57)	(11.57)	1.32	4.42	5.94	8.99
90th Percentile	9.07	(17.30)	(17.30)	(1.93)	2.45	4.59	8.20
REITs	11.41	(12.77)	(12.77)	0.43	5.17	4.60	8.31
S&P Global REIT	11.18	(15.91)	(15.91)	(1.63)	1.61	3.14	6.97

Listed Infrastructure Relative to Listed Infrastructure Funds

Periods Ended June 30, 2020

Performance vs Callan Publicly Listed Infrastructure (Gross)

- The Listed Infrastructure portfolio lagged the benchmark over quarter, but ended the year ahead on a relative basis.
- The portfolio ranked below median for the 1- and 3-year periods, but above median over the 5- and 6³/₄-year periods.
- The Listed Infrastructure composite includes Lazard, Cohen & Steers, and SSGA. Cohen & Steers and SSGA were materially liquidated during the quarter.

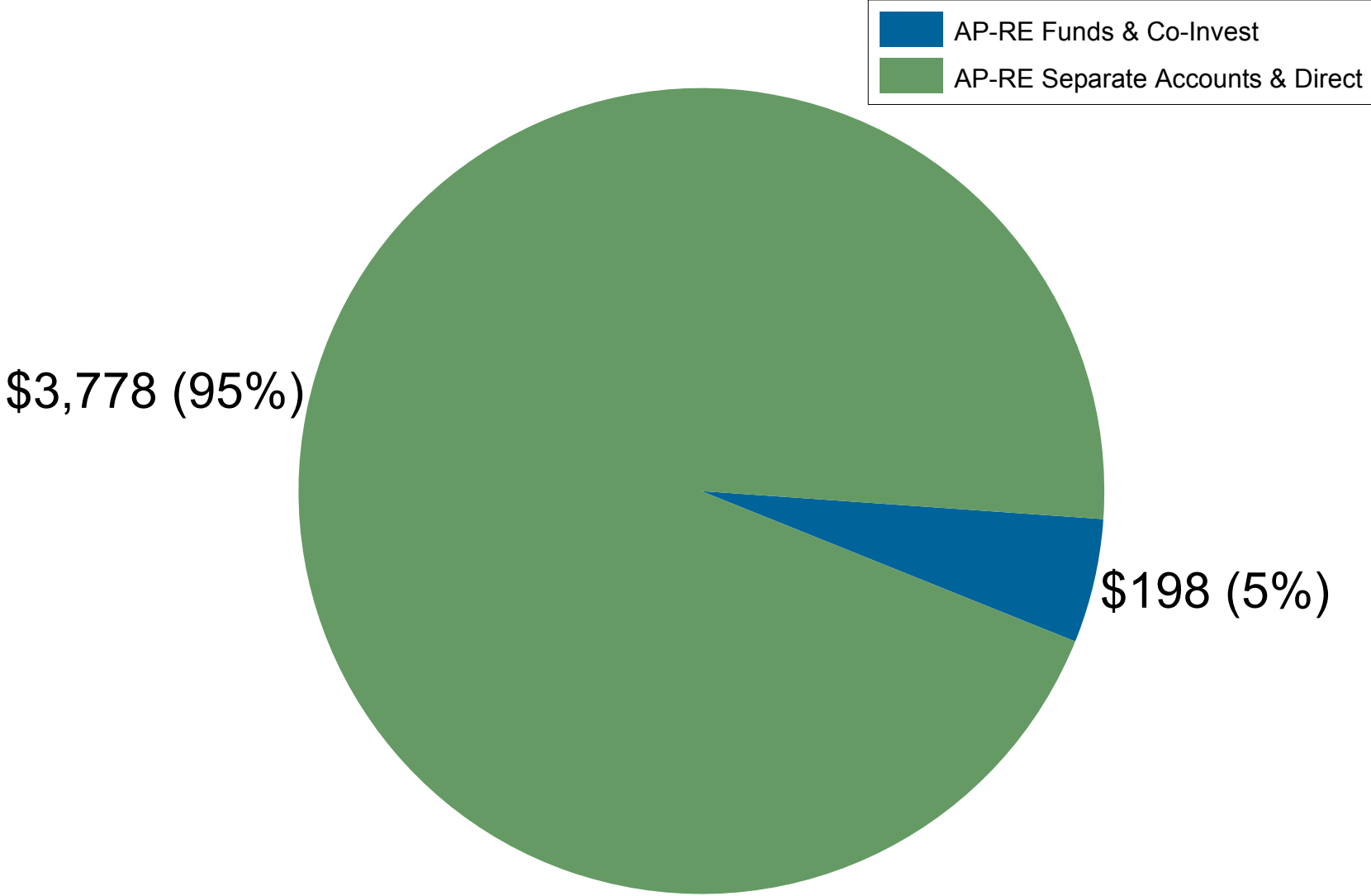


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 6 3/4 Years
10th Percentile	13.89	(1.76)	(1.76)	6.06	9.71	9.06
25th Percentile	12.62	(3.46)	(3.46)	5.00	7.67	8.08
Median	11.17	(6.45)	(6.45)	3.75	5.35	6.79
75th Percentile	9.72	(8.89)	(8.89)	1.42	3.53	5.29
90th Percentile	7.11	(12.34)	(12.34)	0.05	2.89	3.74
Listed Infrastructure ●	11.96	(7.38)	(7.38)	3.01	6.35	8.12
S&P:Global Infra Net Idx ■	13.63	(15.44)	(15.44)	(1.80)	1.70	3.16

APFC Real Estate Structure (1Q LAG)

As of June 30, 2020

- 95% of the structure was invested in Separate Accounts and Direct Real Estate portfolios.
 - RE Separate Accounts & Direct was completely comprised of Direct Real Estate.
 - 5% of the Direct allocation was invested internationally (CBRE Europe and LaSalle UK).
- 5% of the structure was invested in Real Estate Funds and Co-Investment portfolios (HIG Europe, Harbert Europe, Heitman Capital, Brookfield Strategic).



Real Estate Relative to Callan's Total Real Estate Database (1Q LAG)

Periods Ended June 30, 2020

- APFC Real Estate portfolio performance is shown net of fees for all investments.
- The real estate portfolio lagged behind its benchmark and ranked below the peer group median over all standard reporting periods.

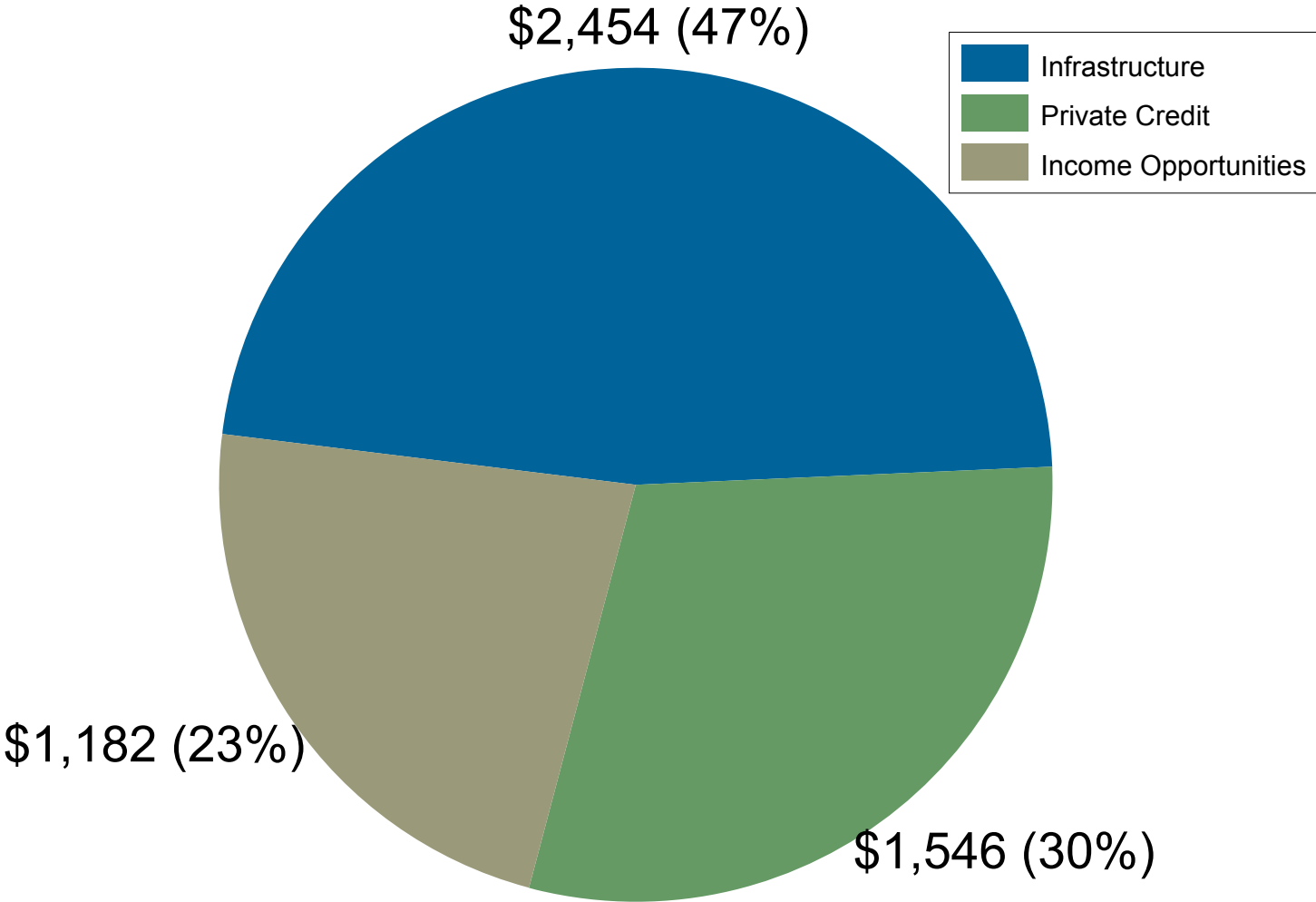
Performance vs Public Fund - Real Estate (Gross)



APFC Infrastructure and Private Income Structure (1Q LAG)

As of June 30, 2020

- 47% of the structure is invested in infrastructure funds, which includes a diversified portfolio of infrastructure, energy, and generation assets.
- 30% of the structure was invested in private credit mandates including mezzanine debt, opportunistic credit, and direct lending strategies.
- 23% of the structure was invested in income opportunities including structured credit, alternative credit, AH4R2, and timber.



Infrastructure and Income Opportunities Performance (1Q LAG)

As of June 30, 2020

	Last Quarter	FYTD	Last Year	Last 3 Years	Last 5 Years
Infrastructure and Income Opportunities	-5.19	-0.39	-0.39	8.75	10.18
60% FTSE Dev Core Infr / 40% BC US Corp HY 2%	-15.13	-7.73	-7.73	3.08	4.06

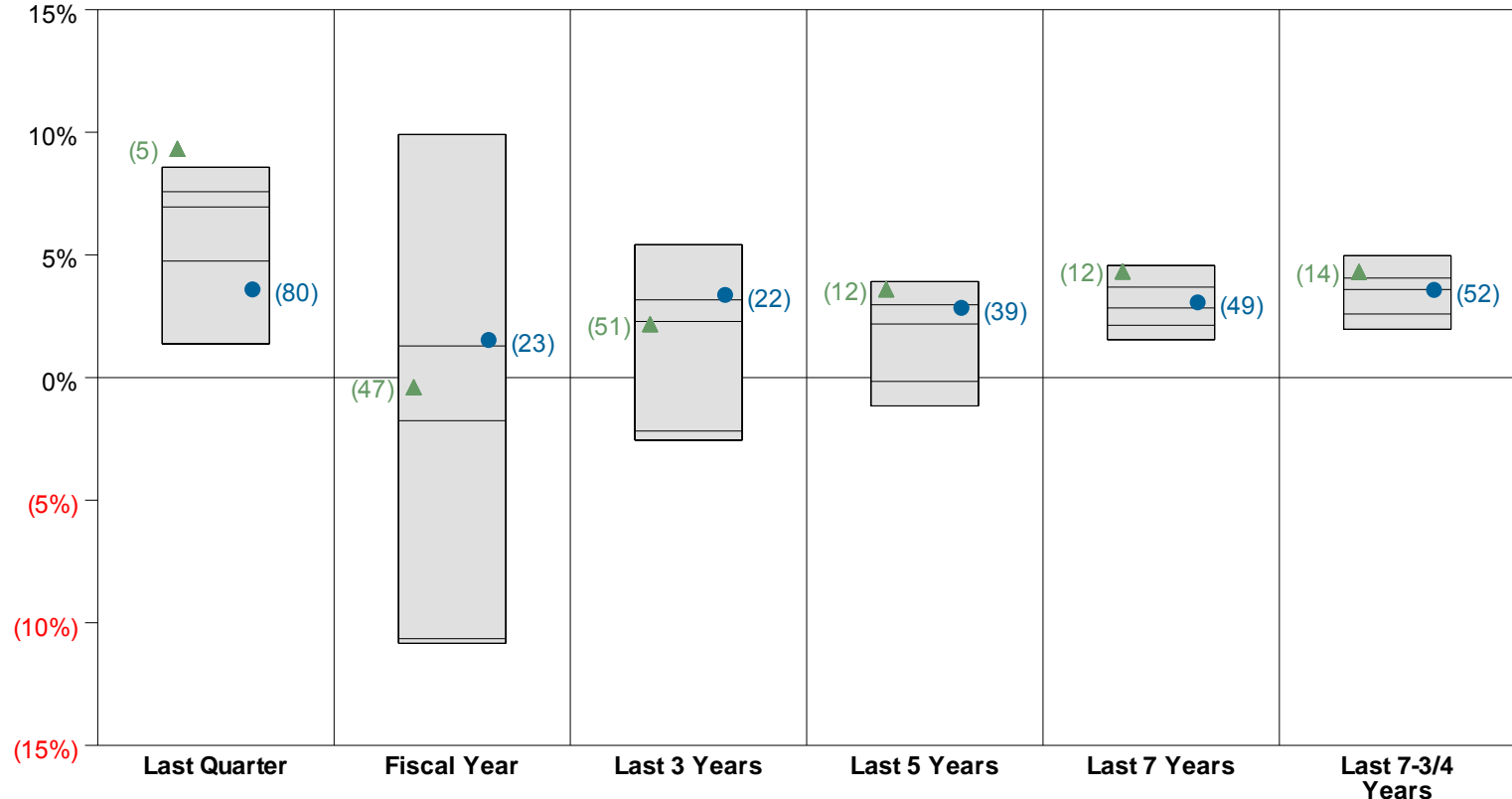
- APFC's Infrastructure and Income Opportunities composite outperformed the benchmark (60% FTSE Developed Core Infrastructure and 40% BC US Corp HY 2%) in the prior quarter and 1-, 3- and 5-year periods.
- Infrastructure, Income Opportunities, and Private Credit composites outperformed their respective benchmarks for the quarter and trailing one year period. Infrastructure and Private Credit outperformed over the 3- and 5-year periods; Income Opportunities underperformed over the 3-year period, but outperformed over the 5-year.

Absolute Return Portfolio Relative to HFOF Universe

Periods Ended June 30, 2020

- In the second quarter, the Absolute Return portfolio lagged the strong snap back experienced by its benchmark.
- The portfolio ranked above median for most time periods.

Performance vs Callan Absolute Rtn Hedge Fund of Funds (Net)

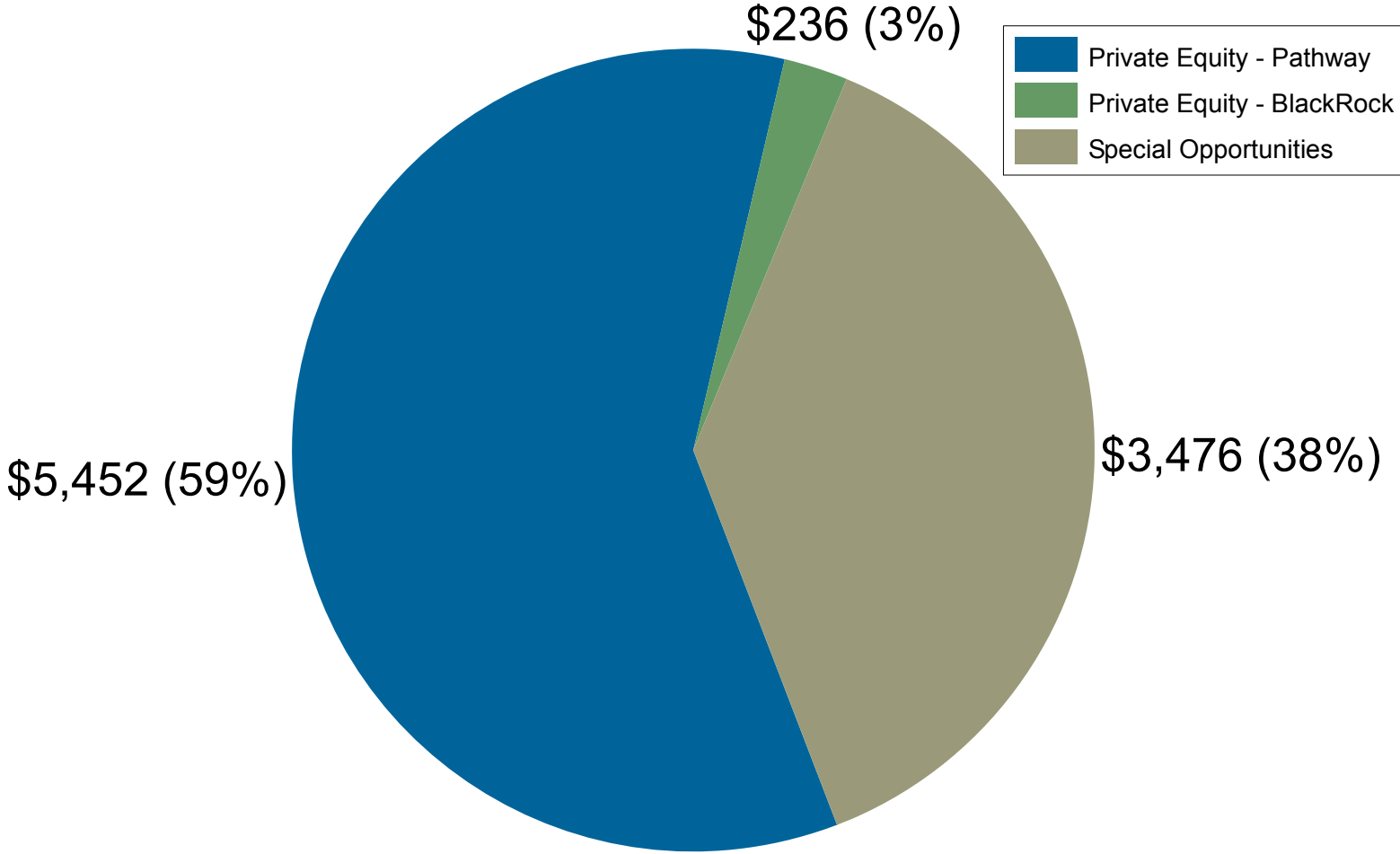


	Last Quarter	Fiscal Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 7-3/4 Years
10th Percentile	8.58	9.91	5.42	3.91	4.57	4.97
25th Percentile	7.58	1.28	3.17	2.96	3.69	4.06
Median	6.96	(1.76)	2.28	2.18	2.83	3.59
75th Percentile	4.75	(10.65)	(2.18)	(0.16)	2.13	2.59
90th Percentile	1.38	(10.84)	(2.56)	(1.16)	1.54	1.97
Absolute Return (net) ●	3.52	1.46	3.29	2.77	3.00	3.50
Absolute Return Benchmark ▲	9.33	(0.39)	2.18	3.60	4.33	4.31

APFC Private Equity and Special Opportunities Structure (1Q LAG)

As of June 30, 2020

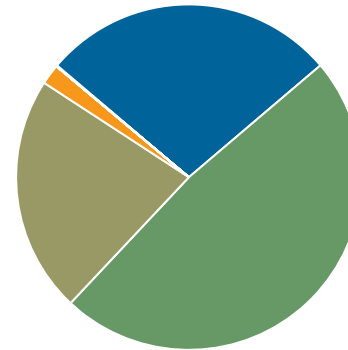
- 62% of the structure was invested in private equity.
- The legacy HarbourVest investments were transferred to Pathway for oversight management.
- The Pathway portfolio also includes direct investments overseen by Pathway.
- 38% of the structure was invested in special opportunities.



Private Equity Portfolio Positioning (1Q LAG)

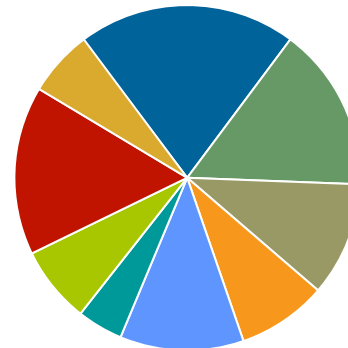
As of March 31, 2020

- APFC's Total Private Equity Portfolio continued to be well-diversified by strategy, geography, and industry.
- Buyouts, Venture Capital and Special Situations remained the largest strategy allocations.
- The largest non-U.S. geographic exposure was Europe. The largest industry exposure was in Technology.



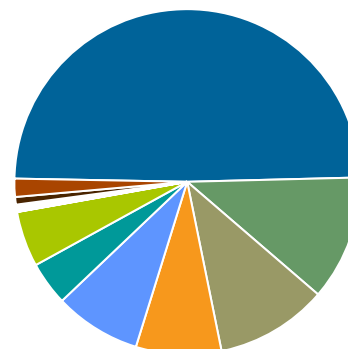
Strategy Mix by Net Asset Value

Venture Capital	27.67%
Buyout	48.17%
Special Situations	22.16%
Distressed for Control	1.88%
Secondary Interest	0.04%
Mezzanine	0.08%



Geographic Mix by Net Asset Value

West/Pacific Northwest	20.50%
North Atlantic	15.38%
Mid-West	10.65%
Southeast	8.36%
Southwest/Rockies	11.61%
Mid-Atlantic	4.30%
Asia/Pacific	7.22%
Europe	15.83%
Other	6.15%



Industry Mix by Net Asset Value

Technology	49.30%
Consumer Discretionary	11.74%
Health Care	10.50%
Financial	7.98%
Industrials	8.05%
Energy	4.06%
Communication Services	5.17%
Utilities	0.32%
Consumer Staples	0.43%
Materials	0.71%
Other/Misc	1.73%

APFC Private Equity and Special Opportunities Performance (1Q LAG)

As of March 31, 2020

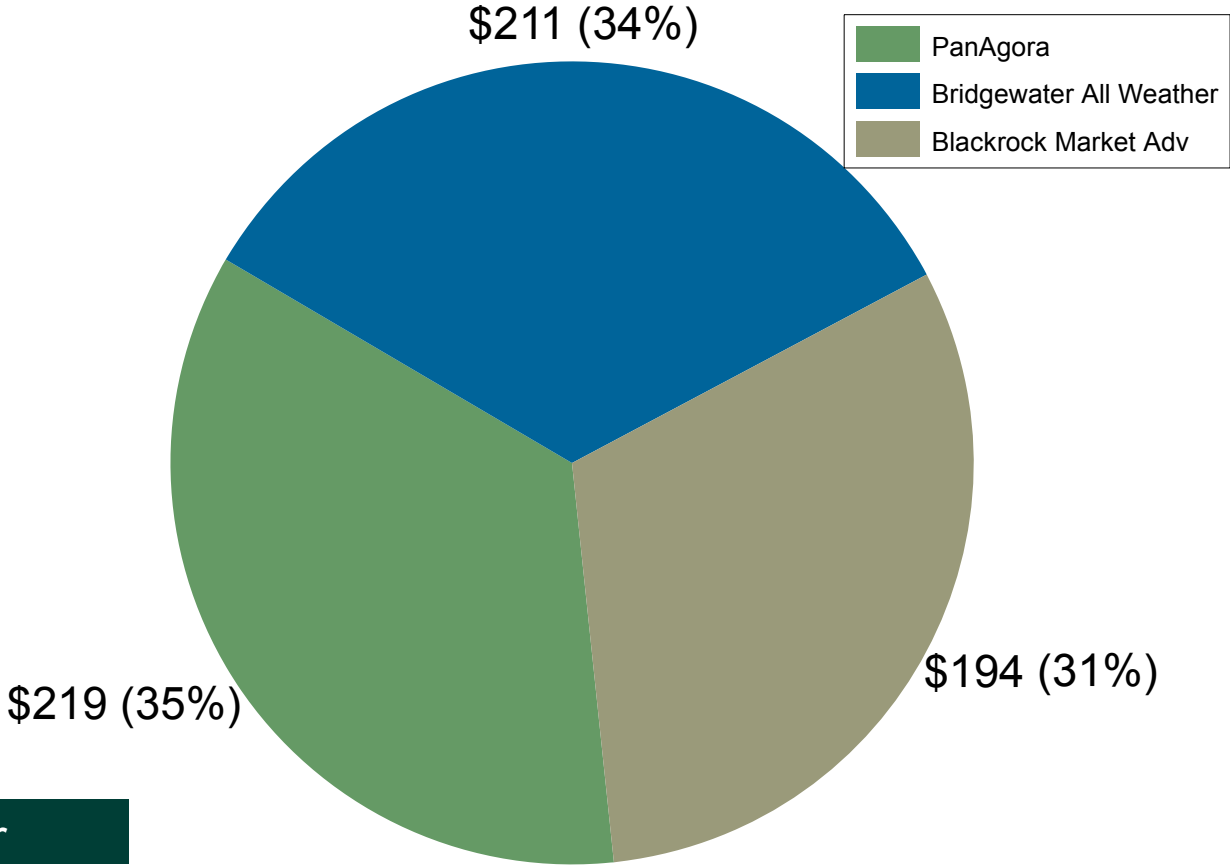
	Last Quarter	FYTD	Last Year	Last 3 Years	Last 5 Years
Private Equity and Special Opportunities	-5.26	1.94	1.94	17.16	12.74
Cambridge Private Equity	-7.80	2.12	2.12	10.61	10.39

- APFC's Private Equity and Special Opportunities composite fell less than the Cambridge Private Equity benchmark in the prior quarter. The portfolio outperformed over the 3-, and 5-year periods.
- In the last reported quarter, Private Equity was down 7.7% and Special Opportunities was down 1.5%.

APFC Risk Parity Structure and Performance

As of June 30, 2020

- Roughly \$625 million distributed across three mandates.
- Multi asset class portfolios, limited use of illiquid assets. Leverage is used to amplify the impact of asset classes and/or strategies in an effort to optimize performance vis-à-vis overall portfolio risk.
- PanAgora, Bridgewater, and BlackRock produced strong absolute returns, but underperformed the risk parity benchmark in the quarter.



	Last Quarter	Last Year
PanAgora	9.39	2.36
Bridgewater All Weather	9.37	0.92
BlackRock Market Adv	7.82	-6.56
HFR Risk Parity Vol 12 Inst'l Idx	9.76	-0.53

Closing Remarks

- Total Fund ended the second quarter of 2020 with \$65.7 billion in assets, increasing 8.6% for the quarter. Compared with the prior year ended June 30, the Fund declined by 1.9%. The trailing year performance placed the Total Fund below median relative to other large public funds and large endowments/foundations.
- For the quarter, the Total Fund outperformed the Performance Benchmark and the CPIU+5% return target, but was behind the Passive Benchmark. Over the 3- and 5-year periods, the Fund outperformed the Performance Benchmark and Passive Benchmark, but lagged against the CPIU+5% return target. For the trailing 10-years, the Total Fund was ahead of all three targets.
- The Public Equity portfolio outperformed its index during the quarter. Domestic, International, and Global Equity composites all outperformed.
- The Fixed Income Plus portfolio exceeded its benchmark in the first quarter. Most sub-strategies outperformed their benchmarks.
- The strategies in the Alternatives portfolio were mostly negative on a relative basis for the quarter. Infrastructure & Private Income was a bright spot with positive relative performance.
- Prudent asset allocation with appropriate levels of diversification and a long-term perspective remain Callan's recommended course.

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The logo for APFC (Alaska Permanent Fund Corporation) features the letters "APFC" in a white, serif font, centered within a dark blue rectangular box.

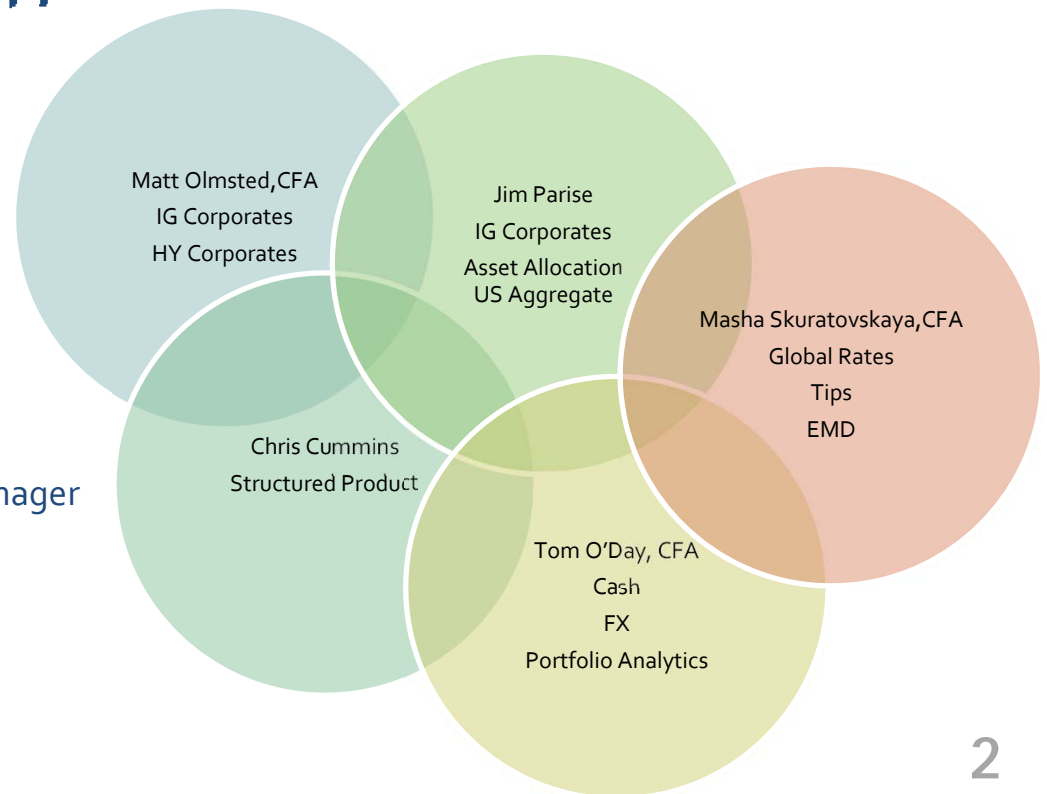
ALASKA PERMANENT
FUND CORPORATION

APFC Internal Fixed Income Portfolio

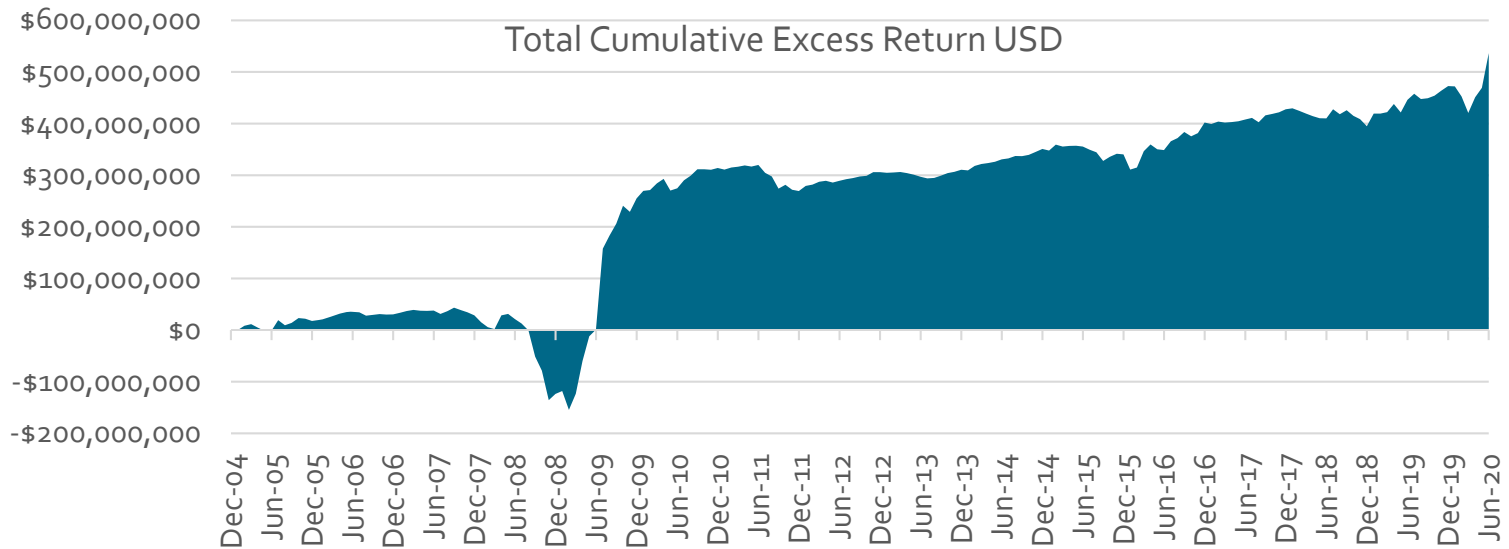
September 23, 2020

Fixed Income Team

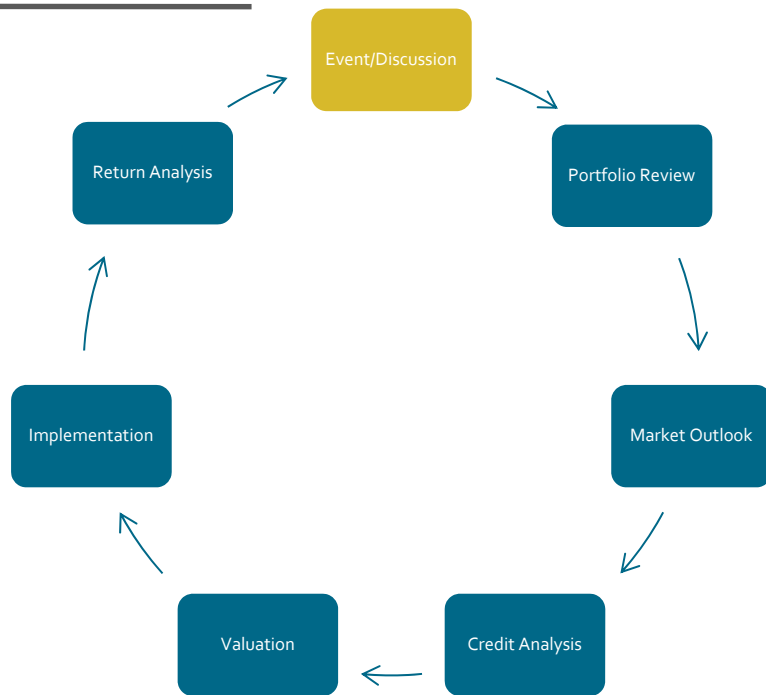
- **Jim Parise – Director of Fixed Income**
 - US Aggregate Portfolio
 - Investment Grade Corporate Bonds
 - Asset Allocation
- **Chris Cummins – Senior Portfolio Manager**
 - Mortgage Backed Securities
 - Asset Backed Securities and CMBS
- **Matt Olmsted, CFA – Senior Portfolio Manager**
 - Investment Grade Corporate Bonds
 - High Yield Corporate Bonds
- **Masha Skuratovskaya, CFA – Senior Portfolio Manager**
 - Global Rates
 - Treasury Inflation Protection Securities
 - Emerging Market Debt
- **Tom O’Day, CFA – Portfolio Manager**
 - Cash Securities
 - Currencies
 - Portfolio Analytics



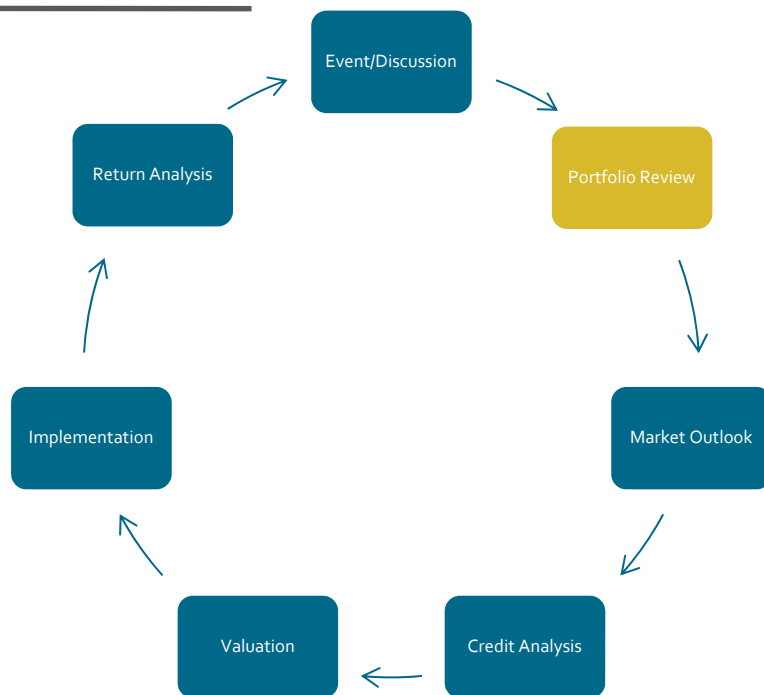
Internally Managed Portfolio Excess Returns



Investment Decision Making Process



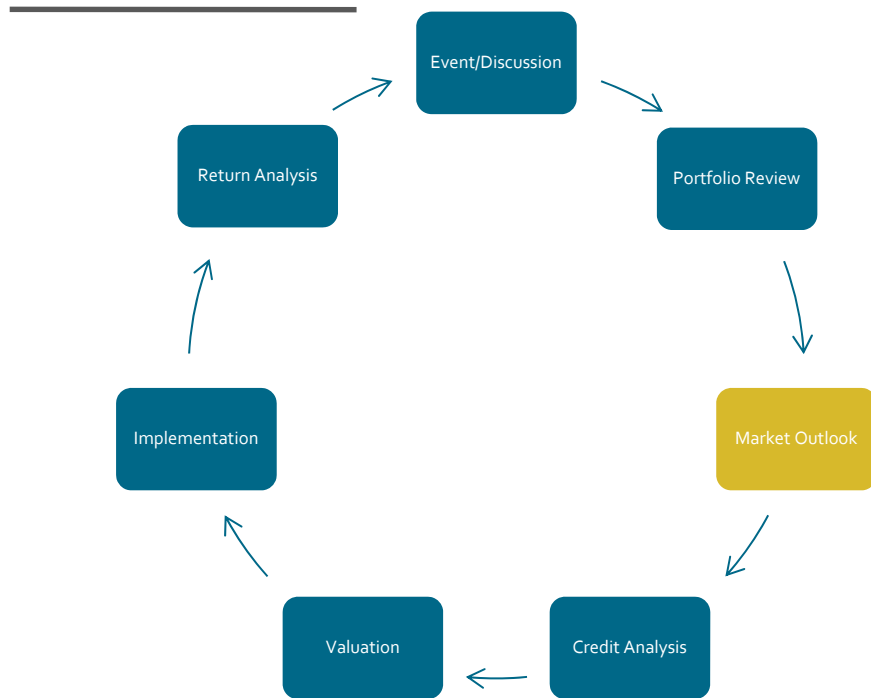
Investment Decision Making Process



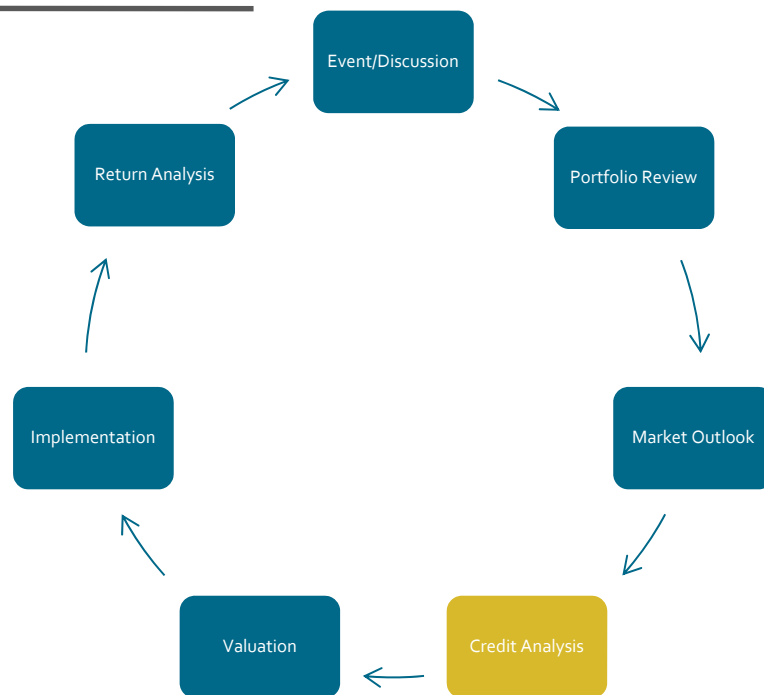
Corp Benchmark Comparison

Security Description	Market Value			Market Value %			Yield to Worst		
	Portfolio	Benchmark (m)	Active (m)	Portfolio	Benchmark	Active	Portfolio	Benchmark	Active
AF1_USFQIC	4,389,906,044	4,389,906	0	100.0%	100.0%	0.0%	2.93	2.90	0.03
> A		1,035	-1,035		0.0%	0.0%		2.43	-2.43
> AAL		-4,351	-4,351		0.1%	-0.1%		2.69	-2.69
> AAP		611	-611		0.0%	0.0%		2.49	-2.49
> AAPL	115,290,235	54,119	61,171	2.6%	1.2%	1.4%	2.23	2.35	-0.12
> ABBV		2,702	-2,702		0.1%	-0.1%		2.36	-2.36
> ABBVX	61,876,566	23,537	38,340	1.4%	0.5%	0.9%	3.33	3.28	0.05
> ABC		2,583	-2,583		0.1%	-0.1%		3.08	-3.08
> ABIBB	68,203,321	55,111	13,192	1.6%	1.3%	0.3%	3.79	3.26	0.53
> ABT	11,519,256	13,621	-2,101	0.3%	0.3%	0.0%	2.08	2.67	-0.59
> ABXCN		3,817	2,194	0.1%	0.1%	0.0%	3.83	3.70	0.14
> ACC		1,602	-1,602		0.0%	0.0%		2.55	-2.55
> ACGL		1,675	-1,675		0.0%	0.0%		3.27	-3.27
> ADBE		806	-806		0.0%	0.0%		2.10	-2.10
> ADI	9,213,901	3,290	5,924	0.2%	0.1%	0.1%	2.19	2.60	-0.40
> ADM		4,757	-4,757		0.1%	-0.1%		2.86	-2.86
> ADNA		947	-947		0.0%	0.0%		3.75	-3.75
> ADP		1,599	-1,599		0.0%	0.0%		2.02	-2.02
> ADSK		924	-924		0.0%	0.0%		2.77	-2.77
> ADVHEA		636	-636		0.0%	0.0%		2.87	-2.87
> AEE		5,669	-5,669		0.1%	-0.1%		2.64	-2.64
> AEOON		1,058	-1,058		0.0%	0.0%		3.72	-3.72
> AEP		11,946	-11,946		0.3%	-0.3%		2.93	-2.93

Investment Decision Making Process

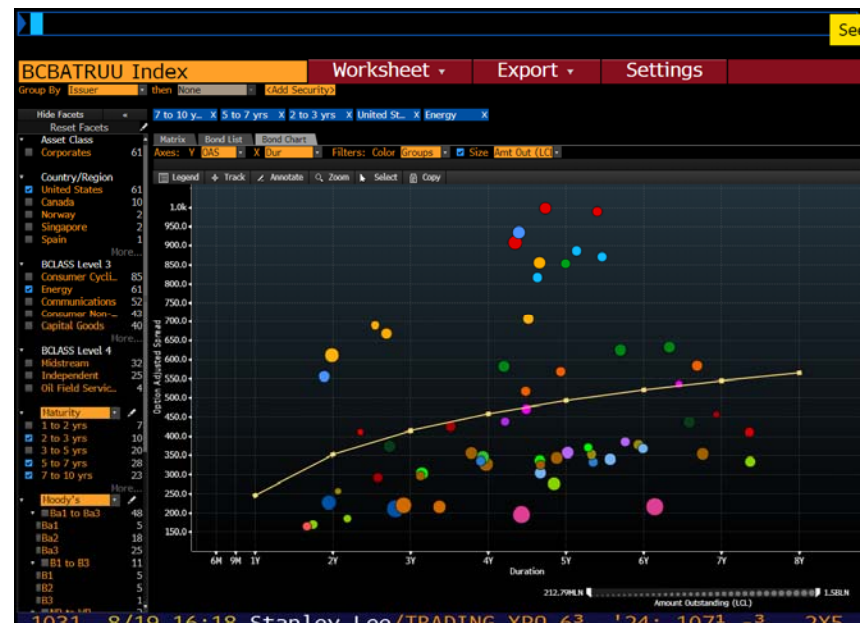
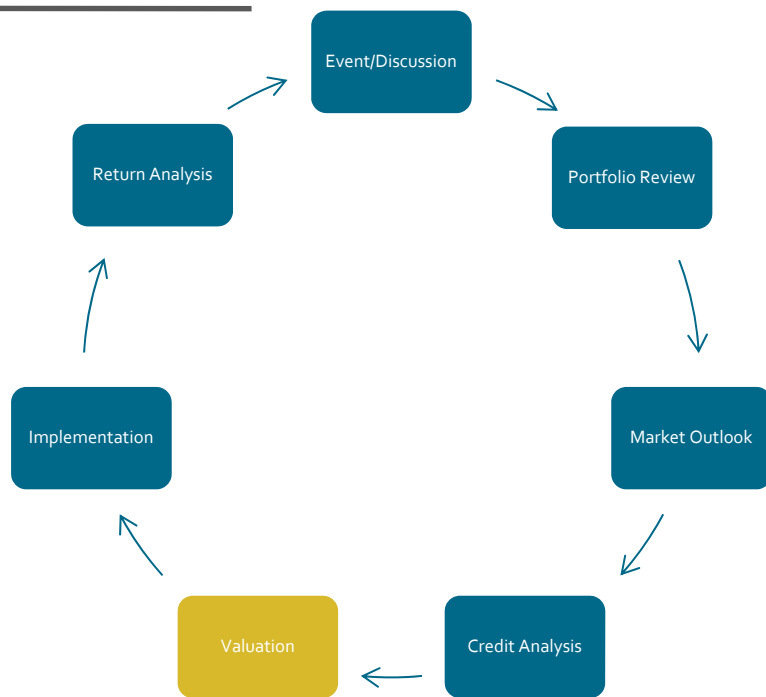


Investment Decision Making Process



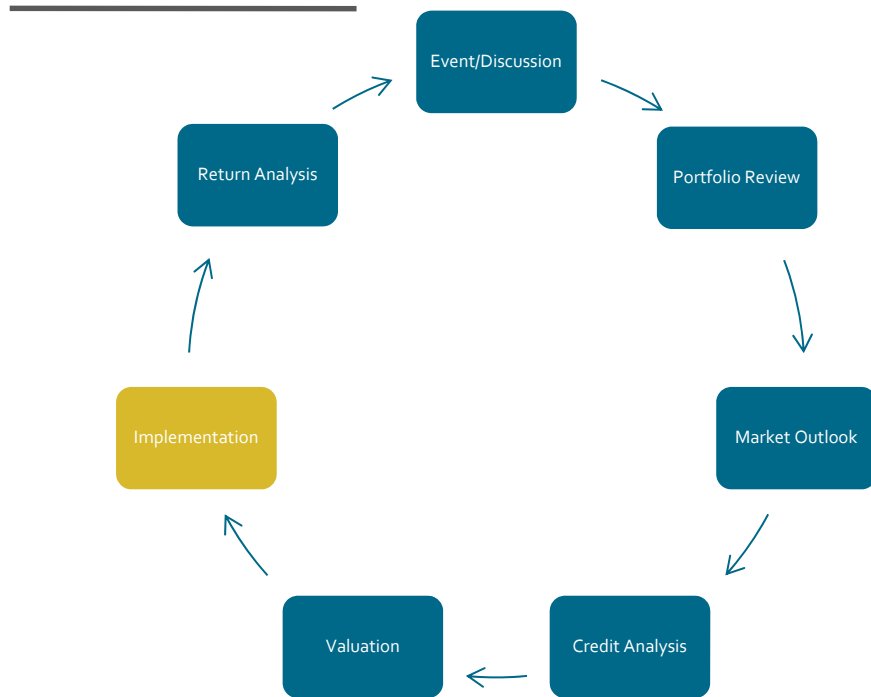
GENERAL ELECTRIC Equity - US - Related Functions Menu			
GE US \$	↑ 8.67	-0.12	N8.66 / 8.67N
At 16:15	Vol 110,839,136	O 8.88B	H 8.89D
GE US Equity		Report	Contact IR
Profile		Issue Info	Ratios
Revenue & EPS		Industry Info	
Fiscal Year End 12/2018			
Last Quarter End 06/2019 Q2			
Current/T12M (USD)			
Issue Data	Per Share Data	Cash Flow Analysis	
Last Px USD/8.67	EPS T12M 0.61	P/CF	32.5
P/E 14.3	DPS 0.37	Curr P/FCF	N.A.
Dvd Ind Yld 0.5%	Bk Val Per Sh 4.10	CF/NI	N.A.
P/B 2.11	Rev/Bas Sh 13.99	Dvd P/O	N.A.
P/S 0.6	CPS 0.49	Cash Gen/Cash Reqd	0.3
Curr EV/T12M EBITDA N.A.	Curr Shares Out 8.7B	Csh Dvd Cov	N.A.
Mkt Cap 75,663.7M	FCF/Basic Sh -0.40	CF0/Sales	3.5%
Curr EV 140,768.7M	Profitability	Eff IR	2.3%
Growth Potential	EBITDA -12.1B	Structure	
Dil EPS Frm Cont Op 1... 693.5%	EBIT -20.3B	Curr Ratio	1.7
Cap 1Y Gr -23.5%	OPM -16.7%	Quick Ratio	1.4
BPS 1Y Gr -44.8%	Prtx Mrgn -16.6%	Debt/Assets	35.6%
R&D To Sl 4.0%	ROA -5.6%	Debt/Com Eq	355.0%
Retntn Rt N.A.	ROE -41.3%	A/R Trnovr	4.5
Rev - 1 Yr Gr 2.9%	ROC -9.0%	Inv Turnover	4.8
Empl 1Y Gr -9.6%	Ast TO 0.4	GM	19.1%
Ast 1Y Gr -16.3%	EBIT/Tot Int Exp		-7.3

Investment Decision Making Process



ALASKA PERMANENT FUND CORPORATION 8

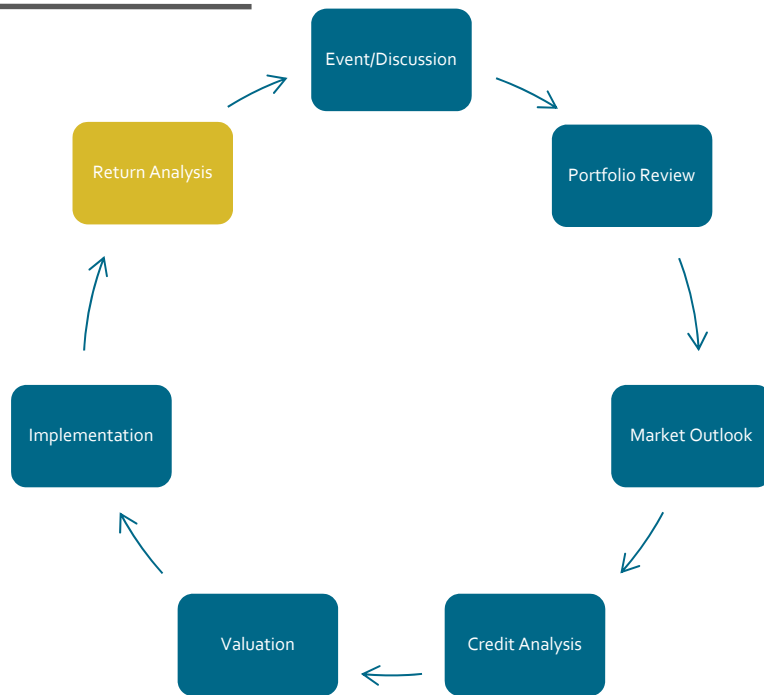
Investment Decision Making Process



The screenshot displays a 'Portfolio Summary View' and a 'Sector View' table. The table lists various assets with columns for Asset ID, Price, Size, Cultural, and various financial metrics like New Qty, New NY, and New NYF.

Asset ID	Price	Size	Cultural	New Qty	New NY	New NYF	NYF	NYF	NYF	NYF	NYF	NYF	NYF	NYF	NYF	NYF	NYF	NYF	NYF	NYF
1000000	100.00	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000

Investment Decision Making Process



Return Analysis - Month to Date

Description	Active Market Value Weight	Total Return			Total Return Contribution			Sector Allocation	Security Selection	Interest Rate	OAS
		Portfolio	Benchmark	Active	Portfolio	Benchmark	Active				
AFI_USFI	0%	2.19%	2.29%	-0.09%	2.19%	2.29%	-0.09%	-0.11%	-0.05%	0.06%	-0.12%
> Treasuries	-13.08%	3.09%	3.24%	-0.15%	0.82%	1.28%	-0.46%	0.00%	-0.03%	-0.43%	0.00%
> Government Related	0.49%	2.40%	2.43%	-0.03%	0.15%	0.14%	0.01%	0.00%	0.01%	0.01%	0.00%
> Corporates	6.59%	3.04%	2.56%	0.48%	0.96%	0.64%	0.32%	-0.09%	-0.09%	0.50%	-0.16%
> Industrial	8.50%	3.13%	2.66%	0.48%	0.74%	0.40%	0.34%	-0.14%	-0.03%	0.51%	-0.17%
> Utility	-0.81%	3.57%	4.11%	-0.53%	0.04%	0.07%	-0.04%	0.01%	0.00%	-0.05%	0.01%
> Financial Institution	-1.10%	2.66%	2.02%	0.64%	0.18%	0.16%	0.02%	0.01%	-0.03%	0.04%	-0.02%
> Banking	-0.97%	2.58%	1.81%	0.77%	0.12%	0.10%	0.02%	0.01%	-0.02%	0.02%	-0.01%
> Brokerage/Asset Mgmt	-0.11%	3.70%	2.32%	1.38%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
> Finance Company	0.30%	1.56%	0.79%	0.78%	0.01%	0.00%	0.01%	-0.01%	0.00%	0.02%	-0.01%
> Insurance	0.03%	3.22%	3.04%	0.18%	0.04%	0.04%	0.00%	0.00%	0.00%	0.01%	0.00%
> REITs	-0.37%	3.23%	2.37%	0.86%	0.01%	0.02%	-0.01%	0.00%	0.00%	-0.01%	0.00%
> Financial Other	0.02%	3.05%	1.71%	1.34%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
> Securitized	4.12%	0.77%	0.77%	0.00%	0.25%	0.23%	0.03%	-0.01%	0.07%	-0.03%	0.06%
> MBS	-0.28%	0.54%	0.67%	-0.12%	0.14%	0.18%	-0.04%	0.00%	0.05%	-0.10%	0.06%
> CMBS	1.75%	2.11%	2.10%	0.01%	0.08%	0.04%	0.04%	0.00%	0.00%	0.04%	-0.01%
> ABS	2.78%	1.06%	1.02%	0.04%	0.03%	0.00%	0.03%	0.00%	0.00%	0.03%	0.00%
> Covered	-0.03%	0%	0.77%	-0.77%	0%	0.00%	0.00%	0.00%	0%	0.00%	0.00%
> Cash Securities	1.88%	0.18%	0%	0.18%	0.00%	0%	0.00%	0.00%	0.00%	0.00%	0%
> Unassigned	0.00%	0.18%	0%	0.18%	0.00%	0.00%	0.00%	0.00%	0%	0.00%	0.00%

Fixed Income + Allocation

	Fixed Income + Allocation (000's)				QTD Excess Return Contribution		
	Benchmark		Portfolio*		Sector Allocation	Within Sector Allocation	Total Excess Return
US Aggregate	25.0%	3,583,000	26.9%	3,851,000	-0.07%	0.32%	0.25%
US Corporates	25.0%	3,583,000	29.3%	4,200,000	0.10%	0.16%	0.26%
High Yield	10.0%	1,433,000	10.0%	1,429,000	0.00%	-0.10%	-0.10%
Emerging Market	5.0%	717,000	5.6%	807,000	0.03%	0.16%	0.19%
REITs	10.0%	1,433,000	9.9%	1,414,000	-0.01%	0.02%	0.02%
Non-US Rates	10.0%	1,433,000	8.4%	1,209,000	0.09%	0.03%	0.12%
TIPS	5.0%	717,000	2.8%	397,000	0.05%	0.00%	0.05%
Listed Infrastructure	5.0%	717,000	4.6%	664,000	-0.03%	-0.08%	-0.10%
Total Cash	5.0%	717,000	2.5%	363,000	0.16%	0.01%	0.17%
Total	100%				0.33%	0.53%	0.87%

* These are average market value for the quarter

Fixed Income Plus Performance

Fixed Income Plus (\$14,334mm)

- Overweight US Agg, Corporates, High Yield and Emerging Markets
- Underweight TIPS and Global Rates

U.S. Aggregate Portfolio (\$3,847mm)

- Neutral duration and long spread product vs Treasuries
- Overweight to Corporates, CMBS, and ABS were the greatest contributors to outperformance this quarter

U.S. Corporate Bond Portfolio (\$4,246mm)

- Security selection largest contributor to quarterly outperformance
- Overweight 10+ year Credit

Internal Portfolios

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Strategy	7.52%	4.19%	4.77%	n/a
Index	6.62%	3.18%	4.17%	n/a

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Portfolio	4.08%	9.15%	5.56%	4.57%
Index	2.90%	8.74%	5.32%	4.30%

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Portfolio	9.52%	10.30%	6.83%	6.37%
Index	8.98%	9.50%	6.34%	5.83%

Fixed Income Plus Performance

Global Rates (\$897mm)

- Duration and curve greatest contributors
- Periphery and IG EM hard currency spread widening were detractors

TIPS (\$144mm)

- Neutral duration with focus on pure, mean-reverting relative value plays
- Security selection and curve position drove performance.

Fixed Income Plus Cash (\$505 mm)

- Source of liquidity
- Seek to at least match T-Bills

Internal Portfolios

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Portfolio	1.36%	4.09%	5.00%	4.40%
Index	1.05%	4.07%	5.01%	4.56%

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Portfolio	4.16%	8.47%	5.13%	3.86%
Index	4.24%	8.28%	5.05%	3.75%

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Portfolio	0.48%	2.06%	2.01%	n/a
Index	0.02%	1.63%	1.77%	n/a

Internal U.S. Aggregate Portfolio

Performance

	Latest Quarter	YTD	One Year	Three Year	Five Year
Portfolio	4.08%	6.14%	9.15%	5.56%	4.57%
Index	2.90%	6.14%	8.74%	5.32%	4.30%

Quarterly Attribution

	Duration/ Curve	Asset Allocation	Security Selection	Other
Portfolio	0.01%	0.93%	0.24%	0.00%

Predicted Tracking Error

Total Tracking Error	Curve	Sector Spread	Inflation	Other
119 bps	2%	84%	14%	0%

Index Comparison

	Portfolio	Index
Duration	6.0	6.0
Yield	1.4	1.2
Spread	82	66
Rating	Aa2	Aa2

Composition

- \$3.8 Billion
- Investment Grade Bonds
- Barclays' US Aggregate Index
- Duration based on interest rate forecast
- Internal Fixed Income Team's Best Ideas
- Primary PM: Jim Parise, Chris Cummins, Masha Skuratovskaya

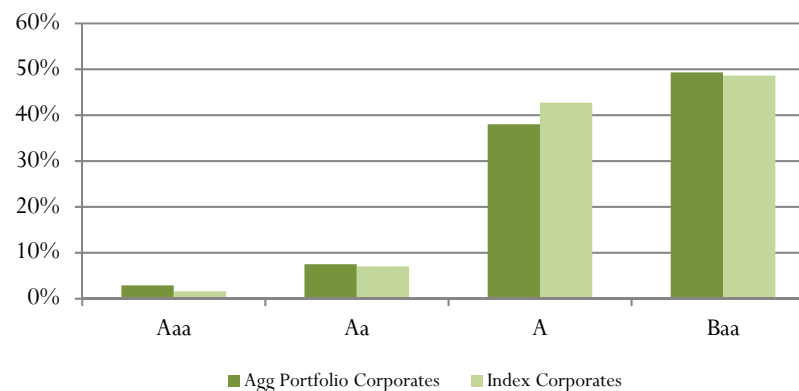
ALASKA PERMANENT FUND CORPORATION

Performance as of 6/30/2020

Internal U.S. Aggregate Portfolio

Sector	MV (\$mil)	% of Portfolio	% of Index
Total Portfolio	\$3,848	100%	100%
Treasury	\$914	24%	37%
Government-Related	\$278	7%	6%
Corporate	\$1,414	37%	27%
MBS	\$953	25%	27%
ABS	\$108	3%	0%
CMBS	\$156	4%	2%
Cash	\$24	1%	0%

Portfolio Credit Quality vs. Index



	Portfolio	Index	Over/Under Weight
Duration	6.0	6.0	0.0

Internal Corporate Bonds

Performance

	Latest Quarter	YTD	One Year	Three Year	Five Year
Portfolio	9.52%	5.49%	10.30%	6.83%	6.37%
Index	8.98%	5.02%	9.50%	6.34%	5.83%

Quarterly Attribution

	Duration/ Curve	Asset Allocation	Security Selection	Other
Portfolio	0.02%	-0.14%	0.57%	0.09%

Predicted Tracking Error

Total Tracking Error	Curve	Sector Spread	Idiosyncratic	Other
109 bps	1%	76%	23%	0.0%

Index Comparison

	Portfolio	Index
Duration	8.4	8.4
Yield	2.3	2.1
Spread	159	148
Rating	A3	A3

Composition

- \$4.2 Billion
- Investment Grade Corporate Bonds
- 300+ positions with 200+ issuers
- Barclays' U.S. Corporate Bond Index
- Futures used to control curve and duration exposure
- Primary PM: Jim Parise, Matt Olmsted

ALASKA PERMANENT FUND CORPORATION

Performance as of 6/30/2020

Internal Tips Portfolio

Performance

	Latest Quarter	YTD	One Year	Three Year	Five Year
Portfolio	4.16%	6.30%	8.47%	5.13%	3.86%
Index	4.24%	6.01%	8.28%	5.05%	3.75%

Quarterly Attribution

	Duration/ Curve	Asset Allocation	Security Selection	Other
Portfolio	0.12%	0.05%	-0.25%	0.00%

Predicted Tracking Error

Total Tracking Error	Curve	Sector Spread	Inflation	Other
36 bps	1.0%	0.0%	99.0%	0.0%

Index Comparison

	Portfolio	Index
Duration	7.7	7.7
Yield	0.05	0.05

Composition

- \$251 Million
- US Treasury Inflation Protected Securities
- 14+ positions
- Barclays' U.S. TIPS Index
- Portfolio duration and curve position reflects views on rates and inflation valuation
- Primary PM: Masha Skuratovskaya

ALASKA PERMANENT FUND CORPORATION

Performance as of 6/30/2020

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Internal Global Government Bonds

Performance

	Latest Quarter	YTD	One Year	Three Year	Five Year
Portfolio	1.36%	2.52%	4.09%	5.00%	4.40%
Index	1.05%	2.38%	4.07%	5.01%	4.56%

Quarterly Attribution

	FX Hedging	Country Allocation	Duration / Curve	Asset Allocation	Security Selection
Portfolio	-0.09%	0.18%	0.14%	0.02%	0.06%

Predicted Tracking Error

Total Tracking Error	Curve	Sector Spread	FX	Other
52 bps	68%	30%	2%	0%

Index Comparison

	Portfolio	Index
Duration	8.4	9.2
Yield	0.79	0.69
Rating	A1	A1

Composition

- \$897 Million
- Investment Grade Sovereign and Agency bonds
- 60+ positions with 25+ issuers
- Barclays' Global Treasury Ex-U.S. Index Hedged
- Cross country allocation is driven by expectation for relative performance.
- Primary PM: Masha Skuratovskaya

ALASKA PERMANENT FUND CORPORATION

Performance as of 6/30/2020

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Fixed Income Plus Performance

Fixed Income Plus (\$14,334mm)

- Overweight US Agg, Corporates, High Yield and Emerging Markets
- Underweight TIPS and Global Rates

Barclays U.S. Aggregate Portfolio (\$3,847mm)

- Neutral duration and long spread product vs Treasuries
- O/W corporate was the greatest contributor to underperformance

Corporate Bond Portfolio (\$4,246mm)

- Asset allocation contributed to performance
- Credit risk was dramatically reduced in late 2019

Global Rates (\$1,202mm) Internal (\$897mm)

- Bias towards intermediate part of the curve and overweight in less developed markets such as Russia, Malaysia and Chile over Europe and Japan were greatest contributors.

Allianz (\$306mm)

- Portfolio had a heavy exposure (7%) to IG EM hard currency debt via Russia, Peru, Panama, Indonesia, Mexico, Uruguay and Gulf states as spreads tightened back over the quarter.

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Aggregate	7.52%	4.19%	4.77%	n/a
Index	6.62%	3.18%	4.17%	n/a
Strategy	4.08%	9.15%	5.56%	4.57%
Index	2.90%	8.74%	5.32%	4.30%
Strategy	9.52%	10.30%	6.83%	6.37%
Index	8.98%	9.50%	6.34%	5.83%
Strategy	1.45%	4.23%	4.95%	4.45%
Index	1.05%	4.07%	5.01%	4.56%
In House	1.36%	4.09%	5.00%	4.40%
Index	1.05%	4.07%	5.01%	4.56%
Allianz	1.71%	4.45%	5.15%	4.62%
Index	1.05%	4.07%	5.01%	4.56%

Fixed Income Plus Performance

Global High Yield (\$1,442mm)

- Predominantly managed externally with ETFs used to fill allocation

High Yield ETF (\$396mm)

- The ETFs beat the index but liquidity raise for fund in volatile market hurt

Oaktree High Yield (\$626mm)

- Defensively positioned portfolio when riskiest bonds generated the best returns

Capital Guardian High Yield (\$420mm)

- Underweight to fallen angel names, which rallied, detracted from results

TIPS (\$394mm)

Internal TIPS (\$251mm)

- Neutral duration with focus on pure, mean-reverting relative value plays
- Pricing divergence between on and off the run securities detracted from performance.

Alaska Permanent Capital Mgmt. (\$144mm)

- Portfolio maintained a flattening bias and a focus on out-yielding the benchmark

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Strategy	9.18%	-1.09%	2.85%	4.09%
Index	10.14%	0.00%	3.32%	4.79%
ETF	8.28%	-2.89%	2.29%	n/a
Index	10.14%	0.00%	3.32%	n/a
OakTree	9.37%	0.40%	3.01%	3.97%
Index	10.14%	0.00%	3.32%	4.86%
Cap Guard	9.77%	-2.74%	2.64%	4.69%
Index	10.14%	0.00%	3.32%	4.82%
Strategy	4.20%	8.05%	4.92%	3.60%
Index	4.24%	8.28%	5.05%	3.75%
In House	4.16%	8.47%	5.13%	3.86%
Index	4.24%	8.28%	5.05%	3.75%
APCM	4.27%	7.67%	4.60%	3.33%
Index	4.24%	7.71%	4.58%	3.34%

ALASKA PERMANENT FUND CORPORATION

Performance as of 6/30/2020

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Fixed Income Plus Performance

Emerging Market Debt (\$843mm)

PGIM (\$319mm)

- Overweight to HC EM debt in LatAm, Africa and Asia lead to outperformance as spreads reversed Q1 widening.

Ninety One (formerly Investec) (\$183mm)

- Portfolio suffered from underweight in Turkey, Poland and Hungary while gaining from overweight to Russia, Chile and HC sub-Saharan Africa and general IG bias

Payden (\$171 mm)

- Bias for higher quality sovereigns such as Indonesia, and active participation in the new issue market drove outperformance.

Colchester (\$170mm)

- Portfolio suffered from underweight in Turkey, Chile and Peru while gaining from overweight to Mexico, South Africa and Indonesia

Fixed Income Plus Cash(\$688mm)

- Source of liquidity
- Seek to at least match T-Bills

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Strategy	13.97%	-3.51%	1.73%	3.44%
Index	11.05%	-1.10%	2.43%	3.89%
Strategy	14.56%	n/a	n/a	n/a
Index	11.05%	n/a	n/a	n/a
Strategy	14.61%	n/a	n/a	n/a
Index	11.05%	n/a	n/a	n/a
Strategy	14.85%	n/a	n/a	n/a
Index	12.26%	n/a	n/a	n/a
Strategy	11.30%	n/a	n/a	n/a
Index	9.82%	n/a	n/a	n/a
Strategy	0.48%	2.06%	2.01%	n/a
Index	0.02%	1.63%	1.77%	n/a

Fixed Income Plus Performance

REITS (\$254 mm)

- Neutral to underweight to the overall REIT sector during the 2nd Qtr.

SSGA Global REITS (\$237mm)

- Passive portfolio used to adjust weighting
- Liquidated the end of the fiscal year.

AEW (\$18mm)

- Partially liquidated and restructured the end of the fiscal year..
- Balanced Transferred to the Real Estate team

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Strategy	11.41%	-12.77%	0.43%	5.17%
Index	11.17%	-15.91%	-1.64%	1.61%
SSGA	12.40%	-14.29%	-0.36%	n/a
Index	11.17%	-15.91%	-1.64%	n/a
AEW	9.01%	-13.37%	0.69%	3.72%
Index	11.17%	-15.91%	-1.64%	1.61%

Fixed Income Plus Performance

Listed Infrastructure (\$230 mm)

- Actively managed overall sector weighting during high volatility

Lazard (\$216 mm)

- Full portfolio transferred to the Infrastructure & Private Income team the end of the fiscal year.

SSGA (\$9 mm)

- Liquidated the end of the fiscal year.

Cohen & Steers (\$5 mm)

- Liquidated and terminated the end of the fiscal year.

	QTD (%)	1Yr (%)	3Yr (%)	5Yr(%)
Strategy	11.96%	-7.38%	3.01%	6.35%
Index	13.63%	-15.44%	-1.80%	1.70%
Lazard	10.87%	-0.24%	5.84%	10.39%
Index	7.49%	-2.39%	6.81%	7.97%
SSGA	15.03%	-14.35%	-0.79%	n/a
Index	13.63%	-15.44%	-1.80%	n/a
C&S	5.94%	-4.45%	6.50%	7.03%
Index	8.87%	-4.65%	5.44%	6.96%

APFC

ALASKA PERMANENT
FUND CORPORATION

Internal Cash

Strategy and Performance

Objective

- Be a source of funds available to meet APFC's operating needs
- Outperform the benchmark and money market fund

Benchmark

- 90 Day US Treasury Index

Performance

	Latest Quarter	YTD	One Year
Portfolio	0.08%	0.71%	1.75%
Index	0.02%	0.60%	1.63%
MMF	0.04%	0.35%	1.26%



Investment Vehicles

Treasury Bills

- Debt issued by the US Government that matures within one year

Foreign Government Bonds

- US dollar denominated bonds backed by a foreign government
- Typical issuers include Germany and Canada

Commercial Paper

- Short term debt issued by corporations
- Typical issuers include Nike, Walmart, Disney, Apple, and Target

Tri – Party Repurchase Agreements

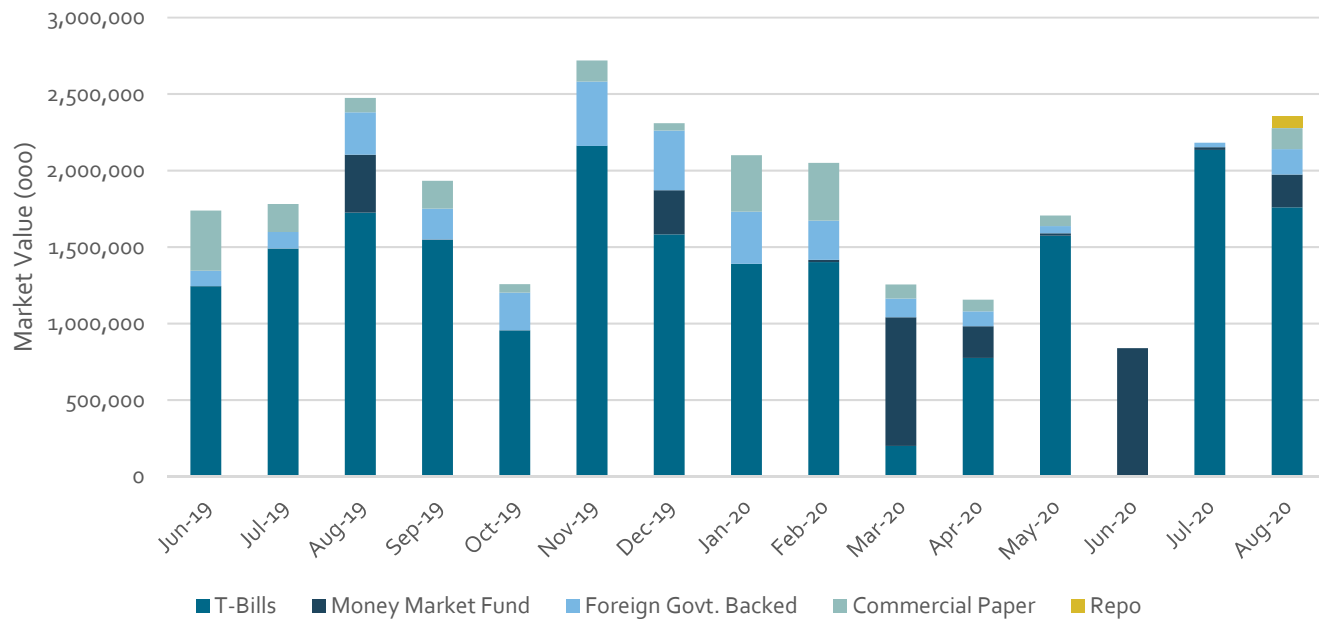
- Overnight loans collateralized by US Govt Securities

Money Market Fund

- Externally managed fund that invests in Treasury Bills and Repo
- Expense Ratio of 0.18% per year

AskSz (M)	Dlr	Security	AskYld↓	DTM
50,000	CG	SHEFFIELD RECEIV	0.180	90 - 97
150,000	JPM	NRW.BANK	0.165	86
5,000	CG	SANTANDER UK PLC	0.165	70
500,000	JPM	NATIXIS NY	0.160	90 - 108
500,000	WFS	SKANDI ENSK BANK	0.160	90 - 92
50,000	CG	SHEFFIELD RECEIV	0.160	62 - 65
50,000	RBC	GOTHAM FUNDING	0.150	90
10,000	JPM	LMA AMERICAS LLC	0.150	62
500,000	CG	BPCE	0.120	62 - 69
500,000	CG	SKANDI ENSK BANK	0.120	62
500,000	WFS	SKANDI ENSK BANK	0.120	62 - 65
20,000	CG	BANCO SANTANDER	0.100	62 - 69
500,000	CG	NATIXIS NY	0.100	62 - 69
500,000	JPM	NATIXIS NY	0.100	59 - 80
	CBBT	B 11/19/20	0.086	86
	CBBT	B 11/05/20	0.084	72
	CBBT	B 11/12/20	0.081	79
250,000	CG	CANADA-GOV'T	0.080	62 - 69
250,000	WFS	CANADA-GOV'T	0.080	62 - 86
	CBBT	B 10/29/20	0.074	65
50,000	CG	NESTLE CAPITAL C	0.070	84 - 112
440,000	CG	CATSS DES DEPOT	0.060	62 - 72

Allocation Over Time





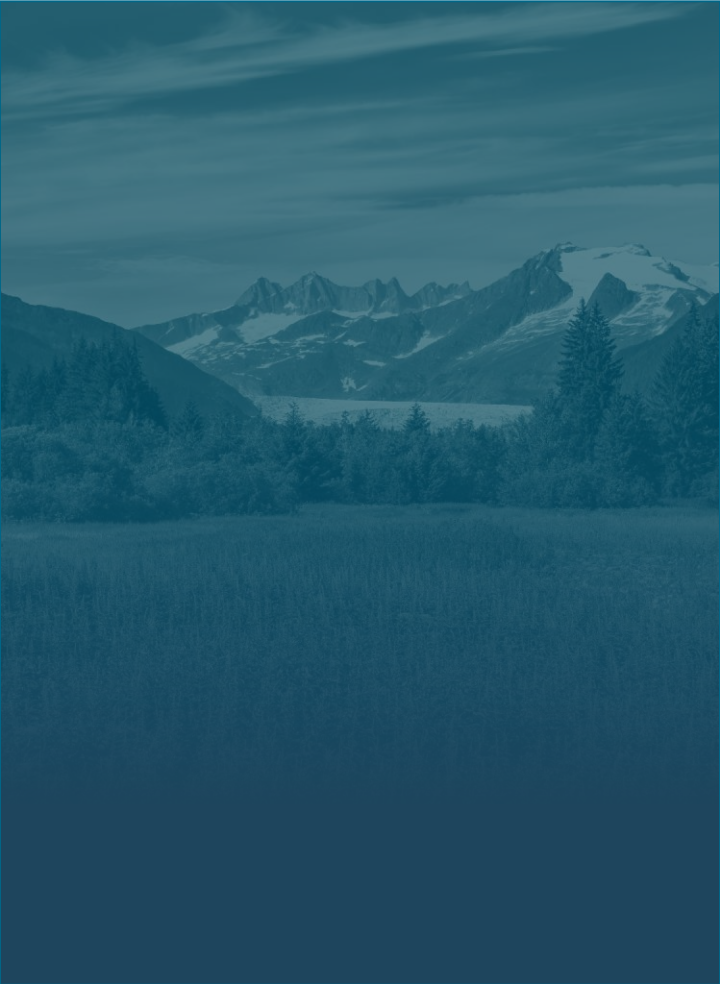
APFC

ALASKA PERMANENT
FUND CORPORATION

Cash and Risk Parity

Valeria Martinez- Director of Investments

June 2020



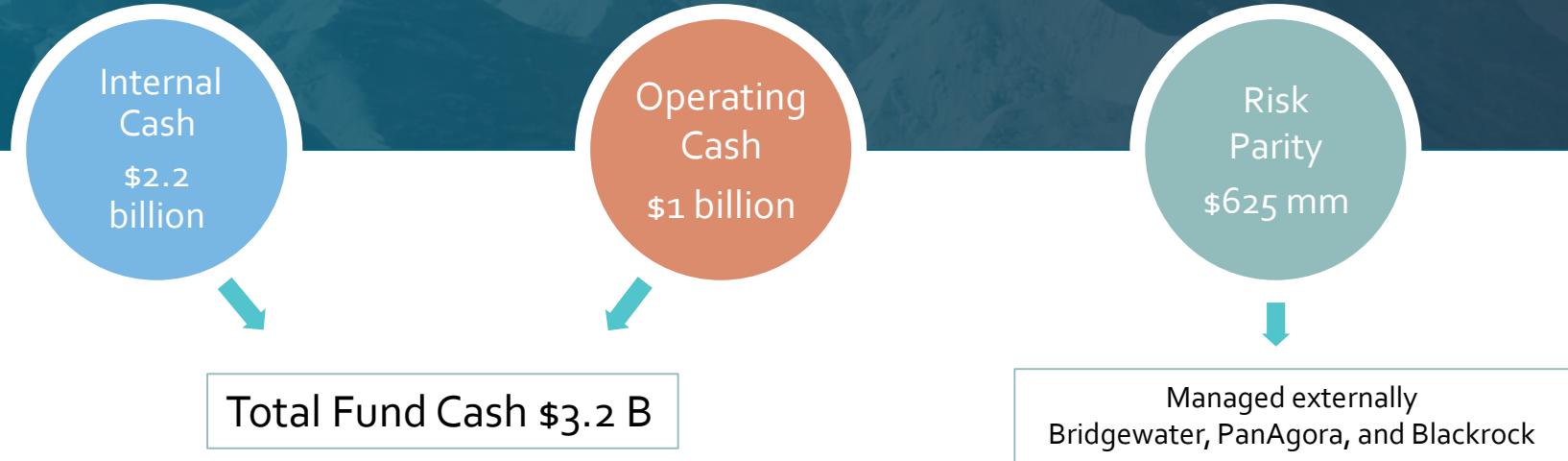
Total Fund Cash and Risk Parity Portfolios

Quarter Ended June 30, 2020

- Objectives:
 - Provide Liquidity for the Fund
 - Short-term Blended Benchmark of multiple asset classes
 - Long-term CPI+3%
- Cash
 - Short term Fixed Income securities managed internally benchmarked to 3-month T-bills
- Risk Parity Strategies
 - Multi-asset portfolio
 - 100% liquid
 - Benchmarked to HFRI Risk Parity 12% Vol

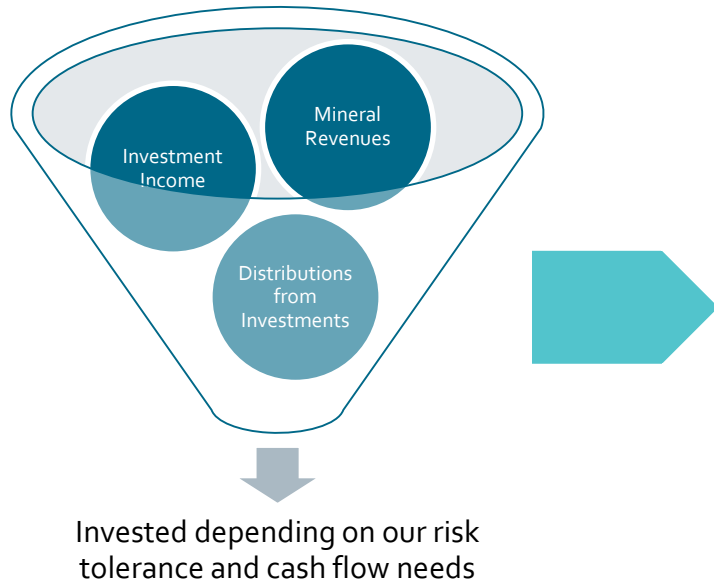
Total Fund Cash and Risk Parity Portfolios

Quarter Ended June 30, 2020



Mechanics of Cash Inflows Use

Quarter Ended June 30, 2020



Internal and External managers
Treasuries, commercial paper,
government related securities
Benchmark: 3-m T-Bills.

Cash Management

Quarter Ended June 30, 2020

Internal Cash
\$2.2 Billion

- 16% treasuries, 7% commercial paper, 10% non US gov, 67% cash.
- Most are held to maturity; low transaction costs and no fees paid.
- Yield for the quarter 0.13%, 1Q2020 0.42%, 4Q2019 1.54%
- Return 0.08% vs 0.02% 3-m T-bills for the quarter
- Managed by internal APFC Team.

Operational Cash
\$1 Billion

- Interest On Excess Cash Rate (IOER). Started in September at 2.1% . Current 0.10%.
- 100% of the portfolio has up to immediate liquidity.
- 1 Qtr return 0.37% vs 0.57% 3-m T-bills, 1Yr 1.87% vs 2.25% 3-m T-bills.
- No fees paid.

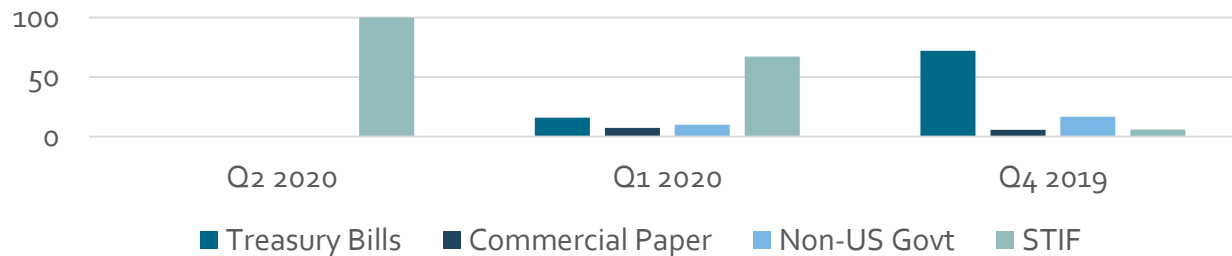
Total \$1.8 Billion

Internal Cash

Quarter Ended June 30, 2020

Returns	Q2 2020	Q1 2020	1 Year
Portfolio	0.08%	0.66%	1.75%
Benchmark	0.02%	0.57%	1.63%
STIF	0.04%	0.31%	1.26%

Portfolio Weights



ERA Transfers FY2021

Quarter Ended June 30, 2020

Values

Amount to be Transferred	3,091,492,927.00
Payments Made	\$300,000,000.00
Start date	7/1/2020
Remainder for Transfer to GF	\$2,791,492,927.00

PMT NO	PAYMENT DATE	BEGINNING BALANCE	SCHEDULED PAYMENT	ACTUAL PAYMENT	ENDING BALANCE	Comments
1	8/13/2020	\$3,091,492,927.00	\$300,000,000.00	\$300,000,000.00	\$2,791,492,927.00	1st transfer
2	9/14/2020	\$2,791,492,927.00	\$400,000,000.00		\$2,791,492,927.00	2nd transfer
3	10/15/2020	\$2,791,492,927.00	\$400,000,000.00		\$2,791,492,927.00	3rd transfer
4	11/12/2020	\$2,791,492,927.00	\$450,000,000.00		\$2,791,492,927.00	4th transfer
5	1/14/2021	\$2,791,492,927.00	\$450,000,000.00		\$2,791,492,927.00	5th transfer
6	3/12/2021	\$2,791,492,927.00	\$300,000,000.00		\$2,791,492,927.00	6th transfer
7	4/27/2021	\$2,791,492,927.00	\$300,000,000.00		\$2,791,492,927.00	7th transfer
8	6/24/2021	\$2,791,492,927.00	\$491,492,927.00		\$2,791,492,927.00	8th transfer



To be transferred

Source: Staff Calculations, Dept of Revenue

Cash Management tools

Quarter Ended June 30, 2020

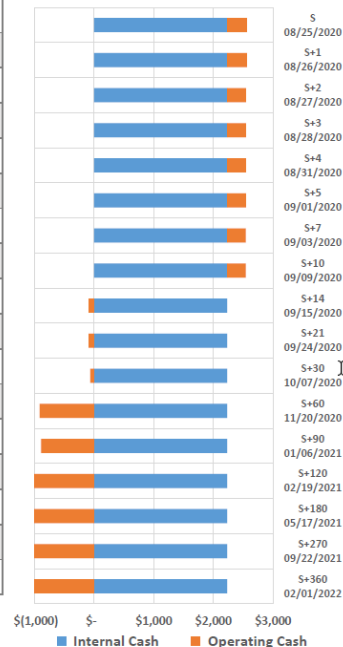
August 25, 2020
Settlement Cash Activity Summary



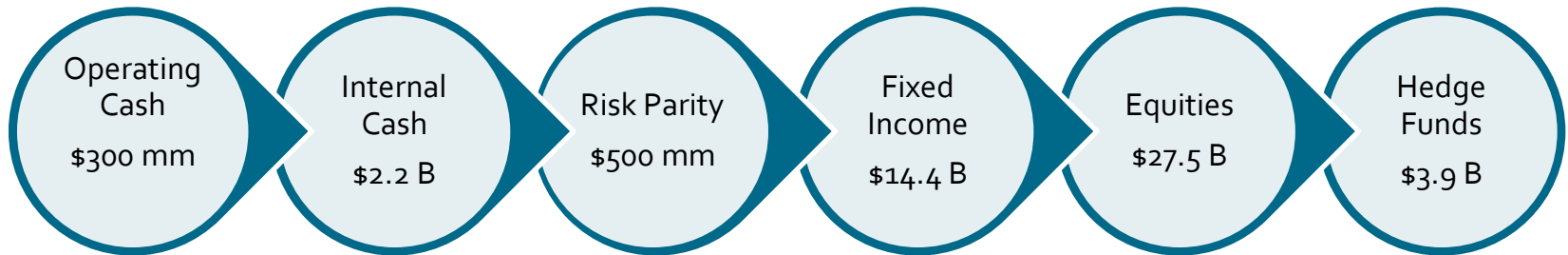
Currency	Settle Date	Cash In	Cash Out	Modified By
USD	03/20/20		-3,898,350.00	tsgops
USD	03/20/20		-4,017,514.00	tsgops
USD	03/20/20		-636,110.38	tsgops
USD	03/20/20		-486,322.91	tsgops
USD	03/20/20		-443,294.13	tsgops
USD	03/20/20		-338,909.88	tsgops
USD	03/20/20		-2,937,123.00	tsgops
USD	03/20/20		-2,500,000.00	tsgops
USD	03/20/20		-750,000.00	tsgops
USD	03/20/20		-50,000,000.00	a4vmarti
USD	03/20/20	19,500,000.00		a4vmarti
USD	03/20/20		-10,000,000.00	a4vmarti
USD	03/20/20	12,000,000.00		a4vmarti
USD	03/20/20	20,000,000.00		a4vmarti
USD	03/20/20	17,865.00		tsgops
USD	03/20/20	3,715,224.87		tsgops
USD	03/20/20	18,521,626.00		tsgops
USD	03/20/20	237,000.00		tsgops
USD	03/20/20	189,000.00		tsgops
USD	03/20/20	210,000.00		tsgops
USD	03/20/20	310,000.00		tsgops
USD	03/20/20	209,000.00		tsgops

Portfolio Number	IF293102	XX299002	(In million)
Portfolio Name	Internal Cash	Operating Cash	Total
S	\$ 2,232	\$ 330	\$ 2,562
S+1	2,232	329	2,561
S+2	2,232	316	2,548
S+3	2,232	316	2,548
S+4	2,232	315	2,547
S+5	2,232	314	2,546
S+7	2,232	311	2,543
S+10	2,232	311	2,543
S+14	2,232	(89)	2,143
S+21	2,232	(89)	2,143
S+30	2,232	(64)	2,168
S+60	2,232	(914)	1,318
S+90	2,232	(889)	1,343
S+120	2,232	(1,339)	893
S+180	2,232	(1,914)	318
S+270	2,232	(2,406)	(174)
S+360	2,232	(2,406)	(174)

Cash Ladder



Sources of Liquidity



Total of \$48.8 B in liquid assets

Risk Parity

Quarter Ended June 30, 2020

- Board approved risk parity allocation at May 2018 Board meeting
- Traditional portfolios are heavily concentrated in equity risk
- Objective is to realize a higher long-term, **risk adjusted** return
- Diversify **risk** globally and across asset classes
- Construct a portfolio that is more robust in different environments
- Managers of the strategy are Blackrock, Bridgewater, and PanAgora
- Total market value as of June 2020 was \$625 mm

Risk Parity Returns

Quarter Ended June 30, 2020

Fund	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Inception
Bridgewater All Weather	4.3%	1.7%	3.0%	-11.9%	9.5%	8.0%
PanAgora Risk Parity	6.2%	4.5%	-0.1%	-10.0%	10.1%	10.4%
Blackrock Market Advantage	5.1%	2.0%	3.1%	-17.6%	9.1%	3.2%*
60% Equities/40% Bonds	3.9%	0.7%	4.9%	-12.2%	12.3%	7.1%
HRFI Risk Parity Index 12% Vol	4.6%	1.2%	4.2%	-14.1%	9.8%	5.3%
MSCI World	4.0%	0.5%	8.6%	-21.1%	19.4%	6.2%

Source: Manager calculations, Bloomberg.

Returns are net of fees for the period of APFC's investment.

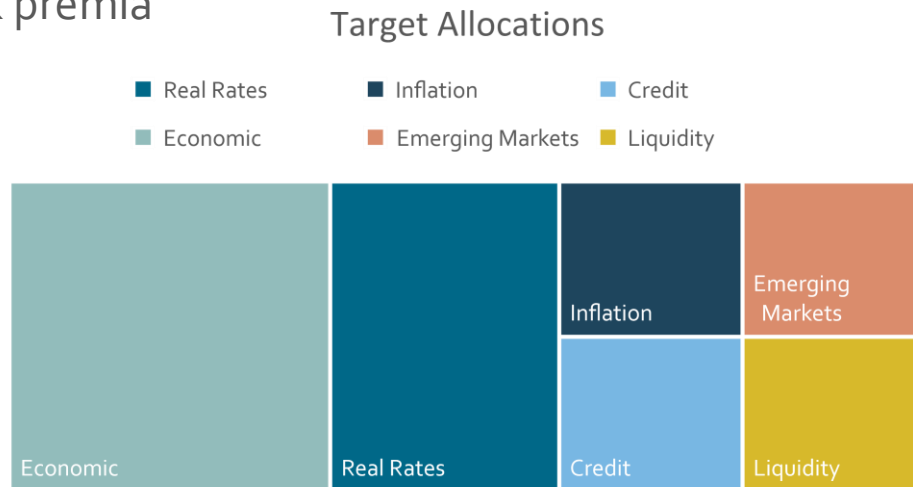
60% Equities/40% Bonds composed of MSCI World and FSE WGBI

*Blackrock inception was 5/1/2019

Blackrock

Quarter Ended June 30, 2020

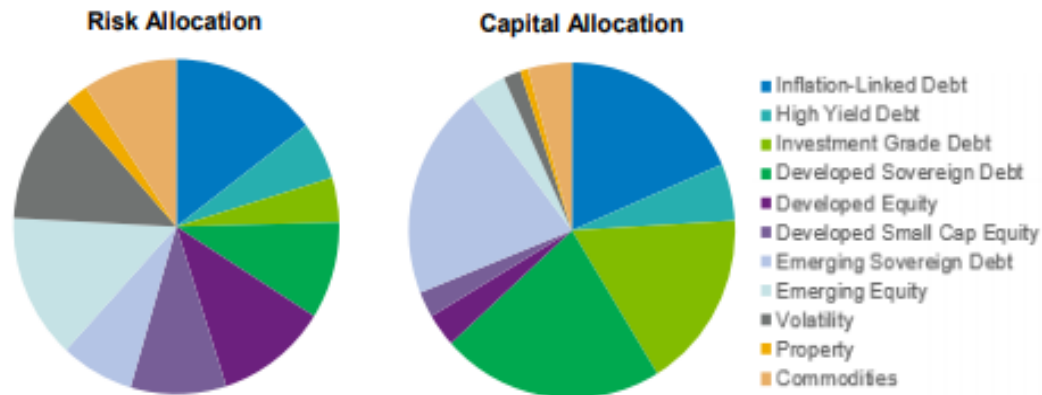
- Market Advantage invests in a diversified mix of asset classes
- Target exposures to economic risk premia
- Seeks to deliver:
 - Returns on par with long-run expected developed equity returns.
 - Less downside exposure during extreme drawdowns



Blackrock (continued)

Quarter Ended June 30, 2020

- Market Advantage return was positive for the quarter with a net return of 9.1%
- Concerns and uncertainty of Covid-19 economic impact resulted in a spike in volatility.
- Significant drop in oil prices and increased asset correlation also occurred during this period.
- Market Advantage was de-risked twice by 20% in an effort to protect capital and manage liquidity. Later was gradually brought back to full risk.
- Top contributors: real rates, inflation and EM
- Top detractors: Economic growth and liquidity

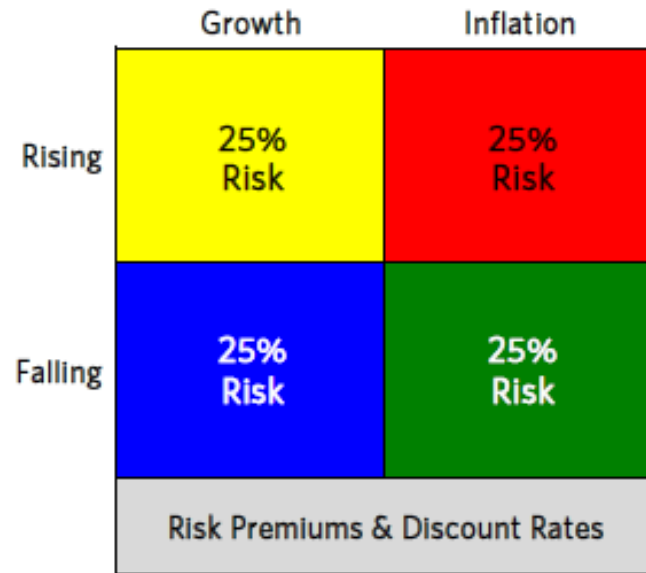


Source: Blackrock

Bridgewater

Quarter Ended June 30, 2020

- All weather is designed to capture the risk premiums across asset classes consistently
- Portfolio designed to be neutralized to environmental shifts
- Not concentrated to any single asset class expected to deliver:
 - Long-term return to risk ratio of roughly 0.6



Source: Bridgewater

Bridgewater (continued)

Quarter Ended June 30, 2020

- During 2Q2020, aggressive monetary and fiscal policy by governments pushed down risk premiums and discount rates causing reflation of asset prices.
- Over the 1 year period, falling growth and falling inflation assets outperformed rising growth and rising inflation assets. Nominal and IL bonds rallied while equities, sovereign credit, commodities and corporate credit fell.
- The portfolio returned 9.5% return during the quarter, and continued to have positive returns into the new quarter, bringing cumulative total return since inception to about 16%.

		Economic Environment	
		Growth	Inflation
Rising	Falling	Return 2.6%	Return 3.5%
	Rising	Return 1.7%	Return 1.8%
		Risk Premiums & Discount Rates 9.6% Excess Return Over Cash	

Plus Cash Return	=	0.0%
Gross Total All Weather Return	=	9.7%
Net Total All Weather Return	=	9.5%

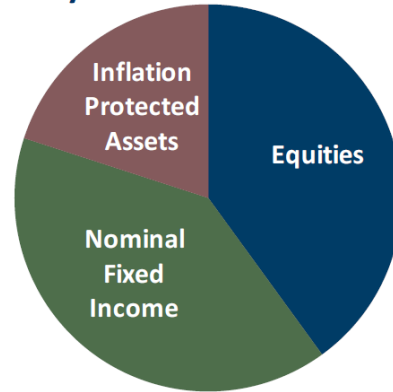
Source: Bridgewater

PanAgora

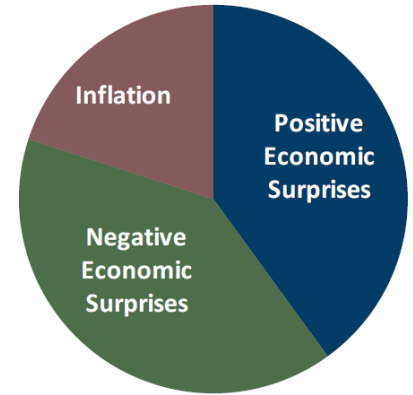
Quarter Ended June 30, 2020

- Risk Parity is applied across and within asset classes
- Investment Objectives:
 - Grow portfolio assets through investment returns.
 - Minimize impact of market volatility on the portfolio.

Primary Colors of Market Premia



Market Environments

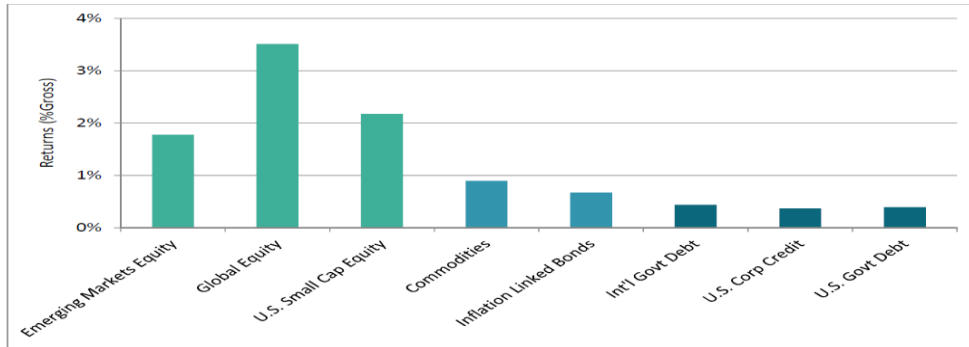


Source: PanAgora

PanAgora (continued)

Quarter Ended June 30, 2020

- The PanAgora Risk Parity portfolio returned 10.08% in the second quarter vs its benchmark that returned 9.76% for the quarter.
- While the damage from COVID-19 was clearly reflected in the economic data, equity markets appreciated as much as they declined in the first quarter.
- All asset classes contributed positively. Equities was the biggest contributor adding 7.46%, followed by inflation protected exposure which added 1.57% and nominal rates with 1.20%
- Currently, the strategy closed its risk overweight in sovereign bonds and moved to an underweight position. The portfolio maintains modest overweight in investment grade credit and IL bonds; slight overweight in commodities and it is a target for equities favoring developed markets.



Source: PanAgora

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Asset Class Contribution to Return Q2 2020

Portfolio Summary

Quarter Ended June 30, 2020

Total Fund Cash

- Liquidity continues to be an important focus for Staff. Cash represents 3.2 Billion or 4.9% of the Fund
- Internal management of the cash portfolio represents now 69% (\$1.2 Billion) of the cash portfolio. Operational cash earning a rate represents 31% (\$ 1 Billion) of the cash portfolio.
- During the previous quarter, Fed cut rates from 1.5% to 0% (equivalent of 6 cuts). APFC used cash to maintain target weights to equities during the market drawdown and replenished liquidity from Fixed Income (\$700mm) and fund obligations during the 2nd quarter, including two transfers to the general fund totaling over \$280 mm.
- Cash portfolios outperformed their 3-month T-Bills benchmark.

Risk Parity

- At the May 2018 meeting , the Board approved Risk Parity allocation. The program was funded during the first quarter of 2019.
- During the second quarter of 2020 the risk parity portfolios gained back the losses caused during the first quarter of the year.
- Since inception, the risk parity portfolios have had impressive returns relative to the HFR Risk parity benchmark and the 60/40 mix portfolio . So far they have delivered on expectations of providing liquidity and risk adjusted returns.
- During the quarter, we redeemed 50% of the risk parity portfolio to rebalance back into the market as equities dropped. We brought the allocation back to its target of 1% in the subsequent months.
- Value of Risk parity Portfolio as of June 2020 was \$625 mm.

Alaska Permanent Fund Corporation

Enter the Golden Age of Credit



The comments, opinions, and estimates contained herein are based on and/or derived from publicly available information from sources that PGIM Fixed Income believes to be reliable. We do not guarantee the accuracy of such sources or information. This outlook, which is for informational purposes only, sets forth our views as of this date. The underlying assumptions and our views are subject to change. Past performance is not a guarantee or a reliable indicator of future results.

September 2020



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Enter the Golden Age of Credit

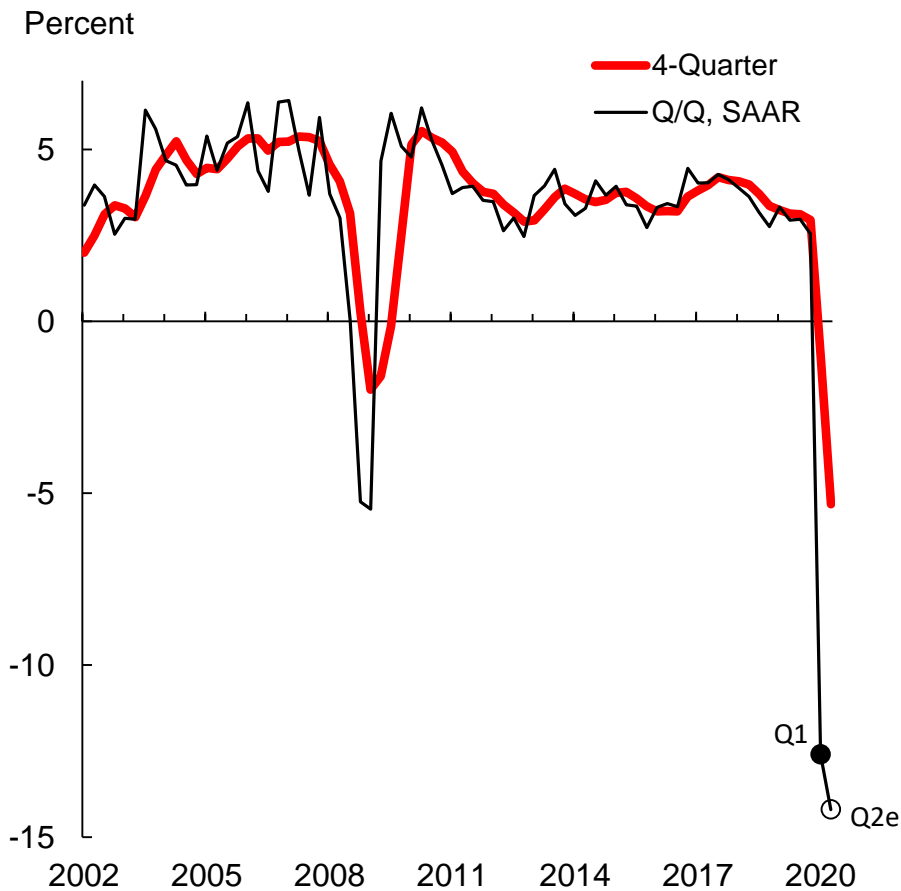
- Global growth has absorbed a ferocious blow
 - What's next?—contours of the recovery
 - A veritable alphabet soup
 - Central banks and fiscal authorities to the rescue
- Implications of negative real rates
 - Boon for risk assets; gold glitters
- The interplay of demographics with debt, growth and inflation
 - Interest rates remain low
- Investment outlook—enter the golden age of credit
 - We are in the rare era where corporates will likely look to manage for bondholders, not equity holders
 - The force of the global central banks provides a backstop and a tail wind, particularly for assets that are targeted by the various programs

Please see the Reference section for important disclosures regarding the information contained herein. All investments involve risk, including the possible loss of capital. Past performance is not a guarantee or a reliable indicator of future results. Source: PGIM Fixed Income as of August 2020. The comments, opinions, and estimates contained herein are based on and/or derived from publicly available information from sources that PGIM Fixed Income believes to be reliable. We do not guarantee the accuracy of such sources or information. This outlook, which is for informational purposes only, sets forth our views as of this date. The underlying assumptions and our views are subject to change

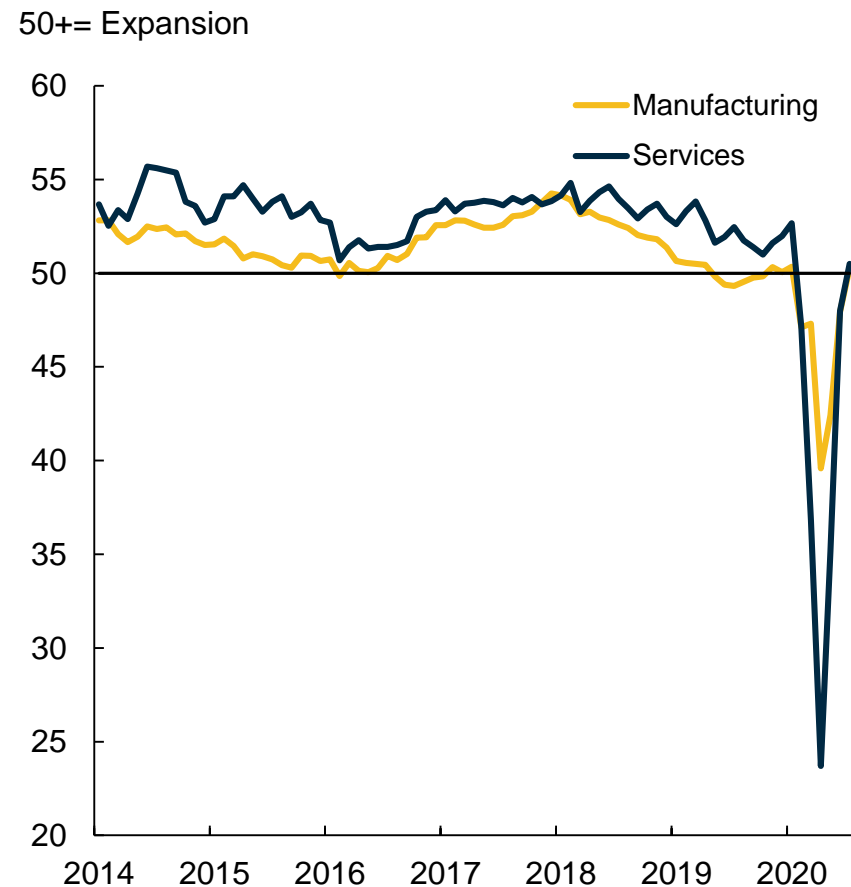


Global Growth Has Absorbed a Ferocious Blow— What Are the Prospects for a Rebound?

Global Real GDP Growth
As of 2Q2020



Global PMIs
As of July 2020



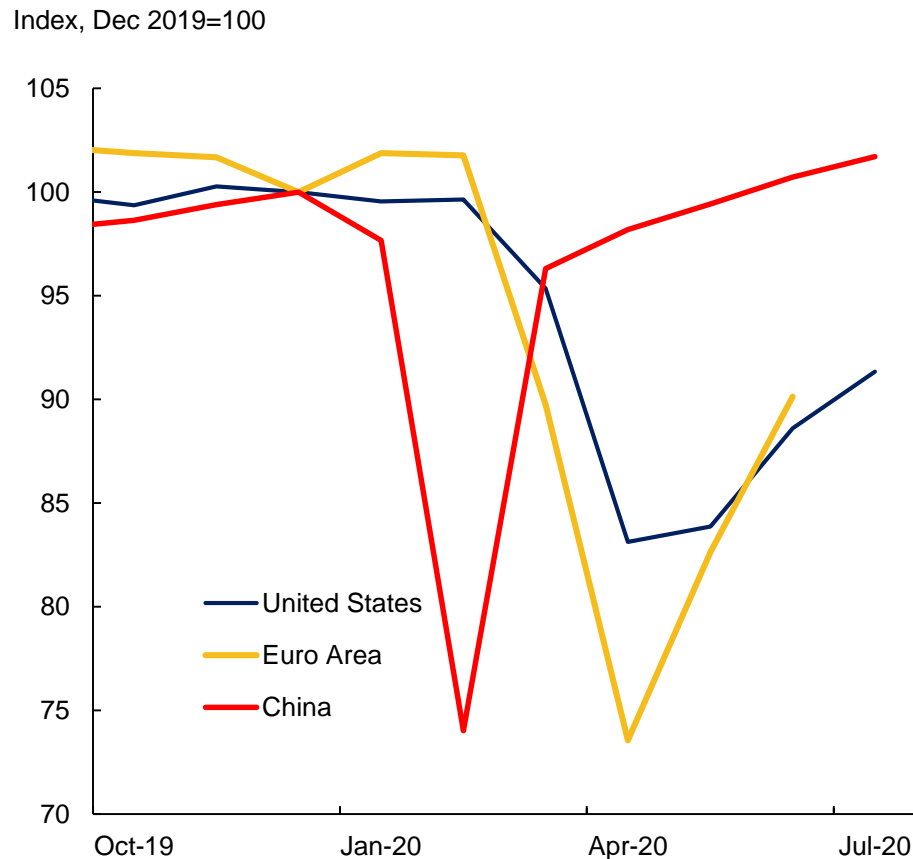
Source: Haver, PGIM Fixed Income, JP Morgan.

Source: Haver, PGIM Fixed Income, Markit
241 of 463



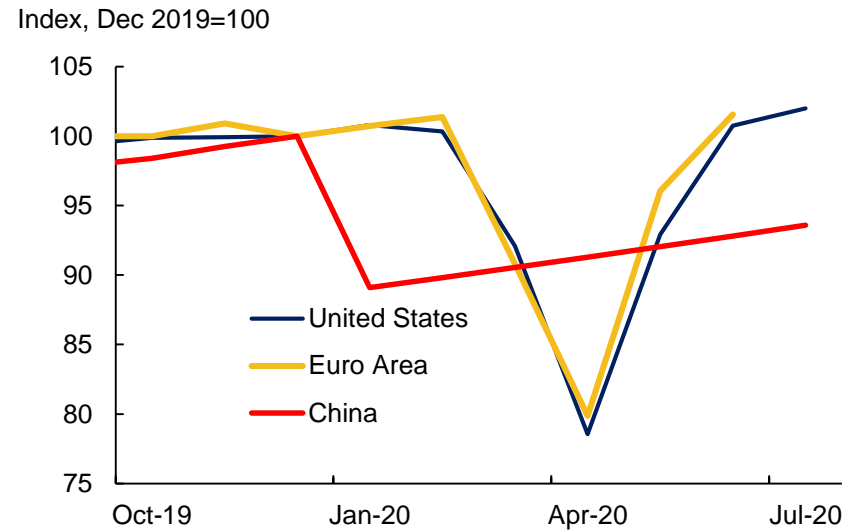
Contours of Recovery Have Varied Across Countries

Industrial Production
As of July 2020

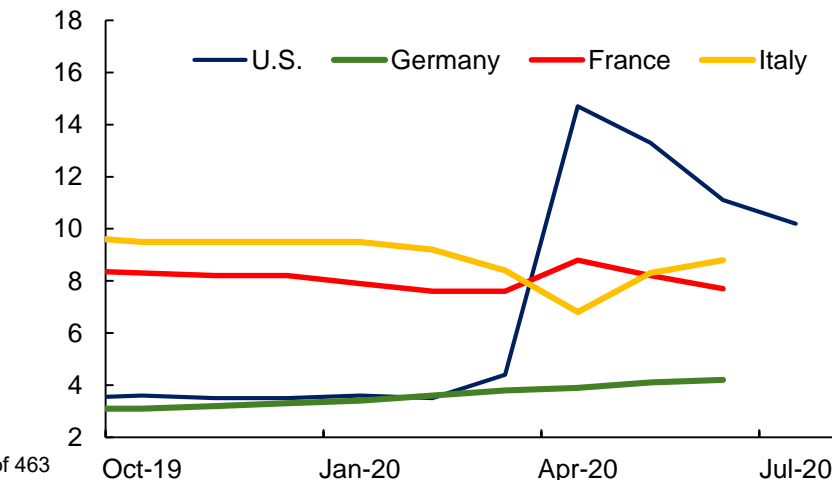


Source: BLS

Retail Sales
As of July 2020



Unemployment Rates
As of July 2020





What Might the Recovery Look Like?—Pick a Letter. . .

The shape of recovery depends on three factors: (1) the virus's trajectory; (2) the psychology of consumers—when will people feel safe?; and (3) the extent of economic “scarring.”

- *U-shaped (50%)*. A gradual return to pre-virus conditions. U.S. growth at -5 to -6% (Global growth: -4½%).
- *V-shaped (10%)*. People are anxious to get back to “normal.” With some precautions, and gradual advances in testing/treatment, they feel reasonably safe. U.S. growth, -3 to -4% (Global: -3%).
- *L-shaped (15%)*. The lockdowns are lifted in some places, but must be tightened elsewhere. Aggregate spending and production stagnate. U.S. growth, -8% (Global: -5½%).
- *W-shaped (25%)*. The economy improves through the summer, but another wave of the virus hits in the fall. Renewed lockdowns. U.S. growth in 2020 at -8%, with likely further declines in 2021 (Global 2020: -5%).

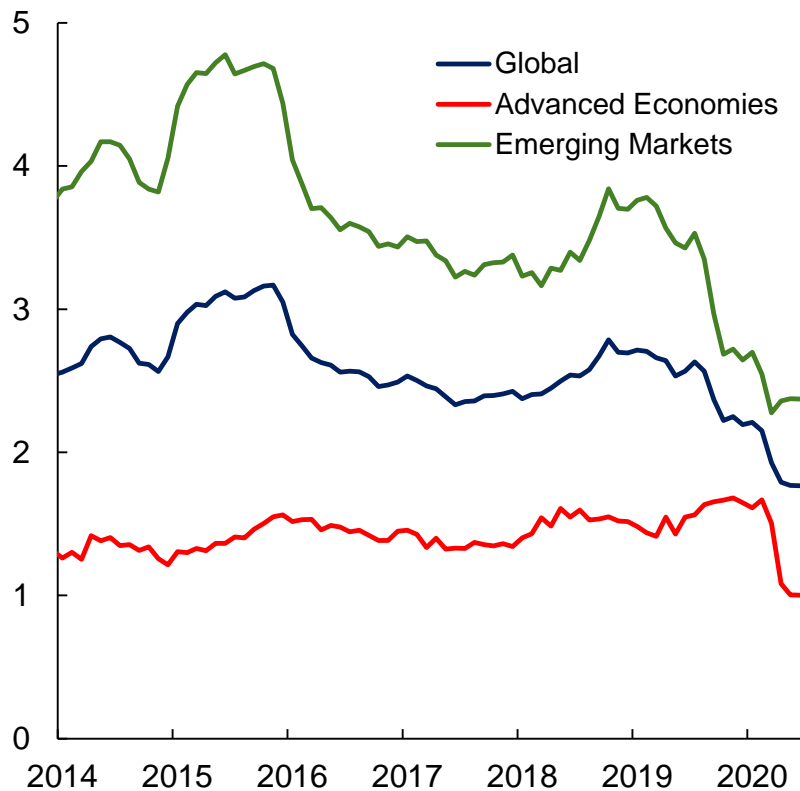


Global Inflation Has Declined Further

Global Core Inflation

As of June 2020

12-Month,
Percent

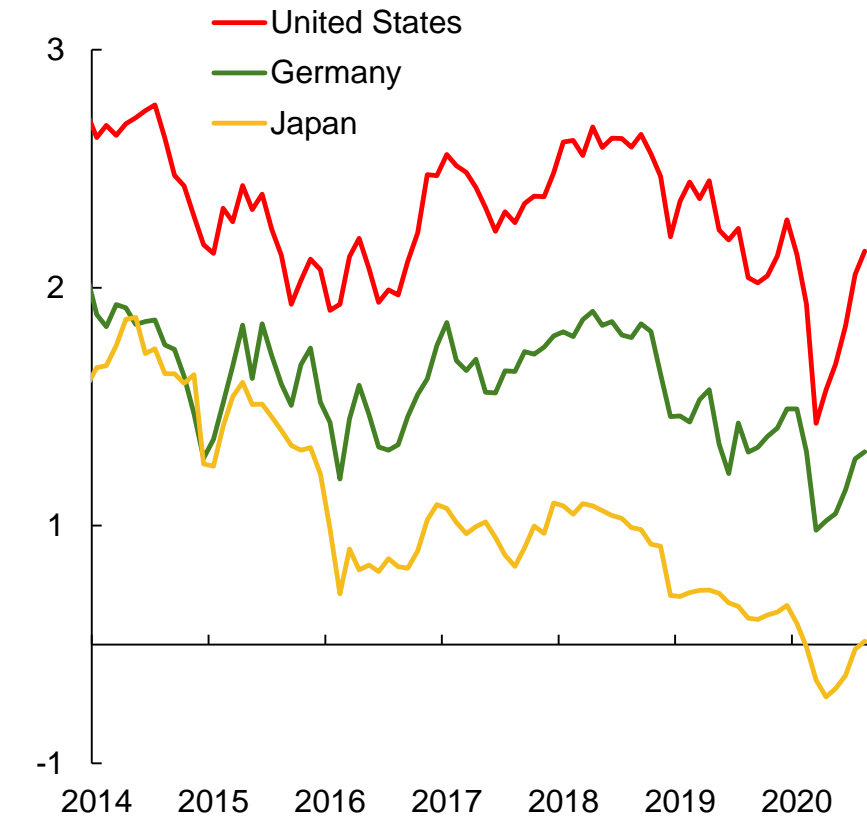


Source: Haver

Inflation Expectations*

As of August 2020

Percent



*10-year breakeven inflation rates.

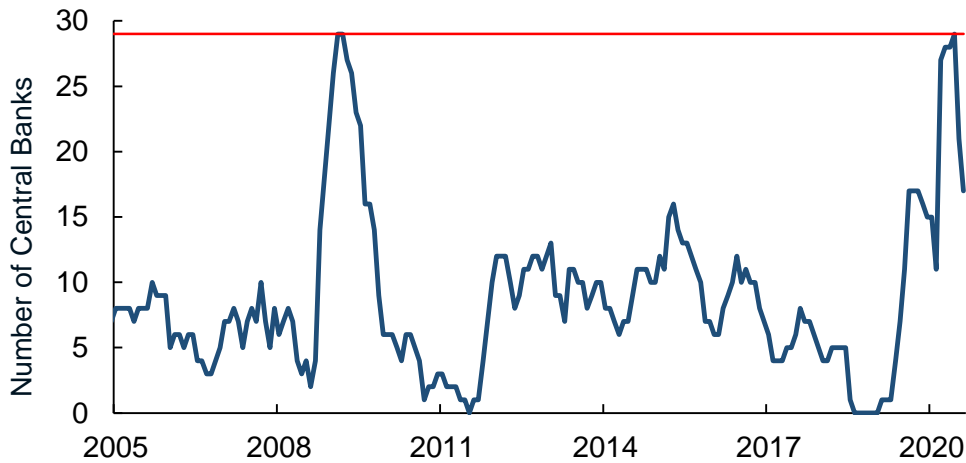
244 of 463 Source: Bloomberg



Global Central Banks Have (Again) Come to the Rescue

Global Central Bank Policy Easing*

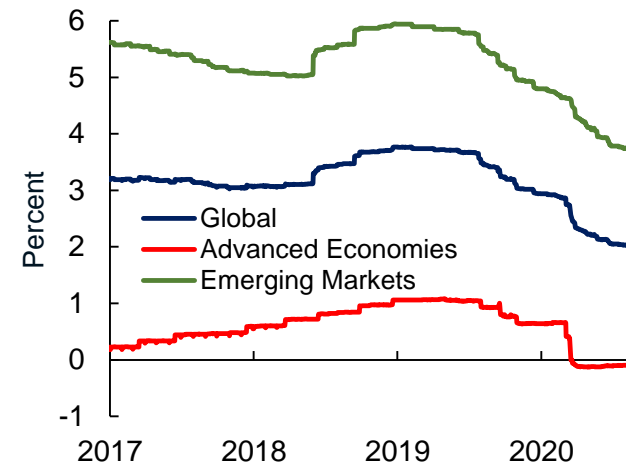
As of August 14, 2020



*Last 3-months; panel of 30 major central banks.

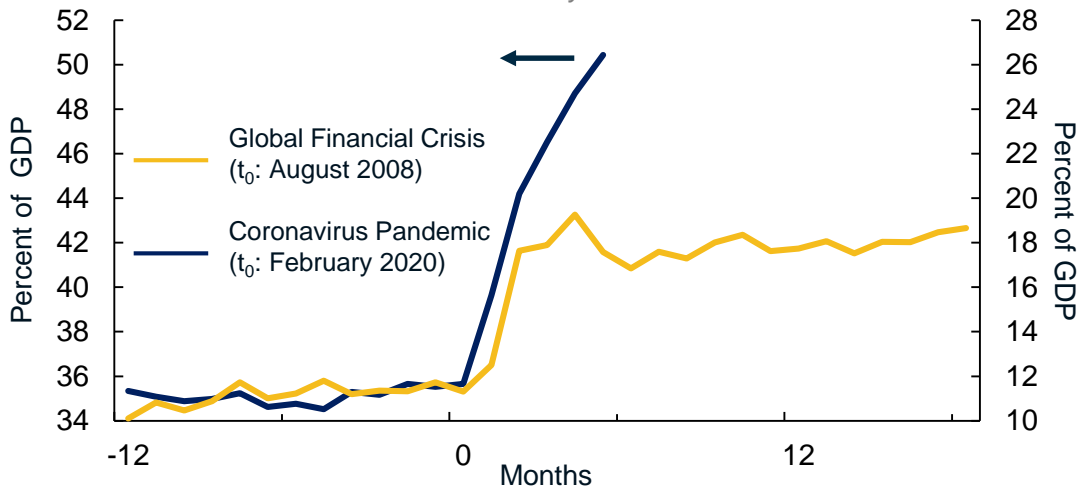
Nominal Policy Rate

As of August 14, 2020



Central Bank Balance Sheets*

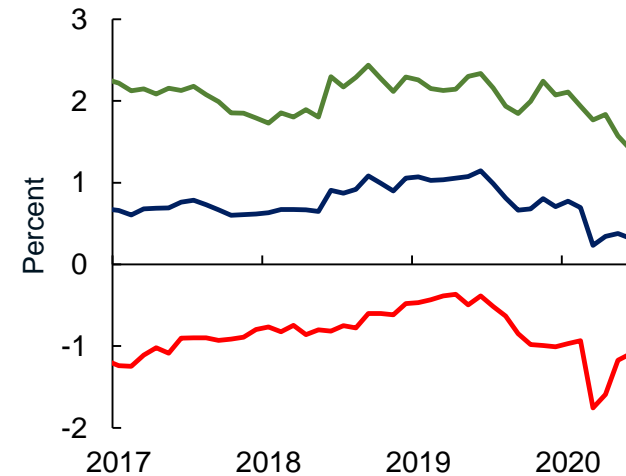
As of July 2020



*Federal Reserve, ECB, Bank of Japan, and Bank of England; GDP is sum across the four economies.

Real Policy Rate*

As of June 2020



*Calculated using trailing 12-month core CPI inflation.

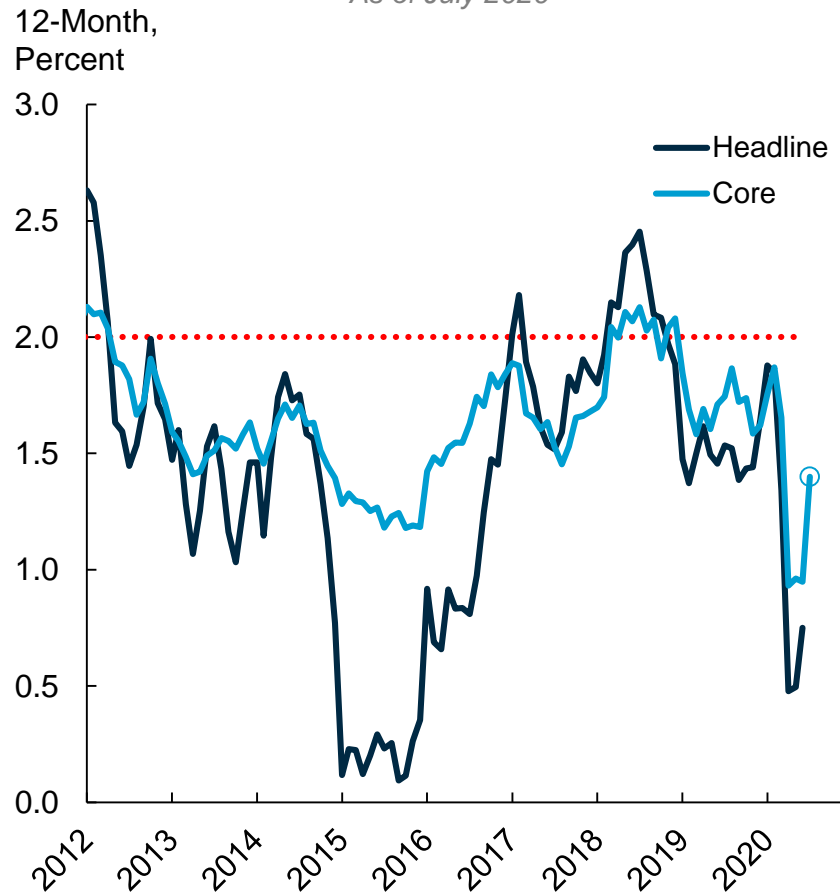


Inflation Has Moved Even Further Below the Target

- Allowing Central Banks to continue to be accommodative

PCE Inflation

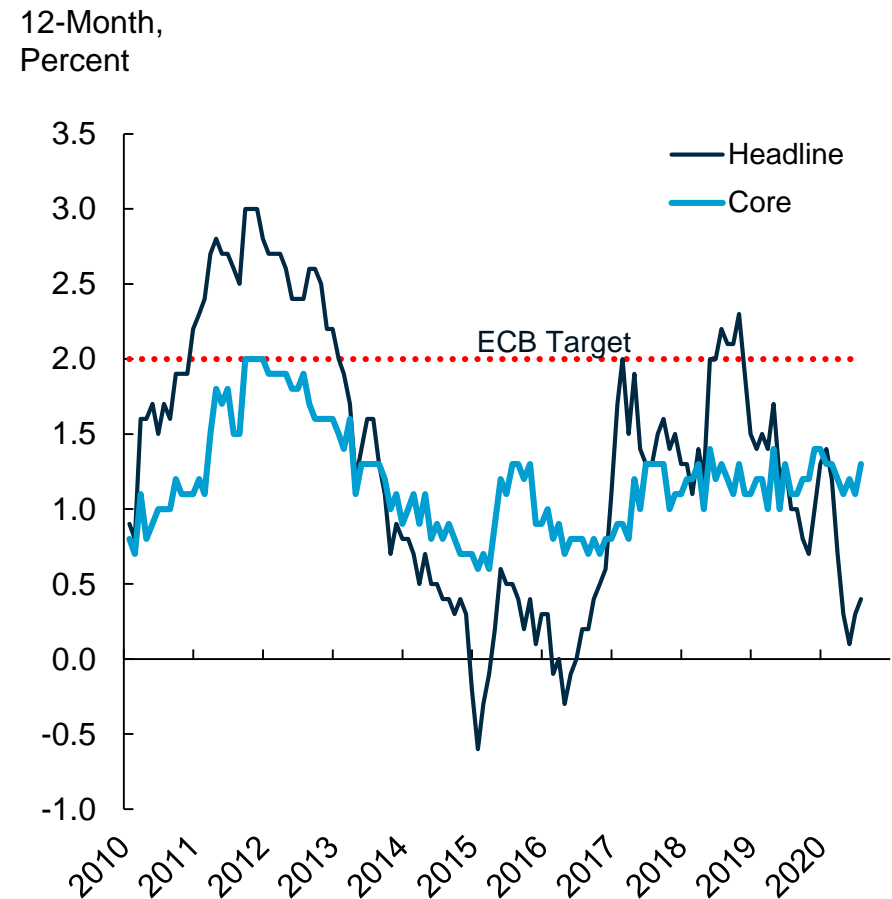
As of July 2020



Source: BEA and Federal Reserve Board

Consumer Price Inflation

As of July 2020



Source: Eurostat and ECB.

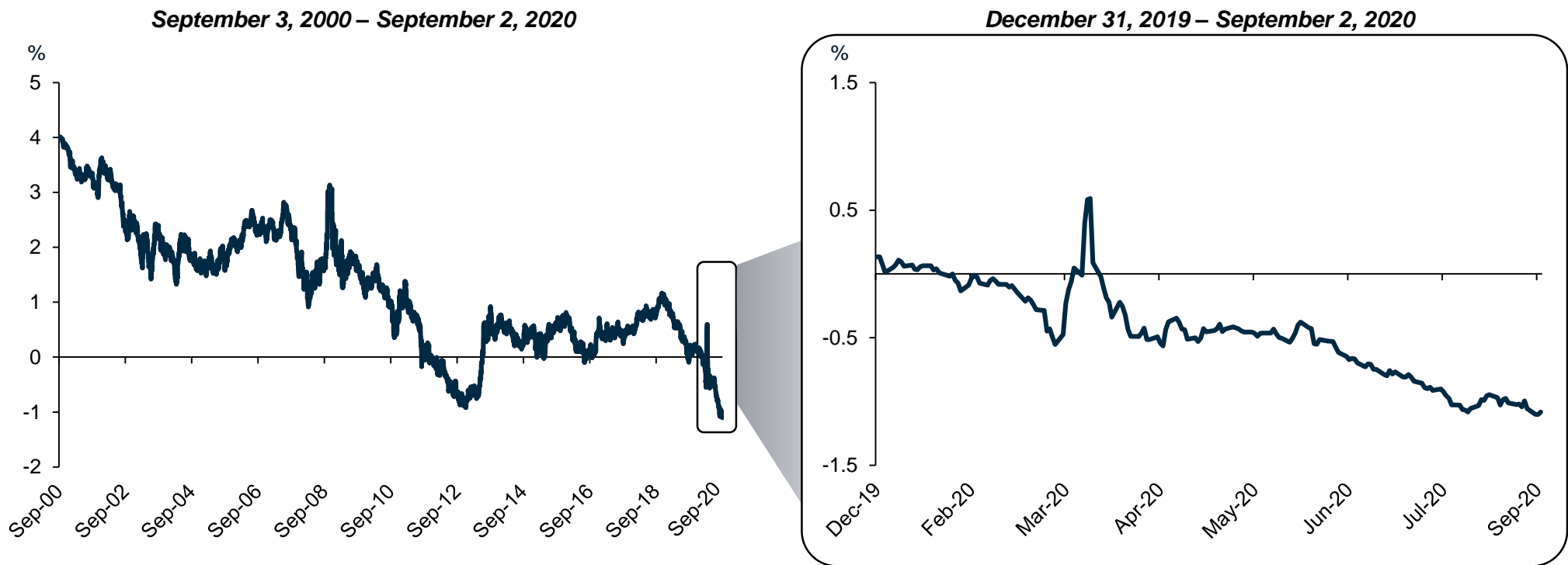


Real Rates Have Become Increasingly More Negative this Year

- 10-year real yields have gone into negative territory for the first time since 2013 and have followed other developed markets into negative real yield territory

10-Year U.S. Treasury Inflation Protected Security (TIPS) Yield

As of September 2, 2020



Source: Bloomberg. Treasury Inflation Protected Securities (TIPS) shown as a proxy of real yields. 247 of 463



Why the Allure for Gold—Correlates to Real Rates

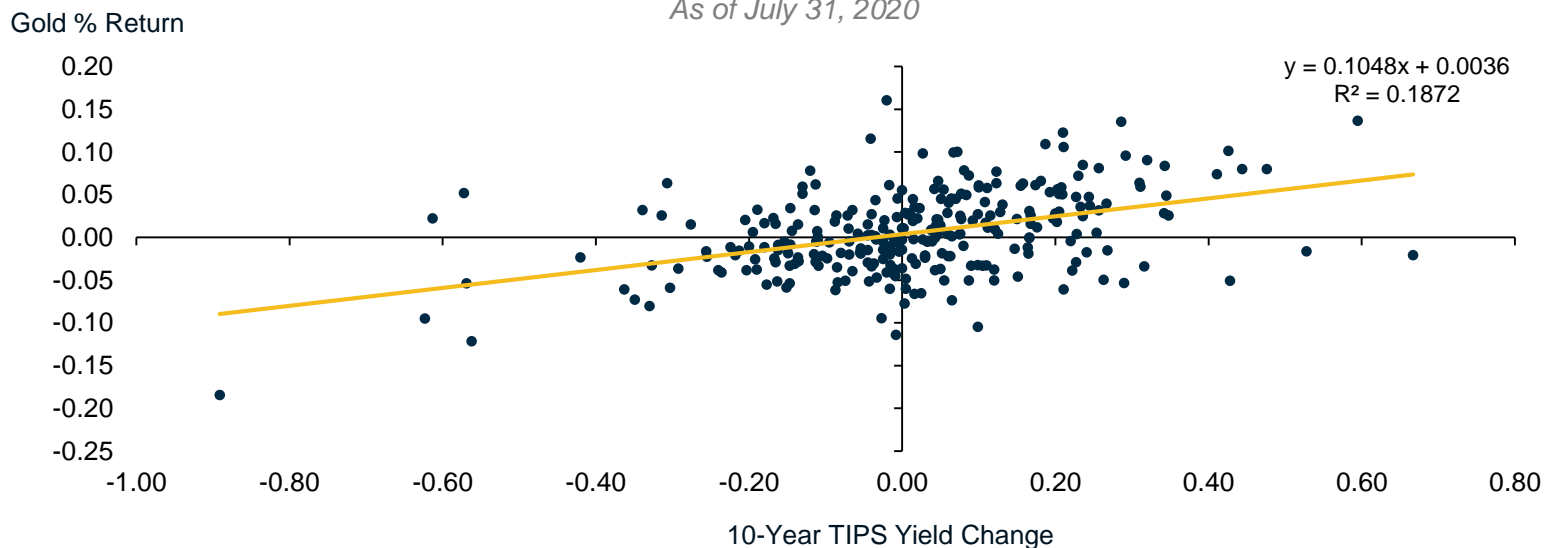
36 Month Rolling Correlation (10 Year TIPS vs. Gold Futures)

As of July 31, 2020



Monthly: Gold Future Return Vs. 10-Year TIPS Yield Change

As of July 31, 2020



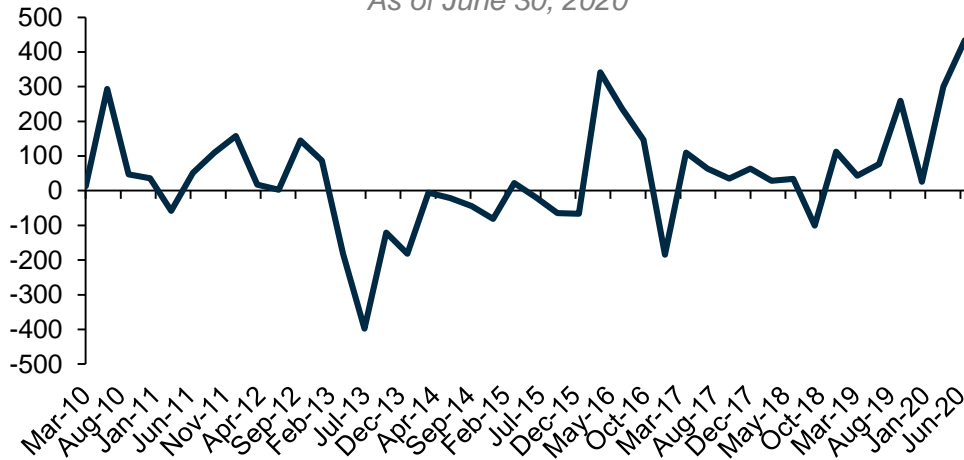
Source: Respective ETP providers, Bloomberg, ICE Benchmark Administration, World Gold Council



In These “Uncertain Times”—Gold Demand Increases

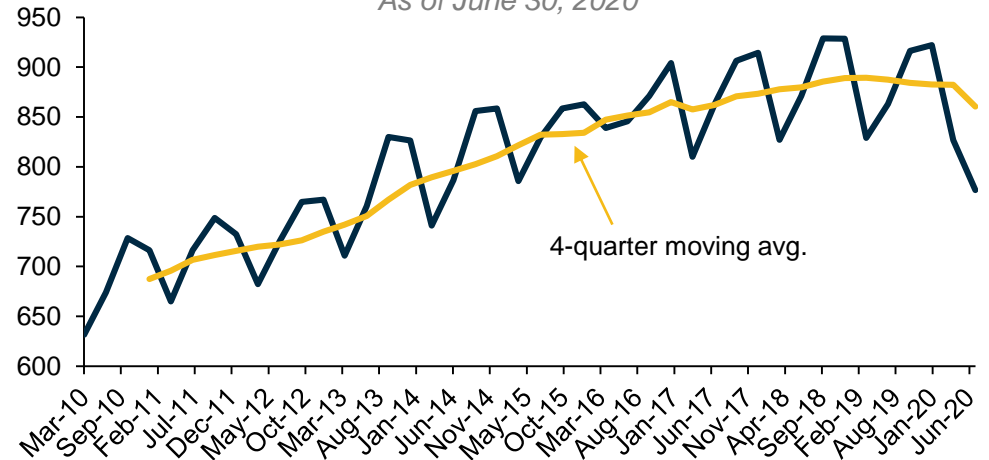
ETF Demand (Quarterly, Tons)

As of June 30, 2020



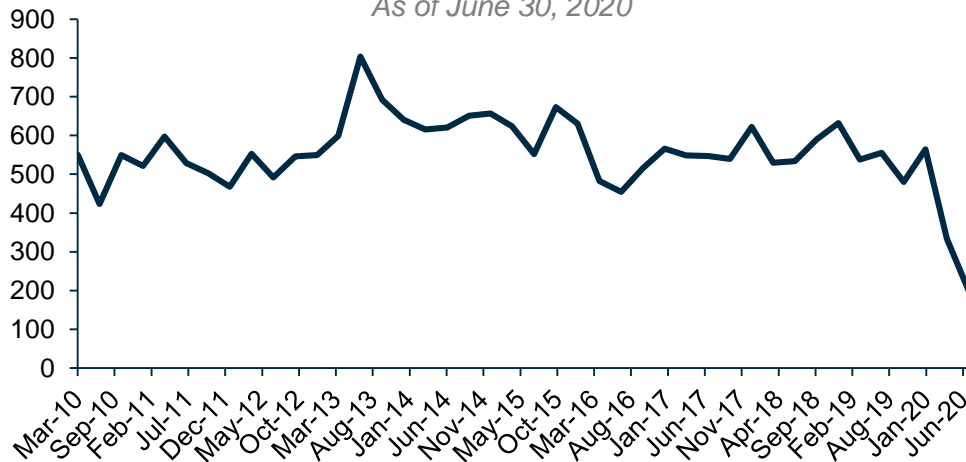
Mine Production (Quarterly, Tons)

As of June 30, 2020



Private Jewelry Demand (Quarterly, Tons)

As of June 30, 2020

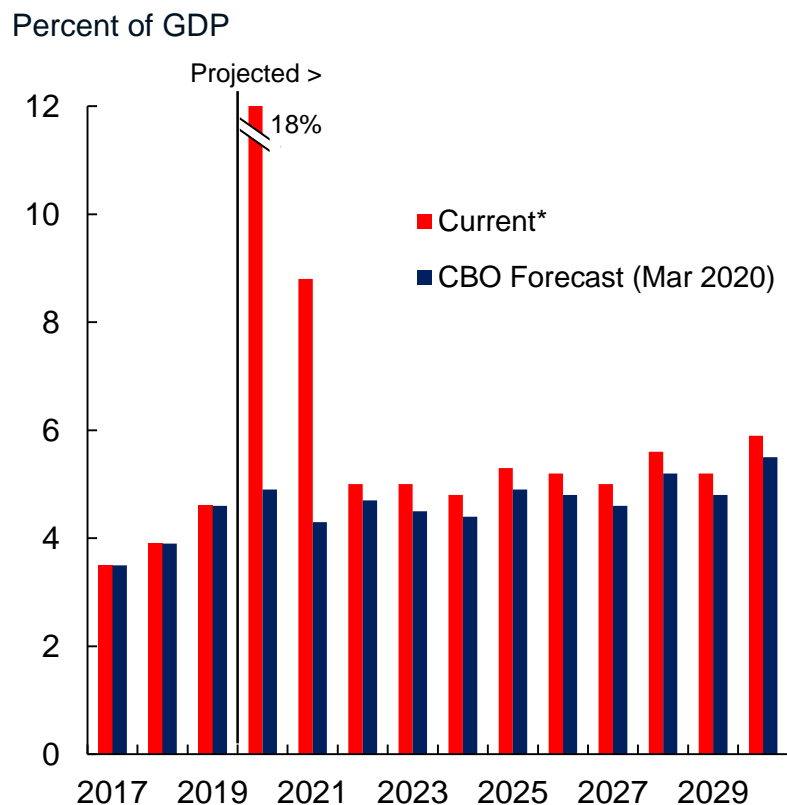




Fighting the Crisis Comes at a Cost—U.S. Debt and Deficits Are Surging

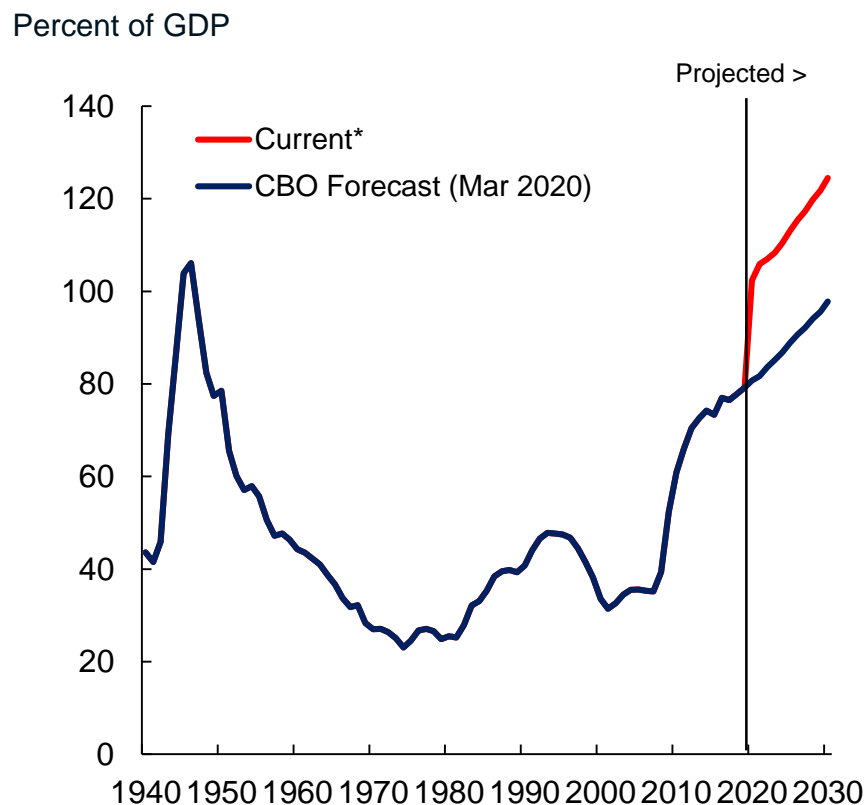
U.S. Government Deficit

As of April 2020



U.S. Government Debt

As of April 2020



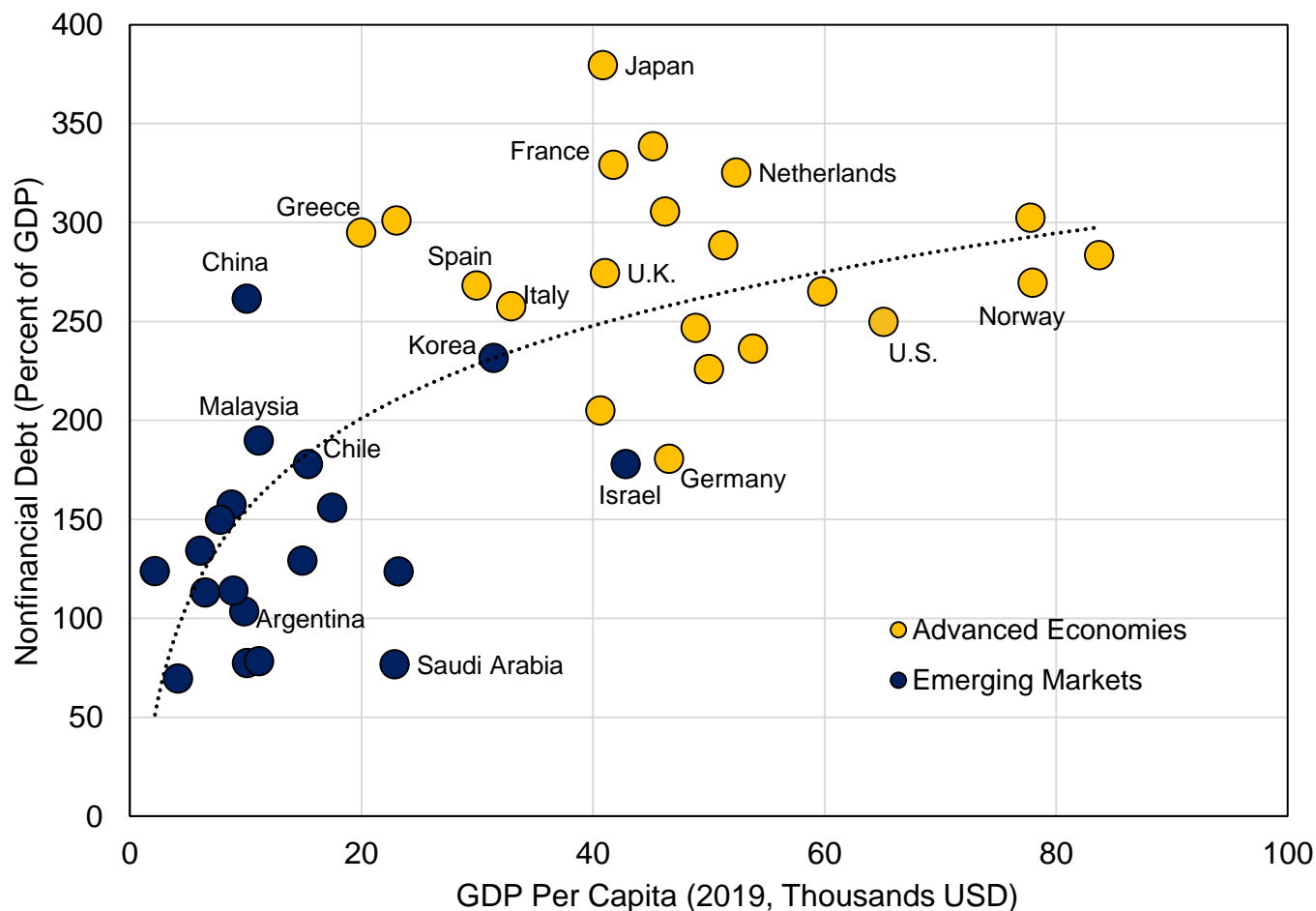
**Blend of CBO and PGIM Fixed Income projections.
Source: PGIM Fixed Income, CBO, IMF Fiscal Monitor*



Debt Burdens Are Likely to Be a Drag on Global Growth

Global Non-Financial Debt

As of 2019Q2



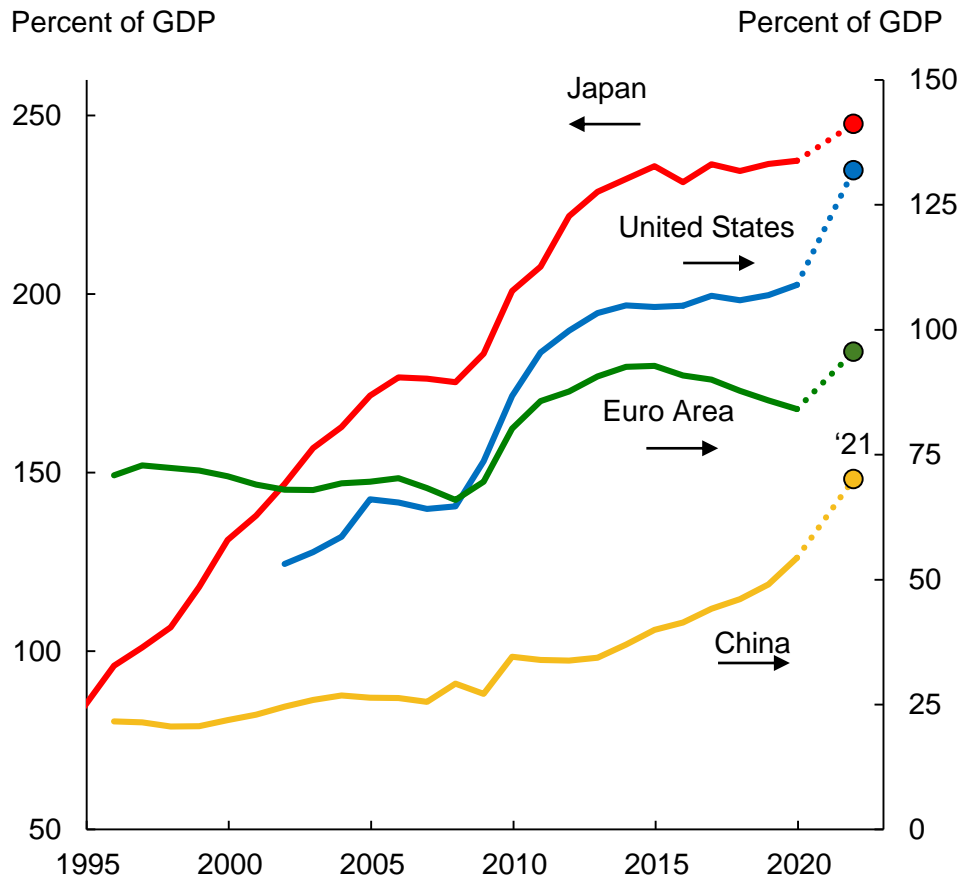
Source: BIS



Debt Burdens Are Likely to Be a Drag on Global Growth

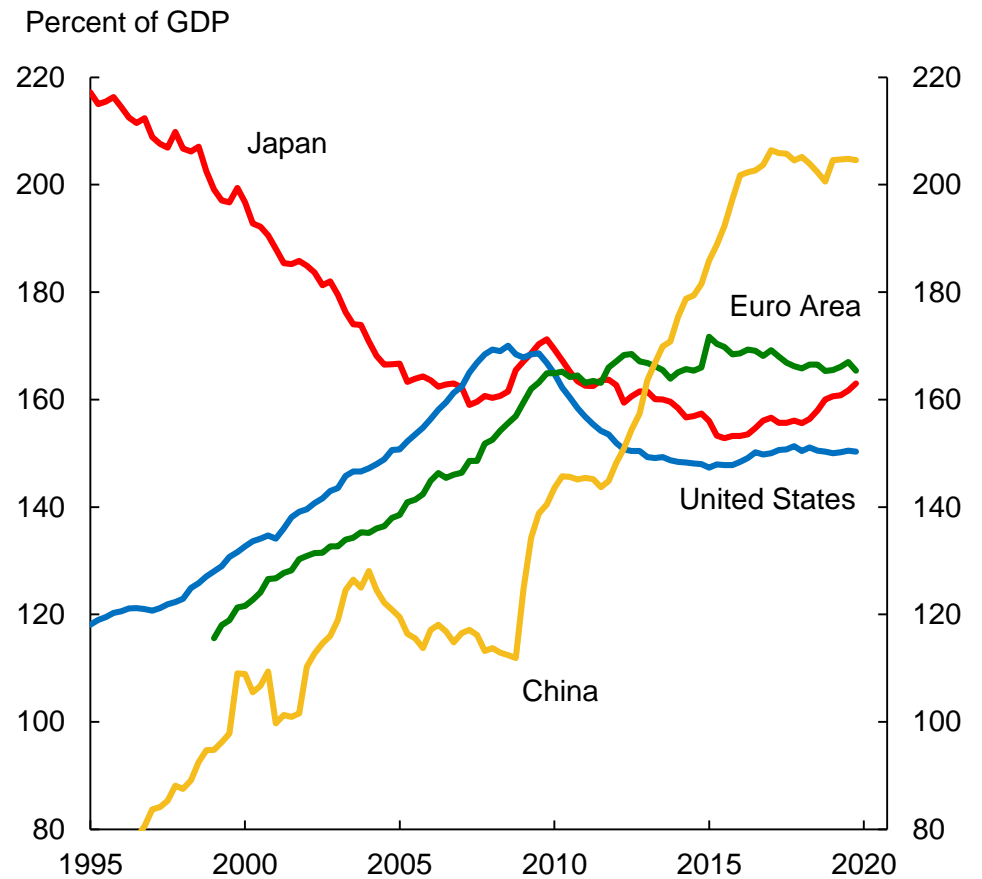
General Government Debt

As of 2019



Private Sector Debt*

As of 4Q2019



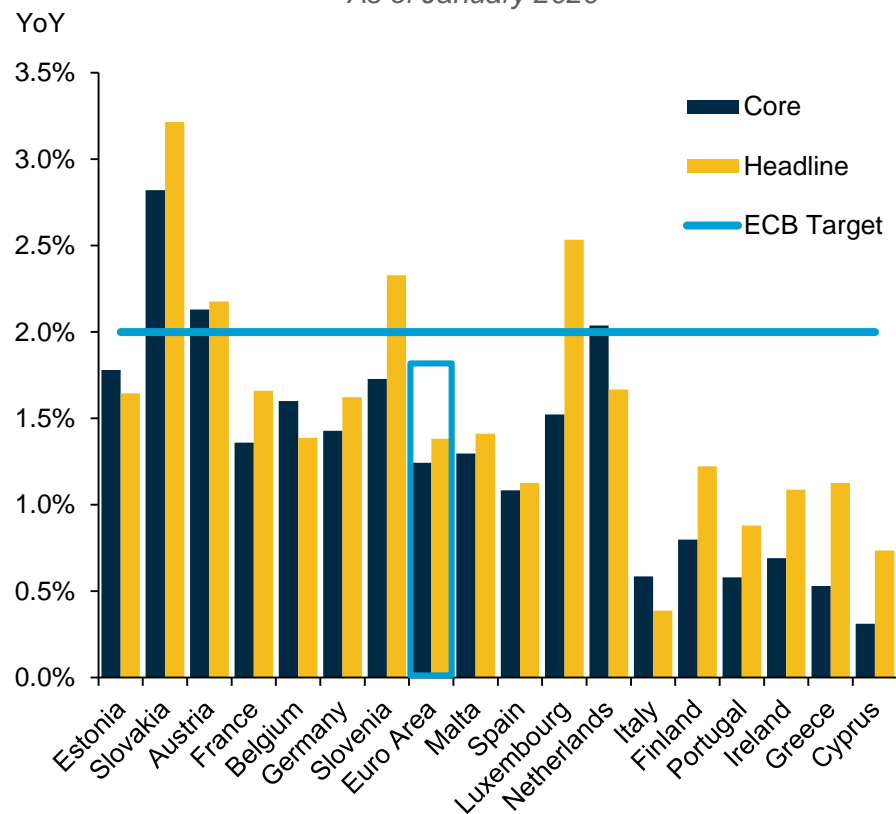
Source: Haver, IMF (including debt projections for 2021), BIS, Federal Reserve Board
 *Private non-financial sector.



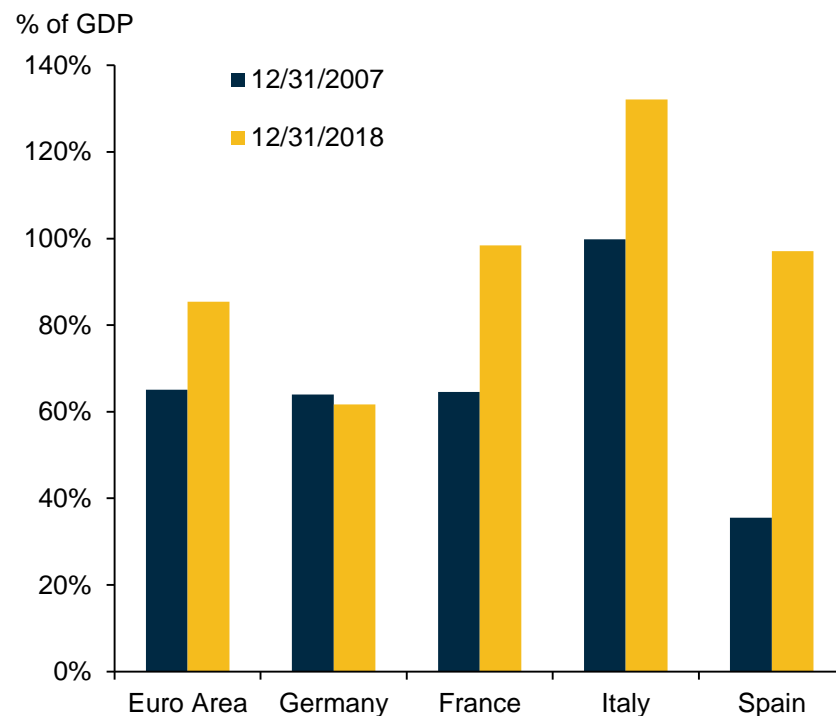
Low Inflation Exacerbates Debt Overhang

- Meeting the ECB inflation target and intra-zone rebalancing requires considerably higher-than-targeted inflation rates in Germany, which is politically difficult
- Peripheral competitiveness adjustment requires relative reduction in costs, i.e., a lower GDP deflator than in core
- Sluggish nominal GDP growth undermines debt dynamics, given some countries' high debt stocks and still significant fiscal deficits

Euro Area Inflation Rates
As of January 2020



Euro Area, General Government Debt Stocks
As of December 2019

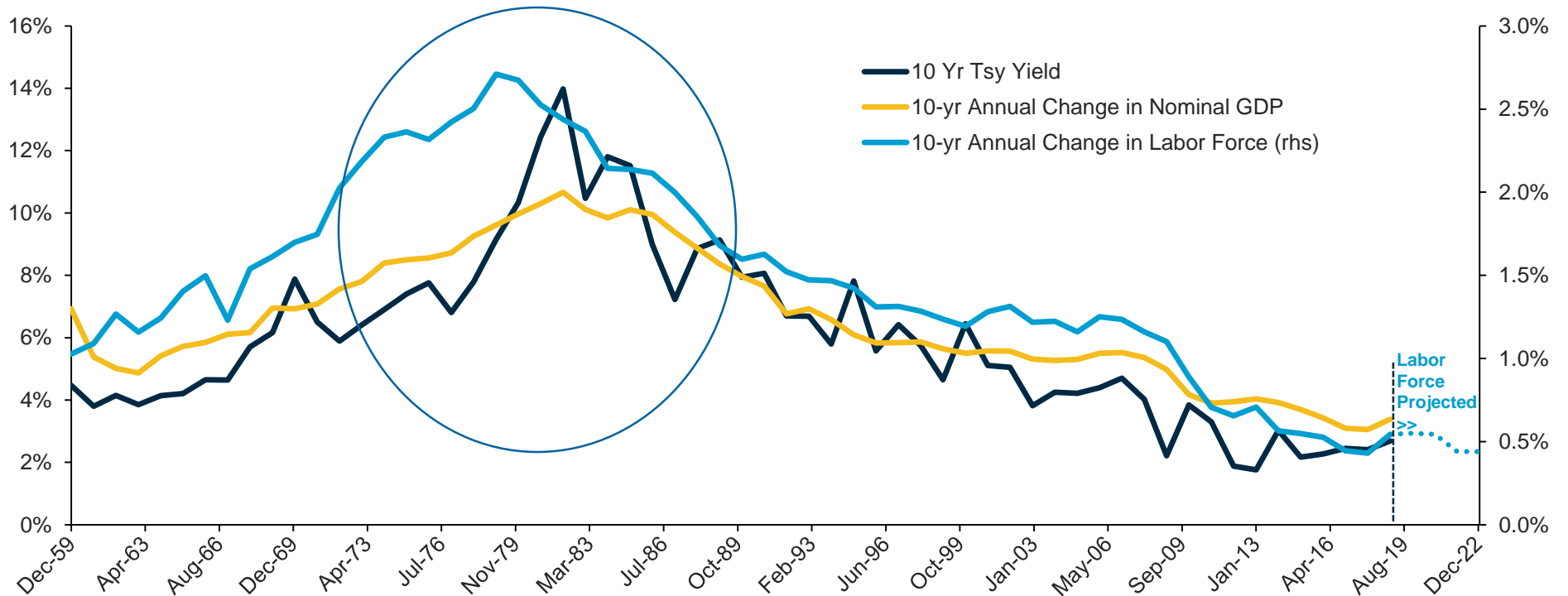


Source: Haver, PGIM Fixed Income.



Demographic Factors That Boosted Growth and Treasury Yields in the 1960s and 1970s Are Now Working in Reverse

10-Year U.S. Treasury Yields, GDP, & Labor Force
As of December 31, 2018



Greater demand for low volatility, income producing investments from aging population is also likely contributing to the secular decline in U.S. interest rates

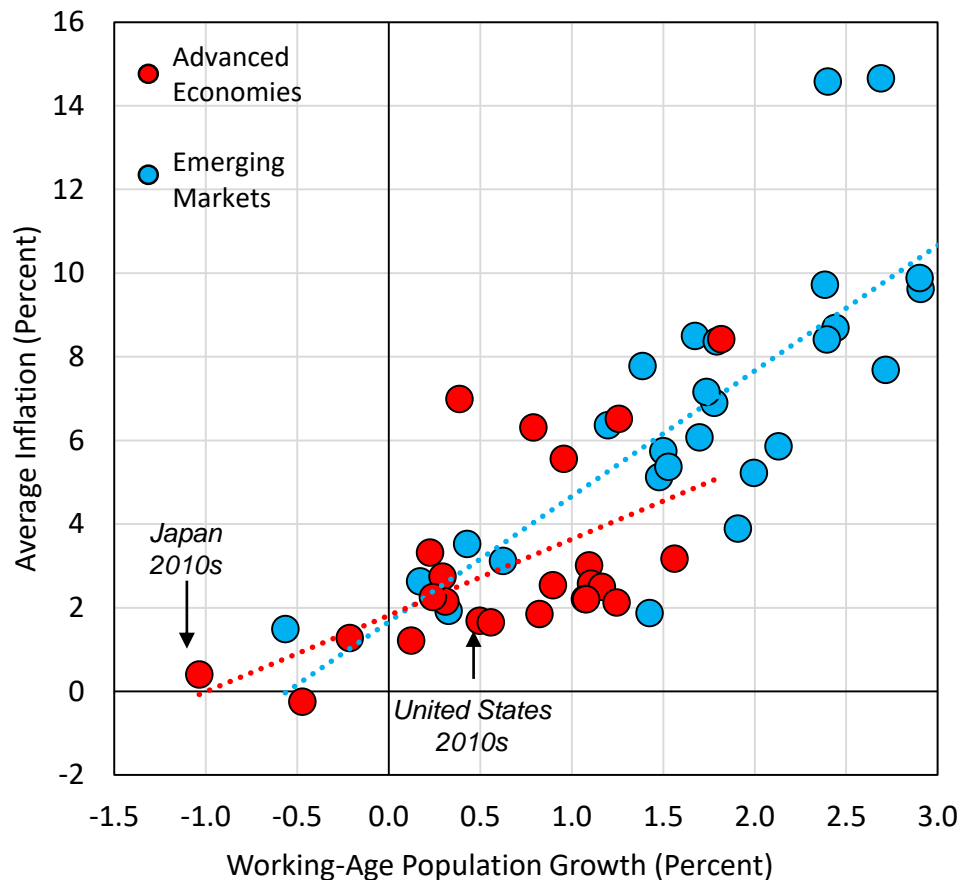
Sources: Bloomberg and PGIM Fixed Income. The economic and market forecasts presented herein have been generated by PGIM Fixed Income for informational purposes as of the date of this presentation. They are based on proprietary models and there can be no assurance that the forecasts will be achieved. Change in GDP as of December 31, 2018, most current data.



Aging, Inflation, and Interest Rates

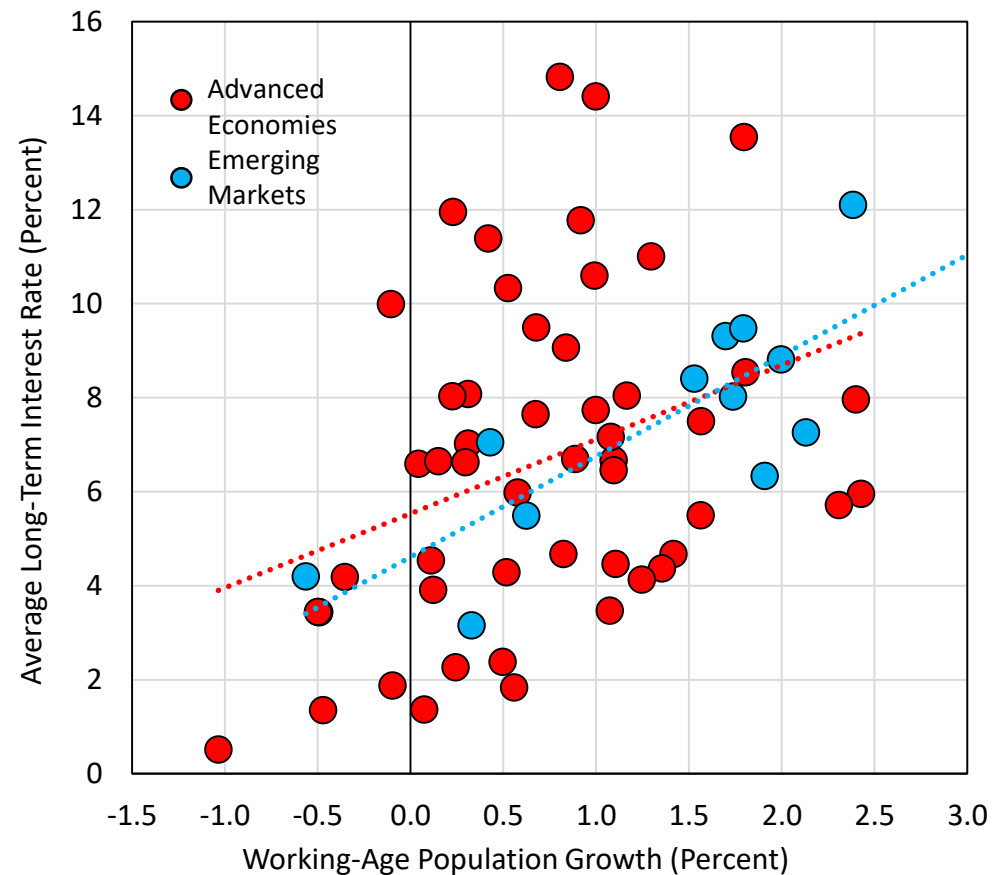
Working-Age Population & Inflation

1980s to Present



Working-Age Population & Nominal Interest Rates

1960s to Present



Note: Decadal averages for nine advanced economies and six emerging markets. Inflation observations higher than 15 percent are omitted; nominal rates are 10-year bonds.
Source: PGIM Fixed Income, Haver.



Meanwhile Credit Spreads Are Attractive

Credit Spreads

As of August 31, 2020

	Spreads (bps) ¹		
	12/31/2019	3/31/2020	Current Spread
US IG Corporates	93	272	129
US IG Intermediate Corporates	70	271	96
US IG Long Corporates	136	274	184
European IG Corporates	93	239	114
Municipal Bonds	116	238	162
US High Yield	336	880	477
European High Yield	292	778	434
CMBS	80	207	129
Non-Agency CMBS	85	238	148
Agency CMBS (added 6/2014)	53	116	59
Non-Agency CMBS "A4A" Tranche	82	180	105
Agency MBS	39	60	56
AAA CLO	133	268	143
Emerging Markets	301	657	349
Emerging Market Sovereigns	277	577	385
Emerging Market Corporates	311	599	388

Source: Corporates, High Yield, MBS, non A4A CMBS and Agg EM from Barclays. EM Sov/Corp from JP Morgan. A4A CMBS and AAA CLOs from PGIM FI. Source of data: Bloomberg
256 of 463



From Extremely Tight to Extremely Wide And Back

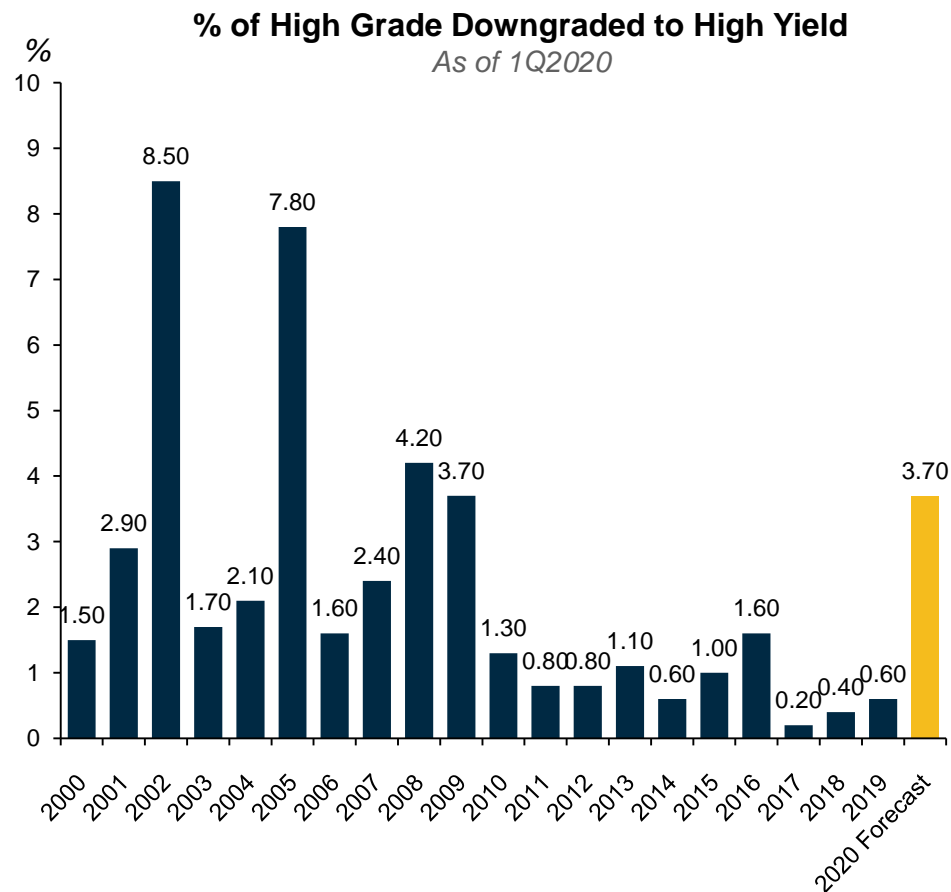
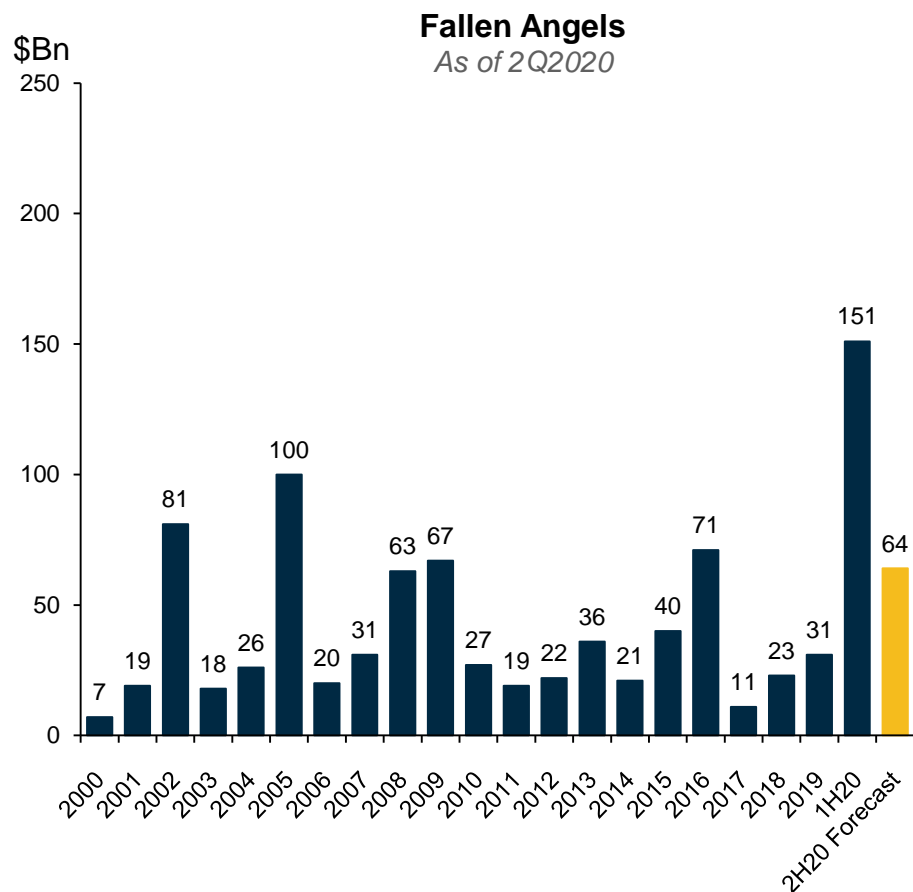
Quality	Maturity	Decile at 12/31/2019	Decile at 3/20/2020	Decile at 7/31/2020
AA	0-3 years	1	10	1
AA	3-5 years	1	10	1
AA	5-10 years	1	9	2
AA	10+ years	2	10	6
A	0-3 years	1	10	2
A	3-5 years	1	10	3
A	5-10 years	1	10	4
A	10+ years	2	10	5
BBB	0-3 years	1	10	5
BBB	3-5 years	1	10	5
BBB	5-10 years	2	10	5
BBB	10+ years	3	10	7
BB	0-3 years	2	10	6
BB	3-5 years	1	10	6
BB	5-10 years	1	10	6
B	0-3 years	4	10	8
B	3-5 years	3	10	5
B	5-10 years	2	10	5
CCC	0-3 years	8	10	9
CCC	3-5 years	5	9	7
CCC	5-10 years	5	9	6

Source: PGIM Fixed Income. As of July 31, 2020. Please see the Reference section for important disclosures regarding the information contained herein. All investments involve risk, including the possible loss of capital. Past performance is not a guarantee or a reliable indicator of future results.



Increase In Fallen Angels Expected to Moderate Over Second Half

- Estimated \$215 billion of fallen angels activity in 2020, representing 15-20% of the current high yield market, but could be significantly higher
- “BBB” rated companies now comprise 50% of investment grade corporate market
- Sectors potentially impacted the most are energy, transportation, leisure and lower quality retail



Sources: JPMorgan. There can be no assurance that the forecasts will be achieved.



Post Crisis, Spread Products Positioned to Outperform over the Long Term, However...

...the 'intra-crisis' volatility in spreads has proved to be much higher post global financial crisis as the overall level of growth has declined, debt has increased, and rates have gotten closer and closer to their effective lower bounds



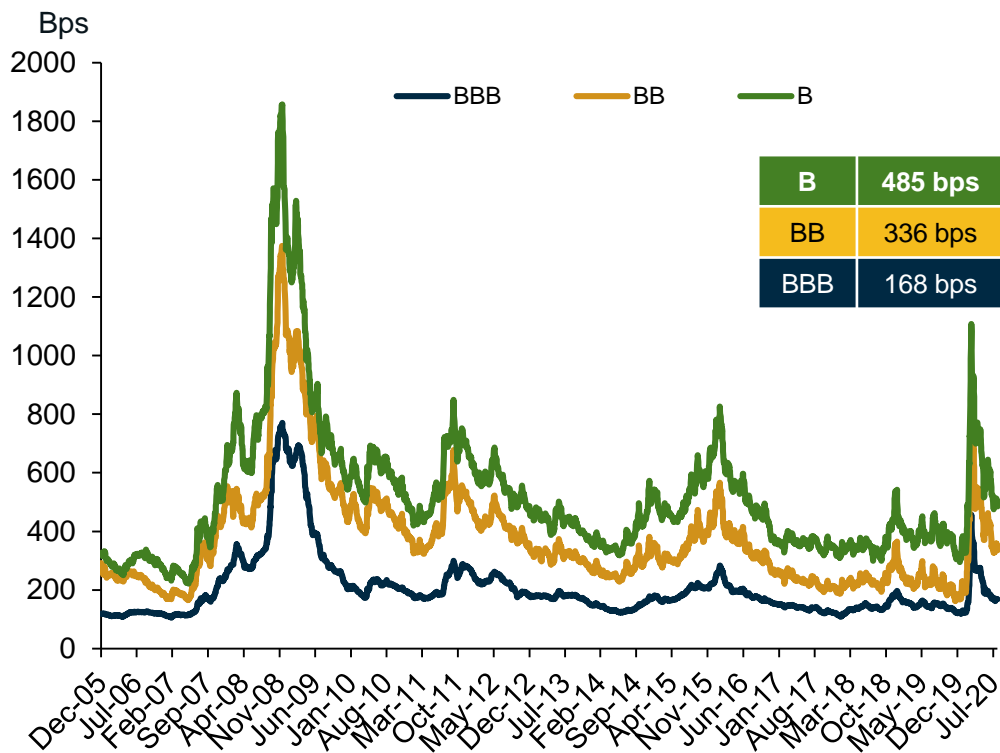
Source: Bloomberg Barclays. For illustrative purposes only; sets forth our views as of this date. The underlying assumptions and our views are subject to change. Past performance is not a guarantee or a reliable indicator of future results. Future results are not guaranteed and may be unpredictable particularly in times of market volatility. Loss of principal may occur.



Crisis Creating Crossover Opportunities

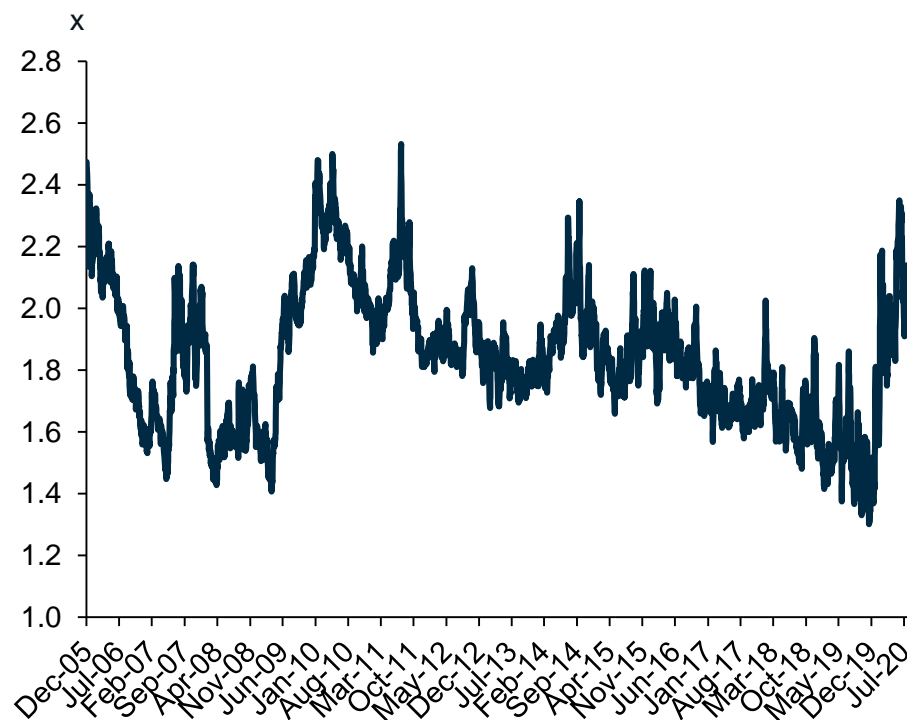
Bloomberg Barclays BBB/BB/B Spreads

As of August 25, 2020



Bloomberg Barclays BB/BBB Spread Ratio

As of August 25, 2020



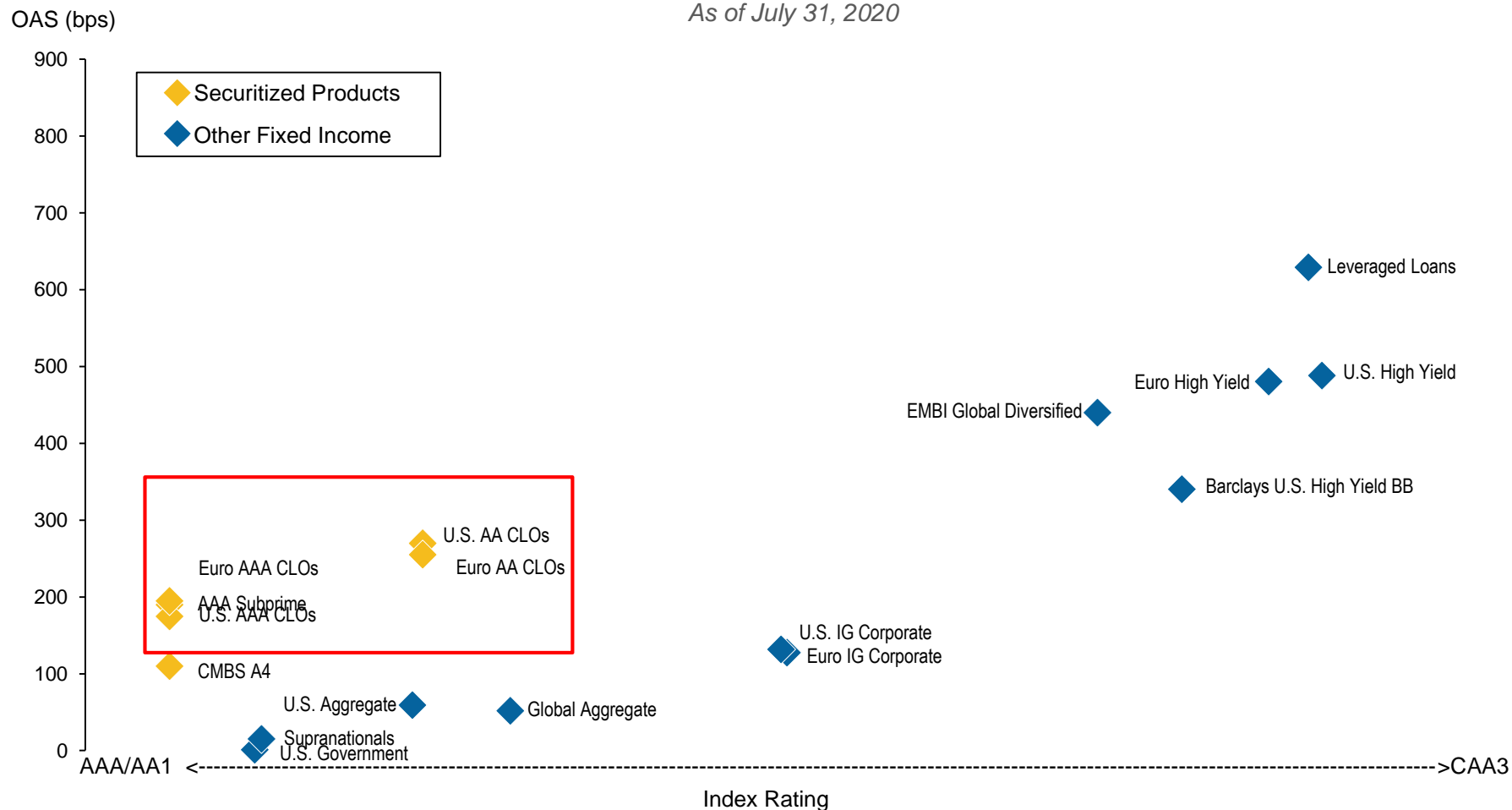
Source: Bloomberg Barclays.



High Quality Securitized Product Presents Attractive Risk-Adjusted Value

Option Adjusted Spread vs. Rating

As of July 31, 2020



Past performance is not a guarantee or a reliable indicator of future results. Please see the Reference section for important disclosures. Source: Bloomberg Barclays, JPMorgan, Bloomberg. Performance over one-year is annualized.



Enter the Golden Age of Credit

- Growth and inflation are expected to remain constrained keeping interest rates low and central banks accommodative
 - The force of the global central banks provides a backstop and a tail wind, particularly for assets that are targeted by the various programs
- We are in a rare era where corporates will likely look to manage for bondholders, not equity holders.
 - The preservation of free cash flow by slashing dividends (dividend swap market is pricing a 35% drop in dividends next year), pull back in capex and the regulatory restraint on share repurchases all benefit bondholders over shareholders
- Investment grade corporates
 - Value in short end of the curve; and pretty much across the maturity spectrum with a slight preference for longer spread duration assets
 - Long duration taxable municipals
- Leverage Finance
 - Crossover/ Fallen Angel market bares close watching--historically fallen angels represent a fantastic return potential
- High quality structured product paper is an attractive risk/reward, particularly as central banks provide liquidity support

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Reference



Gregory Peters is a Managing Director and Head of PGIM Fixed Income's Multi-Sector and Strategy. Mr. Peters is a senior portfolio manager for Core, Long Government/Credit, Core Plus, Absolute Return, and other multi-sector Fixed Income strategies, in addition to having oversight of the firm's investment strategy function. Prior to joining PGIM Fixed Income in 2014, Mr. Peters was the Chief Global Cross Asset Strategist at Morgan Stanley, responsible for the Firm's macro research and asset allocation strategy. In addition, he was Morgan Stanley's Global Director of Fixed Income & Economic Research and served on the Firm Risk, Investment, Asset Allocation, Global Credit, and Global Fixed Income Operating Committees. Earlier, he worked at Salomon Smith Barney and the Department of U.S. Treasury. He earned a BA in Finance from The College of New Jersey and an MBA from Fordham University. Mr. Peters is a member of the Fixed Income Analyst Society and the Bond Market Association. Mr. Peters was named a 2018 and 2019 winner of the Pension and Investment Provider Award for Global Multi-Asset Credit.

Steven Ahrens, CFA, is a Vice President in Client Management for PGIM Fixed Income. Mr. Ahrens is responsible for providing ongoing service to PGIM Fixed Income's institutional clients. This includes development of customized client communication plans, responding to daily inquiries, and coordination of activity with our clients' other service providers. Mr. Ahrens has been with the Firm since 1991 and has held positions in Finance, General Account Portfolio Management, and most recently Mutual Fund Product Management where he was the product manager for the Dryden family of fixed income mutual funds. Mr. Ahrens received an MBA in Finance from Rutgers University. He holds the Chartered Financial Analyst (CFA) designation.



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Global Outlook & Portfolio Implications

September 2020

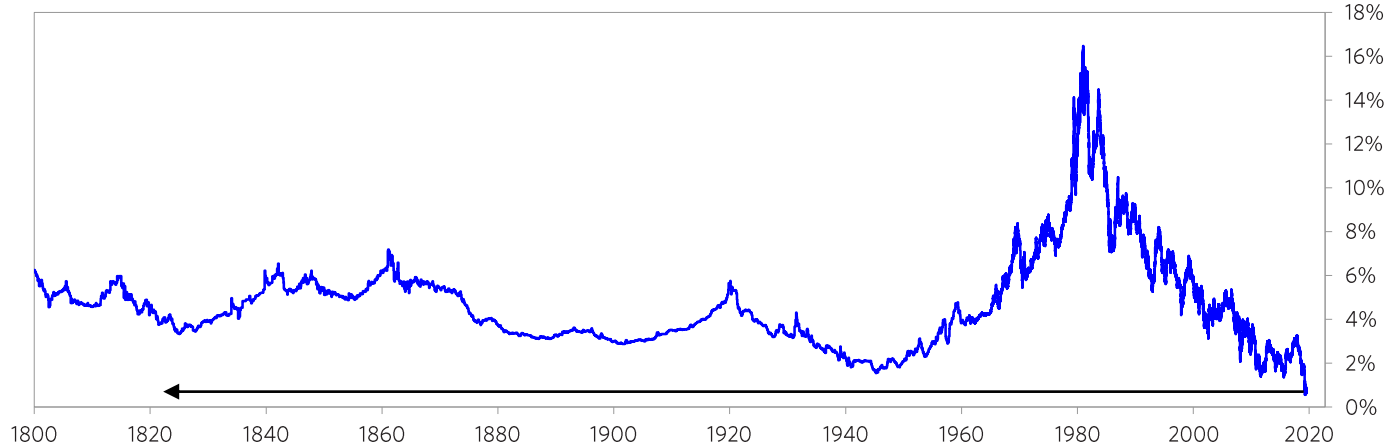
Global Outlook: The New MP3 World

THE NEW PARADIGM

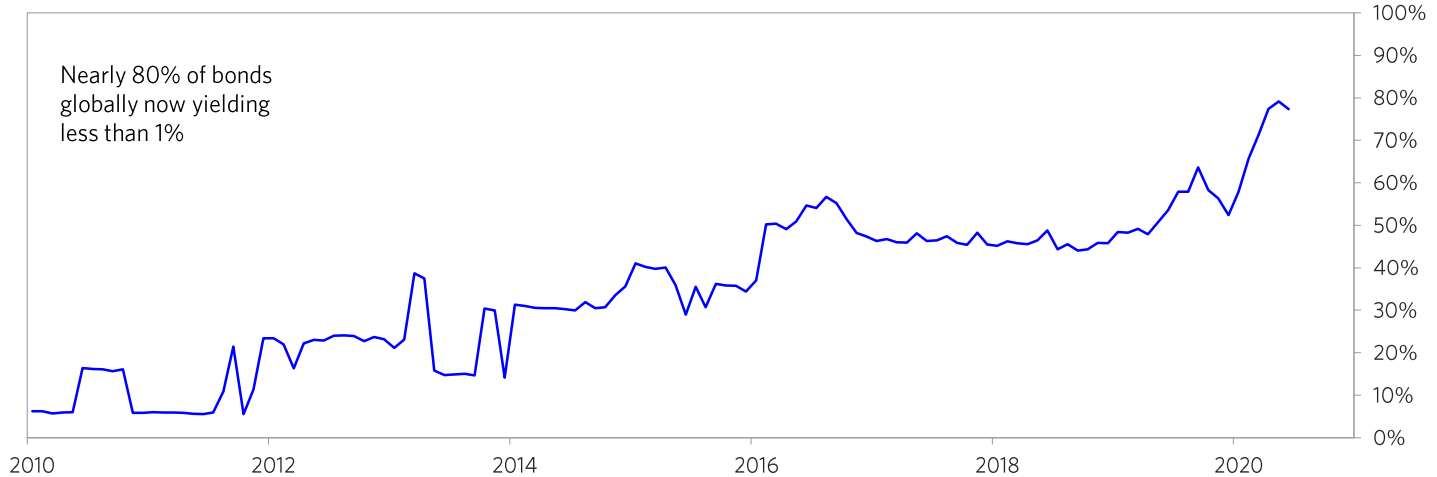
- ◆ Before the pandemic, developed economies were facing growing secular challenges of too many IOUs, limited monetary policy effectiveness, growing internal and external conflict, and growth too weak to deal with these things.
- ◆ Today we have:
 - An unprecedented global income collapse and major ongoing risks.
 - The exhaustion of traditional tools for stimulating economies—interest rates (Monetary Policy 1/“MP1”) and quantitative easing (MP2).
 - Near-zero bond yields virtually everywhere, making all assets riskier and nominal bonds limited in their ability to provide both return and diversification.
 - Policy makers turning to fiscal-monetary coordination (MP3) as the primary tool for dealing with downturns.
- ◆ These developments present challenges for all investors. Diversification has never been more important, yet never more challenging to achieve.
- ◆ A balanced approach to beta, with sufficient inflation protection, is more important than ever.

WE ARE LIVING THROUGH AN UNPRECEDENTED PERIOD

USA Nominal 10yr Bond Yield



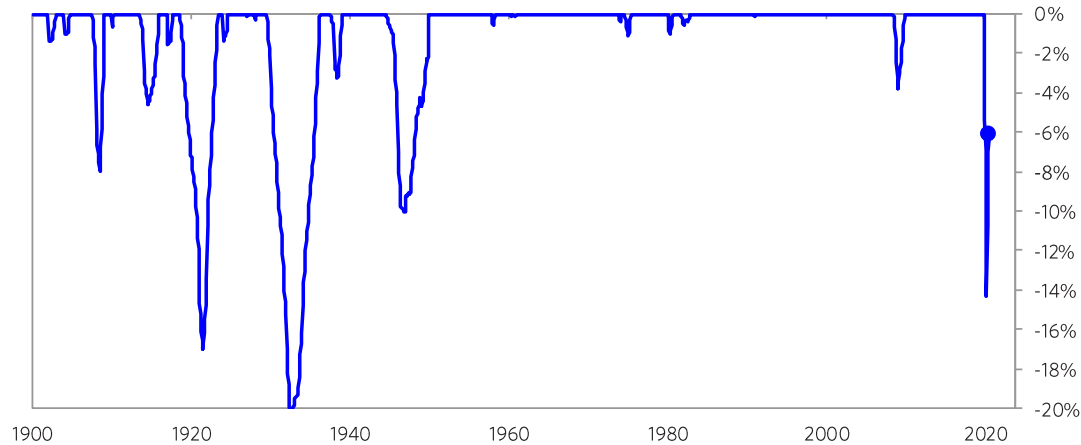
Percent of Government Bonds Yielding below 1%



THE CORONAVIRUS IS CREATING SIGNIFICANT CHALLENGES

A Massive Income Hit...

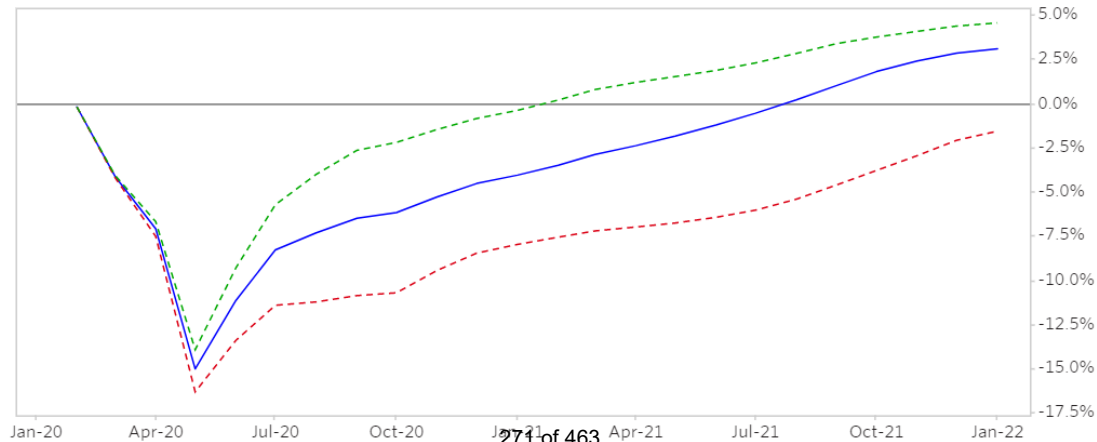
Global Real GDP Drawdowns



...Leading to Massive Uncertainty

World RGDP Drawdown (Indexed to Dec 19)

— Baseline - - - Pessimistic - - - Optimistic



Updated as of August 2020. Estimates based on Bridgewater analysis. Please review the "Important Disclosures and Other Information" located at the end of this document.

STIMULATION WILL NOW HAPPEN THROUGH FISCAL SPENDING PAIRED WITH MONEY PRINTING

Channels by which MP1, MP2 & MP3 Stimulate Spending



Monetary Policy 1
(interest rate policy)



Borrowers (interest rate induced spending)



Monetary Policy 2
(QE)



Savers (asset/liquidity induced spending)



Monetary Policy 3
(coordinated
fiscal-monetary actions)



Government (direct spending
financed by money printing)

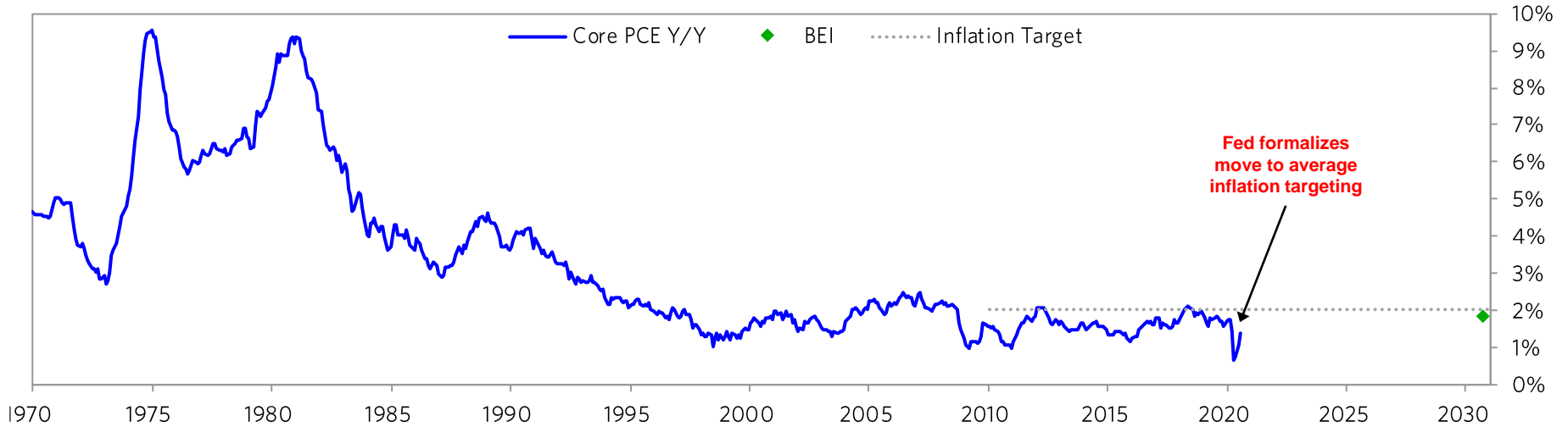
GROWTH IMPACT AND POLICY RESPONSE SO FAR

	2020 Corporate Revenue Losses (%GDP)†	Next 12m Growth Drag†	Headline Stimulus (%GDP)	Stimulus Impact (%GDP)	Net Growth Impact	QE Flow (%GDP)
Mexico	--	-16%	2%	2%	-14%	--
Spain	--	-17%	36%	9%	-9%	*
Netherlands	--	-13%	11%	5%	-8%	*
United Kingdom	-28%	-17%	26%	10%	-7%	10%
India	-38%	-10%	9%	4%	-6%	2%
South Africa	-7%	-10%	8%	4%	-6%	2%
Eurozone	-27%	-12%	36%	6%	-5%	12%
Russia	--	-8%	12%	3%	-5%	--
Brazil	-9%	-11%	15%	6%	-5%	--
Turkey	--	-10%	9%	5%	-5%	0%
Italy	--	-13%	44%	8%	-5%	*
France	--	-11%	28%	6%	-4%	*
Germany	--	-9%	43%	6%	-3%	*
Canada	-28%	-9%	20%	7%	-3%	17%
Japan	-23%	-7%	41%	6%	-1%	12%
United States	-17%	-11%	33%	10%	-1%	7%
Korea	-15%	-2%	11%	2%	1%	--
Australia	-15%	-5%	12%	6%	1%	0%
China	-18%	-5%	18%	8%	3%	--

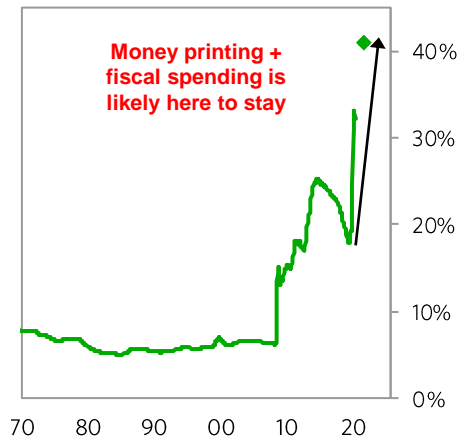
†Corporate Revenue Losses and Next 12m Growth Drag exclude the impact of fiscal stimulus programs. *Part of Eurozone.

BALANCE OF PRESSURES ON INFLATION IS SHIFTING

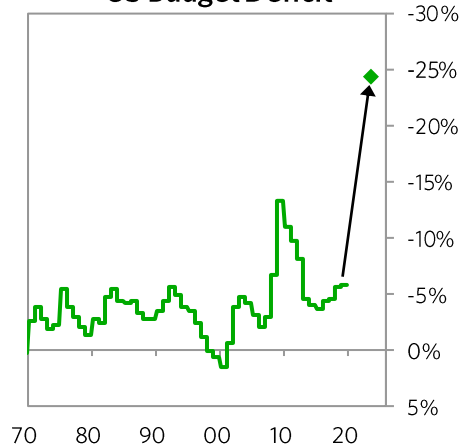
US Inflation



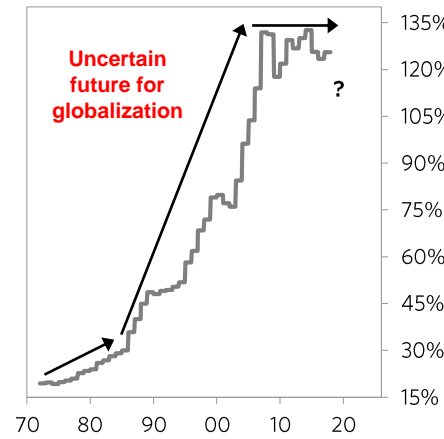
Fed Balance Sheet



US Budget Deficit



Cross-Border Capital Stock

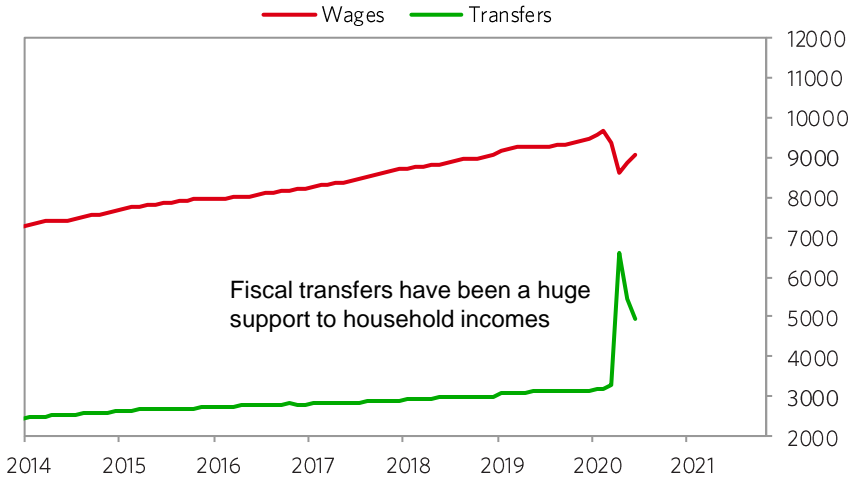


Labor Share of Output

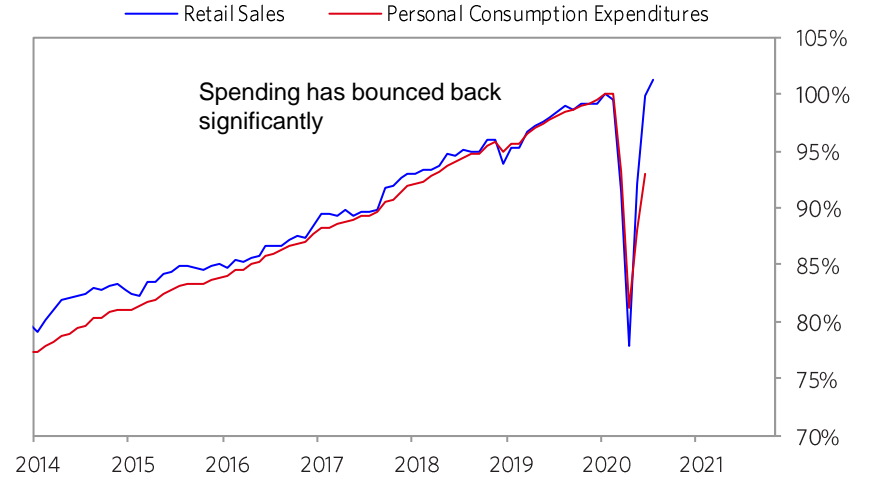


INFLATION PRESSURES COULD HAPPEN SOONER

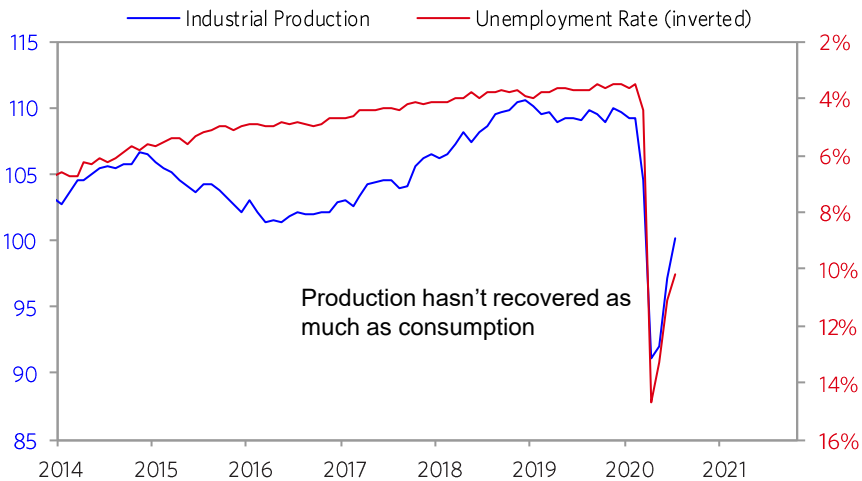
Sources of Household Income (\$bn, ann.)



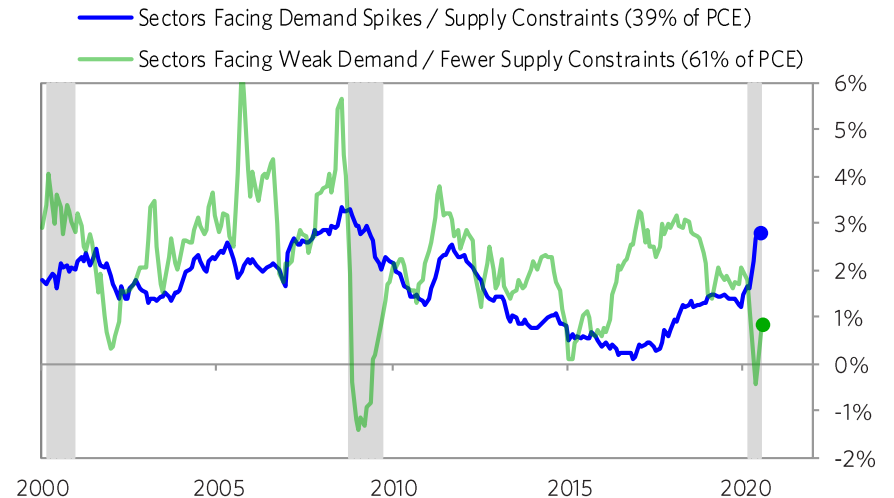
Spending (% of Pre-Pandemic Peak)



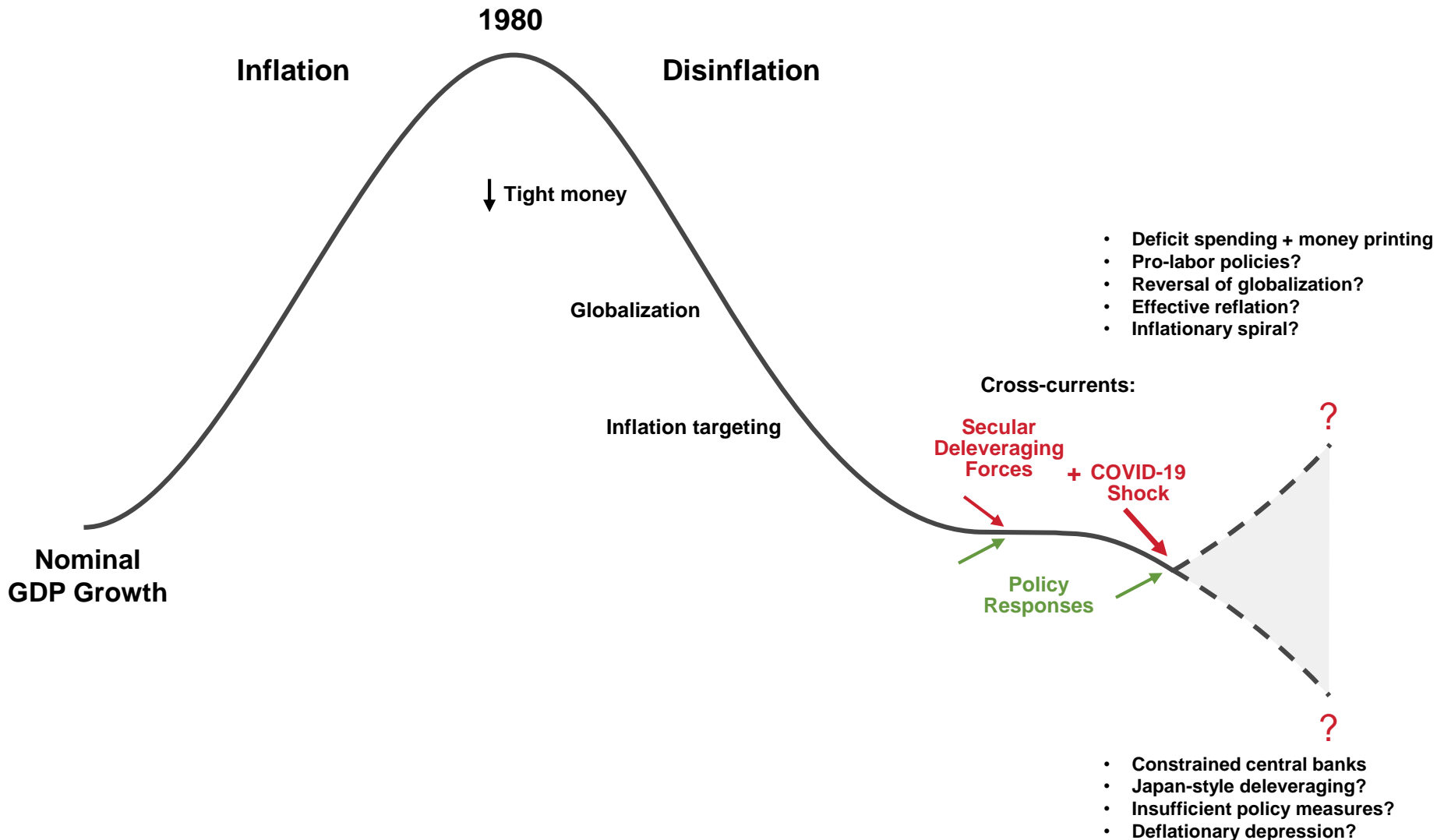
Production and Unemployment



US Inflation by Sector

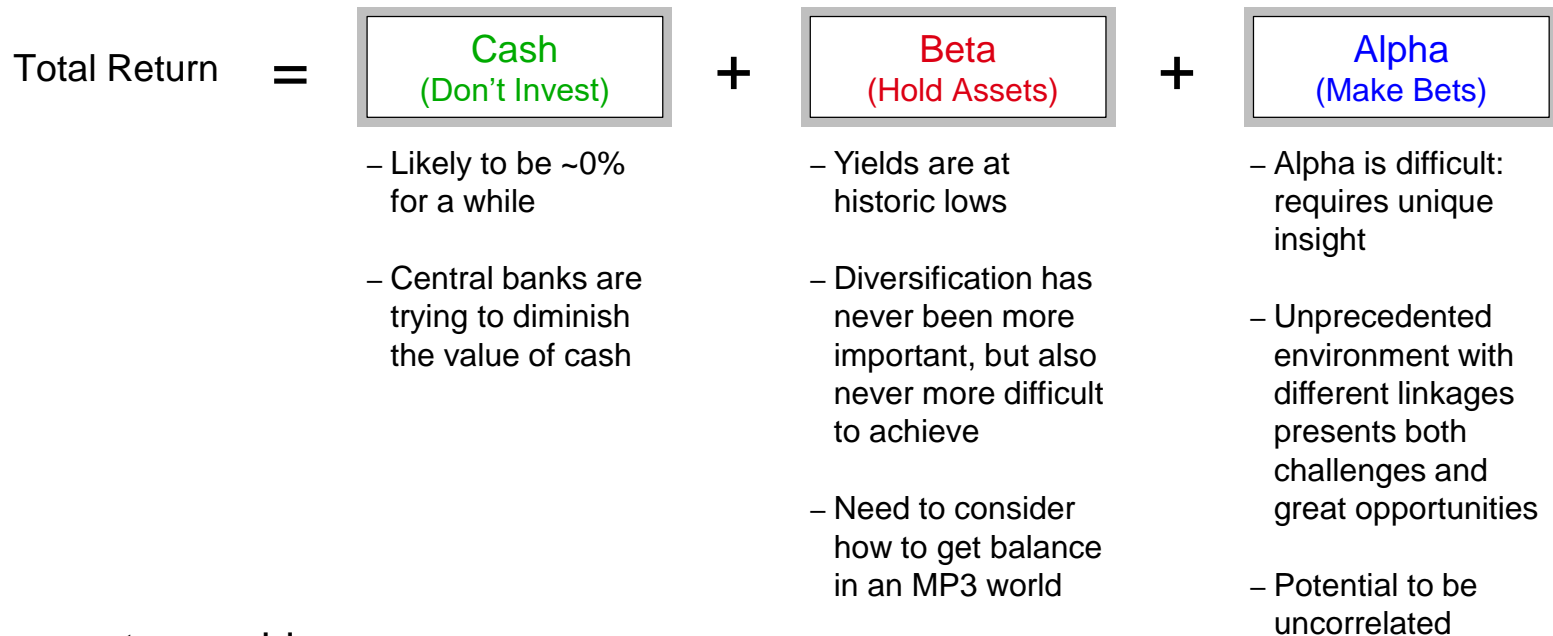


INVESTORS MUST PREPARE FOR A WIDE RANGE OF POSSIBLE OUTCOMES



TODAY'S UNIQUE INVESTMENT CHALLENGES

Three sources of return:



Levers to consider:

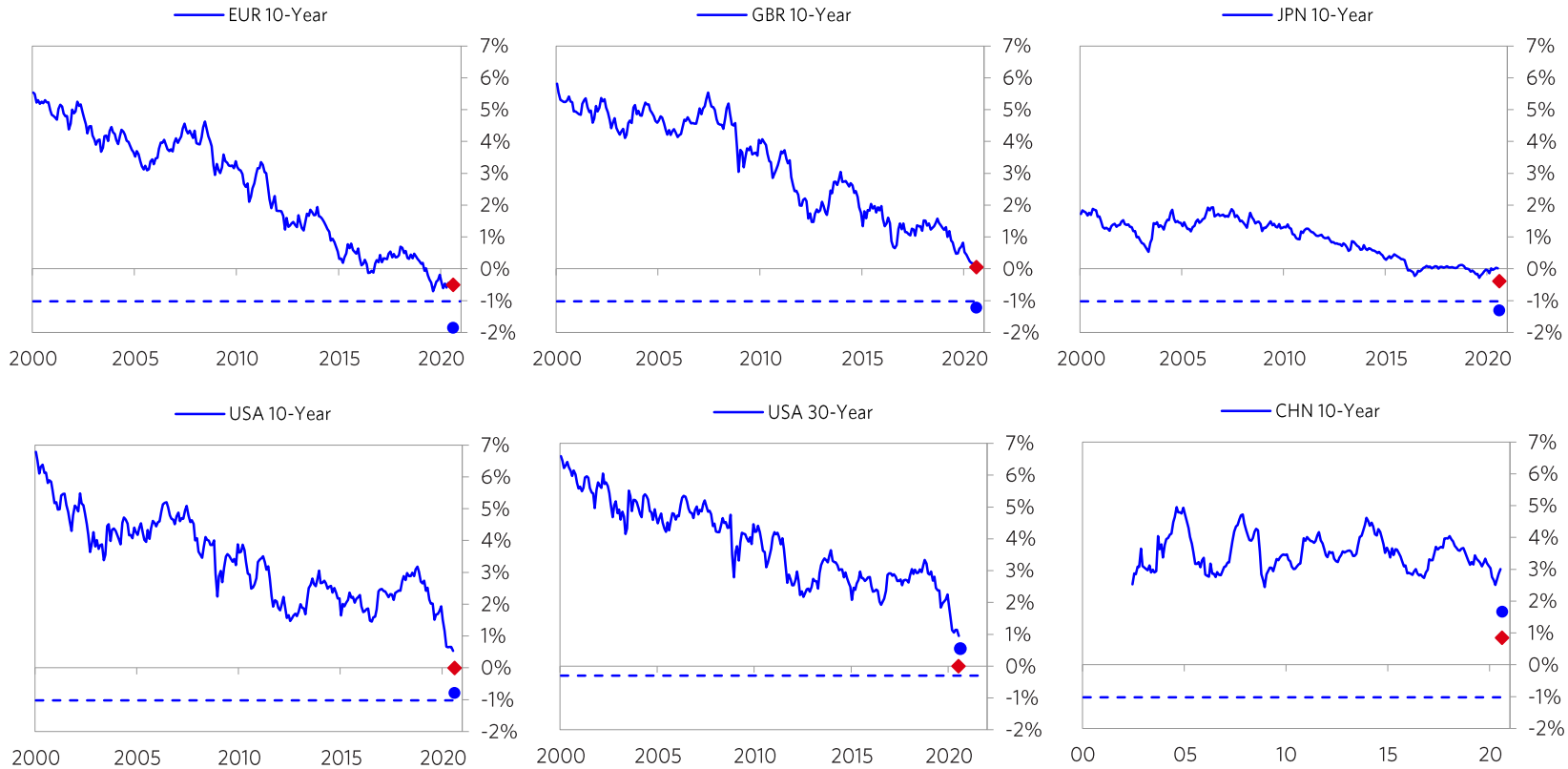
- Environmental diversification (particularly inflation-sensitive assets)
- Geographic diversification
- Value diversification as much as goodness
- Maximize opportunity set and capital efficiency of alpha through tools like alpha overlay

277 of 463 Portfolio-level leverage?

Strategic Portfolio Implications

BONDS NO LONGER HAVE MEANINGFUL ROOM TO RALLY

- Sovereign Bond Yield
- - - Lowest Observed Yield
- Fall In Yield Required For A 10% Return
- ◆ Lowest Observed Short Rate By Country



Many bonds are already unable to provide much protection...

... while others have some, but limited, room to rally.

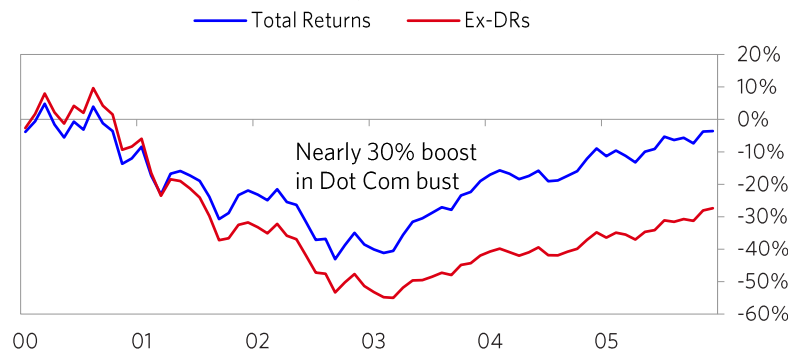
ZERO YIELDS MAKES ALL ASSETS RISKIER

- ◆ Falling interest rates were historically a meaningful cushion during equity drawdowns, but this support will be severely diminished going forward.

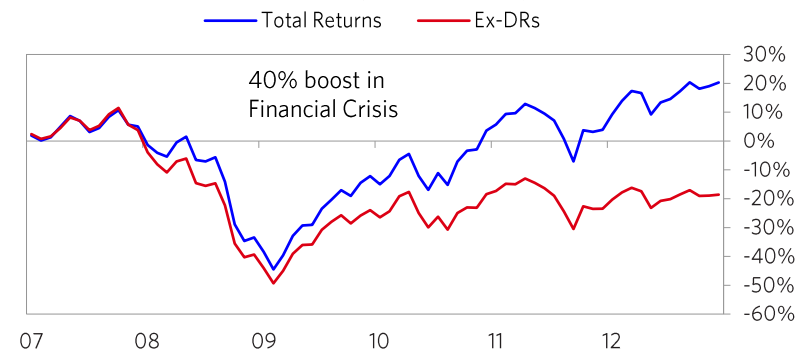
USA Equity Drawdowns Larger Than 20% since 1925

Period	Equity Drawdown	Max Decline in Interest Rates	
		Short Rates	Long Rates
1929-1945	-84%	-4.8%	-2.6%
2007-2012	-52%	-3.4%	-2.6%
2000-2006	-46%	-5.6%	-2.5%
1973-1976	-43%	-4.6%	-0.9%
2020	-34%	-1.5%	-0.9%
1987-1989	-29%	-0.6%	-1.5%
1968-1971	-29%	-5.0%	-2.5%
1962-1963	-22%	0.0%	-0.3%
1946-1949	-22%	-0.1%	-0.4%
Average	-40%	-2.9%	-1.6%

Dot Com Bubble (Ind. Jan 2000)



Financial Crisis (Ind. Jan 2007)

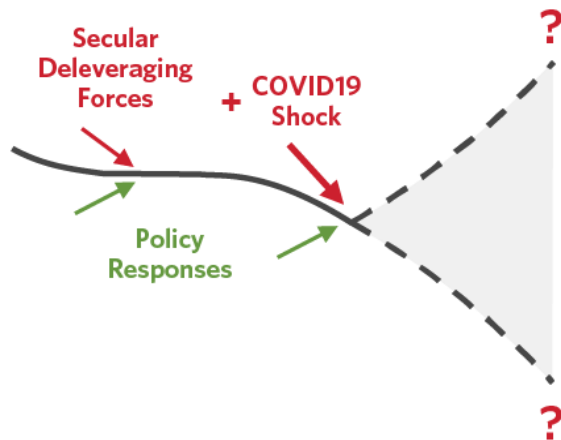


WE HAVE SEEN MP3 DYNAMICS BEFORE: UNDERSTANDING THE RANGE OF OUTCOMES

Examining Case Studies Reflective of...

Nominal GDP Growth

Cross-currents:



Inflationary Spiral

Loss of confidence in the currency, massive inflation, and real wealth destruction (e.g., Weimar Republic '18-'25, Argentina '80-'88)

Monetary and Fiscal Stimulation

UK 70-79: Rising fiscal, pro-labor policies, labor malaise, stagflation

US 71-79: Nixonomics, fiscal coordinated with MP, price controls, oils shocks, stagflation

US 40-51: Massive fiscal on military, coordinated with MP, yield curve targeting, rising inflation

UK 47-59: Beautiful deleveraging, MP allowing inflation, coordinated with fiscal policy

US/UK 08-12: Timely monetary and fiscal stimulation, beautiful deleveraging

Insufficient / Ineffective Policy Making

US 36-39: In deleveraging, policy makers tightened a bit too much through monetary and fiscal

JP/EU 08-12: Slower to stimulate in response to GFC, recovery significantly lagged the US/UK

JP 94-03: Ineffective central bank post-bubble popping, entrance into deflation, depression

Deflationary Depression

US 29-33: Great Depression, deflationary deleveraging before FDR breaks peg to gold in 1933

DOES MP3 MEAN REFLATION OR STAGFLATION? DIVERSIFY AGAINST BOTH OUTCOMES

Excess Returns at 10% Volatility (Ann.)

	(1) Growth vs Exp	Inflation vs Exp	Equities	Bonds	(2) IL Bonds	Gold	60/40 Portfolio	Balanced Portfolio w/o Nom. Bonds	(3)
Stagflation	UK 1970-1979	↓	↑	1.4%	-0.3%	14.5%	12.6%	1.3%	14.6%
	US 1971-1979	↓	↑	0.0%	-2.3%	7.2%	15.4%	-0.5%	10.5%
Successful Reflation	US 1940-1951	↑	↑	6.9%	5.0%	12.7%	0.3%	7.7%	11.5%
	UK 1947-1959	↑	↑	6.2%	0.1%	4.7%	-0.4%	6.1%	6.7%
	US 2008-2012	↑	↑	4.0%	11.7%	17.6%	9.7%	6.8%	15.9%
	UK 2008-2012	↑	↑	3.8%	12.9%	13.4%	11.5%	6.5%	15.1%
Insufficient Stimulation	US 1936-1939 (1)	↓	↓	0.7%	8.7%	7.1%	-0.1%	2.7%	4.2%
	EU 2008-2012	↓	↓	-1.1%	7.7%	11.0%	11.7%	0.5%	8.5%
	JP 2008-2012	↓	↓	-2.1%	7.2%	10.2%	5.0%	-1.4%	3.8%
	JP 1994-2003	↓	↓	-1.4%	8.7%	7.9%	-0.1%	-0.6%	1.8%
Deflationary Depression	US 1929-1933	↓	↓	-18.4%	6.0%	-15.6%	-0.9%	-16.3%	-19.9%
Avg. Returns	-	-	0.0%	5.9%	8.2%	5.9%	1.2%	6.6%	
Avg. Worst Drawdown	-	-	-29.4%	-17.9%	-18.3%	-14.9%	-28.6%	-22.2%	

Unlikely – policy makers committed to doing whatever it takes to avoid

(1) If MP3 leads to inflation without real growth, or there is insufficient stimulation, equities will likely struggle.

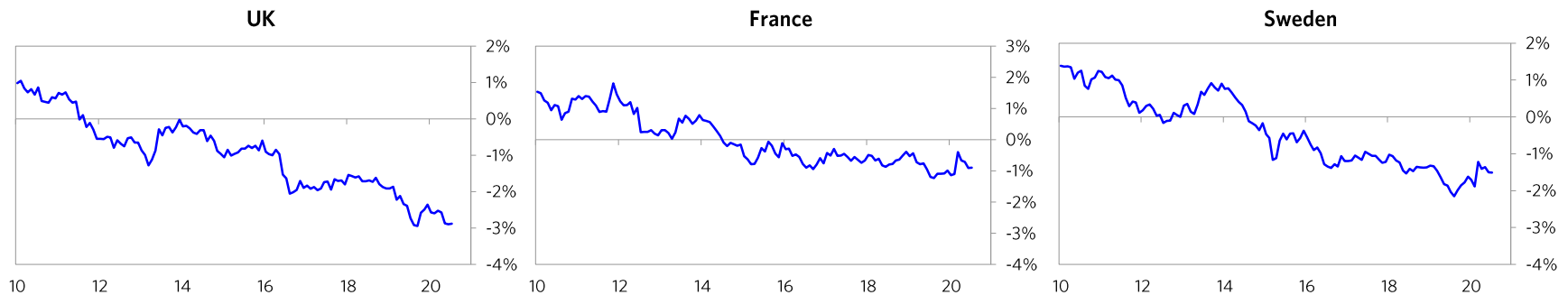
(2) In inflationary environments, real assets like gold and ILs are often the best storehold of wealth.

(3) Successful reflation can lead to good nominal asset returns, but real returns can be much lower, making inflation protection especially important.

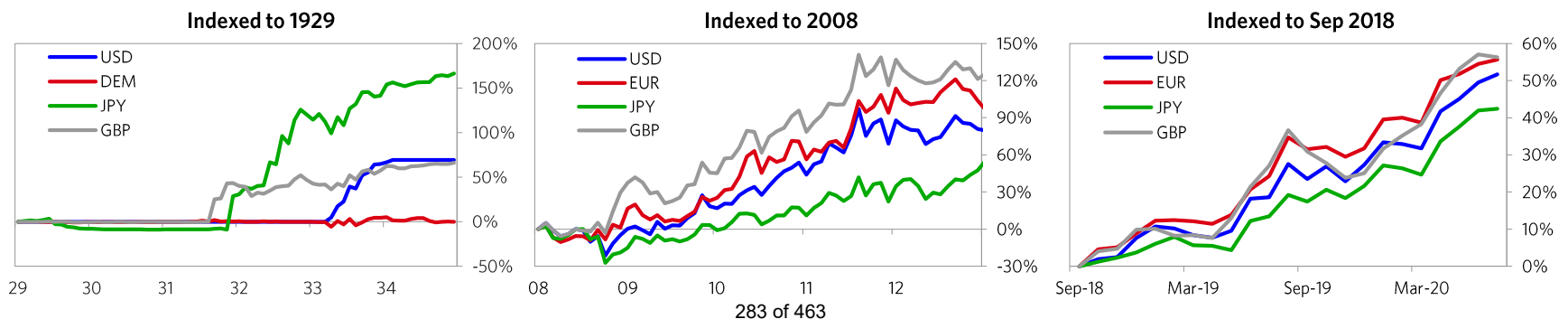
BALANCE IN MP3: BALANCING REFLATION AND STAGFLATION

- ◆ In an MP3 world, in the event of a downturn, central banks and fiscal authorities will try to reflate by printing money and spending it in the real economy.
- ◆ If the policy results in a successful reflation, assets (particularly equities) will do well.
- ◆ If the policy fails to reflate the economy, there will likely be stagflation (weak growth and higher inflation/currency debasement)—in this case, equities will underperform but inflation-hedge assets like inflation-linked bonds and gold will tend to do well.

No Lower Bound on Real Yields

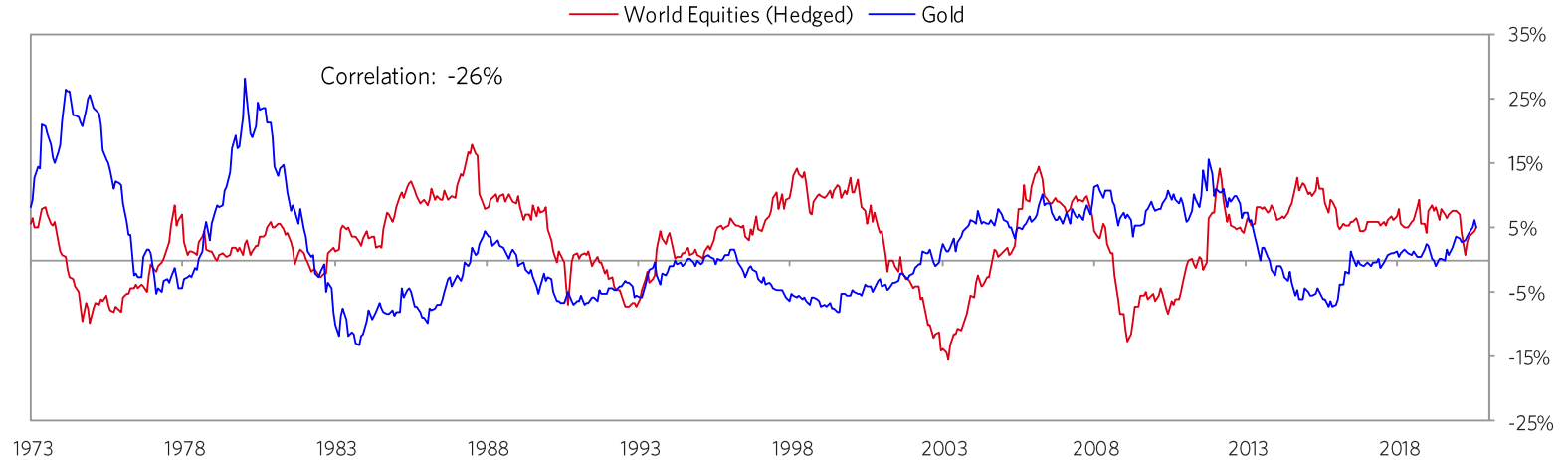


Gold vs Fiat Currency

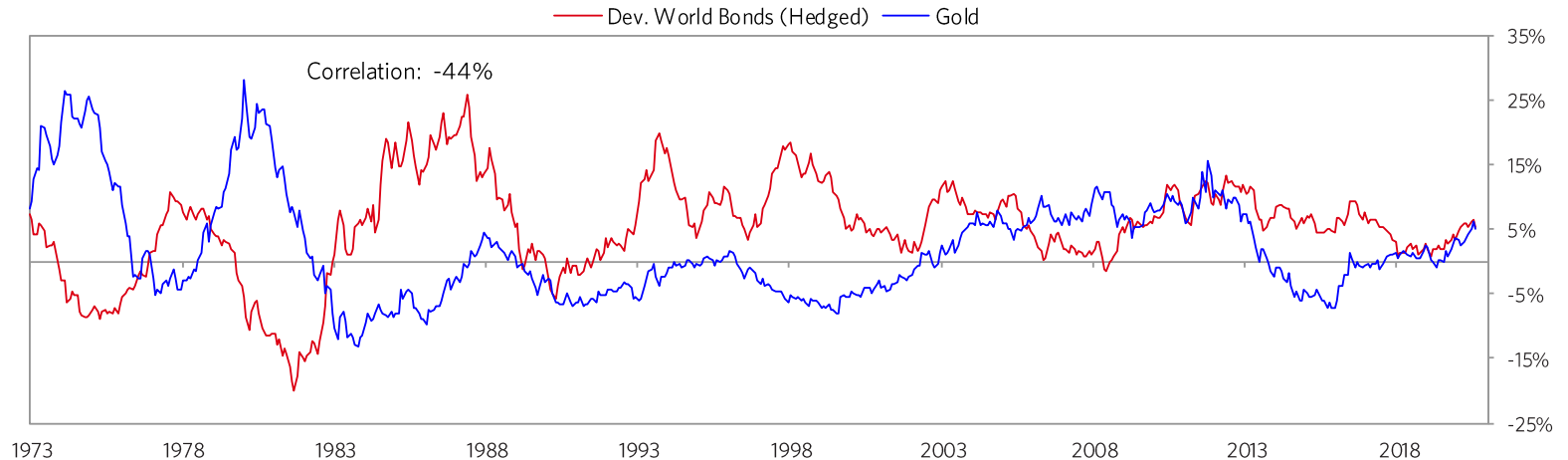


GOLD IS DIVERSIFYING

Rolling 3-Year Annualized Excess Returns (Vol Matched @ 10%)



Rolling 3-Year Annualized Excess Returns (Vol Matched @ 10%)



THE RECENT GOLD RALLY IS SMALL RELATIVE TO HISTORY

Gold Price vs Paper Currency

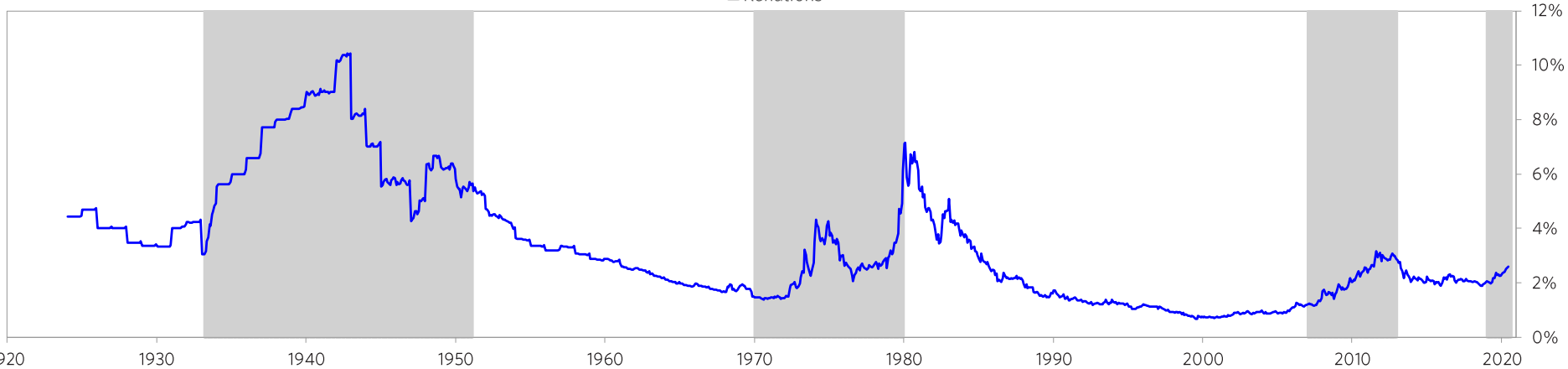
Reflations
 vs Global Paper Currency Basket (Indexed to 1920)
 vs USD, per Troy Oz



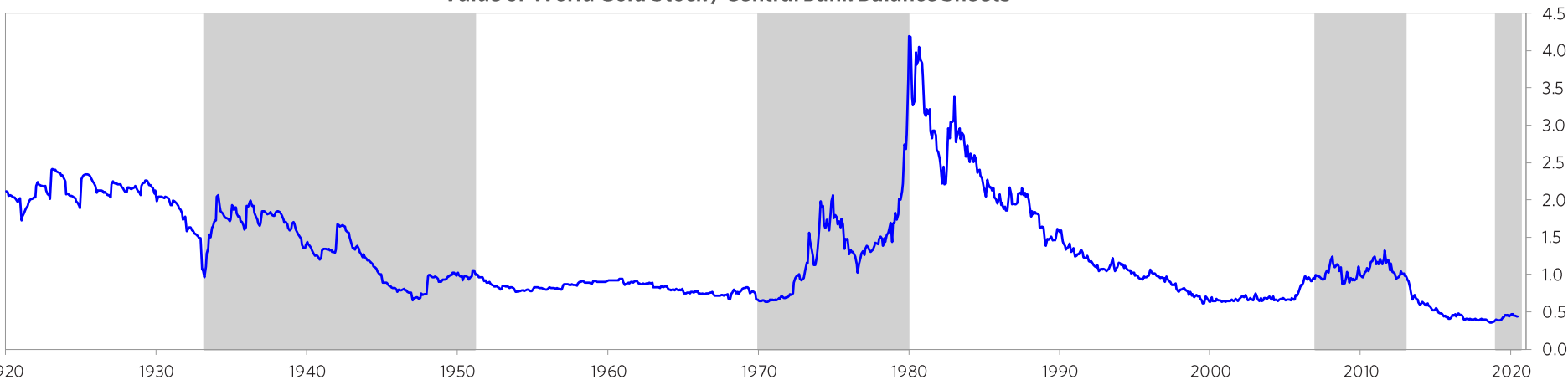
THERE IS AMPLE ROOM FOR GOLD ALLOCATIONS TO INCREASE

Gold Share of Global Financial Assets

■ Reflations



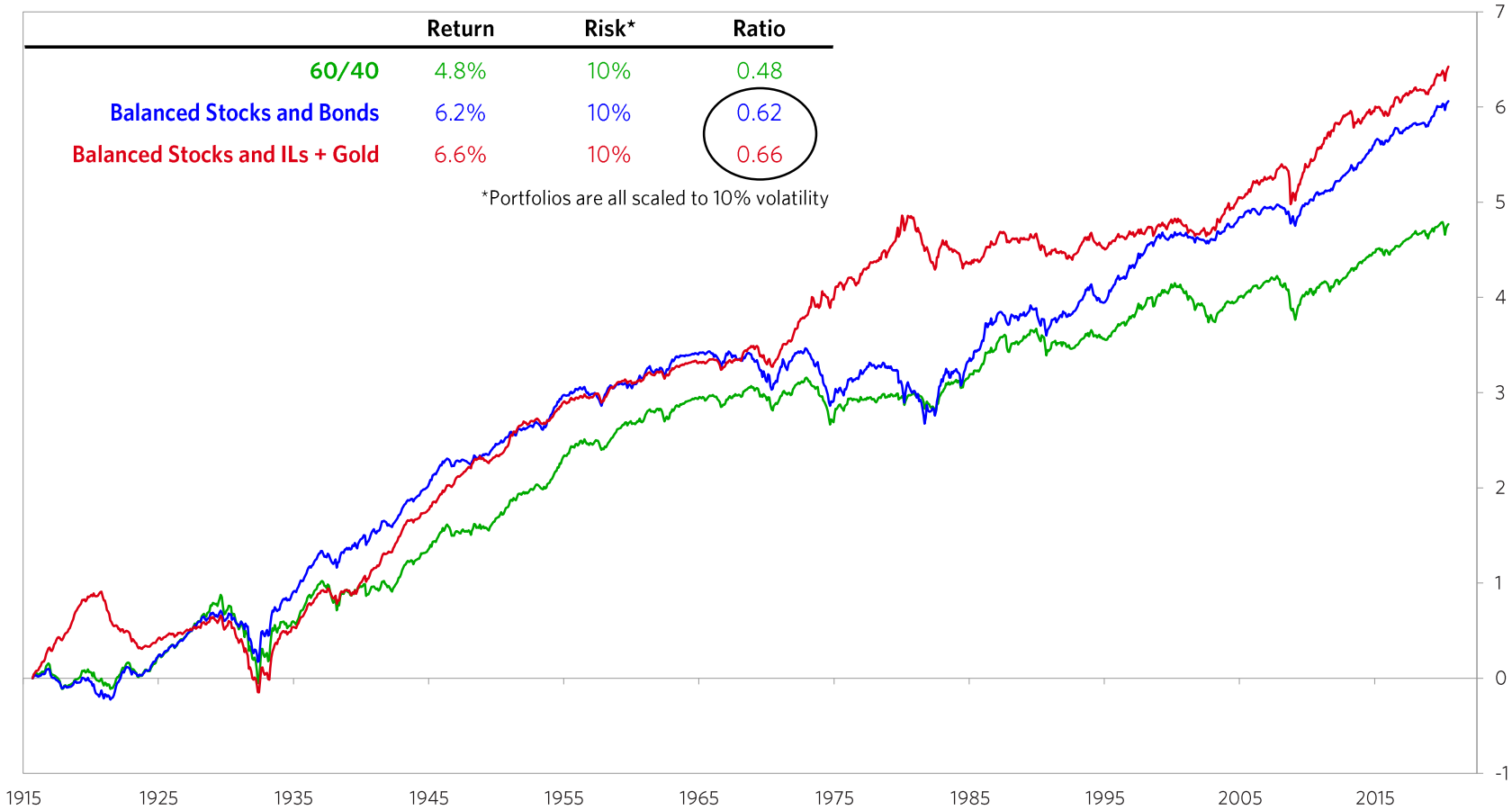
Value of World Gold Stock / Central Bank Balance Sheets



OVER TIME, IL BONDS + GOLD PROVIDE A SIMILAR EFFICIENCY IMPROVEMENT AS NOMINAL BONDS

Global Portfolio Cumulative Excess Returns (ln)

— 60/40 — Risk-Balanced Stocks and Bonds — Risk-Balanced Stocks and ILs + Gold



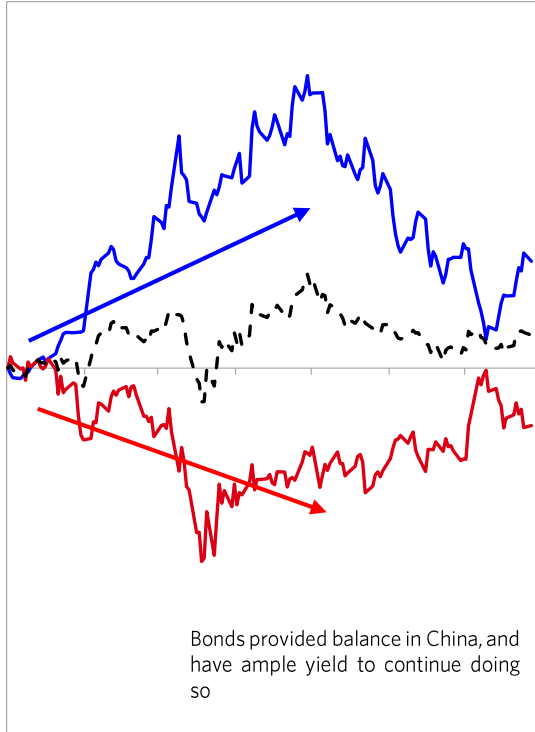
The global 60/40 consists of a 60% capital allocation to equities and a 40% capital allocation to nominal bonds. Risk-balanced stocks and bonds and risk-balanced stocks and IL-bonds + gold consist of, respectively, equal risk allocations to stocks and nominal bonds and to stocks and a mix of IL bonds and gold. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

GEOGRAPHIC DIVERSIFICATION IS ESPECIALLY IMPORTANT TODAY...

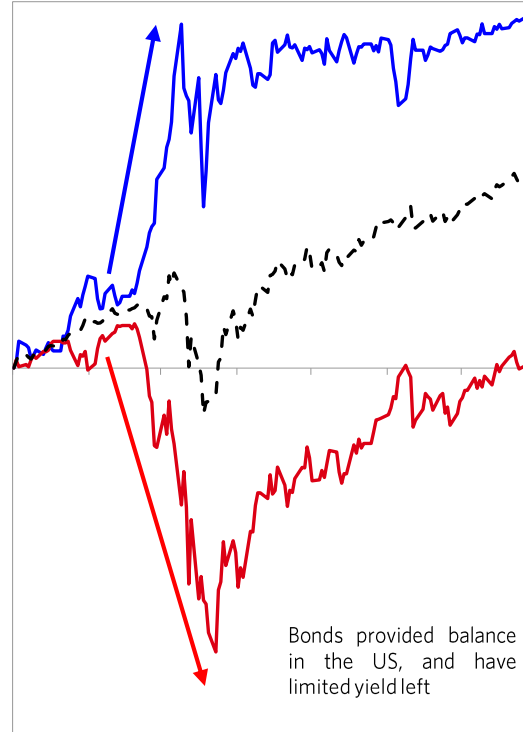
2020 Cumulative Excess Returns

— Risk-Matched Nominals — Equities - - - - Equal Mix

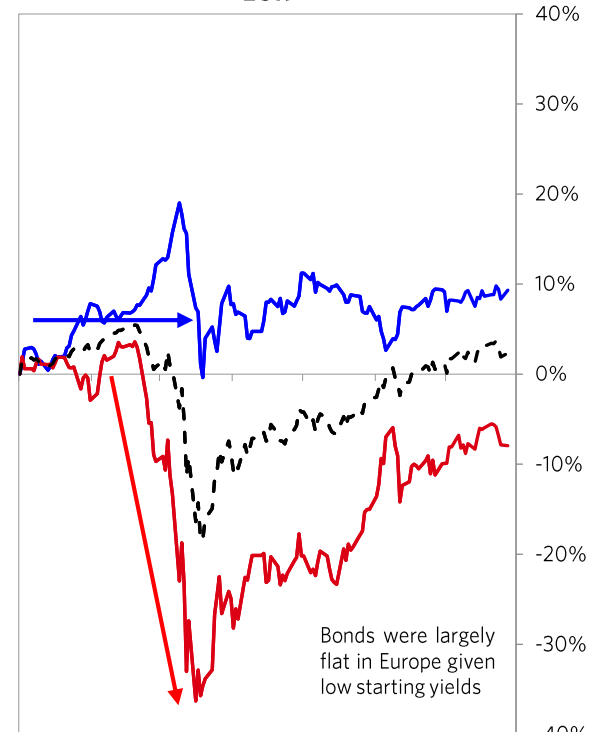
CHN



USA



EUR



Current 10y Yield:

2.9%

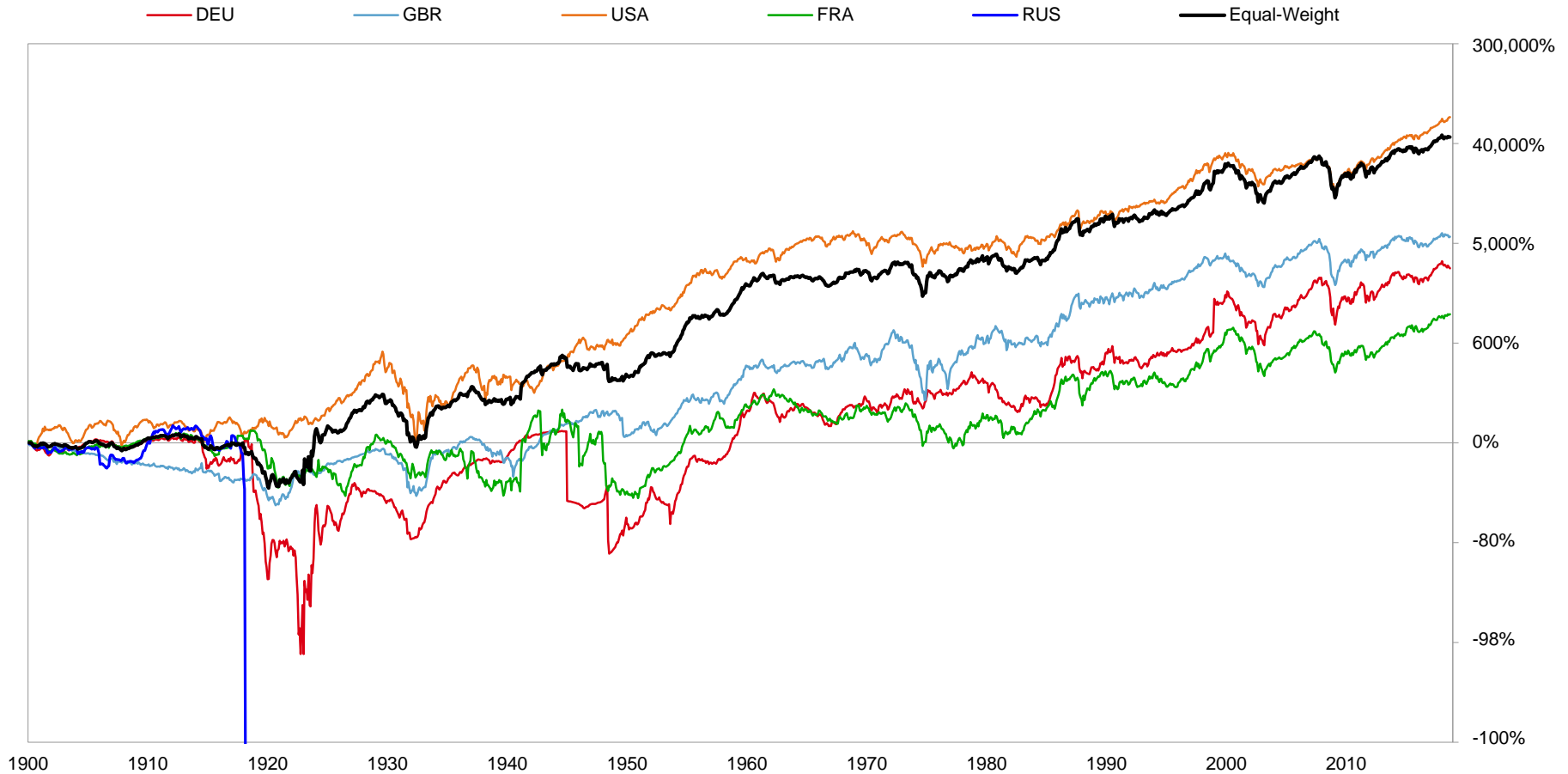
0.6%

-0.5%

Analysis through 7/27. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this document.

...BUT IT HAS ALWAYS MATTERED

Equity Market Cumulative Excess Returns Since 1900 (In Scale)

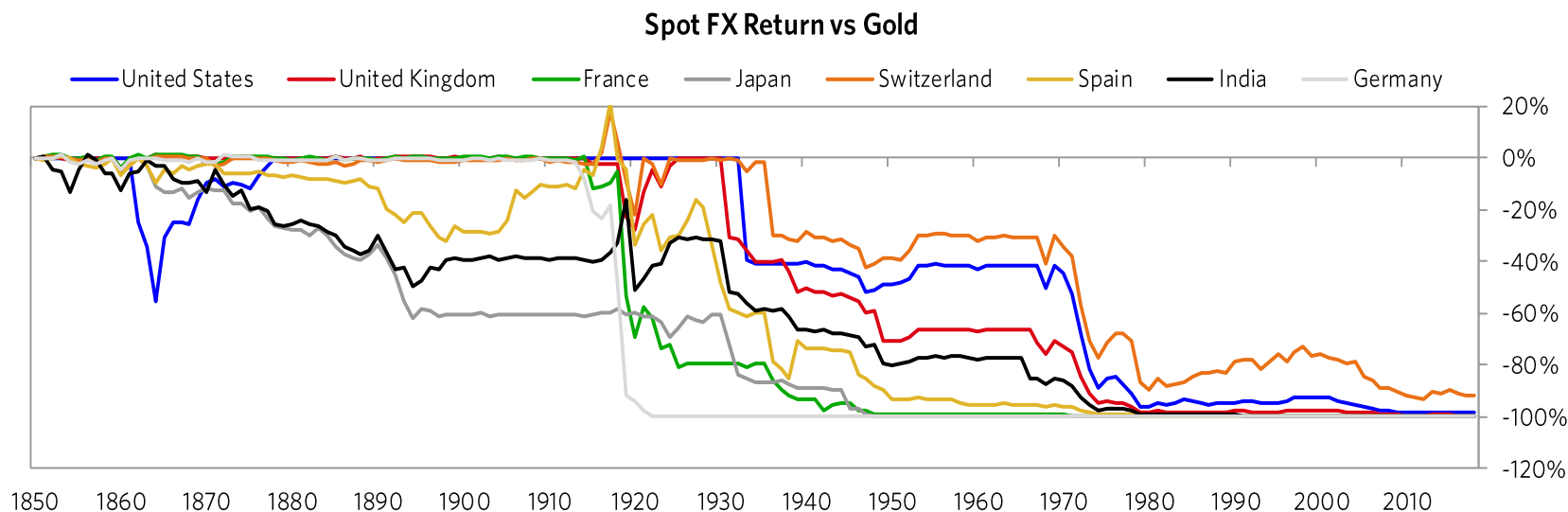


Analysis through 2018. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this document.

Appendix

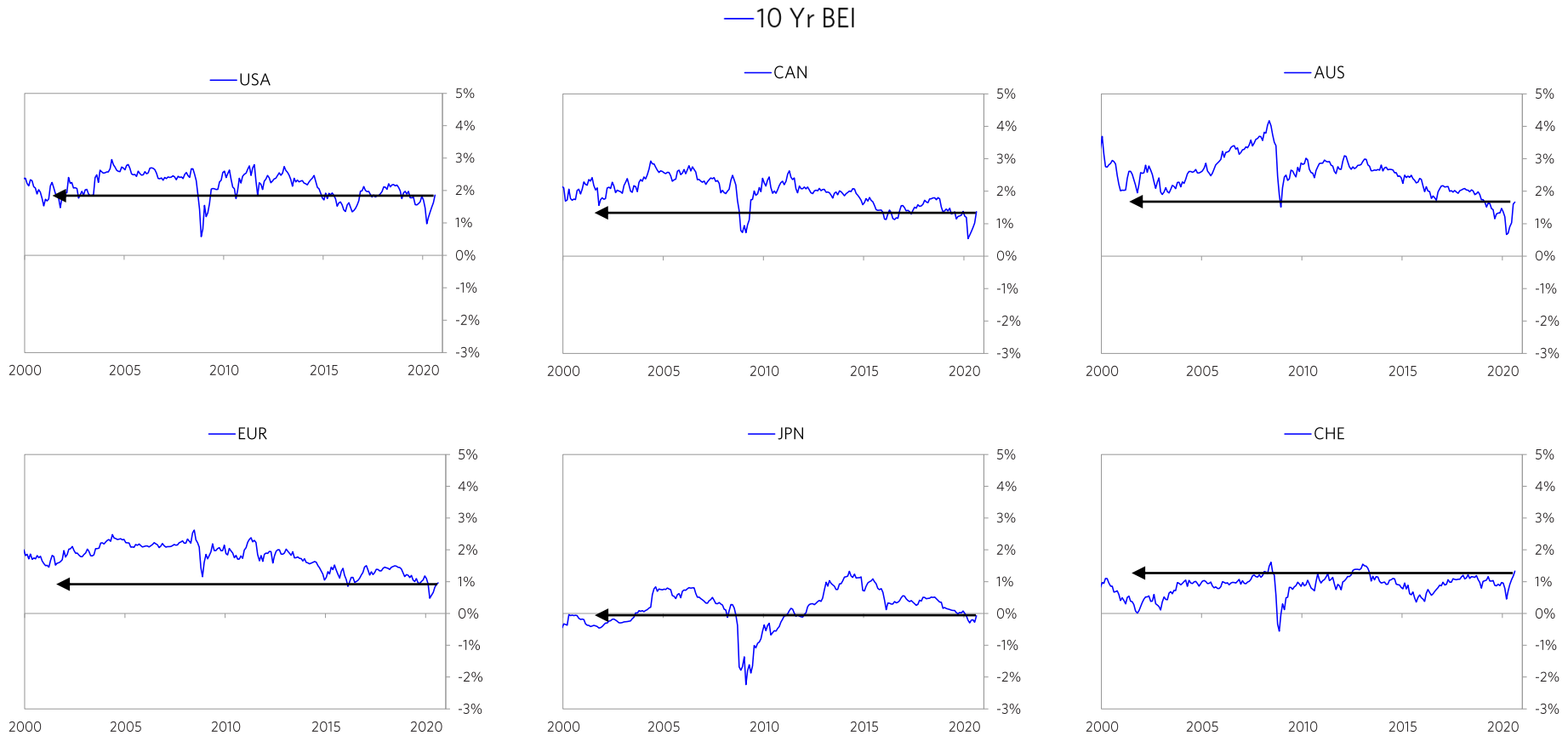
WHAT MAKES GOLD INTERESTING (AND ESPECIALLY USEFUL)

- ◆ Gold is not a commodity, nor a financial asset, as much as it is a currency.
- ◆ Gold is a different type of currency in that it can't be printed by central banks and doesn't offer an interest rate. In fact, paper currencies compete with gold by using interest rates to compensate holders for their depreciating values.
- ◆ Gold reliably rallies in periods of reflation for understandable reasons: central banks look to stimulate the economy by reducing the value of money.



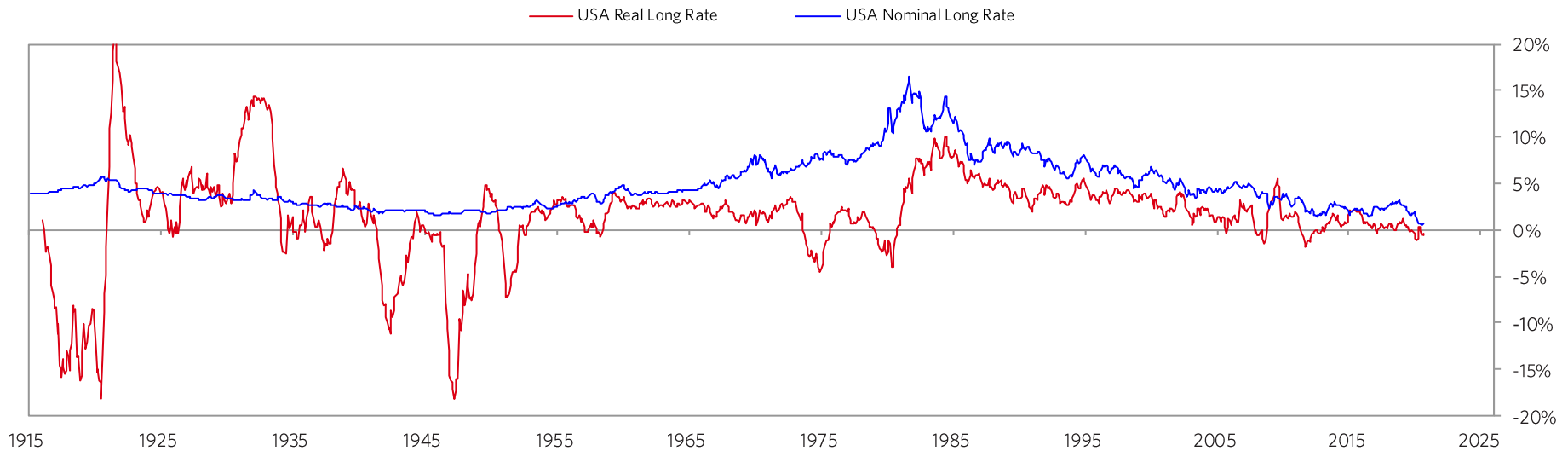
INFLATION IS DISCOUNTED TO BE LOW GLOBALLY

- ◆ It would not take much inflation to meaningfully exceed what is currently priced in.

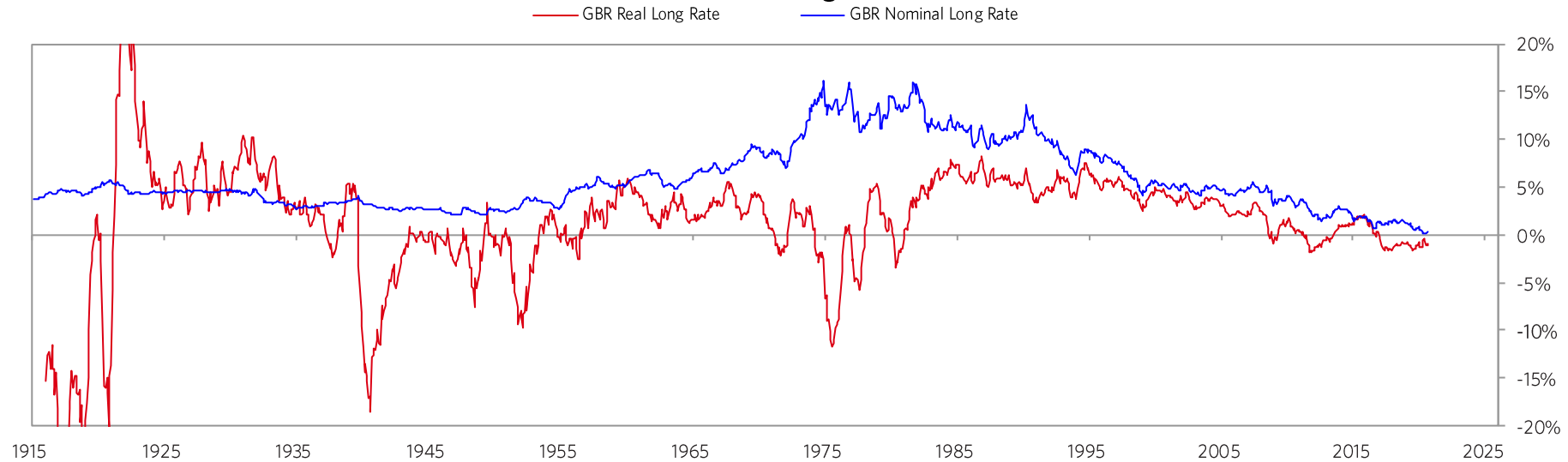


REAL YIELDS DO NOT FACE A ZERO LOWER BOUND: LONG RATES

United States



United Kingdom



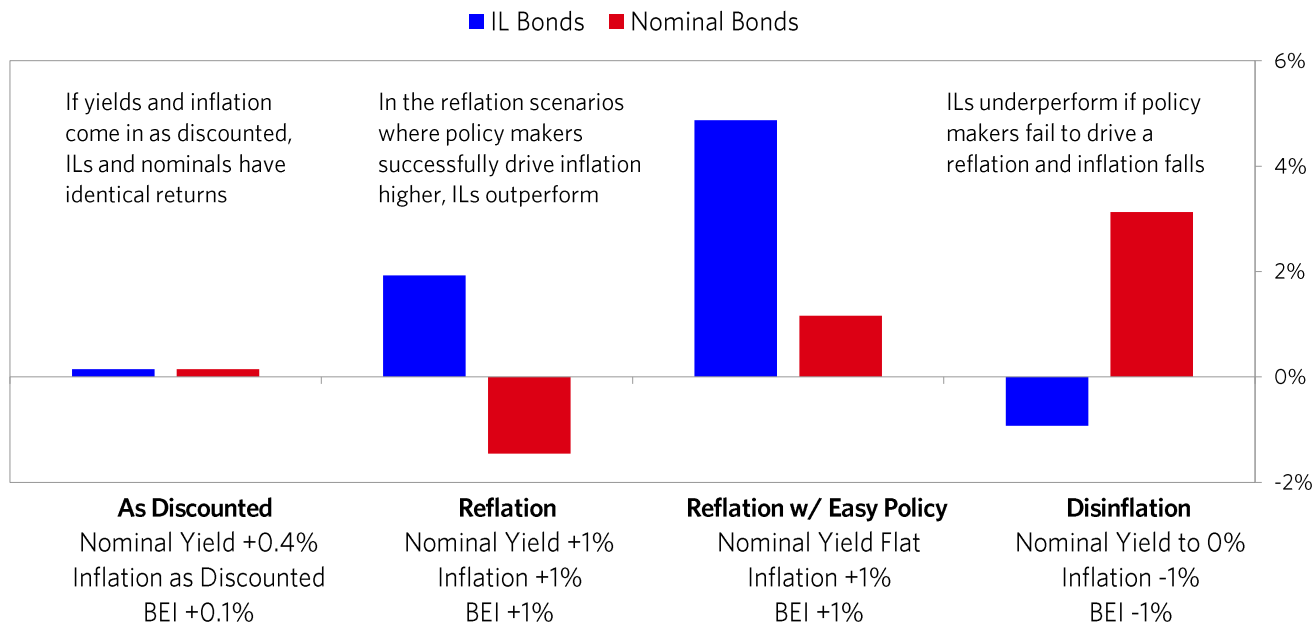
293 of 463

Data through August 2020. Real rates calculated by subtracting year-over-year CPI inflation from nominal rates. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

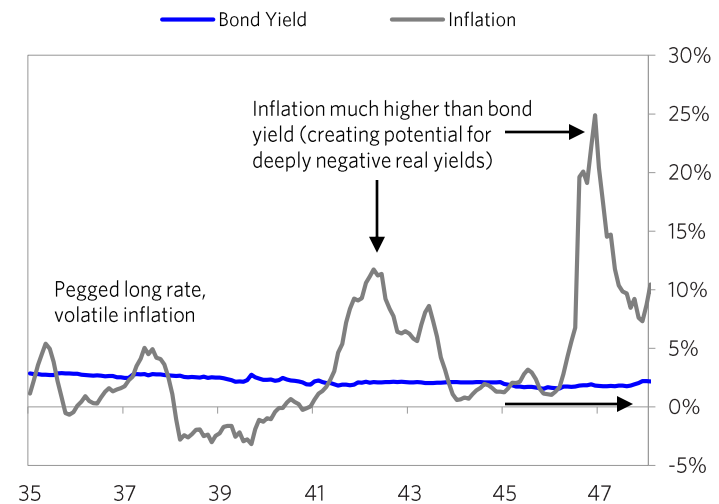
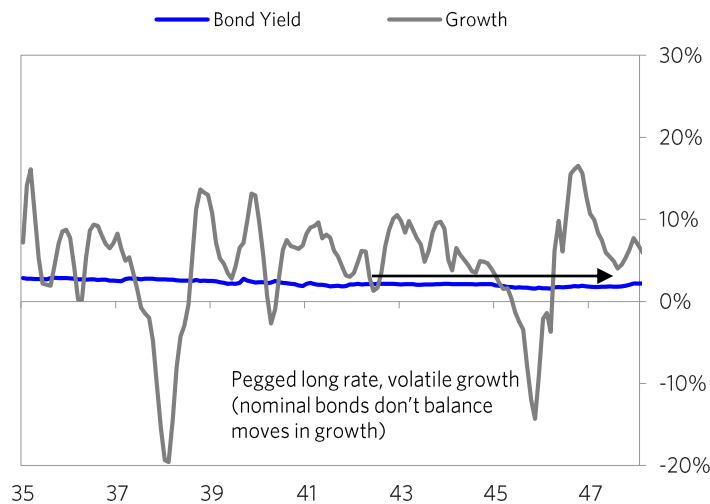
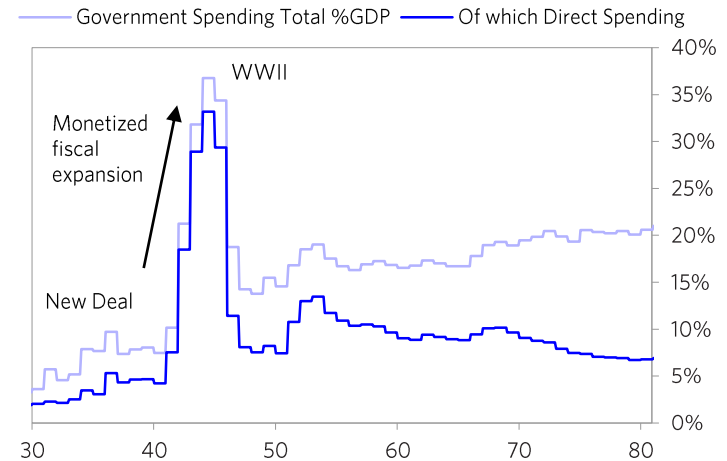
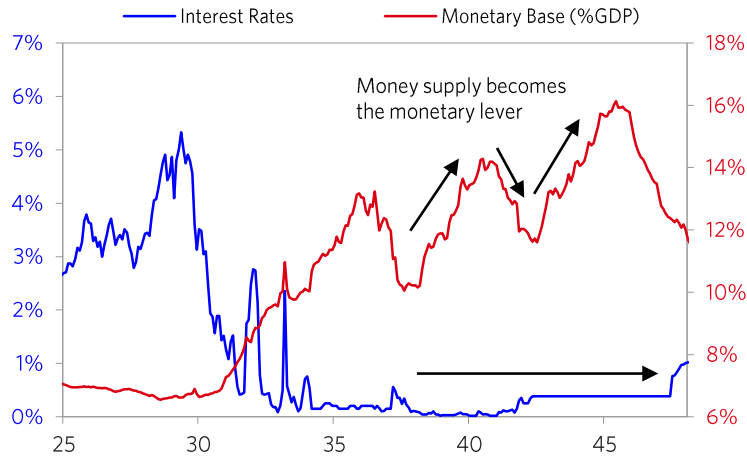
PENCILING OUT THE NEXT 3 YEARS FOR ILBs & NOMINALS

- ◆ If inflation exceeds the current breakeven inflation of 1.5%, IL bonds will outperform nominal bonds.
- ◆ Nominal bonds have limited upside with yields near zero. IL bonds have much greater upside should inflation rise, especially if policy makers choose to pin nominal yields at current levels to support growth.

Annual Return of 10yr Bonds over Next 3 Years



CASE STUDY: THE PROGRESSION TO MP3 AND INFLATION-DRIVEN FALLING REAL YIELDS IN THE 1930s-1940s



PROS AND CONS TO DIFFERENT INFLATION-SENSITIVE ASSETS: CONSIDER A MIX

Asset	Relationship to Inflation	Pros	Cons
IL Bonds	<ul style="list-style-type: none"> • CPI inflation accrual • No immediate appreciation when inflation expectations rise, unless real yield falls 	<ul style="list-style-type: none"> • Reliable risk premium • Rising inflation expectations today likely means falling real yields • Directly accrues the type of inflation (CPI) connected to most inflation-linked liabilities 	<ul style="list-style-type: none"> • Deflation could mean a rise in real yields and significant underperformance • Physical market only and lower volatility, more cash intensive
Breakeven Inflation	<ul style="list-style-type: none"> • Changes in expected CPI inflation 	<ul style="list-style-type: none"> • Provides immediate protection against rising expectations of inflation 	<ul style="list-style-type: none"> • No reliable risk premium
Gold	<ul style="list-style-type: none"> • Actual / expected monetary inflation 	<ul style="list-style-type: none"> • Reliable storehold of wealth as central banks commit to monetization • Gold appreciation can lead actual CPI inflation 	<ul style="list-style-type: none"> • No reliable risk premium
Other CMDs	<ul style="list-style-type: none"> • Actual / expected raw input price inflation 	<ul style="list-style-type: none"> • Particularly protective in commodity-driven cost-push inflation 	<ul style="list-style-type: none"> • Rising growth bias • Potentially smaller risk premium vs. other assets
Real Estate, Infrastructure	<ul style="list-style-type: none"> • Real assets • Depends on nature of cash flows 	<ul style="list-style-type: none"> • Potential illiquidity premium 	<ul style="list-style-type: none"> • Can be vulnerable to rising interest rates, falling growth

Important Disclosures and Other Information

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SUBJECT: Investment Policy Amendment - Gold ACTION: X

DATE: September 24, 2020

INFORMATION:

BACKGROUND:

At the May 2020 Board meeting, an amended Investment Policy was presented and discussed. APFC Board of Trustees approved the amended Investment Policy with the exception of a provision which allowed investment in gold-backed ETFs as part of the investable options within the Fund's Cash and Absolute Return portfolios. Rationale for deferral of this element of the Investment Policy was to allow for an appropriate level of deliberation on the important topic of a new permissible investment instrument.

The goal of this presentation is to re-state the portfolio objectives of Staff's gold proposal and provide additional context around likely sizing.

RECOMMENDATION:

Staff recommends the Board of Trustees approve the suggested amendment to the Investment Policy allowing investment of Gold-backed ETFs as part of the investable options within the Fund's Cash and Absolute Return portfolios.



APFC

ALASKA PERMANENT
FUND CORPORATION

Investment Policy Amendment Regarding Gold

September 24, 2020

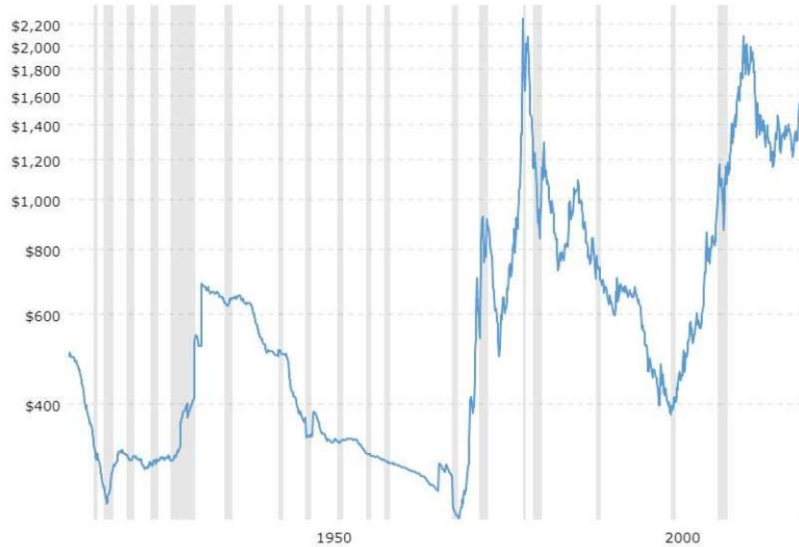
Executive Summary

- At May 2020 Board meeting, an amended Investment Policy was presented and discussed
- APFC Board of Trustees approved the amended Investment Policy with the exception of a provision which allowed investment in Gold-backed ETF's a part of the investable options within the Fund's Cash and Absolute Return portfolios
- Rationale for deferral of this element of the Investment Policy was appropriate level of deliberation on the important topic of a new permissible investment instrument
 - To this end, we have included presentations on macro environment and gold's potential role in institutional portfolios from two trusted investment partners of APFC, Bridgewater Associates and PGIM on the agenda for this meeting
 - It should be noted that aside from UTIMCO's ill-timed move into gold investing in 2011 and ARMB's ill-time purchase in 1980, the only other domestic public fund allocators Staff is aware of with specific gold allocations are City of Austin Employee Retirement System (with a specific 1% allocation of their total fund) and Pennsylvania Public School Retirement System which currently shows up as a holder of the GLD ETF on their 13F filings
 - The following is famous financial author Peter Bernstein's description of Alaska's 1980 gold purchases in his investment classic *The Power of Gold*: "The rush into the gold markets in the early 1980's produced much the same kind of results as the gold rush to the Klondike eighty years earlier, where only about four hundred people out of one hundred thousand prospectors hit it rich. Indeed, it is ironic that the State of Alaska Retirement System bought a ton of gold bullion in 1980 at \$651 an ounce, and then a second ton at the end of 1980 for which they paid \$575. In March 1983, the state sold out at \$414."
- This goal of this presentation is to re-state the portfolio objectives of Staff's gold proposal and provide additional context around likely sizing

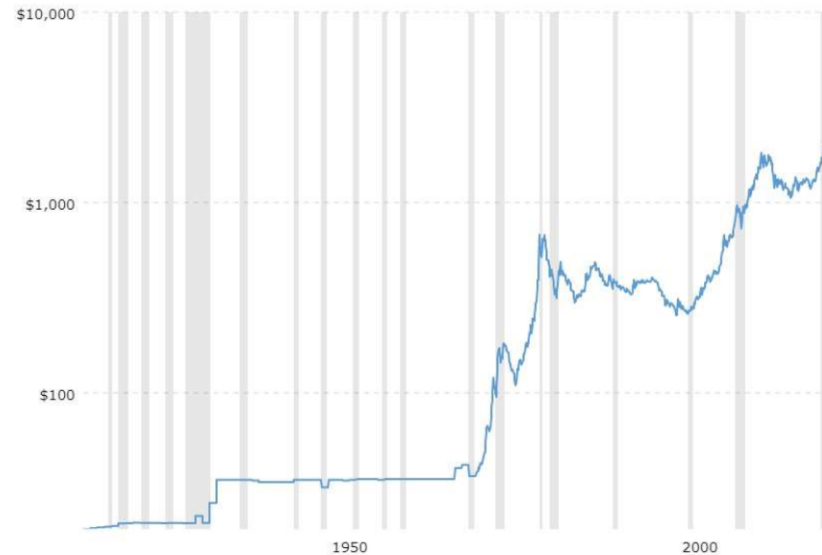
Gold has enjoyed a big run and now is at all-time record price levels...

Therefore, caution and reminders of prior institutional gold purchases at prior highs is appropriate (but this same type of caution should probably extend to record valuations in private equity markets and public equity markets at Shiller P/E's that only have been higher in prior bubble environments)

Gold Real Price (1915 – Present)



Gold Nominal Price (1915 – Present)



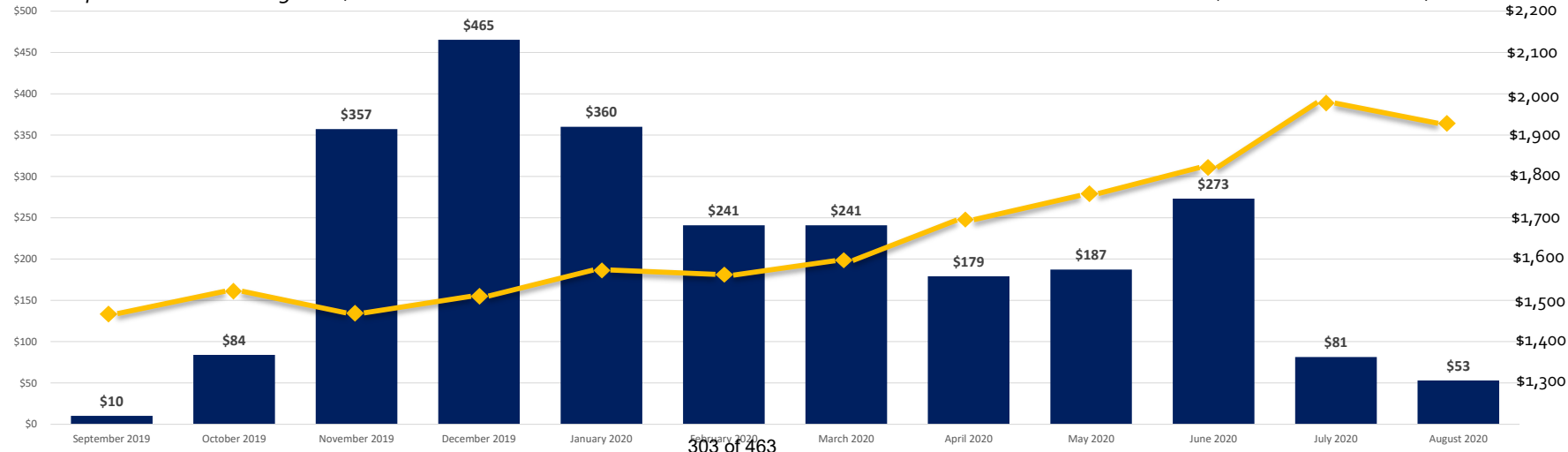
... APFC has been long via gold miners and private investments

This should serve to mitigate, to a degree, the point that we are talking about entering at all time highs for the commodity

- APFC has held long positions in the Tactical Tilts account within Public Equities over the last year with a peak position of \$465 million in December 2019; Staff has trimmed exposure as gold has rallied hard between March and August 2020
- Additionally, in December 2019, APFC committed \$75 million to a direct lending strategy managed by Sprott that engages in mine financing; currently ~\$25 million of the Fund's commitment has been called and is 92% deployed into precious metals projects

(\$ million exposure to Gold Mining ETF's) – Blue Bars

(Month End Gold Price) – Gold Line



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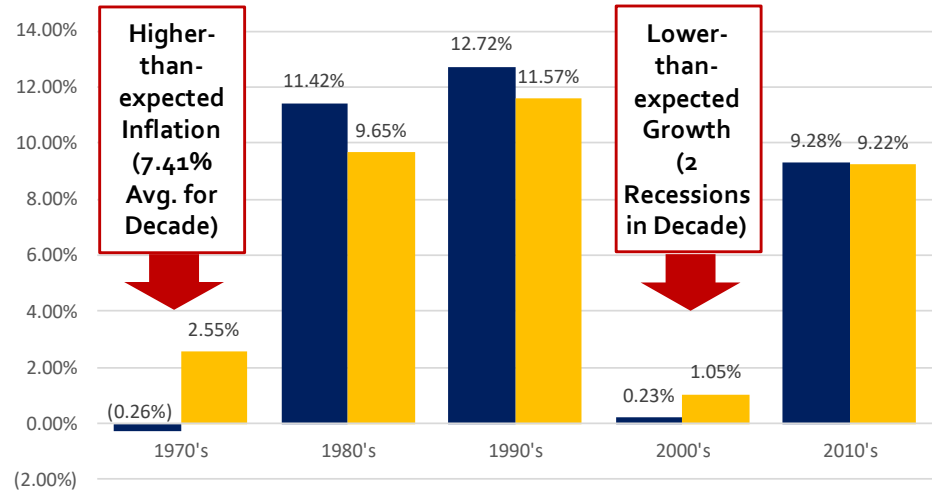
Note: Analysis as of August 25, 2020

The Benefit of Gold in Portfolio Context

- “The APFC portfolio is vulnerable to environments of lower-than-expected growth or higher-than-expected inflation.”
 - Bridgewater Associates, November 2017 “APFC Plan Stress Test”
- “I think these [equity linked / traditional investments] are unlikely to be good real returning investments and that those that will most likely do best will be those that do well when the value of money is being depreciated and domestic and international conflicts are significant, such as gold.”
 - Ray Dalio, Bridgewater Associates Founder & CIO, July 2019 “Paradigm Shifts”

(Average annual real return)

- 70% Domestic Stocks/30% Domestic Bonds (Avg. = 6.68%)
- 70% Domestic Stocks/20% Domestic Bonds/10% Gold (Avg. = 6.81%)



Potential Future Usage in APFC Portfolio

- Staff's current view is that gold appears somewhat overbought and its "taking a breather" after appreciating from ~\$1,500 to ~\$2,000 in under six months
- Staff continues to like gold as an uncorrelated and liquid component of the ~25-30% of the Fund that we believe should be in "less market exposed" assets like Cash, Absolute Return, and Fixed Income
- We have no view on where gold goes in the next 12 months, however, continue to believe that the longer-term set up is strong (given overextended valuations and low prospective returns on traditional assets, central bank money printing, etc.)
- Investment Policy amendment proposes flexibility to invest in Gold (via ETF's) through two portfolios
 - Total Fund Cash: Likely would have no position immediately; should nominal interest rates in US turn negative or inflation increase-driven real rates lower than they are today, Staff could find Gold ETF exposure preferable to cash
 - Absolute Return: Staff could see holding something like a 1-5% position in Gold ETF on an immediate basis out of the Fund's \$4 billion Absolute Return portfolio as an expression of a macro view

Redline Investment Policy Changes

Total Fund Cash

Total Fund Cash

Authorized Investments

The CIO may invest this portfolio in cash and the following cash equivalents:

- a. US Treasuries with a maximum final maturity of 24 months;
- b. Investment Grade US corporate bonds with a maximum final maturity of 24 months;
- c. Reverse Repurchase Agreements (“Reverse Repo”), as authorized by 15 AAC 137.430(12);
- d. SEC registered money market investment funds;
- e. Other cash equivalents approved by the CRO and ED; and
- f. **Gold-backed exchange traded funds as authorized by 15 AAC 137.460.**

Risk Limits and Portfolio Restrictions

The CIO is responsible for managing the various risks incurred and adhering to this Policy. In addition to general Policy requirements, the following specific restrictions will apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. At any point, 80% of the portfolio should be invested in instruments with a final maturity not exceeding 181 days.
- c. **Gold-backed exchange traded funds shall not exceed 50% of the Total Fund Cash portfolio at any time.**
- d. Short selling is prohibited in this portfolio.
- e. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.

Redline Investment Policy Changes

Absolute Return

Absolute Return

Authorized Investments

The Absolute Return portfolio, whether internally or externally managed, shall pursue one or more of the following investment strategies:

- a. **Relative Value, including equity market neutral, fixed income arbitrage, and convertible arbitrage;**
- b. **Event-Driven, including merger arbitrage, distressed securities/discounted bank debt, and special situations;**
- c. **Directional/Tactical/Oppportunistic, including long-short equity, managed futures, and global macro; and**
- d. **Commodities, including gold-backed exchange traded funds.**

The Deputy CIO-Private Markets & Alternatives will have primary responsibility in executing the Absolute Return portfolio's investment strategy.

Risk Limits and Portfolio Restrictions

The Deputy CIO-Private Markets & Alternatives is responsible for managing the various risks incurred and adhering to this Policy. In constructing a diversified Absolute Return portfolio, APFC Staff will consider the following characteristics: manager, strategy, investment size, leverage, correlation with other assets of the Fund, and liquidity. In addition to general Policy Requirements, the following restrictions will apply to this portfolio:

- a. **Risk Limits as detailed in Table 3, Section VII;**
- b. **Relative Value Managers in the range of 0 – 75%;**
- c. **Event Driven Managers in the range of 0 – 50%;**
- d. **Directional/Tactical/Oppportunistic Managers in the range of 0 – 75%;**
- e. **Commodities, including gold-backed exchanged traded funds in the range of 0 – 50%;**
- f. **At least 50% of the portfolio shall be capable of being liquidated within a 12-month period; and**
- g. **APFC assets invested with each internal or external manager shall not represent more than 30% of that manager's AUM.**

APFC Investment Policy

Adopted May 21, 2020, Effective Date July 1, 2020

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I. INTRODUCTION

A. Purpose

1. The purpose of this Investment Policy (“Policy”) is to provide a formal plan for investing and managing the assets of the Alaska Permanent Fund and other state assets as prescribed by law (“Fund”) to achieve the defined investment objectives. This Policy also defines the roles and responsibilities of the various parties involved in the investment process and facilitates external communication of the Policy. The appendices are incorporated into and form part of this Policy. Terms not defined within the body of the Policy have meanings assigned to them in the “Glossary,” Appendix C of this document.
2. This document is not intended to be a static document and will be considered for possible amendment on an annual basis or any time the Board of Trustees (“Board”) modifies the Alaska Permanent Fund Corporation’s (“APFC”) investment-related policies or asset allocation. Amendment of this Policy requires Board action as described in AS 37.13.080 and the APFC By-Laws (“By-Laws”). Following any Board approved amendment to this document, changes will be noted in Board meeting minutes and as soon as practicable this document will be amended to reflect the approved changes and posted on the APFC website.

B. Roles of the Board, Staff, Consultants, and Advisors

1. The Board has a responsibility to invest Fund assets in accordance with the Alaska Constitution and the prudent-investor rule provided in AS 37.13.120(a) – (e). The Board has adopted regulations (15 AAC 137.410 – 15 AAC 137.990), which define the eligible investments of Fund assets (“Regulations”). The Board has also adopted By-Laws, which delegate and empower the APFC Staff to invest and manage Fund assets consistent with the parameters of the Regulations and this Policy. Finally, through regularly scheduled and special meetings, the Board oversees the management of APFC Staff and Fund assets, and ensures that APFC has the resources needed to fulfill its objectives as effectively as possible.
2. The APFC Staff’s task is to invest and manage Fund assets to fulfill the Fund’s objectives, as specified by the Board, in this Investment Policy. Additionally, APFC Staff advises the Board about recommended changes to the asset allocation and this Policy to help the Fund achieve its objectives. Finally, APFC Staff, or external investment managers selected by APFC Staff, negotiates and executes all investment plans and strategies, performs risk-management functions, and helps prepare investment performance and other management reports.
3. External consultants provide advice and implementation assistance to the Board and APFC Staff related to investment programs at both the overall Fund level (“General Consultant”) as well as for specific asset classes. The General Consultant also reports on the progress that the Fund is making with regard to specific investment programs and makes comparisons of Fund performance against its target benchmarks, including Fund peers.

4. Consistent with the Board's Charters and Governance Policies, up to three Investment Advisors are selected by the Board to provide education, advice, commentary, and discussion at Board meetings, or as requested by the Board.

II. TOTAL FUND & PORTFOLIO DESIGN PHILOSOPHY

A. Total Fund Objective

Consistent with the Legislature's findings regarding the purpose of the Alaska Permanent Fund (AS 37.13.020), the Board's objective is for the Fund to achieve the highest level of investment performance that is compatible with the Board's risk tolerance and prudent investment practices. Because of the perpetual nature of the Fund and the Legislature's finding that the Fund should benefit all generations of Alaskans, the Board maintains a long-term perspective when formulating this Policy and in evaluating Fund performance. To that end, the Board expects the Fund's design and performance will be evaluated using the following criteria:

1. **Investment Performance:** ability to generate an annualized return of CPI + 5% over a 10-year period ("long-term target")
2. **Investment Risk:** ability of the Fund to achieve the long-term target while conforming to the risk appetite approved by the Board

B. Total Fund Asset Mix

1. APFC's investment programs are organized by asset class and APFC Staff assist the Board in engaging in an asset allocation study for the Fund at least once every five (5) years to review asset classes, risk-return assumptions, and correlations of investment returns with applicable benchmarks and across asset classes. A key objective of the asset allocation study shall be the development, through quantitative and qualitative modeling techniques, of a diversified portfolio that specifies a "long-term target" position for each asset class. The total Fund portfolio mix will represent the portfolio that is expected to meet the Board's long-term target while conforming to the risk appetite approved by the Board.
2. Each asset class allocation percentage shall designate a "long-term target" position within the overall portfolio as well as maximum and minimum ranges around those targets, as outlined in Table 1. Ranges are specified by a "green zone" which reflect normal expected variability around the targets, "yellow zone" which reflect potential remediation by APFC Staff according to prudent portfolio management over a reasonable period of time, and "red zone" which require Board approval of a remediation plan within 30 days. Ranges of these zones are expressed as percentages of the overall Fund. Details of the zones and compliance cure periods are provided in Appendix B.

Table 1: Asset Allocation (AA) Target Levels by Year as % of Fund

	Public Equity	Fixed Income	Private Equity	Real Estate	Private Income	Absolute Return	Risk Parity	Cash	Total Fund
Green Zone	+/- 5%	+/- 5%	+/- 5%	+/- 3%	+/- 5%	+/- 3%	+/- 1%	+/- 2%	
Yellow Zone	0 - 5%	0 - 5%	0 - 5%	0 - 3%	0 - 5%	0 - 3%	0 - 1%	0 - 2%	
FY2021	39%	21%	15%	7%	9%	6%	1%	2%	100%
FY2022	38%	20%	16%	8%	9%	6%	1%	2%	100%
FY2023	36%	20%	17%	9%	9%	6%	1%	2%	100%
FY2024	35%	19%	18%	10%	9%	6%	1%	2%	100%
FY2025	33%	18%	19%	12%	9%	6%	1%	2%	100%

Notes: Green Zone: expressed as +/- to Target Allocation

Yellow Zone: expressed as range beyond green zone

C. Total Fund and Asset Class Benchmarks

Each asset class is associated with a benchmark that describes in general terms the opportunity set and return characteristics associated with the asset class (“Policy Benchmark”). For certain private market asset classes, the Policy Benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize the components of the portfolio. Note that the investment returns and Policy Benchmarks for Private Equity & Special Opportunities, Real Estate, and Infrastructure & Private Income are lagged by one quarter for performance calculation purposes, as is common practice among large institutional investors. Each asset class is also associated with a long-term return objective, which cumulatively reflects the Fund’s long-term objective of CPI + 5% or better. The long-term return objectives and Policy Benchmarks for each asset class are reflected in Table 2.

Table 2: Benchmarks - Constituent Indices and Weights

	Public Equity	Fixed Income	Private Equity	Real Estate	Private Income	Absolute Return	Risk Parity	Fund Cash	Total Fund FY 2021	Total Fund FY 2022	Total Fund FY 2023	Total Fund FY 2024	Total Fund FY 2025	
Asset Allocation (AA): Target Levels-FY 2021	39.0%	21.0%	15.0%	7.0%	9.0%	6.0%	1.0%	2.0%	100.0%					
Minimum Long-Term Return Target	CPI + 5.1% CPI + 0.8% CPI+10.05% CPI + 4.0% CPI + 4.2% CPI + 2.75% CPI + 3.95% CPI								CPI + 5.0%					
Benchmark Index Weights	BB ID	Asset Class / Portfolio Weights							Total Fund Weights					
90 Day T-Bills	GOO1	-	5.00%	-	-	-	-	100.00%	3.05%	3.00%	3.00%	2.95%	2.90%	
BB US Corporate	LUACTRUU	-	27.50%	-	-	-	-	-	5.78%	5.50%	5.50%	5.23%	4.95%	
BB Gbl. Treasury ex-US Hedged	LGTTTRUH	-	10.00%	-	-	-	-	-	2.10%	2.00%	2.00%	1.90%	1.80%	
BB US Agg	LBUSTRUU	-	27.50%	-	-	-	-	-	5.78%	5.50%	5.50%	5.23%	4.95%	
BB US HY 2% Issuer Cap	LF89TRUU	-	10.00%	-	-	-	-	-	2.10%	2.00%	2.00%	1.90%	1.80%	
Cambridge Pvt. Credit (Lagged)	n/a	-	-	-	40.00%	-	-	-	3.60%	3.60%	3.60%	3.60%	3.60%	
Barclays US Securitized Index	LD19TRUU	-	10.00%	-	-	-	-	-	2.10%	2.00%	2.00%	1.90%	1.80%	
BB US TIPS	LBUTTRUU	-	5.00%	-	-	-	-	-	1.05%	1.00%	1.00%	0.95%	0.90%	
Cambridge Pvt. Equity (Lagged)	n/a	-	-	100.00%	-	-	-	-	15.00%	16.00%	17.00%	18.00%	19.00%	
Cambridge Gbl. Pvt. Infra. (Lagged)	n/a	-	-	-	60.00%	-	n/a	-	5.40%	5.40%	5.40%	5.40%	5.40%	
HFRI Total HFOF Universe	HFRIFWI	-	-	-	-	100.00%	-	-	6.00%	6.00%	6.00%	6.00%	6.00%	
JPM EMBI Gbl Diversified	JGENUUUG	-	2.50%	-	-	-	-	-	0.53%	0.50%	0.50%	0.48%	0.45%	
JPM GBI-EM Gbl Diversified	JPGCCOMP	-	2.50%	-	-	-	-	-	0.53%	0.50%	0.50%	0.48%	0.45%	
MSCI ACWI IMI	M1WDIM	100.00%	-	-	-	-	-	-	39.00%	38.00%	36.00%	35.00%	33.00%	
NCREIF Property (Lagged)	NPPITR	-	-	-	85.00%	-	-	-	5.95%	6.80%	7.65%	8.50%	10.20%	
MSCI US REIT (Lagged)	RMS G	-	-	-	15.00%	-	-	-	1.05%	1.20%	1.35%	1.50%	1.80%	
HFRI Risk Parity Vol 12	HFRRPV12I	-	-	-	-	-	100.00%	-	1.00%	1.00%	1.00%	1.00%	1.00%	
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

D. Total Fund Performance Measurement and Reporting

1. The Board looks to its General Consultant as the primary source of quantitative evaluation of the performance of the Fund and its investment managers. As promptly as possible after the close of each calendar quarter, the General Consultant shall submit a report to the Board, Executive Director (“ED”) and Chief Investment Officer (“CIO”) analyzing the performance of the Fund, its asset classes and investment programs, including both internally and externally managed assets. The report shall include a comparison of total Fund performance with the Board's long-term investment objective, an analysis of the returns of each asset class as measured against established benchmarks; and an analysis of the returns of each manager or relevant groupings of managers as measured against relevant benchmarks. For the purpose of evaluating the value-added by the Fund's investment strategy, the report shall also compare the performance of the total Fund on a one-year basis to a passive benchmark that represents the following: (1) 60% MSCI ACWI IMI; (2) 20% Barclay Global Aggregate (less fees); (3) 10% FTSE EPRA/NAREIT Rental Index; (4) and 10% US TIPs. The General Consultant's report shall also address any special concerns or observations the General Consultant concludes should be brought to the attention of the Board, ED and CIO.
2. At each regular Board meeting, the General Consultant will also report on the investment performance of the Fund and each asset class in comparison with Fund peers (i.e., large US Public Funds and Endowment Funds). The comparative performance of the Fund and each asset class will be assessed and reported across multiple timeframes, including ten-year, five-year, three-year, and one-year. To the extent that peer comparisons may not be directly available for specific asset class comparisons, the General Consultant should use the Fund's Policy Benchmarks (see Table 2) as a proxy.

E. Total Fund Portfolio Implementation and Delegations

APFC Staff directs all investment activities through a delegation of investment authority in the By-Laws from the Board to the ED and then from the ED to specific APFC Staff, as deemed appropriate by the ED. The ED will convene a Public Markets Investment Committee and a Private Markets Investment Committee (together, the “APFC Investment Committee”) on a regular basis in order to discuss and deliberate on investment decisions requiring the ED's authorization. The sole voting member of the APFC Investment Committee shall be the ED. The CIO will also convene an investment department investment committee (“Investment Department Investment Committee”). The Investment Department Investment Committee will meet regularly and will work with APFC Staff to make investment recommendations (“Investment Recommendations”) to be considered for authorization by the ED during the APFC Investment Committee.

Approval of any Investment Recommendation referred by the Investment Department Investment Committee to the APFC Investment Committee requires the affirmative approval of the ED taking into consideration, in a collaborative manner, input from various functions at APFC (e.g. Legal, Finance, Operations, Admin, IT, and Risk). Investment Recommendations from the Investment Department Investment Committee to the APFC Investment Committee shall be in writing and Investment Decisions approved by the APFC Investment Committee shall also be in writing. Variations or the non-approval of an Investment Recommendation of the Investment

Department Investment Committee by the APFC Investment Committee shall be reported to the Board on a monthly basis.

F. Relationship of the Investment Policy with Regulations and Investment Guidelines

As required by AS 37.13.120(a), the Board has adopted Regulations specifically designating the types of investments in which Fund assets can be invested. All investments authorized by this Policy shall be limited to those authorized investments and in the manner prescribed by this Policy and AS 37.13.120.

The Investment Guidelines, attached as Appendix A, supplement the Investment Policy by providing operational guidelines for APFC's internally managed investment programs. The CIO, with the consent of the ED may update the Investment guidelines from time to time; updates will be provided to the Board at its next regularly scheduled meeting.

III. PUBLIC MARKETS

A. Public Equity

1. Objective

The objective of the Public Equity portfolio is to invest in publicly traded securities authorized in 15 AAC 137.440, to exceed the performance of a well-diversified pool of global equities embodied in the **MSCI ACWI IMI Index**, while maintaining risk similar to that of the benchmark. Performance of this portfolio will be evaluated quarterly, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs and fees, on a one-year, three-year, five-year, and ten-year annualized basis.

2. Structure

Consistent with performance objectives, applicable tracking error guidelines, and other investment restrictions described in this Policy and Investment Guidelines, the Public Equity portfolio may include:

- a. Actively and quasi-passively managed equity strategies to enhance the after-fee return of the portfolio relative to its assigned benchmark; and
- b. Passively managed equity strategies to replicate, in a cost-efficient manner, the returns of a benchmark index.

3. Investment Strategy

The Public Equity portfolio will be managed by a mix of external active managers, external passive managers and internal managers. In the case of active external managers, each manager, through an investment manager agreement ("IMA"), will be directed to focus on a subset of the global equity market in which the manager has demonstrated an ability to provide risk-adjusted, after-fee returns in excess of its respective benchmark. Each external manager's IMA will also detail its strategy, performance objectives, permitted investments and restrictions.

The CIO may also approve the internal management of a portion of the Public Equity portfolio by APFC Staff. In place of an IMA, the CIO and ED will require the approval of

and adherence to Investment Guidelines that cover the relevant aspects of the portion of the Public Equity portfolio internally managed by APFC Staff. The Director of Public Equity will have primary responsibility for executing the portfolio's investment strategy.

4. Rebalancing and Mandate Modification

The Director of Public Equity may, with the approval of the CIO, rebalance assets to, from, or between individual Public Equity portfolios.

Initiating or terminating external manager mandates requires the consent of CIO and ED and must conform to Section VIII of this Policy (Public Markets External Manager Selection).

5. Risk Limits and Portfolio Restrictions

The Director of Public Equity is responsible for managing the various risks incurred and adhering to the Investment Policy. In addition to general Policy requirements, the following asset class specific restrictions apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. Short selling is prohibited by an internal or external manager of assets in this portfolio, unless authorized by the CIO and Chief Risk Officer ("CRO").
- c. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- d. All externally managed mandates must comply with Section VIII (External Manager Selection) of this Policy.

B. Fixed Income

1. Objective

The objective of the Fixed Income portfolio is to provide income-oriented investment returns and diversify the risks of the Fund's equity-oriented programs. The Fixed Income portfolio invests in publicly traded and other liquid income-oriented investments authorized in 15 AAC 137.430, to meet or exceed the performance of the **Fixed Income Composite Benchmark**, while staying within predefined risk constraints. Performance of this portfolio will be evaluated quarterly, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs and fees, on a one-year, three-year, five-year, and ten-year annualized basis.

2. Structure

Consistent with performance objectives, applicable tracking error guidelines, and other investment restrictions described in this Policy and Investment Guidelines, the Fixed Income portfolio may include:

- a. Actively and quasi-passively managed income producing strategies that enhance the after-fee return of the Fixed Income portfolio relative to its assigned benchmark; and
- b. Passively managed income producing strategies to replicate, in a cost-efficient manner, the returns of a benchmark index.

3. Investment Strategy

The Fixed Income portfolio will primarily be implemented by the CIO's internal APFC Staff, which may be supplemented by hiring external investment managers to manage portions of the Fixed Income portfolio which are not appropriate for internal management by APFC. Regarding the Fixed Income assets that are externally managed, each external manager, through an IMA, will be directed to focus on a subset of the Fixed Income portfolio in which the manager has demonstrated an ability to manage in relation to its respective benchmark. Each external manager's IMA will also detail its strategy, performance objectives, permitted investments, and restrictions. The Director of Fixed Income will have primary responsibility in executing the portfolio's investment strategy.

4. Rebalancing and Mandate Modification

The Director of Fixed Income may, with the approval of the CIO, rebalance assets to, from, or between individual Fixed Income portfolios.

Initiating or terminating external manager mandates requires the consent of the CIO and ED, and must conform to Section VIII of this Policy (Public Markets External Manager Selection).

5. Risk Limits and Portfolio Restrictions

The Director of Fixed Income is responsible for managing the various risks incurred and adhering to this Policy. In addition to general Policy requirements, the following asset class specific restrictions apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. Short selling is prohibited by an internal or external manager of assets in this portfolio, unless authorized by the CIO and CRO.
- c. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- d. All externally managed mandates must comply with Section VIII (Public Markets External Manager Selection) of this Policy.

C. Risk Parity

1. Objective

The objective of the Risk Parity portfolio is to deliver long-term returns that meet or exceed the performance of a 60% stock/40% bond portfolio through managers which seek to generate returns that are less correlated to global public markets utilizing allocation of risk rather than allocation of capital. Performance of this portfolio will be evaluated quarterly against the Hedge Fund Research **HFR 12% Vol Institutional Index**, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs and fees, on a one-year, three-year, five-year, and ten-year annualized basis.

2. Investment Strategy

The Risk Parity portfolio will be managed by external managers, selected in accordance with the requirements of this Policy, that provide risk-balanced exposure to multiple

sources of excess expected return. Each manager, through an IMA or limited liability fund, will detail its strategy, performance objectives, permitted investments and restrictions. The Director of Risk Parity will have primary responsibility in executing the portfolio's investment strategy and plans.

3. Risk Limits and Portfolio Restrictions

The Director of Risk Parity is responsible for managing the various risks incurred and adhering to this Policy. In addition to general Policy requirements, the following restrictions will apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. Short selling is prohibited unless authorized by the CIO and CRO.
- c. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- d. All externally managed mandates must comply with Section VIII (Public Markets External Manager Selection) of this Policy.

D. Total Fund Cash

1. Objective

The objective of the Total Fund Cash portfolio is to:

- a. Be a source of funds available to meet the Fund's operational needs, including capital calls and appropriations from the Earnings Reserve Account to the State's general fund; and
- b. Allocate a small portion of the Fund to an asset class that is nearly risk-free and experiences extremely low volatility.

Performance of this portfolio will be evaluated quarterly and will be measured against the risk and after-fee return of the **90 Day Treasury Bills Index**, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs and fees, on a one-year, three-year, five-years, and ten-year annualized basis.

2. Investment Strategy

The Total Fund Cash portfolio will be internally managed at the direction of the CIO. The size and investment profile of this portfolio may fluctuate month-to-month to accommodate the Fund's liquidity requirements. The CIO will have primary responsibility in executing this portfolio's investment strategy.

3. Authorized Investments

The CIO may invest this portfolio in cash and the following cash equivalents:

- a. US Treasuries with a maximum final maturity of 24 months;
- b. Investment Grade US corporate bonds with a maximum final maturity of 24 months;
- c. Reverse Repurchase Agreements (“Reverse Repo”), as authorized by 15 AAC 137.430(12);
- d. SEC registered money market investment funds;
- e. Other cash equivalents approved by the CRO and ED; and
- f. Gold-backed exchange traded funds as authorized by 15 AAC 137.460.

4. Risk Limits and Portfolio Restrictions

The CIO is responsible for managing the various risks incurred and adhering to this Policy. In addition to general Policy requirements, the following specific restrictions will apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. At any point, 80% of the portfolio should be invested in instruments with a final maturity not exceeding 181 days.
- c. Gold-backed exchange traded funds shall not exceed 50% of the Total Fund Cash portfolio at any time.
- d. Short selling is prohibited in this portfolio.
- e. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.

E. Securities Lending

1. Authorized Investments

The ED is authorized to enter into a securities lending agreement with the Fund’s custodian to lend domestic and non-domestic Public Equity and Fixed Income securities from the Fund’s portfolio directly to borrowers for a fee in accordance with the following guidelines:

- a. The Fund’s custodian shall agree to indemnify the Fund against any direct loss from:
 - i. a borrower default;
 - ii. the reinvestment of cash collateral; and
 - iii. the failure to comply with the terms and conditions of the lending agreements;
- b. Collateral shall be required at a minimum of 102% of the market value of the loaned securities which are denominated in the same currency as the collateral provided by the borrower;

- c. Collateral shall be required at a minimum of 105% of the market value of the loaned securities which are denominated in a currency other than the collateral provided by the borrower;
- d. Collateral and loaned securities shall be marked-to-market daily; and
- e. The investment of cash collateral posted by borrowers shall be restricted to those investment-grade securities permissible under the provisions of AS 37.13.120 and 15 AAC 137; unless the ED elects to have cash collateral released to the Fund to meet the Fund's liquidity needs rather than having it invested by the custodian.

IV. ALTERNATIVE INVESTMENTS

A. Private Equity and Special Opportunities

1. Objective

The objective of the Private Equity & Special Opportunities (“PESO”) portfolio is to invest in illiquid growth-oriented assets authorized by 15 AAC 137.460 that are expected to generate risk-adjusted, after-fee returns that are superior to the Public Equity portfolio. Performance of this portfolio will be evaluated quarterly, in aggregate and based upon the vintage year, against the **Cambridge PE (Lagged)**, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs, fees, and carry, on a one-year, three-year, five-year, and ten-year annualized basis.

2. Investment Strategy

PESO investment strategies include: venture capital, growth equity, leveraged buyouts, special opportunities, and distressed debt. PESO portfolio investments will be executed through capital commitments to limited liability funds managed by external investment managers, through co-investments alongside existing external managers, and direct investments into operating companies. Annually, APFC Staff will provide a pacing and investment plan for Board approval that reflects the current PESO exposures, assumptions, and outlook. The Deputy CIO-Private Markets & Alternatives will have primary responsibility in executing the PESO portfolio's investment strategy.

3. Diversification and Portfolio Restrictions

The Deputy CIO-Private Markets & Alternatives is responsible for managing the portfolio risks and adhering to this Policy. In constructing a diversified PESO portfolio, APFC Staff will consider the following characteristics: strategy, geography, industry, manager, investment size, leverage, vintage year, and market position. In addition to general Policy requirements, the following asset class specific restrictions apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- c. The PESO portfolio shall be invested within the following strategy diversification ranges:
 - i. Venture Capital – 5% to 45%;

- ii. Buyouts/Acquisition – 25% to 70%;
 - iii. Specialized Funds/Investments – 0% to 50%;
- d. No more than 20% of the PESO Portfolio shall be invested with a single Investment Manager/General Partner.
 - e. No more than 20% of the PESO Portfolio shall be invested in publicly traded securities; and
 - f. Following the public listing of any shares of a portfolio company held by an APFC controlled investment vehicle, such shares shall be either liquidated consistent with SEC regulations within a reasonable period of time, not to exceed eighteen months, or written approval to continuing holding such public securities must be received from the ED on a quarterly basis.

B. Real Estate

1. Objective

The objective of the Real Estate portfolio is to generate a risk-adjusted return comprised of an attractive level of current income and capital appreciation, while contributing to diversification of the Fund. Performance of the Real Estate portfolio will be evaluated quarterly against a custom benchmark comprised of **85% NCREIF Property Benchmark (Lagged) and 15% MSCI US REIT Index**, but success in achieving the long-term objective will be measured, net of all costs, fees, and carry, on a one-year, three-year, five-year, and ten-year annualized basis.

2. Investment Strategy

Real Estate investments, as authorized in 15 AAC 137.450, shall primarily target:

- a. Directly-held income producing, core real estate globally;
- b. Directly-held build-to-core or other non-core properties;
- c. Equity and debt funds that invest predominantly in real estate strategies (e.g. core, core-plus, value-added, and opportunistic);
- d. Publicly traded funds (e.g. ETFs or Index), or securities (e.g. REITs, CMBS, or other structured product), where the underlying investments consist of real estate;
- e. Private funds, or securities (e.g., REITs, CMBS, or other structured product), where the underlying investments consist of real estate; and
- f. Co-investments alongside an existing Real Estate manager.

The Director of Real Estate will have primary responsibility in executing the portfolio's investment strategy.

3. Diversification and Portfolio Restrictions

The Director of Real Estate is responsible for managing the various risks incurred and adhering to this Policy. In constructing a diversified Real Estate portfolio, APFC Staff will consider the following characteristics: investment type, property type, geography, manager, and leverage. In addition to general Policy requirements, the following will apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- c. No more than 60% of the directly-held Real Estate portfolio shall be invested in “non-core” real estate (value-add and opportunistic).
- d. The directly-held portion of the Real Estate portfolio will target the following property types: Multifamily, Industrial, Office, Hotel, and Retail with maximum weightings for each property type measured against NCREIF NPI benchmark weightings. Except for the 10% carve-out for other property described in (f) of this section, maximum risk ceilings of 1.5x the benchmark weighting shall apply for each property type measured against the FY2025 target allocation for the Real Estate portfolio.
- e. In recognition that APFC Staff may pursue some niche property types that are not included in property types of the NCREIF NPI, the directly-held portion of the Real Estate portfolio may, with the consent of the CIO, include up to 10% in property types not included in the NCREIF NPI.
- f. No more than 35% of the Real Estate portfolio shall be invested with a single investment manager/general partner as measured against the FY2025 target allocation for the Real Estate portfolio.
- g. Leverage on investments in the directly-held portion of the Real Estate portfolio shall be limited by investment type as follows:
 - i. Core real estate leverage is limited to 50% of the gross asset value of the investment at the time of debt placement; however, this limit can be increased to 52.5% when including transaction fees and expenses;
 - ii. Non-Core real estate leverage is limited to 65% of the gross asset value of the investment at the time of debt placement or 65% of the project cost on build-to-core investments; however, this limit can be increased to 67.5% when including transaction fees and expenses; and
 - iii. Portfolio-wide leverage is limited to 40% of the gross asset value of the directly-held Real Estate portfolio.

Infrastructure and Private Credit and Income Opportunities Portfolio

The Infrastructure and Private Credit and Income Opportunities portfolio will be comprised of two separate investment strategies in accordance with the Policy requirements below:

C. Infrastructure Portfolio

1. Objective

The objective of the Infrastructure portfolio is to provide attractive risk-adjusted returns that have inflation-protection characteristics and exhibit low correlations with other major asset classes, as authorized by 15 AAC 137.460. Performance of the Infrastructure portfolio will be evaluated quarterly against the **Cambridge Global Private Infrastructure Index (Lagged)**, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs, fees, and carry, on a one-year, three-year, five-year, and ten-year annualized basis.

2. Investment Strategy

Infrastructure investments involve the purchase of critical assets with high barriers to entry and, due to the “essential services” nature of the assets, often result in low elasticity of demand. Infrastructure investments may include energy infrastructure, transportation, water infrastructure, telecommunications, social infrastructure (e.g. lotteries, student housing, prisons), other infrastructure (e.g. protected income stream assets, other interests of infrastructure issuers, infrastructure-related assets), other real assets (e.g. timberlands, agricultural farmlands, leasable hard assets), and any other tangible or intangible asset that possesses similar characteristics as those outlined in this section.

Infrastructure investments will be executed through long-term commitments to limited liability funds managed by external investment managers, through co-investments alongside existing Infrastructure managers and direct investments into operating companies. Additionally, investments in publicly-traded stocks of companies whose business profile includes ownership of infrastructure assets (Listed Infrastructure) may be included in the portfolio. Annually, APFC Staff will provide a pacing and investment plan for Board approval that reflects the current exposures, assumptions, and outlook. The Deputy CIO-Private Markets & Alternatives will have primary responsibility in executing the portfolio’s investment strategy and plans.

3. Risk Limits and Portfolio Restrictions

The Deputy CIO-Private Markets & Alternatives is responsible for managing the various risks incurred and adhering to investment policy. In constructing a diversified Infrastructure portfolio, APFC Staff will consider the following characteristics: drivers of underlying assets’ cash flow, industry sector, geography, manager, strategy, investment size, and company concentration. In addition to general Policy requirements, the following will apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- c. Investments in multiple limited liability investment vehicles managed by the same manager are permitted, however, combined investments with a single manager shall not exceed 30% of the total Infrastructure portfolio.
- d. APFC assets invested with each manager shall not represent more than 30% of that manager’s AUM.

D. Private Credit and Income Opportunities

1. Objective

The objective of the Private Credit and Income Opportunities portfolio is to provide attractive risk-adjusted returns that generate a high level of income and potentially provide for capital appreciation, while safeguarding principal, as authorized by 15 AAC 137.460. Performance of the Private Credit and Income Opportunities portfolio will be evaluated quarterly against the **Cambridge Private Credit Index (Lagged)**, but

success in achieving the long-term objective (see Table 2) will be measured, net of all costs, fees, and carry, on a one-year, three-year, five-year, and ten-year annualized basis.

2. Investment Strategy

Private Credit and Income Opportunities investments involve the ownership of higher yielding, illiquid investment debt opportunities that cover a range of risk/return profiles. The Private Credit portion of this portfolio shall target externally managed limited liability funds, co-investments, and direct investments into operating companies that target one or more of the following strategies: direct lending, subordinated and mezzanine lending, distressed debt, and opportunistic credit-oriented funds, with flexibility to pursue illiquid and liquid strategies. The Income Opportunities portion of this portfolio shall include investments such as: timberlands, asset-based lending, structured credit, life settlements, leasing and royalty strategies, and special situations that share the common characteristic of being private markets investments with an objective of income generation and downside protection, but which do not fit neatly into other portfolios. Certain portfolios within Private Credit and Income Opportunities may also include some liquid credit exposures to complement the private investments in this portfolio. Annually, APFC Staff will provide a pacing and investment plan for Board approval that reflects the current exposures, assumptions, and outlook. The Deputy CIO-Private Markets & Alternatives will have primary responsibility in executing the portfolio's investment strategy.

3. Risk Limits and Portfolio Restrictions

The Deputy CIO-Private Markets & Alternatives is responsible for managing the various risks incurred and adhering to this Policy. In constructing a diversified Private Credit and Income Opportunities portfolio, APFC Staff will consider the following characteristics: credit profile, geography, manager, strategy, investment size, and company concentration. In addition to general policy aspects, the following will apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- c. Investments in multiple vehicles managed by the same manager are permitted, however, combined investments with a single manager shall not exceed 30% of the Private Income portfolio.
- d. APFC assets invested with each manager shall not represent more than 30% of that manager's AUM.

E. Absolute Return

1. Objective

The objective for the Absolute Return portfolio is to deliver reasonably consistent and accretive returns that are largely uncorrelated with traditional, market-driven asset classes. Performance of the Absolute Return portfolio will be evaluated quarterly against the **HFRI Total HFOF Universe benchmark**, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs, fees, and carry, on a one-year, three-year, five-year, and ten-year annualized basis. The long-term objective for this portfolio is to generate a return similar to the total Fund with a correlation to the total Fund of less than fifty percent (50%), as measure over rolling 36-month periods.

2. Investment Strategy

The Absolute Return portfolio will invest directly into comingled limited liability funds as authorized by 15 AAC 137.460. The managers of these funds will invest in public or private securities and other financial instruments and may use leverage consistent with other managers of similar strategies. It is not uncommon for the legal terms of these limited liability funds to have restrictions on liquidity, including redemption windows (e.g. monthly, quarterly, annually), notice periods (e.g. 30, 60, or 90 days), lock-ups (e.g. soft, hard), gates (e.g. investor-level, fund-level), and, at times, withdrawal fees. **With the written consent of the CIO and ED, and the approval of investment guidelines, a portion of the Absolute Return portfolio may be internally managed and invested in gold-backed exchange traded funds as authorized by 15 AAC 137.460.**

The Absolute Return portfolio, whether internally or externally managed, shall pursue one or more of the following investment strategies:

- a. Relative Value, including equity market neutral, fixed income arbitrage, and convertible arbitrage;
- b. Event-Driven, including merger arbitrage, distressed securities/discounted bank debt, and special situations;
- c. Directional/Tactical/Opportunistic, including long-short equity, managed futures, and global macro; and
- d. Commodities, including gold-backed exchange traded funds.**

The Deputy CIO-Private Markets & Alternatives will have primary responsibility in executing the Absolute Return portfolio's investment strategy.

3. Risk Limits and Portfolio Restrictions

The Deputy CIO-Private Markets & Alternatives is responsible for managing the various risks incurred and adhering to this Policy. In constructing a diversified Absolute Return portfolio, APFC Staff will consider the following characteristics: manager, strategy, investment size, leverage, correlation with other assets of the Fund, and liquidity. In addition to general Policy Requirements, the following restrictions will apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII;

- b. Relative Value Managers in the range of 0 – 75%;
- c. Event Driven Managers in the range of 0 – 50%;
- d. Directional/Tactical/Opportunistic Managers in the range of 0 – 75%;
- e. Commodities, including gold-backed exchanged traded funds in the range of 0 – 50%;
- f. At least 50% of the portfolio shall be capable of being liquidated within a 12-month period; and
- g. APFC assets invested with each internal or external manager shall not represent more than 30% of that manager’s AUM.

V. ALASKA IN-STATE INVESTMENT POLICY

A. Objective and Considerations

To implement the requirements of AS 37.13.120(c), the Board believes the Fund should have an in-state investment policy that maintains the investment integrity of the Fund and is both proactive and impartial. As such, any internal in-state investment decision made by APFC Staff should include the following considerations:

1. Honor AS 37.13.120(c): Prescribes that if an Alaskan investment has equivalent risk and expected return comparable to or better than a similar non-Alaskan investment, the Alaskan investment should be preferred.
2. Require Compelling Risk-Adjusted Returns: To honor the prudent investor rule provided in AS 37.13.120(a), any Alaskan investment contemplated by APFC must be attractive on a stand-alone basis.
3. Ensure Fund Diversification: In order to provide sufficient risk diversification as required under AS 37.13.120(c), Board approval is required for any in-state investment that would exceed 1% of the Fund, at the time of investment.
4. Seek Participation by Another Institutional Investor: In order to ensure that an Alaskan investment opportunity is attractive on a stand-alone basis and satisfies the institutional quality requirements of 15 AAC 137.420, APFC should generally seek to invest into an Alaskan investment alongside of at least one of its peers (i.e., a large institutional investor, which may include endowments, foundations, sovereign wealth funds, or public or private pension funds).

B. In-State Investment Targets

For the APFC Staff to identify and invest the Fund in additional compelling in-state investments, the following investment targets and guidelines are set to promote compliance with AS 37.13.120(c):

1. By 2021, at least 3% of the Fund should be invested in-state;
2. By 2022, at least 4% of the Fund should be invested in-state;
3. By 2023, at least 5% of the Fund should be invested in-state;

For purposes of this section, a Fund investment will be considered “invested in-state” if,

1. An external investment manager has an office in Alaska and the employee(s) that is primarily responsible for management of the asset(s) is based in Alaska; or
2. An external investment manager has an office in Alaska and the employee(s) that is primarily responsible for management of the asset(s) is based in Alaska; or
3. The Fund’s investments managed internally by APFC Staff will not be included in achieving these targets.

VI. AUTHORIZED USE OF DERIVATIVES

A. Objective

The purpose of this section of the Policy is to establish the permitted uses and the limitations on the use of derivatives and establish procedures for managing risks associated with derivatives. The requirements and limitations of this section of the Policy shall apply to all derivatives transactions executed by APFC Staff and all external managers with authority to buy or sell a derivative as an agent on behalf of the of the Alaska Permanent Fund. This section of the Policy does not apply to investments in a limited liability investment vehicle in which derivatives are in the name of the limited liability investment vehicle and the liability is limited to the amount invested.

B. Derivatives Definition; Scope

1. As defined in 15 AAC 137.990(6), “Derivative” means “an instrument whose value, usefulness, and marketability is dependent upon or derives from an underlying asset; classes of derivatives include futures contracts, options, forward contracts, including currency forward contracts, swaps, and options on futures.”
2. Both exchange traded and over the counter (“OTC”) derivative instruments are under the scope of this Policy. The principal risk of derivatives strategies comes from the potential to lever the portfolio and to express a view on a security or risk factor without committing capital commensurate with the exposure. To mitigate this risk, the successful and prudent use of derivatives depends on:
 - a. Well-defined uses for derivatives, and avoidance of leverage;
 - b. Manager-by-manager limits on economic exposures through derivatives; and
 - c. Investment manager internal control and defined procedures for managing risk.

C. Permitted Uses

1. Permitted uses of derivatives include:
 - a. Hedge and control risks of Fund portfolios so they better align with benchmarks and objectives;
 - b. Efficiently manage portfolio exposures synthetically as opposed to trading underlying securities;

- c. Build portfolios with targeted risk and return characteristics that otherwise could not be efficiently created with securities; and
- d. Facilitate rebalancing.

D. Derivatives Risk Management and Compliance

1. Derivative Pre-Approval Requirement

All derivatives strategies, whether internally or externally managed, are prohibited unless specifically allowed in writing for a permitted use as a part of an investment manager's guidelines.

The use of derivatives by an external manager shall be conditioned upon the finding by the CIO and CRO that the external manager:

- a. Has demonstrated investment expertise in the use of derivatives for the strategy they have been selected to implement;
- b. Has appropriate risk management and valuation policies and procedures in place;
- c. Has legal and investment experience to limit downside effects of the proposed derivatives; and
- d. Has demonstrated the ability to effectively monitor and control the use of derivatives and has agreed to provide monthly derivative exposure reports which detail:
 - i. Total derivative exposures on a gross and net basis,
 - ii. Total collateral/margin postings on gross and net basis, and
 - iii. A list of authorized counterparties and exposure by counterparty.

2. Derivative Recourse Limitations

For externally managed portfolios, all liability created by the use of derivatives in the name of the Fund must be limited to the total value of the portfolio being managed by the external manager. To ensure this requirement is met, approval of the IMA/External Manager guidelines by General Counsel is required.

3. Counterparty and other Requirements

- a. The counterparty to any OTC derivative transaction must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's), unless an exception is approved in writing by the CIO and CRO;
- b. The net market value, net of all collateral postings, of all OTC derivatives for any individual counterparty may not exceed 30 basis points of the total market value of the Fund.;
- c. Selling (writing) uncovered options is prohibited;
- d. The net of long and short dollar exposures to assets or currencies, whether derived from physical or derivative securities, must be less than or equal to the dollar market value of the portfolio, except for very small, inadvertent, or temporary amounts that occur in the normal course of portfolio management or authorized by the CRO;

- e. The gross dollar exposures of a portfolio in the Fund from physical and derivative securities (futures, options, swaps) cannot exceed 300% of the market value of the aggregate underlying portfolio at all times unless authorized by the CRO; and
- f. If derivatives are used by a manager to actively manage currency exposure, net short exposure to any single currency remains within limits established for that manager's strategy.

VII. RISK MANAGEMENT & OVERSIGHT

Recognizing the relationship between return and risk, APFC consciously and deliberately assumes various risks in pursuit of its return objectives. The goal of risk management is to understand, analyze and manage these risks. The risk management function strives to create risk awareness, establish and formalize a risk management framework, and ensure risks incurred are within the Board's risk appetite. This Policy outlines the Board's approved risk management framework, which includes the salient investment risk parameters and thresholds.

A. Risk Parameters and Measures

APFC Staff will establish a framework for measuring absolute risk of the Fund and each asset class, as well as relative risks in comparison to established benchmarks. This framework should generally include quantifiable estimates of active and relative risk. APFC Staff will monitor and produce reports as appropriate for the Board, ED, CIO, and APFC Staff.

The salient risk parameters are listed below. Related tolerances and associated ranges are provided in Table 3.

Asset Allocation Limits – Target allocation levels are determined for each asset class based on quantitative modeling and qualitative inputs. Disciplined alignment to these targets is essential, albeit ensuring limited flexibility to cater to changing markets and other factors.

Future Commitments - Future commitments are a function of committed capital to private investments and essentially reflect a contingent cash draw liability. Monitoring and limiting future commitments relative to the Fund's overall size is important.

1. **Active Risk** - Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. Tracking error is calculated for this purpose on an ex-ante basis using a holdings-based risk analytical system.
2. **Relative Risk Limit** - Relative Value at Risk (RVaR) provides a comparison of portfolio risk relative to benchmark risk and is measured as a ratio of Portfolio VaR to benchmark VaR.

In addition to relative measures, multiple risk parameters including concentration, credit, market, and liquidity risks are monitored and controlled.

1. **Downside Risk** - Downside risk is risk of significant loss of capital. Staff will actively monitor the Fund's downside risk relative to the risk benchmark using scenario analysis and stress testing.
2. **Proxy Securities and Indices** - If necessary and prudent, as determined by the CRO, APFC Staff will employ index proxies to approximate the economic characteristics of specific

investments to the extent that the terms and conditions of those investments or the underlying holdings (in the case of the funds) are not readily available or where the complexity of the underlying investment renders empirical measurement impractical.

3. Private Market Asset Holdings - APFC Staff will actively monitor the portion of the Fund invested in private market asset holdings to ensure that the percent of the total fund invested in private markets adheres to the private investment limits.

B. Credit Ratings for Fixed Income Securities

Credit ratings by the three major ratings agencies, Standard & Poor's, Moody's and Fitch will be the primary source of credit ratings for Fixed Income securities in the Fixed Income and Total Fund Cash portfolios, subject to the following:

1. In case of split ratings, the 'Bloomberg Barclays Middle Rating' methodology shall be applied (i.e. if all three agencies rate a security, the middle rating is adopted; if only two agencies rate a security, the most conservative (lowest) rating is used; if only one rates a security, that single rating is used).
2. If none of the three agencies have assigned a rating, ratings by other agencies and or implied ratings may be used with CRO approval.
3. If no agency ratings are available and a rating cannot be implied, it shall be categorized as 'Unrated'.

C. Legal Risk Management

Legal documentation for all internally managed public and private investments will be reviewed, negotiated and approved by APFC General Counsel prior to execution by the ED. APFC General Counsel shall be responsible for determining when outside legal counsel should be engaged to assist in the review and negotiation of Fund investment matters, subject to applicable statutes and rules adopted by the Office of the Attorney General.

D. Permitted Use of Leverage

APFC Staff and external managers, consistent with the requirements of 15 AAC 137.500 and this Policy (including the risk parameters established by the asset allocation ranges), is authorized to use leverage for an investment of Fund assets, provided that such leverage is non-recourse to APFC or the Fund as described in AS 37.13.120(b) and 15 AAC 137.500.

E. Foreign Exchange Risk

1. External managers and APFC Staff may, with prior approval of the CIO, transact in any foreign exchange instrument (including currency futures and forward contracts, options, and swap agreements), to implement their investment strategies, contingent upon such transactions being consistent with this Policy and the requirements of 15 AAC 137.480.
2. APFC Staff shall analyze foreign exchange risk regularly and present quarterly to the Board. This analysis includes both internal hedging and external foreign exchange overlay manager positioning and performance.

F. Risk Compliance, Monitoring, and Reporting

The APFC Staff assigned to each Asset Class in this Policy will have primary responsibility to ensure adherence to all aspects of this Policy. Additionally, the CRO and risk management team will be responsible for monitoring compliance of Fund investment activity. The Chief Risk Officer will provide the Board and APFC Staff with a comprehensive risk profile of the Fund on a regular basis. At a minimum, this includes the Daily Risk Dashboard and more detailed quarterly updates. The quarterly reports to the Board shall include the levels for most of the salient risk parameters described in this Policy.

G. Risk Parameters and Limits

Table 3: Asset Allocation (AA) Target Levels

	Public Equity	Fixed Income	Private Equity	Real Estate	Private Income	Absolute Return	Risk Parity	Cash	Total Fund	Low	High	Low	High
Future Outstanding Commitments ¹	0.0%	0.0%	10.0%	3.0%	5.0%	2.0%		0.0%	20.0%	85%	115%	75%	125%
Benchmark	M664204USN	LEHCREYBO	CAM_PE	NCREIFMSCI	CAM_PI	HFRIPROXY	HFRI_LP	90DTBILL	LEHFTJPM				
Tracking Error	3.5%	2.5%							4.0%	n/a	115%	n/a	125%
Relative VaR ²	100.0%	100.0%							100.0%	0%	125%	0%	140%
% of Asset Allocation													
Single Name / Issuer ³	4%	4%	2%	10%	2%	n/a	n/a	n/a		0%	115%	0%	125%
Single Industry ⁴	20%	20%	30%	n/a	30%	n/a	n/a	n/a		0%	115%	0%	125%
Single Country - EX US	10%	10%	20%	20%	20%	n/a	n/a	n/a		0%	115%	0%	125%
Total EX US	50%	30%	50%	50%	50%	n/a	n/a	n/a					
Single Fund Investment ⁵	5%	10%	10%	10%	10%	10%	50%	n/a		0%	115%	0%	125%
Proportion of Ownership	5%	5%	10%	100%	10%	n/a	n/a	n/a		0%	115%	0%	125%
Rating - Below Inv Grade	n/a	25%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
Rating - Below A- & Unrated	n/a	50%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
Rating - Unrated	n/a	5%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
FX - Proportion Unhedged	30%	5%	20%	20%	20%	n/a	n/a	5%		0%	115%	0%	125%
Liquidity - Proportion w/o Daily Liq	10%	10%	100%	100%	100%	100%	100%	5%		0%	115%	0%	125%
Liquidity - Proportion w/o Monthly Liq	2%	2%	100%	100%	100%	70%	70%	0%		0%	115%	0%	125%
Liquidity - Proportion w/o Quarterly Liq	0%	0%	100%	100%	100%	30%	30%	0%		0%	115%	0%	125%
Cash & Equivalents	2%	10%	5%	5%	5%	n/a	n/a	100%		0%	115%	0%	125%
MINIMUM Cash & Equivalents	0%	0%	0%	0%	0%	n/a	n/a	30%		85%	115%	75%	125%

All Targets are Maximum Permitted except-Minimum Cash

Notes:

1 % of Total Fund

2 Ratio of Portfolio VaR to Benchmark VaR

3 Single Name / Issuer: represents security level exposure to single entity or operating company.

US Treasury & Govt Agencies are exempt. For Private Assets, the limit applies at the time of investment or cost basis.

4 Definition: GICS

5 Single Fund Investment: represents exposure to a fund or strategy based vehicle.

VIII. PUBLIC MARKETS EXTERNAL MANAGER SELECTION

A. Manager Search and Selection

This section of the Policy applies to discretionary mandates assigned to external investment managers to transact and manage public market assets on behalf of the Fund (i.e. through an IMA). The Board has authorized APFC Staff to hire new investment managers upon conclusion of an appropriate search with the assistance of a qualified consultant, which can include the Board's General Consultant, contingent upon the search and hiring process adhering to the following steps:

1. Setting of relevant search criteria by APFC Staff of applicable manager qualifications;
2. Identification, with the assistance of the consultant, of a list of potential managers that are qualified to provide the investment management services needed, based on the qualifications and other search criteria established by APFC Staff;
3. Evaluation by a review committee established within the consultant's organization of the list of potential, qualified managers identified for recommendation of consideration by APFC Staff;
4. Informing the CIO of managers recommended by the General Consultant's review committee;
5. Selection by APFC Staff of between three and five finalists from those recommended by the consultant's review committee. This process may include, as part of due diligence, on-site visits by APFC Staff. Presentations to APFC Staff by the recommended managers are at the election of the CIO and ED;
6. Analysis by APFC Staff including a detailed recommendation to the CIO and ED, considering manager-specific characteristics as well as portfolio considerations;
7. Approval of the new manager or advisor by the CIO and ED, assignment of benchmarks as appropriate, and determination of the initial amount to be placed under management with the manager;
8. A manager shall also be required to execute a written IMA with the APFC. The IMA shall address matters of performance, compensation, term/termination, investment guidelines, among others, as the APFC and the manager consider necessary and appropriate. The use of derivatives, if any, within externally managed mandates shall conform to the Derivatives section of this Policy and be explicitly detailed in the IMA; and
9. Review and approval by the CRO and General Counsel of the proposed IMA is required prior to execution.

B. Special Situations

In certain special circumstances, the ED and CIO has the authority to modify or waive the criteria in the selection and hiring process outlined above. Even in such instances, the ED and

CIO retains the final manager selection authority. Use of an alternative manager search process may be considered when any one or more of these conditions exist:

1. A manager under consideration for hire has already been vetted in a significant manner either through a search process with a qualified consultant, or the manager is already employed in a manager capacity by APFC;
2. The skill for which the manager is being considered is related in a substantive manner to the role the manager already fulfills for APFC or was the subject of a manager search that first identified this manager;
3. It is in the best interest of the Fund to move more quickly than the typical search procedure permits; or
4. Due to confidentiality or specificity of the investment strategy or structure, use of the typical search procedure is not prudent.

The CIO and ED are required to report use of the alternative manager search and selection process, along with the rationale for the use, at the next regularly-scheduled Board meeting.

C. Monitoring and Evaluation of Managers

1. The Board expects APFC Staff to monitor the performance of the Fund's external managers, using the quarterly quantitative performance reports prepared by the General Consultant and Asset Class-specific Advisors in the case of Private Markets and Alternative Investments. Monitoring manager performance may also include review of other quantitative and qualitative aspects based on on-site visits to the manager's offices, discussions with other clients of the manager, media reports and other feedback.
2. The CIO and ED shall report to the Board any special concerns or observations they may have with respect to the performance of a manager no later than the next regular meeting of the Board.
3. The Board authorizes the CIO and ED to terminate an investment manager. If the CIO and ED terminate or give notice of unsatisfactory performance to a manager, they shall inform the Board of the actions and rationale at the next regularly scheduled Board meeting.

Appendix A: Investment Guidelines

Objective

The objective of the APFC Investment Guidelines is to supplement the Investment Policy by providing operational guidelines for APFC's internally managed investment programs. The ED may update this Appendix from time-to-time; updates will be provided to the Board at its next regularly scheduled meeting.

A. Alaska Direct Alternative Credit Investment Guidelines

In fiscal year 2018, APFC Staff established an in-house hybrid liquid / illiquid alternative credit effort named Alaska Direct Alternative Credit (or "ADAC"). Investments included in ADAC will be (i) non-investment grade high yield ETF's and individual bonds and cash ("Liquid Portfolio") and (ii) co-investments with Private Credit managers and working capital cash ("Private Portfolio"). The following guidelines apply to ADAC:

- 1. ADAC shall be included in the Special Opportunities / Income Opportunities category.**
- 2. Size and Funding Schedule**
 - a. \$500 million funded at inception, initially invested in Liquid Portfolio.
 - b. Following inception, additional funds will be invested into ADAC through cash transfers to the Liquid Portfolio and capital calls into the Private Portfolio for co-investments, or working capital or organizational expenses for the Private Credit Co-Investment Vehicle.
 - c. Funding of additional cash transfers to the Liquid Portfolio will be done at no greater than a 1:1 ratio with cumulative Private Portfolio capital calls.
 - d. Invested capital of \$1,000 million targeted to be funded within 24 months of inception.
- 3. Portfolio Control and Decision Making**
 - a. Private Income team will have discretion over portfolio-wide decisions including: (i) percentage of portfolio invested in Liquid vs. Private Portfolio, (ii) retaining APFC Fixed Income team as manager of the Liquid Portfolio, and (iii) individual investment decisions in the Private Portfolio.
- 4. Liquid Portfolio and Benchmark**
 - a. Liquid Portfolio, initially 100% of ADAC, ultimately scaling down to less than 50%, will be managed by the APFC Fixed Income team at inception.
 - b. Targeted maximum allocation will be the greater of \$750 million and 75% of ADAC NAV.
 - c. Targeted minimum allocation will be 25% of ADAC NAV.
 - d. ETF Account within Liquid Portfolio benchmarked to Barclays US High Yield Index (after July 1, 2018 to allow for an initial ramp-up).
 - e. Individual securities portfolio will favor BB-B over CCC-rated securities and will be benchmarked to the Barclays BB High Yield Index (after July 1, 2018 to allow for an initial ramp-up). A relatively high tracking error to this index will be tolerated with the aim of outperformance over a full market cycle.

5. Private Portfolio and Benchmark

- a. Private Portfolio, initially 0% of ADAC, ultimately scaling to greater than 50%, will be managed by the Private Income team.
- b. Targeted maximum allocation will be 75% of ADAC NAV.
- c. Targeted minimum allocation will be 25% of ADAC NAV (after initial, 24-month ramp-up).
- d. Private Portfolio will target having a minimum of \$100 million committed within 12 months of inception and a minimum of \$250 million within 24 months of inception.
- e. Co-investment opportunities will be primarily sourced through existing managers.
- f. Maximum commitment per co-investment of \$75 million without ED written approval.
- g. Private Portfolio will be benchmarked to CPI + 500 bps.

6. Overall ADAC Portfolio Benchmarks

- a. Barclays US High Yield Index (relatively high tracking error to this index will be tolerated with the aim of outperformance over a full market cycle).
- b. A long-term target of CPI + 400 bps.

7. Tenor and Termination

- a. This is an evergreen strategy with realized gains re-invested, which means the size of ADAC will be equal to invested capital, *plus* cumulative realized/unrealized gains, *minus* cumulative realized/unrealized losses.
- b. The CIO, with ED consent, may choose to invest additional capital at any time.
- c. The CIO, with Executive Direct consent, may choose to terminate the strategy at any time. Upon termination, available cash will be distributed from ADAC, the Liquid Portfolio will be sold within 180 days, and the Private Portfolio will cease making new commitments (with the exception of follow-on investments to existing portfolio holdings and investments to which a written commitment to invest has already been executed; both to be pursued only with written consent of the ED) and will distribute proceeds upon any partial or full realization of existing investments.

B. U.S. Large Cap Low P/E

In the fall of 2019, APFC Public Equity Staff established an internally traded deep value strategy. The following guidelines apply to this strategy:

1. Benchmark

The performance benchmark is the Russell 1000 Value Index.

2. Risk Limit

The portfolio will be included within the Total Public Equities' Tracking Error and Relative VaR limits. The allocation limit to the strategy will conform to the limits set in the Public Equities investment guidelines.

3. Concentration Risk

When originally purchasing securities for this strategy, the securities will all be equally weighted and from the lowest valuation quintile of the Russell 1000 index. The portfolio

will be rebalanced every 12 months to ensure that the securities that make up this portfolio remain equally weighted and at least 90% of the securities are in the lowest valuation quintile of the Russell 1000 index. At all times, the portfolio will have a minimum of 100 securities.

4. Allowable Investments

The strategy will invest in U.S. listed equity securities from the Russell 1000 Index.

5. Shorting, Leverage, and Derivatives

Not applicable at this time.

6. Liquidity Risk

The strategy is expected to be fairly liquid. For example, at \$500mm in AUM the portfolio is estimated to trade 95% on day 1 and 99% by day 3, under normal market conditions.

7. Portfolio Size Limit

Without strategy is expected to be fairly liquid. For example, at \$500mm in AUM the portfolio is estimated to trade 95% on day 1 and 99% by day 3, under normal market conditions.

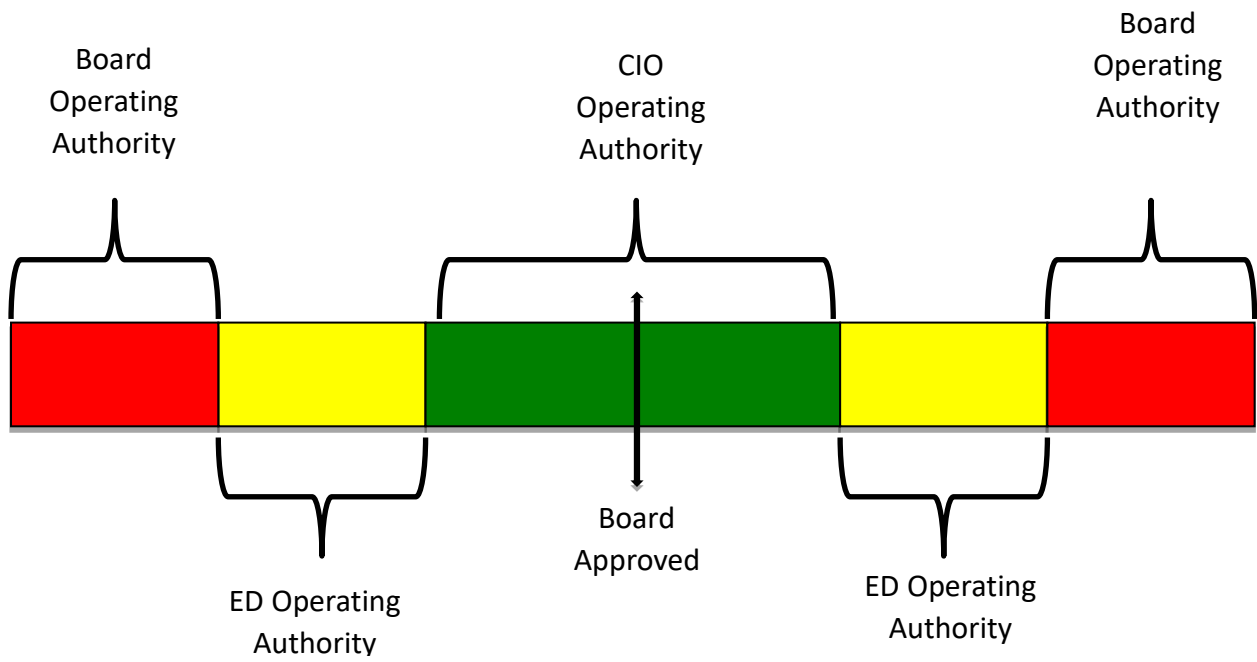
Appendix B: Limit Ranges & Compliance Cure Periods

The Green Zone Operating Range (“Green Zone”) concept is designed to indicate the Board approved operating risk limits.

- A. The Green Zone is the Board-approved CIO operating range.
- B. The Yellow Zone is the Board approved ED operating range.
 - 1. The Chief Risk Officer (“CRO”) will notify the CIO and ED promptly upon entry into a Yellow Zone.
 - 2. The CIO will respond by requesting ED approval to operate within the Yellow Zone.
 - 3. With ED approval, the CIO may operate within a Yellow Zone for up to 90 consecutive days or, if longer, until the next Board meeting following entry into a Yellow Zone.
 - 4. The CRO will notify the Board (i) when approaching 90 days of operating within a Yellow Zone and (ii) monthly thereafter.
 - 5. Following Board notification, a Trustee may request in writing a meeting to discuss an extension to continue operating within the Yellow Zone.
 - 6. The Board may grant the CIO and ED an extension to continue operating within a Yellow Zone. Between Board meetings, unless a Trustee requests a meeting, the Board Chair may grant the CIO and ED an extension to continue operating within a Yellow Zone.
- C. The Red Zone is the operating range that requires Board approval.
 - 1. The CRO will notify the Board upon entry into a Red Zone.
 - 2. The CIO and ED will respond to the Board with an action plan.
 - 3. Absent Board approval, operating within a Red Zone is limited to 30 consecutive days (plus the time needed to notice a Board meeting).
 - 4. The Board has the authority to approve operating within a Red Zone, beyond 30 days.

Even though the Fund is expected to operate most of the time within the Green Zone, the Fund may periodically be within a Yellow Zone, and there may be times when the Fund will be within a Red Zone. The zones are designed to increase transparency and awareness; they should not be viewed as explicit violations. Each year a historical report showing periods of operating within the Yellow and Red Zones will be included in Board meeting packets.

Visual Display of Green Zone Concept



Appendix C: Glossary

AAC means the Alaska Administrative Code.

ADA means the Americans With Disabilities Act of 1990.

Advisors and **Board Advisors** mean the investment professionals who comprise the Board's Investment Advisory Group.

APFC and **Corporation** mean the Alaska Permanent Fund Corporation, established under AS 37.13.040.

AS means Alaska Statutes.

BB means **Bloomberg**.

Board means the Board of Trustees of the APFC.

CMBS means commercial mortgage-backed securities.

CFO means the APFC's Chief Financial Officer.

CIO means the APFC's CIO.

Consultant means the Board's investment consultant(s), not including Board Advisors.

CPI means the Consumer Price Index.

CRO means Chief Risk Officer

Custodian means the APFC's custodian.

Days means calendar days.

ED means the APFC's Executive Director.

FoF means fund-of-funds.

Fund and **Permanent Fund** mean the Alaska Permanent Fund, established under Article IX, Section 15, of the Alaska Constitution, and described in AS 37.13.010.

IMA means investment management agreement.

Investment Manager and Manager mean investment manager(s) retained by the APFC.

IRR means internal rate-of-return.

Long-Term means over one or more business cycles.

MBS means mortgage-backed securities.

RBM means Strategic Risk Benchmark.

Staff means the APFC Investment Staff and, where the context requires, also means or includes the Executive Director and/or other APFC Staff.

TE means Tracking Error.

Trustees means the members of the APFC's Board of Trustees.

VaR means Value at Risk.

Appendix D: Previous Investment Policy Adoption & Amendments

The previous APFC Investment Policy was adopted or amended effective as follows:

Adopted: May 27, 2010

Amended: September 30, 2010 (§14.9 added)

Amended: December 1, 2010 (§9.1 revised; new §11.1 added and prior §§11.1-11.3 and subsections thereunder renumbered; and §18.2.4 revised)

Amended: May 20, 2011 (§18A added)

Amended: September 30, 2011 (§§ 8, 8.2, 8.3, 8.5, 9.2, 9.3.1, 9.4.1, 11.3.1, 15.3, and 15.4 revised)

Amended: December 8, 2011 (§11.3.2 revised)

Amended: February 22, 2012 (§20 revised)

Amended: April 23, 2012 (§§16.3.1 and 16.3.2 revised; and Specific Policy Modifications for Tysons Corner Phase I Project and Mariner Frontier Fund, L.P. added)

Amended: February 27, 2013 (§§ 15.2, 15.3, and 15.4 revised)

Amended: May 22, 2013 (§§9.5.4, 9.5.5,12.4, 12.6, 13.2, 13.3.1, 13.3.3, 14.9.4.10, 16.1.2, 16.1.3, 16.1.4, 16.2, 16.3, 16.3.1, 18A, 23.2, and 23.5 revised; Specific Policy Modification for Mariner Frontier Fund, L.P. revised; Specific Policy Modification for Crestline AK Permanent Fund, L.P. added; and Addendum re Internal Investment Managers added)

Amended: May 23, 2013 (§§ 3.1, 3.3, 5.3, 6, 8 (including Table 8a), 8.1 revised; §8.2 deleted; §§ 8.3-8.5 renumbered (as §§ 8.2-8.4) and newly-renumbered §§ 8.2-8.4 revised; and §§ 9.2, 9.3.1, 9.4.1, 10, 11.3.1, and 22.2 revised)

Amended: February 26, 2014 (§§23.3.1, and 23.2 revised; and Addendum re Internal Investment Managers revised)

Amended: May 21, 2014 (§14.9.4.10 (including Table 14.9.4.10.1) revised)

Amended: December 10, 2014 (§§ 8, 9.3.1, 11.3.2, 14.2.2, and Table 14.5.4.1 revised)

Amended: May 19, 2015 (§§ 15 and 16, including conforming changes in other sections revised)

Amended: September 27, 2016

Amended: December, 2016 (§§ 9, 10 and 12, including conforming changes in other sections revised)

Amended: May 23, 2018, complete re-write of the Policy and Guidelines. Changes to be effective on July 1, 2018

Amended: September 27, 2018 (§ 5, Alaska Investment Policy was revised)

Amended: May 21, 2020, complete rewrite of the Investment Policy



KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

September 3, 2020

Audit Committee
Alaska Permanent Fund Corporation
Juneau, Alaska

Ladies and Gentlemen:

We have audited the financial statements of Alaska Permanent Fund (the Fund) as of June 30, 2020 and for each of the years then ended, and have issued our report thereon under date of September 3, 2020. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audits.

Our Responsibility Under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of the Audit Committee, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (AICPA) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Audit Committee of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Audit Committee in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Fund's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We will, however, read the other information included in the annual report, and raise matters that come to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.



Audit Committee
Alaska Permanent Fund Corporation
Page 2 of 3

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the Fund are described in Note 2 to the financial statements.

Unusual Transactions

There have been no unusual transactions that we are aware of that need to be disclosed to you.

Qualitative Aspects of Accounting Practices

We have discussed with the Audit Committee and management our judgments about the quality, not just the acceptability, of the Fund's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the Fund's accounting policies and their application, and the understandability and completeness of the Fund's financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the Corporation to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

The valuation of alternative investments and real estate are particularly sensitive estimates in the Fund's financial statements. We reviewed the estimates and assumptions used by management in making their judgements, including possible management bias in developing the estimates, and determined that they were reasonable in relation to the financial statements taken as a whole.

Uncorrected and Corrected Misstatements

Uncorrected Misstatements

In connection with our audit of the Fund's financial statements, we have discussed with management certain financial statement misstatements that have not been corrected in the Fund's books and records as of and for the year ended June 30, 2020. We have reported such misstatements to management on a Summary of Audit Misstatements and have received written representations from management that management believes that the effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Included within the attached management representation letter is a copy of the summary that has been provided to, and discussed with, management

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' report on the Fund's financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2020.



Audit Committee
Alaska Permanent Fund Corporation
Page 3 of 3

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters with the Audit Committee and management each year prior to our retention by the Audit Committee as the Fund’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Written Communications

Attached to this letter please find the management representation letter, which is considered material written communications between management and us.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Independence

Confirmation of Audit Independence

We hereby confirm that as of September 3, 2020 we are independent accountants with respect to the Fund under relevant professional and regulatory standards.

* * * * *

This letter to the Audit Committee is intended solely for the information and use of the Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

September 3, 2020

KPMG LLP
701 West 8th Avenue
Suite 600
Anchorage, AK 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the Alaska Permanent Fund (the Fund) as of and for the year ended June 30, 2020 and 2019, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the balance sheets and the related statements of revenues, expenditures, and changes in fund balances in accordance with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of September 3, 2020:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 31, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.
2. We have made available to you:
 - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and
 - d. All minutes of the meetings of the Board of Trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees or others concerning noncompliance with laws and regulations in any jurisdiction, or deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.
4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have disclosed to you all side agreements or other arrangements (either written or oral).
7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

9. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
10. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements for each respective opinion unit.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.
12. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Fund's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud affecting the Fund involving:
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of any officer, trustee or member of governing body of the Fund, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
17. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and the significant assumptions used in our fair value measurements and disclosures are reasonable and appropriately reflect our intent and ability to carry out specific course of action on behalf of the entity where relevant to the fair value measurement and disclosure.
18. We have disclosed to you the identity of our related parties and all the related party relationships and transactions of which we are aware.
19. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party relationships and transactions of which we are aware, in accordance with U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Fund is contingently liable.
 - c. The existence of and transactions with joint ventures and other related organizations.
20. The Fund has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
21. The Fund has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
22. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted

accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Fund's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

23. We acknowledge our responsibility for the presentation of the required supplementary information which includes, management's discussion and analysis in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:
 - a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.
 - b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period
 - c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.
24. In accordance with Government Auditing Standards, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objective of this audit, including whether related recommendations have been implemented.
25. KPMG LLP assisted management in drafting the financial statements and notes. In accordance with Government Auditing Standards, we confirm that we have reviewed, approved, and accept responsibility for the financial statement notes.

Very truly yours,

Alaska Permanent Fund Corporation



Angela Rodell

Chief Executive Officer

Valerie Mertz Digitally signed by Valerie Mertz
Date: 2020.09.03 10:18:03 -08'00'

Valerie Mertz

Chief Financial Officer

Jacki Mallinger Digitally signed by Jacki Mallinger
Date: 2020.09.03 10:31:53 -08'00'

Jacki Mallinger

Portfolio Accountant II

Correcting Entry Required at Current Period End											
ID	Description of misstatement	Type of misstatement	Accounts	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from prior period)		Income effect of correcting the current period balance sheet	Income effect according to Rollover (Income Statement) method	Equity	Current Assets
						B	C-A				
				A						Balance sheet credit - debit (Credit)	
UAD1	Factual misstatement related to investments reported on a lag at year-end for which true valuations have been received.	Factual	[Asset] Public-Private Credit	0	(27,664,860)	0	0	0	0	0	(27,664,860)
			[Asset] Real Estate	0	(5,896,925)	0	0	0	0	0	(5,896,925)
			[Asset] Absolute Return	30,171,844	0	0	0	0	0	0	30,171,844
			[Asset] Private Equity	56,357,508	0	0	0	0	0	0	56,357,508
			[Asset] Infrastructure	59,811,699	0	0	0	0	0	0	59,811,699
			[Revenue] Absolute Return Gain or Loss Unrealized	0	(30,171,844)	(7,051,193)	(30,171,844)	(30,171,844)	(23,120,651)	(30,171,844)	0
			[Revenue] Infrastructure Gain or Loss Unrealized	0	(59,811,699)	(37,352,903)	(59,811,699)	(59,811,699)	(22,458,796)	(59,811,699)	0
			[Revenue] Private Equity Gain or Loss Unrealized	0	(56,357,508)	(252,950,789)	(56,357,508)	(56,357,508)	196,593,281	(56,357,508)	0
			[Revenue] Public-private credit Gain or Loss Unrealized	27,664,860	0	(17,519,441)	27,664,860	27,664,860	45,184,301	27,664,860	0
			[Revenue] Real Estate Gain or Loss Unrealized	5,896,925	0	(7,035,643)	5,896,925	5,896,925	12,932,568	5,896,925	0
UAD2	Projected misstatement related to investments reported on a lag at the year-end for which true valuations have not been received.	Projected	[Asset] Public-Private Credit	17,843,133	0	0	0	0	0	0	17,843,133
			[Asset] Private Equity	315,291,738	0	0	0	0	0	0	560,474,777
			[Asset] Infrastructure	37,546,415	0	0	0	0	0	0	37,546,415
			[Revenue] Infrastructure Gain or Loss Unrealized	0	(37,546,415)	(594,683)	(37,546,415)	(37,546,415)	(36,951,732)	(37,546,415)	0
			[Revenue] Private Equity Gain or Loss Unrealized	0	(315,291,738)	(44,751,944)	(315,291,738)	(315,291,738)	(270,539,794)	(315,291,738)	0
			[Revenue] Public-private credit Gain or Loss Unrealized	0	(17,843,133)	4,246,148	(17,843,133)	(17,843,133)	(22,089,281)	(17,843,133)	0
			Aggregate effect of uncorrected audit misstatements (before tax):			(363,010,448)	(483,460,552)	(483,460,552)	(120,450,104)	(483,460,552)	728,643,591
			Aggregate effect of uncorrected audit misstatements (after tax):			(363,010,448)	(483,460,552)	(483,460,552)	(120,450,104)	(483,460,552)	728,643,591
			Financial statement amounts (per final financial statements) (after tax):						1,764,636,000	(65,302,202,000)	69,444,826,000
			Uncorrected audit misstatements as a percentage of financial statement amounts (after tax):						(6.83%)	0.74%	1.05%



Alaska Permanent Fund Corporation Report to the Audit Committee

Audit results for the year ending June 30, 2020

September 2, 2020





Executive Summary



**REQUIRED
COMMUNICATIONS**

A purple circular icon containing a white line-art icon of a computer monitor displaying a line graph with an upward trend, and a magnifying glass positioned over the graph.

AUDIT DEBRIEF

A purple circular icon containing a white line-art icon of a central circle connected to five smaller circles by lines, representing a network or a process flow.

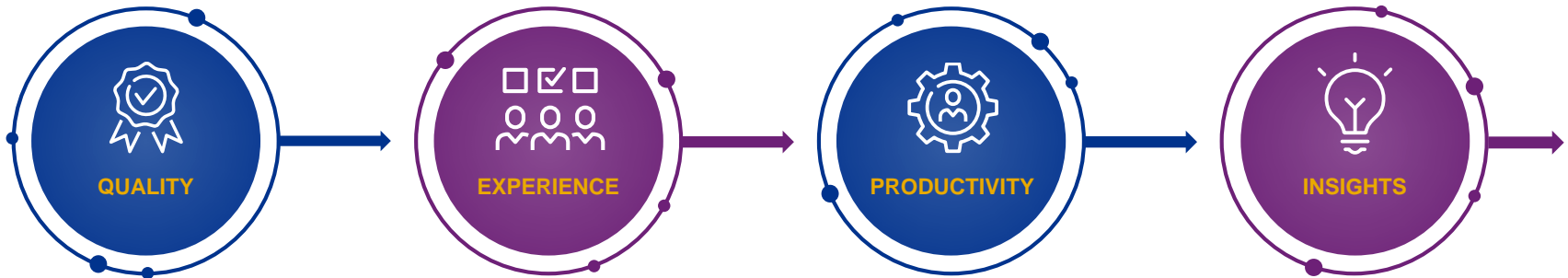
COVID-19

A dark blue circular icon containing a white line-art icon of two stylized virus particles with spiky outer shells and internal structures.



Our commitment to you

We aim to deliver an exceptional client experience by focusing on



Quality in all that we do and how we deliver

We are committed to delivering a thoughtful, transparent and coordinated approach

Risk based auditing by enabling our people through the design, execution, and automation of our processes

Having best-in-class industry and topical insights, which help our auditors make better decisions and share those relevant insights



Summary: Audit results required communications and other matters

		Response
Audit Results	Outstanding matters	Anticipated outstanding matters as of the date of the audit committee meeting are: - Final quality review of report - Management representation letter
	Uncorrected audit misstatements	See slide 11
	Corrected audit misstatements	No corrected misstatements identified during the audit
	Financial presentation and disclosure omissions	No matters to communicate
	Non-GAAP policies and practices	See slide 10
	Material weaknesses and significant deficiencies in internal control	See slide 5
	Auditors' report	See slide 6
	Changes to our planned risk assessment and audit strategy	No matters to report
	Significant accounting policies and practices	See slide 7
	Significant accounting estimates	See slide 8 and 9
	Significant financial statement disclosures	No matters to report
	Related parties	No matters to report
	Going concern	No matters to report
	Other information	No matters to report



Summary: Audit results required communications and other matters

		Response
Audit Results	Subsequent events	No matters to report
	Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit
	Noncompliance with laws and regulations	No matters to report
	Significant difficulties encountered during the audit	No matters to report
	Significant findings or issues discussed, or the subject of correspondence, with management	No matters to report
	Management's consultation with other accountants	No matters to report
	Difficult or contentious matters for which the auditor consulted	No matters to report
	Disagreements with management	No matters to report
	Other significant matters	No matters to report
	Written communications	Engagement letter and management representation letter, including summary of uncorrected misstatement
Inquiries	See slide 13	



Material weaknesses and significant deficiencies in internal control

Material weaknesses

Description	Potential effects	Status
None identified		

Significant deficiencies

Description	Potential effects	Status
None identified		



Auditors' report

Emphasis of matter or other matter paragraphs

— Emphasis of matter paragraph:

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, 2020 and 2019, or the 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 paragraph:

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-9 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.



Significant accounting policies and practices

Description of significant accounting policies and practices	Audit findings
--	----------------

- The Fund’s policies are disclosed in Note 2 to the financial statements and are consistent with prior years.
- Governmental Accounting Standards (specifically GASB Statement No. 54) provides guidance on the classification of Fund Balance.

Qualitative aspects

- We did not identify indication of significant elements of management bias when reviewing these policies.



Significant accounting estimates

Description of significant accounting estimates

- Valuation of directly owned real estate investments

Audit findings

Management's process used to develop the estimates

- Management uses a third party, Cushman & Wakefield, to manage the appraisals of the directly held real estate assets. Each property is valued quarterly by third party advisors and annually through an appraisal performed by a third-party selected by Cushman & Wakefield. Management reviews the assumptions used within the valuations for reasonableness.

Significant assumptions used that have a high degree of subjectivity

- None

Indicators of possible management bias

- There were no indicators of possible management bias identified during our audit of this estimate.

Qualitative aspects

- To be discussed at meeting

Conclusions

- We determined that the methods used by management and the valuations recorded by management are reasonable and not affected by indicators of management bias.



Significant accounting estimates

Description of significant accounting estimates

- Valuation of private investments

Audit findings

Management's process used to develop the estimates

- Management receives periodic capital statements from external fund managers. These capital statements are the starting point to estimate fair value of each private investment and are adjusted for any contributions or distributions made during the period and any other factors management believes impact fair value.

Significant assumptions used that have a high degree of subjectivity

- None

Indicators of possible management bias

- There were no indicators of possible management bias identified during our audit of this estimate.

Qualitative aspects

- To be discussed at meeting

Conclusions

- We determined that the methods used by management and the valuations recorded by management are reasonable and not affected by indicators of management bias.



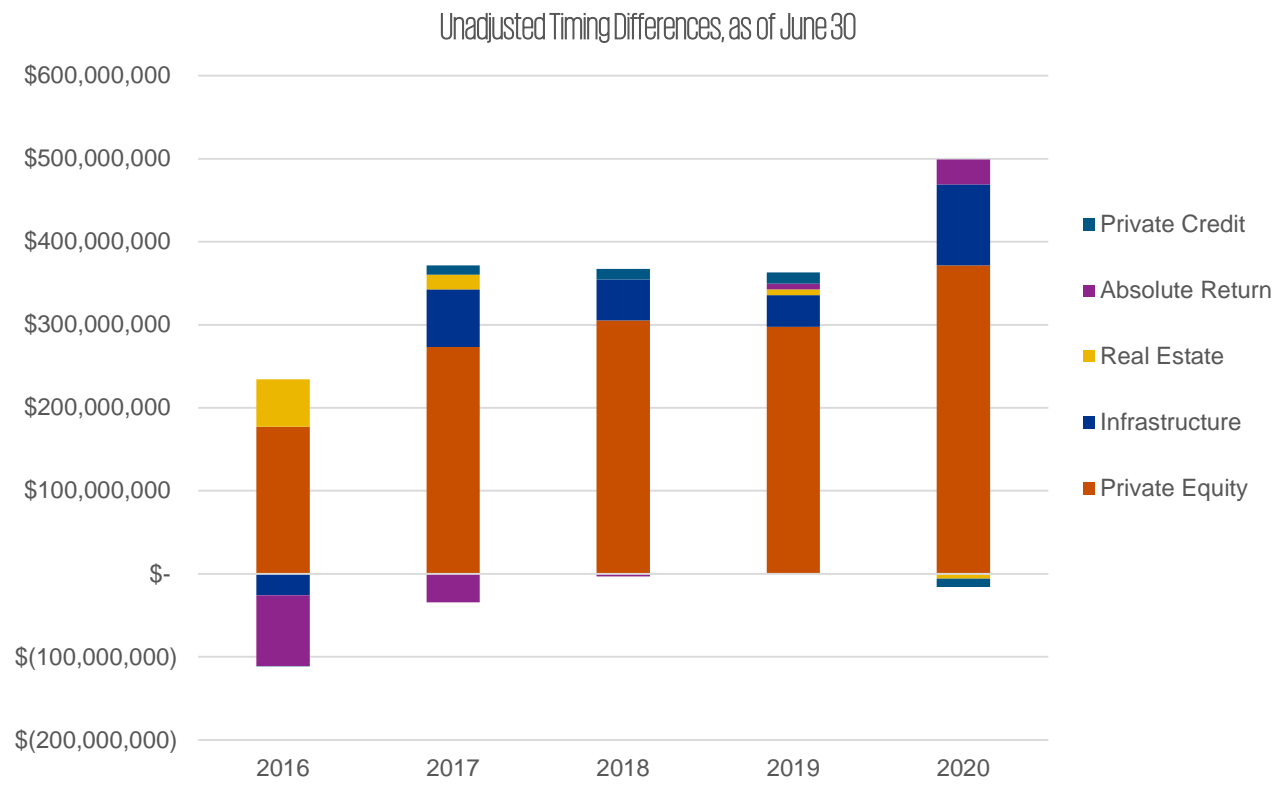
Non-GAAP policies and practices

The Company has adopted certain accounting policies or practices that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. The Company has evaluated the effect of the application of such policies and practices on the financial statements (and its assessment of internal control over financial reporting) and concluded that such effect is not material to the 2020 financial statements or to its assessment of internal control over financial reporting.

Non-GAAP polices and practices	Impact of non-GAAP policies and practices
<p>APFC values private investments based on information, calculations, and estimates provided by the fund managers on a one quarter lag.</p>	<p>This policy is applied for purchase of timely reporting. Thus estimates on the June 30 statements have fair values as of March 31. Historically, this has resulted in an unadjusted audit difference for the change in fair value between the two dates.</p> <p>Due to the implications of COVID-19, management performed an additional assessment through August 15 to preliminary determine the potential impact of this lag.</p>



Uncorrected audit misstatements





COVID-19: Resilience & Readiness

COVID-19 is truly a unique and demanding challenge with severe human consequences. We place the highest priority on the health of our people and yours, and continue to take action based on guidance from public health authorities.

Key Insights For Your Organization

- Our team is producing insights and providing perspectives on actions we can all take to respond with resilience.
- Our [Audit Committee Institute](#) and [Board Leadership Center](#) is producing insights on oversight of companies' pandemic response.
- Our [COVID-19 resource center](#) also covers topics such as financial reporting, global economic impacts, financial management, contingency planning and business continuity, and more.



Business Continuity Excellence

- Our business continuity plan is working effectively and we have taken steps to prepare for future, potentially longer-term, alternative work arrangements.
- We are coordinating with your teams to best work together and communicating frequently to keep each other informed.
- Our Heads Up Thinking culture vision is helping to shape the way the firm responds to challenges like this to the benefit of our clients.



COVID-19 impacted the execution of this year's audit. We will discuss specifics and as we move forward we will continue to focus on understanding the impact of COVID-19 to your business, and will adjust our next audit plan as appropriate.



Inquiries

The following inquiries are in accordance with AU-C 260

Is the audit committee aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Does the audit committee have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company?

Additional inquiries:

- What are the audit committee's views about fraud risks in the Company?
- Who is the appropriate person (audit committee chair or full committee) for communication of audit matters during the audit?
- How are responsibilities allocated between management and the audit committee?
- What are the Company's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are the audit committee's attitudes, awareness, and actions concerning (a) the Company's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Company entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?
- Have any subsequent events occurred that might affect the financial statements?



Audit quality and transparency

2019 Audit Quality Report

- Highlights the steps we have taken in 2019 to evolve and enhance our audit practice and our firm
- Provides an overview of how we are strengthening our culture, continuing to invest in our people, and the new technologies that will enable our workforce



2019 Transparency Report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's structure, governance and approach to audit quality
- Discusses how the firm aligns with the requirements and intent of applicable professional standards



Reports and supplements available at:
read.kpmg.us/auditquality

Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit KPMG's Audit Committee Institute (ACI) at www.kpmg.com/ACI

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SUBJECT: FY2022 Proposed Budget

ACTION: X

DATE: September 24, 2020

INFORMATION: _____

The FY2022 budget request was presented to the Board at the budget work session on September 3. Feedback from this discussion has been incorporated into the request, as presented in this memo.

Staff is requesting approval of the FY22 budget at this meeting. The Office of Management and Budget will review the Board’s request, and the Governor’s proposed budget for all public agencies, including the APFC, will be presented to the Legislature by December 15 for consideration during the upcoming Legislative session. Traditionally, staff returns to the Board at the May meeting with the final budget approved by the Legislature to be implemented on July 1, though this has been delayed by extended Legislative sessions.

This budget was prepared, recognizing the importance of continuing to operate in a lean manner in accordance with the State’s overall need to reduce expenses. Directors and managers throughout the corporation worked to build this budget from zero, and in doing so, reviewed their workflows in an effort to capitalize on potential efficiencies.

The Alaska Permanent Fund Corporation’s operating budget appropriation has historically been divided into two allocations: one for operations of the corporation and one for costs related to investment management. A detailed breakdown of these two allocations can be found in the appendix to this memo. Two scenarios are presented below: one that includes the incentive compensation program for Investment staff that was approved by the Board in May of 2018, and one that includes a three percent retention adjustment for all staff with no funding for incentive compensation.

	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2021	FY2022	From FY2021	FY2022	From FY2021
Operating Allocation	\$ 17,680,700	\$ 18,801,700	\$ 1,121,000	\$ 17,911,700	\$ 231,000
Investment Management Allocation	\$ 129,400,600	\$ 133,039,100	\$ 3,638,500	\$ 133,039,100	\$ 3,638,500
Total Appropriation	\$ 147,081,300	\$ 151,840,800	\$ 4,759,500	\$ 150,950,800	\$ 3,869,500

- Proposed Incentive Compensation, in accordance with the policy passed by the Board, at a maximum distribution is estimated to be \$2,530,400. At the request of the Board, the Operating Allocation, including an Incentive Compensation program, that will fund a portion, \$890,000, of the maximum distribution. If appropriated, the available funds may need to be pro-rated.

OPERATING ALLOCATION

The Operating Allocation is separated into five objects of expenditure, each of which is discussed below.

Personal Services –

	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2021	FY2022	From FY2021	FY2022	From FY2021
Personal Services	\$ 12,839,400	\$ 14,037,000	\$ 1,197,600	\$ 13,147,000	\$ 307,600

New Position Requests

APFC has a total of 57 full-time, two part-time, year-round positions, plus two summer interns. There are currently eight full-time positions that are vacant, including the Chief Operations Officer, two Investment Associates, two Investment Officers, a Business Analyst, Operations Analyst, and an Accountant. To satisfy the mandatory vacancy requirement, a minimum of 3% and a maximum of 7%, positions will be periodically held vacant. Filling vacancies will continue to be a priority as staff already operate at a lean capacity, and vacancies exponentially add to workloads.

As stewards of the Permanent Fund, APFC is continually evaluating the need for every position within our organization and adjusting our staffing to maximize the positive impact on the Fund. Over the past year, a few positions have remained vacant for two reasons; 1) to satisfy the required vacancy factor, and 2) because filling every position must be done so with the right person, in line with our strategic priority to “enhance talent and staff.” When talent is identified, having these positions open but available allows us to move quickly, which adds tremendous value to the organization and, consequently, the Fund.

The breakdown of filled and vacant FTEs, by department, can be found in the table below.

CURRENT COUNT BY DEPARTMENT	FILLED FTEs	VACANT FTEs
Executive	6	1
Investments	21	4
Finance	8	2
Operations	11	3*
Risk & Compliance	3	0
Intern	0	2
Total	49	12

* Includes two vacant part-time positions.

The FY22 budget proposal includes one new position. Fixed Income, currently a team of six, is requesting one new position. The position, a Global Rates Analyst, will bring value to the corporation by maximizing the evaluation process of new opportunities and minimizing potential problems with exposures to a specific country through in-depth research. The position will provide data, analytics, and reporting on economic developments, relative value across markets and for sovereign debt, FX carry, FX hedges, and maintain a country scorecard. Additionally, the

incumbent will assist with all operational implementations and maintenance to ensure transactional requirements are satisfied, and coordination occurs with other functional areas within the organization.

Issues we plan to address through the addition of this position would encompass underperformance and losses due to large interest rate moves, large moves in FX forwards, changes in credit ratings, changes in policy related to flows of foreign capital, and settlement issues related to complexities of operating in certain markets.

The current, in-house, global rates portfolio is approximately \$1 billion, and the new analyst would have a direct impact on its performance. If an analyst is able to add just 0.01% of outperformance over our benchmark because of their analysis, they would add \$100,000 notional dollars to the portfolio.

Within a typical asset management firm, a global PM would be assisted in their decision making by multiple country analysts who specialize in various regions, a rates and FX strategist, and a trader who manages the execution of trades.

The FY2022 personal services request represents the total cost of the new position being requested, full staffing of existing positions, funding of retention adjustments for all staff, and an anticipated vacancy factor of 3%.

Travel –

	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
Travel	\$ 700,000	\$ 800,000	\$ 100,000

In years past, travel has been an essential part of conducting business nationally and internationally. With the expectation that the portfolio continues to grow in its global exposure, investment staff travel to investigate new investment opportunities, participate in due diligence meetings, and attend industry-standard conferences and trainings. In the budget planning session for the FY2021 budget, the staff proposed a travel budget that the Board reduced by \$229,000.

As the world continues to try to navigate a global pandemic, with no foreseeable answers in the near future, projecting travel is difficult. The baseline for preparing the travel budget started with FY2020 actuals. Upon that, department heads included the anticipated travel expenses for the last three and half months of the fiscal year, had business continued as usual. Requests above that required additional justification.

We fully recognize that business, as usual, may look very different at the end of this. However, until globally, we have a better idea of what that is, this travel budget takes into consideration that we will transition back to a pre-COVID travel schedule—keeping in mind that a significant reduction had already been put into place.

Contractual Services –

	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
Contractual Services	\$ 3,404,400	\$ 3,213,600	\$ (190,800)

Detailed comparisons for the areas discussed below are found in the appendix to this memo.

Audit, Legal, Consulting – Professional services, which support the broader needs of the corporation, are contained within this group, such as audit, legal, and consultants not directly related to Fund investments. This line contains an increment for the annual audit in accordance with our KPMG contract, additional legal assistance that will be provided by the Department of Law through a Reimbursable Service Agreement (RSA), and minimal increment to general consulting. Combined, the total increase over FY2021 is \$179,530.

Public Communications – This encompasses all of the layout, design, printing, and web hosting services, which support the communications program, including the Annual Report, newspaper insert, election guide, social media, website maintenance, educational outreach, photography and brand enhancement. In May, a replacement contractor, MSI, was signed on to assist with communication efforts. With fresh eyes come new ideas and perspectives. With that in mind, MSI will continue to assist with annual projects, and will also work with our team on content development and strategic campaigns to enhance Alaskans' understanding of the Fund and APFC's role. The new contract terms and expenses related to advertising and printing resulted in an increase of approximately \$136,650.

Board Meetings – Items related to board support and board meetings, including room and equipment rentals, refreshments, transcription services, and advisory fees, are included in this group. The FY2022 request contains a small decrement to expenses related to catering.

Information Technology – All of the IT contractual based services related to the general support of the corporation are in this group, including consulting services, software licensing and maintenance, and equipment repairs. The goal for FY2021 is to complete the third phase of the Business Continuity Disaster Recovery (BCDR) plan. With the (planned) completion of this phase, the Fairbanks recovery site implementation will be online and tested quarterly.

The need for implementing a turn-key operation or contracting consulting services will plateau as APFC completes a modernization initiative, which started in 2017. This moves the organization's technology services into a diligent maintenance phase with occasional evolutionary technology and security upgrades requiring consulting services. As a result, the overall reduction of IT contractual services will be \$578,000.

HR & Recruitment – APFC continues to see normal levels of turnover. Although, concern amongst staff continues to loom around the fact that compensation lags the market standard, which has proven to be a challenge in recruiting efforts. HR partnered with the Communications Manager to better leverage our social media platforms, expanding our reach by encouraging staff with large professional followings to share our postings with their peers. This effort allowed us to make a decrement of \$13,726 in our Recruitment Notices line of expenditure. We continue to maximize our video capabilities to ensure we keep costs associated with interview travel to a minimum. As stewards of the Fund, the HR Team will continue to look for opportunities to leverage low cost, but effective, options when it comes to recruitment notices.

Training – Training, professional certifications, and industry-standard conferences for staff are essential to ensure that APFC can continue to compete in global investment markets to effectively manage and grow the portfolio. With the addition of several new employees and internal advancements, continued educational opportunities will be crucial to their success and the value-added to the corporation. With more organizations transition to virtual training platforms, an increase of \$13,675 is anticipated. Although virtual training environments reduce networking opportunities, they are often more accommodating to staff members with limited schedules.

Office Support – All of the contractual services necessary to support the shared administrative needs of the corporation are contained within this group, including office lease costs, copier rentals, and pass-through costs from the Department of Revenue. The increase to this line of expenditure is directly related to moving expenses associated with leasing server rack space for the Fairbanks Disaster Recovery site out of Investment Network Access Fees. Previously, the lease costs were incorporated with monthly network fees. Separating the expense

provides a clear distinction between the expenditures. All other office support expenses are anticipated to remain relatively consistent.

Commodities and Equipment –

	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
Commodities	\$ 336,900	\$ 201,100	\$ (135,800)
Equipment	\$ 400,000	\$ 550,000	\$ 150,000

Commodities and Equipment are the final two objects of expenditure within the operating allocation, and due to their similarity are presented together. These budgets include goods that are purchased to support the needs of the corporation, such as workstations, servers, furniture, and office supplies. The two lines are differentiated by cost – items that are less than \$5,000 fall under the Commodities line, while those greater than \$5,000 fall in the Equipment line. As with Contractual Services, these two lines are presented by the program in the appendix.

Information Technology Commodities- In FY2020, more than half of the corporation’s workstation laptops were replaced in accordance with the three-year-end-of- life cycle schedule. In FY2021, IT will continue to monitor the needs of staff as more than 70% of employees work remotely. A proactive approach to supporting staff will ensure that workstation equipment is procured timely, allowing a \$148,500 reduction in the FY2022 request.

Office Support – The Commodities budget includes subscriptions to industry publications, office supplies, and paper. The FY2022 request includes a slight increase to accommodate an industry-standard price increase for subscriptions and potential requests from new staff. Combined with IT commodities, the overall reduction is \$135,800.

Information Technology Equipment- Although many critical pieces of the Data Center, including server equipment and disk and storage equipment in Juneau, will be replaced in FY2021 as the older but still viable equipment moves to Fairbanks in its new role, upgrades, and increased capabilities will still be needed in FY2022.

The impact of the increases and reductions among IT commodities and equipment results is a total requested increase of \$14,200.

INVESTMENT MANAGEMENT ALLOCATION

The Investment Management Allocation falls within a single object of expenditure that is divided into four types of service. Each is discussed below.

	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
Investment Manager Fees	\$ 114,297,200	\$ 117,221,500	\$ 2,924,300

Investment Manager Fees – This budget includes all of the costs that are paid directly to firms that manage the Fund’s external portfolios, but does not include fees paid through net-of-fee arrangements. Fees were forecasted

using similar assumptions to what was used to generate the FY2021 budget request. The fees associated with managing external REIT and listed infrastructure portfolios were moved to the Real Estate and Alternative lines, respectively, to mirror the changes to the asset allocation that took effect on July 1st with the revised investment policy. The amount being requested is about \$3 million higher than the FY2021 authorization. This is primarily due to anticipated increases to assets under oversight by Pathway in the Alternatives line offset by some savings achieved in downsizing the externally managed REIT and listed infrastructure portfolios as part of the year-end rebalancing. Also incorporated is modest growth in the public equity and fixed income portfolios based upon Callan's capital markets assumptions.

	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
Investment Due Diligence	\$ 6,587,000	\$ 6,136,700	(\$ 450,300)

Investment Due Diligence – This program includes funding for fiduciary advisors, Callan's general consulting contract, manager searches, and APFC's membership in peer groups such as the International Forum of Sovereign Wealth Funds (IFSWF). Based on FY2020 actuals and the five-year strategic plan created in August of 2019, the funding level is expected to decrease by \$450,300. Reductions were taken in all areas, except general subject matter experts and performance measurements.

	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
Investment Systems	\$ 6,716,400	\$ 8,080,900	\$ 1,364,500

Investment Systems – All of the financial network systems, data feeds, and research portals used by APFC staff to make investment decisions; trade, confirm and account for investments, manage external accounts, and manage investment risk at various levels of the portfolio are included in this group. Examples of these vendors are Bloomberg, BlackRock, Tradeweb, Moody's, S&P, and Fitch. The FY2022 request includes natural growth in existing subscription costs, which is roughly between 3% and 10%, as well as the anticipated funds needed to implement a Public and Private Equity portfolio risk model and a Private Assets analytics system. The BlackRock Aladdin system is APFC's Trade Order Management system and Risk & Analytics system, for most of our public market assets. However, it has limitations for certain types of public asset analytics and virtually no analytical capabilities, in its current state, for private assets. Currently, Public Equities utilizes data from the BlackRock Aladdin system and Bloomberg, but data from these resources are limited to trading. Similarly, due to the limited portfolio analytical capabilities of the BlackRock Aladdin system, Private Equities will benefit greatly from an analytical tool, especially as the private asset portfolio continues to grow.

Over the past year, APFC has been researching possible solutions. Including, but not limited to, working with the BlackRock team to expand the capabilities of the Aladdin system by importing ETF data from external sources. As research and product development continues, the request for funds in this line of expenditure may be reevaluated before the Annual Meeting.

	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
Custody Fees	\$ 1,800,000	\$ 1,600,000	\$ (200,000)

Custody Fees – Bank of New York Mellon is the custodian of the Fund’s assets. In FY2022, contract terms have been reduced to a \$1 million yearly flat fee. The additional \$600,00 will be used for collateral management, tax advisory services, and fee increases to unforeseen changes to the portfolio.

Proposed Motion:

The Board of Trustees authorizes APFC staff to:

1. Carry forward the FY2022 proposed Operating and Investment Management Allocations, including funding for an incentive compensation program for Investment staff, to the Governor and Legislature.
2. Request that the corporation’s budget be included in the language section of the Operating Budget bill as follows:

“An amount not to exceed \$151,840,800 is appropriated from Alaska Permanent Fund corporate receipts for the investment and operating costs of the Alaska Permanent Fund Corporation.”



APFC

ALASKA PERMANENT
FUND CORPORATION

FY2022 Proposed Budget

September 24, 2020

Two Allocations -

- Corporate Operations
- Investment Management Fees

Total Corporate Operations

Corporate Operations	Authorized	Proposed With Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2021	FY2022	From FY2021	FY2022	From FY2021
	\$ 17,680,700	\$ 18,801,700	\$ 1,121,000	\$ 17,911,700	\$ 231,000

- Personal Services
- Travel
- Contractual Services
- Commodities
- Equipment

Personal Services

Personal Services	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2021	FY2022	From FY2021	FY2022	From FY2021
	\$ 12,839,400	\$ 14,037,000	\$ 1,197,600	\$ 13,147,000	\$ 307,600

- Salaries
- Benefits
- Trustee Honorarium
- Incentive Compensation- request included a portion, \$890,000, of the maximum distribution, \$2,530,400.

Personal Services Budget Authorization

Fiscal Year	FY2020	FY2021	FY2022
Salaries	\$ 8,740,087.00	\$ 9,100,948.00	\$ 9,372,413.00
Benefits	\$ 3,958,274.00	\$ 4,053,737.00	\$ 4,159,481.00
Vacancy	\$ (871,586.00)	\$ (342,825.00)	\$ (405,894.00)
Board honoraria	\$ 34,426.00	\$ 27,540.00	\$ 21,000.00
Total	\$ 11,861,201.00	\$ 12,839,400.00	\$ 13,147,000.00
Net Change of Total	\$ 0	\$ 978,199.00	\$ 307,600.00
% Change of Total	0%	8%	2%
Request	4 full-time positions, retention adjustment, & incentive compensation	1 full-time position, retention adjustment for current and prior year, & incentive compensation	1 full-time position, retention adjustment, & incentive compensation
Funded		1 full-time position & retention adjustment for the current and prior year	

Personal Services Budget Authorization

Fiscal Year	FY2020	FY2021	FY2022
Salaries	\$ 8,740,087.00	\$ 9,100,948.00	\$ 9,372,413.00
Benefits	\$ 3,958,274.00	\$ 4,053,737.00	\$ 4,159,481.00
Vacancy	\$ (871,586.00)	\$ (342,825.00)	\$ (405,894.00)
Board honoraria	\$ 34,426.00	\$ 27,540.00	\$ 21,000.00
Total	\$ 11,861,201.00	\$ 12,839,400.00	\$ 13,147,000.00

Actuals	\$ 10,375,740.00
Surplus due to vacancies*	\$ 1,485,461.00

- As of 6/30/2020 the corporation closed the fiscal year with 12 vacant positions, and throughout the fiscal year experienced vacancies in 19 positions.

Travel

Travel	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
	\$ 700,000	\$ 800,000	\$ 100,000

- Staff
- Trustee
- Moving/Non-employee

Contractual Services

Contractual Services	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
TOTAL	\$ 3,404,400	\$ 3,213,600	\$ (190,800)
Audit, Legal, Consulting	\$ 445,945	\$ 625,475	\$ 179,530
Public Communications	\$ 146,500	\$ 283,150	\$ 136,650
Board Support & Meetings	\$ 76,000	\$ 71,800	\$ (4,200)
Information Technology	\$ 1,725,500	\$ 1,147,500	\$ (578,000)
HR and Recruitment	\$ 77,436	\$ 63,710	\$ (13,726)
Training/Education	\$ 185,925	\$ 199,600	\$ 13,675
Office Support	\$ 747,094	\$ 822,365	\$ 75,271

Commodities & Equipment

	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
Commodities	\$ 336,900	\$ 201,100	\$ (135,800)
Equipment	\$ 400,000	\$ 550,000	\$ 150,000

- Office/IT Supplies
- Subscriptions
- IT Equipment < \$5,000

- IT Equipment > \$5,000

Investment Management Allocation

Investment Management	Authorized	Proposed	Variance
	FY2021	FY2022	From FY2021
TOTAL INVESTMENT MANAGEMENT FEES	\$ 114,297,200	\$ 117,221,500	\$ 2,924,300
Public Equity	\$ 77,861,110	\$ 75,895,672	\$ (1,965,438)
Fixed Income Plus	\$ 12,986,190	\$ 7,755,847	\$ (5,230,343)
Real Estate	\$ -	\$ 1,114,387	\$ 1,114,387
Alternative Investments	\$ 23,449,900	\$ 32,455,594	\$ 9,005,694
Investment Due Diligence	\$ 6,587,000	\$ 6,136,700	\$ (450,300)
Investment Systems	\$ 6,716,400	\$ 8,080,900	\$ 1,364,500
Custody Fees	\$ 1,800,000	\$ 1,600,000	\$ (200,000)
TOTAL INVESTMENT MNGMNT ALLOCATION	\$ 129,400,600	\$ 133,039,100	\$ 3,638,500

Proposed Motion

- Carry forward the FY2022 proposed Operating and Investment Management Allocations, including funding for an incentive compensation program for Investment staff, to the Governor and Legislature.
- Request that the Corporation's budget be included in the language section of the Operating Budget bill as follows:

"An amount not to exceed \$151,840,800 is appropriated from Alaska Permanent Fund corporate receipts for the investment and operating costs of the Alaska Permanent Fund Corporation."





Questions?

Appendix: FY2022 Budget Proposal

<u>Corporate Operations Allocation</u>	Actual	Authorized	Proposed With Incentive Comp	Variance From		Without Incentive Comp	Variance From	
	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022	FY2020	FY2021
Personal Services	\$10,375,740	\$12,839,400	\$14,037,000	\$3,661,260	\$1,197,600	\$13,147,000	\$2,771,260	\$307,600
Staff	10,366,048	12,811,860	14,016,000	3,649,952	1,204,140	13,126,000	\$2,759,952	\$314,140
Board: Honorarium	9,692	27,540	21,000	11,308	(6,540)	21,000	\$11,308	\$(6,540)
Travel	\$429,269	\$700,000	\$800,000	\$370,731	\$100,000	\$800,000	\$370,731	\$100,000
Staff	362,965	483,000	602,000	239,035	119,000	602,000	\$239,035	\$119,000
Trustees	18,342	22,000	18,000	(342)	(4,000)	18,000	\$(342)	\$(4,000)
Moving/Non-Employee	47,962	195,000	180,000	132,038	(15,000)	180,000	\$132,038	\$(15,000)
Contractual Services	\$3,140,089	\$3,404,400	\$3,213,600	\$73,511	\$(190,800)	\$3,213,600	\$73,511	\$(190,800)
Audit, Legal, Consulting	545,067	445,945	625,475	80,408	179,530	625,475	\$80,408	\$179,530
Public Communications	146,498	146,500	283,150	136,652	136,650	283,150	\$136,652	\$136,650
Board Support and Meetings	52,668	76,000	71,800	19,132	(4,200)	71,800	\$19,132	\$(4,200)
Information Technology	1,582,604	1,725,500	1,147,500	(435,104)	(578,000)	1,147,500	\$(435,104)	\$(578,000)
HR and Recruitment	57,192	77,436	63,710	6,518	(13,726)	63,710	\$6,518	\$(13,726)
Training/Education	62,589	185,925	199,600	137,011	13,675	199,600	\$137,011	\$13,675
Office Support	693,471	747,094	822,365	128,894	75,271	822,365	\$128,894	\$75,271
Commodities	\$307,910	\$336,900	\$201,100	\$(106,810)	\$(135,800)	\$201,100	\$(106,810)	\$(135,800)
Information Technology	257,035	275,000	126,500	(130,535)	(148,500)	126,500	\$(130,535)	\$(148,500)
Office Support	50,875	61,900	74,600	23,725	12,700	74,600	\$23,725	\$12,700
Equipment	\$368,316	\$400,000	\$550,000	\$181,684	\$150,000	\$550,000	\$181,684	\$150,000
Information Technology	368,316	400,000	550,000	181,684	150,000	550,000	\$181,684	\$150,000
Total	\$14,621,323	\$17,680,700	\$18,801,700	\$4,180,377	\$1,121,000	\$17,911,700	\$3,290,377	\$231,000
<u>Investment Management Allocation</u>	Actual	Authorized	Proposed With Incentive Comp	Variance From		Without Incentive Comp	Variance From	
	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022	FY2020	FY2021
Investment Systems	\$4,843,720	\$6,716,400	\$8,080,900	\$3,237,180	\$1,364,500	\$8,080,900	\$3,237,180	\$1,364,500
Investment Due Diligence	\$4,073,397	\$6,587,000	\$6,136,700	\$2,063,303	\$(450,300)	\$6,136,700	\$2,063,303	\$(450,300)
Custody Fees	\$1,342,972	\$1,800,000	\$1,600,000	\$257,028	\$(200,000)	\$1,600,000	\$257,028	\$(200,000)
Investment Manager Fees	\$95,345,259	\$114,297,200	\$117,221,500	\$21,876,241	\$2,924,300	\$117,221,500	\$21,876,241	\$2,924,300
Public Equities	61,935,758	77,861,110	75,895,672	13,959,914	(1,965,438)	75,895,672	\$13,959,914	\$(1,965,438)
Fixed Income	12,184,289	12,986,190	7,755,847	(4,428,442)	(5,230,343)	7,755,847	\$(4,428,442)	\$(5,230,343)
Real Estate	-	-	1,114,387	1,114,387	1,114,387	1,114,387	\$1,114,387	1,114,387
Alternative Assets	21,225,212	23,449,900	32,455,594	11,230,382	9,005,694	32,455,594	\$11,230,382	\$9,005,694
Total	\$ 105,605,348	\$ 129,400,600	\$ 133,039,100	\$ 27,433,752	\$ 3,638,500	\$ 133,039,100	\$27,433,752	\$3,638,500
Total Appropriation	\$ 120,226,672	\$ 147,081,300	\$ 151,840,800	\$ 31,614,128	\$ 4,759,500	\$ 150,950,800	\$ 30,724,128	\$ 3,869,500

SUBJECT: Earnings Reserve Account Discussion ACTION:

DATE: 9/24/2020

INFORMATION: X

The two-account fund structure is unique to the Alaska Permanent Fund, as most trusts and endowments are structured as a single fund with an annual payout mechanism. This presentation is designed to provide an overview of the Earnings Reserve Account.

- The ERA established in
 - *AS 37.13.145 (a). The earnings reserve account is established as a separate account in the Fund. Income from the Fund shall be deposited by the corporation into the account as soon as it is received. Money in the account shall be invested in investments authorized under AS 37.13.120.*
- The ERA is invested under the same, long-term asset allocation as the Principal. The ERA holds the realized earnings of the Fund's investment activity. In accordance with opinions from the Attorney General, it also holds a pro-rata share of the unrealized gains of the portfolio's investments.
- Realized earnings are tied to the investment decisions made within the portfolio and less affected by market volatility, so they tend to be more stable than the markets themselves.
- The fund balance in the ERA is available for appropriation. Fund balance includes unrealized gains which fluctuate on a monthly basis due to market conditions. Therefore, gains that have been appropriated may no longer be available at the time of transfer. For this reason, we would not recommend recognizing unrealized gains for appropriation.
- The percent of market value (POMV) framework established in 2018 provides a predictable revenue stream for the State of Alaska. While the calculation is based on the value of the entire Fund (Principal and Earnings Reserve Account), the 5.25% draw (dropping down to 5% in FY22) can only be appropriated from the balance in the ERA.



ALASKA PERMANENT
FUND CORPORATION

Earnings Reserve Account Discussion

September 24, 2020

AS 37.13.145 (a)

The earnings reserve account is established as a separate account in the fund. Income from the fund shall be deposited by the corporation into the account as soon as it is received.



Components of ERA

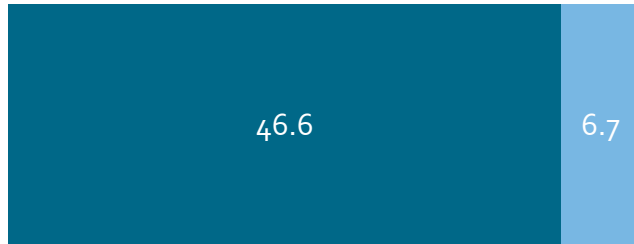
- Realized Earnings
- Commitments for Future Transfers
- Allocation of Unrealized Gains

Values in billions as of July 31, 2020

PRINCIPAL

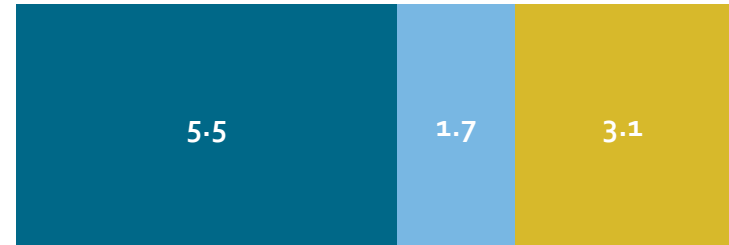
■ Contributions ■ Unrealized Gains

FY21
JUL 31



EARNINGS RESERVE ACCOUNT

■ Realized Earnings ■ Unrealized Gains ■ POMV FY22



Realized Earnings

- ↑ Statutory Net Income
- ↓ POMV Transfer
- ↓ Inflation Proofing
- ↓ ACIF Transfer
- ↓ Other Appropriations

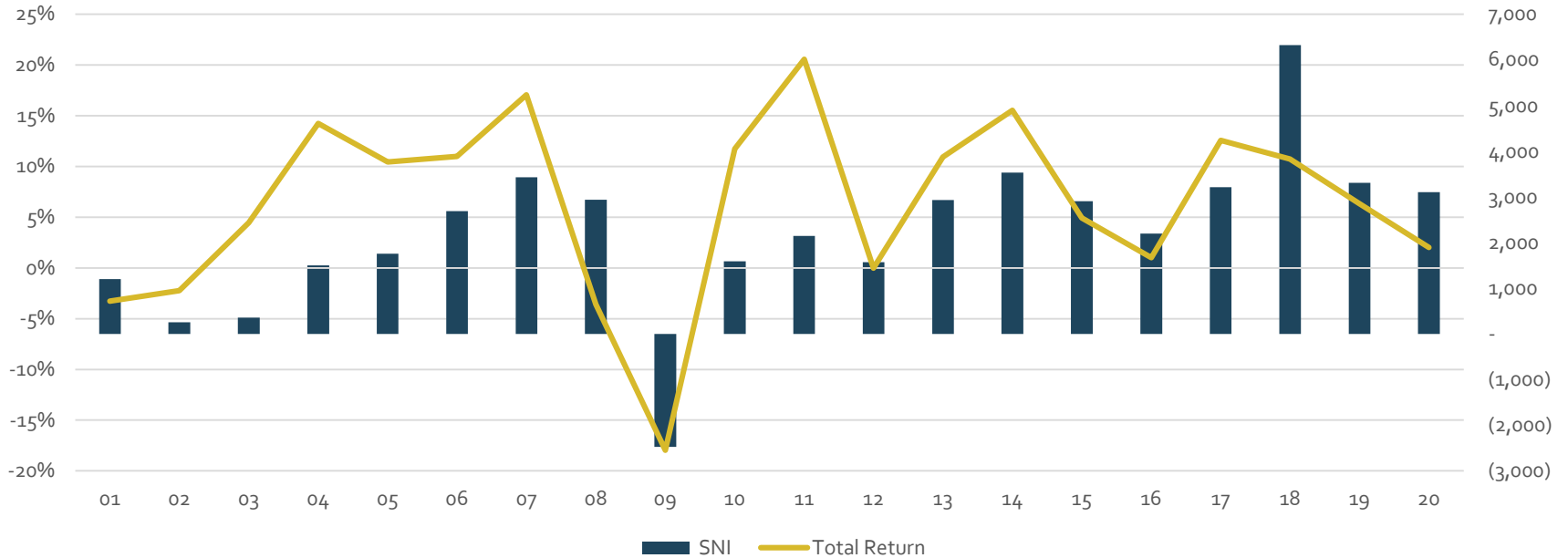
AS 37.13.140 (a)

Net income of the fund shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses.



20 Year Look Back

Total Return vs Statutory Net Income (millions)



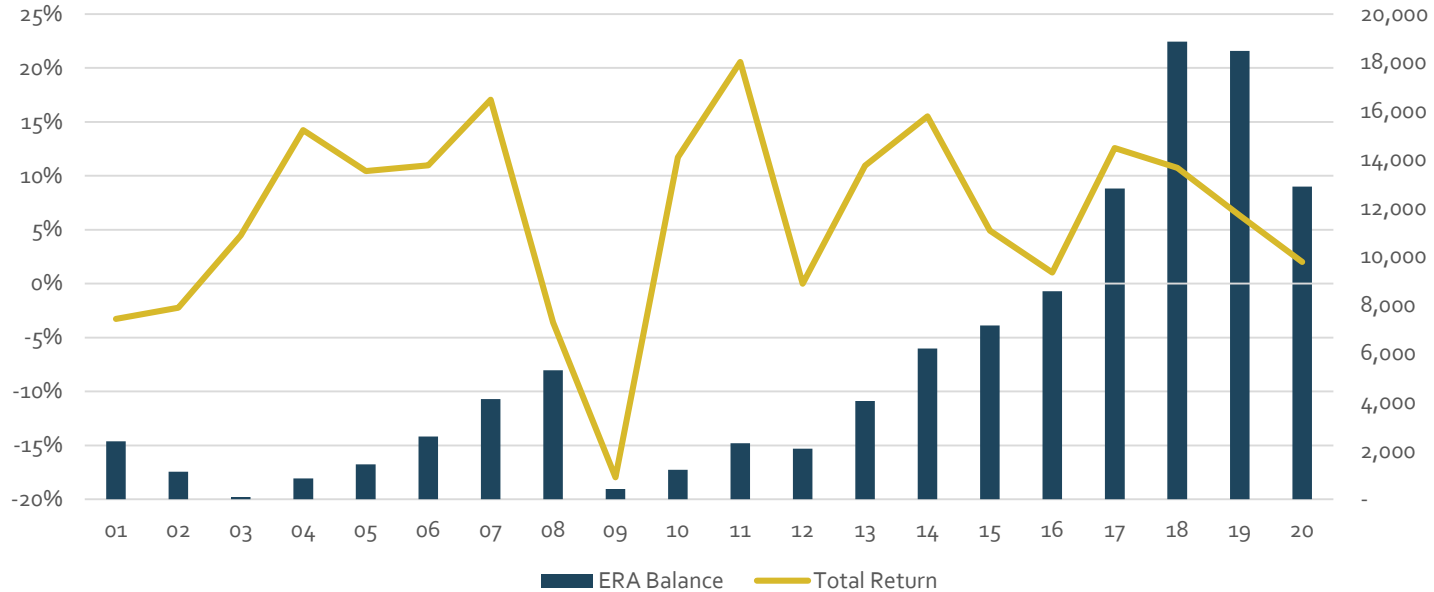
Allocation of Unrealized Gains

↑ ↓ Market Fluctuations

↑ ↓ Size Relative to Principal

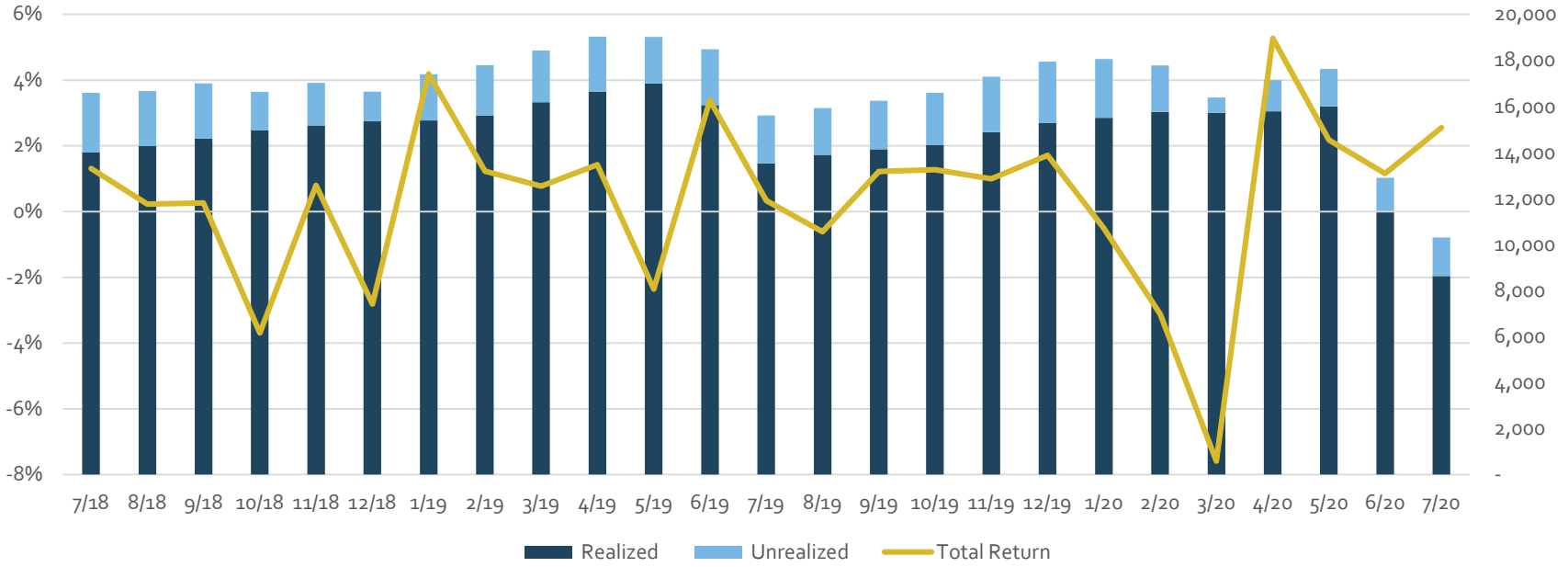
20 Year Look Back

Total Return vs ERA Balance (in millions)



Monthly Values since POMV

Monthly Returns vs ERA Balance (in millions)



Key Takeaways

- Low correlation between total return & ERA balance
- Unrealized gains fluctuate monthly & impact amount available for appropriation
- Market drawdowns do not impact realized earnings
- Transfers out impact both realized earnings & allocation of unrealized gains

SUBJECT: Legislative Initiative – Education / Communications Plan

ACTION:

DATE: 9/24/2020

INFORMATION: X

The 32nd Alaska State Legislature will convene their first regular session on Tuesday, January 19, 2021.

APFC provides sound stewardship and prudent investment of the Fund based on constitutional and statutory mandates. The Board of Trustees has affirmed the importance of stakeholder education to set the foundation for informed policy decisions about the structure of the Fund, as well as the intergenerational growth and sustainability of this financial resource for all Alaskans.

Given the current interest in the Fund and the use of the Earnings Reserve Account, the Board is also requesting a specific one-year plan and a significant increase in external communication activities. The Board intends to approve the one-year communications plan at this Annual Meeting in September and seek refinement of a Legislative Plan by the December quarterly meeting.

With any Communications Plan, it is essential to define the goal to build and establish a comprehensive strategy, messaging, and tactics to achieve the desired outcome. The accompanying presentation provides that framework, and a roadmap will be further developed to execute on the details of the plan.

AS 37.13.170 – Statutory Reports and Publications
Annual Report - Election Pamphlet - Newspaper Insert

APFC.ORG

Monthly Fund Values
Annual Reports
Board Meeting Minutes and Packets
Board Resolutions
Governance & Corporate Policies
Trustees Papers
History and Projections
Financial Statements
Performance Reports

In Development

Alaskan's Guide to the Permanent Fund – 2020 update
Educational Video Assets
Educational Tool Kit
Presentations for Legislative Overviews, Budget Subcommittees, and Civic Engagements

Appendix

Board of Trustees Resolutions 03-05, 04-09, 17-01, 18-01, 18-04, 20-01

ALASKA PERMANENT FUND CORPORATION

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA
PERMANENT FUND CORPORATION RELATING TO A
CONSTITUTIONAL AMENDMENT LIMITING APPROPRIATIONS FROM,
AND INFLATION PROFFING THE ALASKA PERMANENT FUND BY
ESTABLISHING A PERCENTAGE OF MARKET VALUE SPENDING LIMIT
METHODOLOGY.**

RESOLUTION 03-05

Preserving the real value of the money deposited into the Alaska Permanent Fund ("Fund") over the long term has been a public policy priority of the Board of Trustees ("Board") since the original Board was appointed over 20 years ago. In response to the Board's concerns in 1982 about the effects of inflation on the value of the Fund, the legislature adopted statutory inflation-proofing that same year. That change has successfully protected (by statute) the principal of the Fund for the past 20 years. After several years of review, the Board believes it is now time for the People of Alaska to make another decision that would: 1) constitutionally protect the current purchasing power of the whole Fund (both principal and income); and 2) improve the rules governing distributions from the Fund.

To accomplish these goals, the Board has examined the use by various large endowment and public funds of a formula approach to establish appropriate limits on the size of spending limits from those funds. This formula approach, generally referred to as a "percent of market value" ("POMV") spending limit, is applied by those funds in a manner that assures that, on average, only *real* income of a fund (i.e. income *net of inflation*) can be spent, thereby assuring that the real value of the contributions paid into the fund will not be touched. Because a POMV spending limit would provide for distributions from the Fund

that are stable, predictable, and limited, the Board believes that its use is in the best interest of the Fund and of the people of the State of Alaska.

The Board further believes that the best way to implement a POMV spending limit methodology for determining a level of distributions from the Fund that is stable, predictable, and limited is to amend the constitutional provision that established the Fund (Article IX, section 15 of the Alaska Constitution). Providing for a POMV spending limit in this manner would assure all Alaskans that the real value of the contributions to the Fund will be preserved for all time.

At the Board's request, APFC staff has presented a draft constitutional amendment for further discussion by the Board which, if adopted by the people of the State of Alaska, would provide for the following:

1. an annual spending limit from the Fund of up to five percent of the total market value of the Fund, for the first five of the preceding six fiscal years;
2. using a five year period that allows the legislature and the governor to know before a fiscal year begins the exact amount that will be available for distribution from the Fund;
3. Fund income is part of the Fund, rather than being subject to appropriation by the legislature, as currently provided;
4. assures that the current statutory earnings reserve account established by AS 37.13.145 becomes part of the Fund when the constitutional amendment takes effect;
5. the current references to "principal" and "income" are removed, as POMV ensures protection of the principal over the long-term through a constitutional spending limit; and

6. costs to manage the Fund and produce revenue can be paid from the Fund without reducing the amount available for distribution under the POMV spending limit calculation.

The Board believes that this approach effectively balances the goal of providing for an annual distribution from the Fund that is stable, predictable, and limited with the long-term goal of protecting the real value of contributions to the Fund.

In addition, the Board believes strongly that implementing a POMV spending limit approach by constitutional amendment is such an important public policy goal that proposals for incorporating any other amendments to Article IX, section 15 which might in any way either lessen the chances of approval of such an amendment by the voters or undermine the legal status of the Fund should be rejected by the legislature.

Finally, the Board recognizes that implementation of a POMV spending limit methodology by constitutional amendment may necessitate changes to existing statutes that deal with the formula for determining and distributing the amount of the Fund that may be spent each year, including, but not necessarily limited to, payment of Permanent Fund Dividends and inflation-proofing the Fund. In anticipation of voter approval of a constitutional amendment providing for a POMV spending limit, the Board is hopeful that the legislature and the governor will work together to develop appropriate legislation to harmonize existing statutory provisions with the operation of the amendment and/or to adopt such new statutes as they may consider desirable. In this regard, the Board and APFC staff stand ready to provide any information or other assistance that may be helpful.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees that the legislature of the State of Alaska, in consultation with the governor and the Board, are urged to consider and approve the proposal (dated 4/7/03) for a

constitutional amendment that would implement a POMV spending limit mechanism that would provide an annual distribution from the Fund that is stable, predictable, and limited.

BE IT FURTHER RESOLVED by the Board of Trustees that the proposal for such an amendment be limited solely to implementation of the foregoing goal.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation this 14th day of April 2003.

Chair, Board of Trustees

ATTEST:

Robert D. Storer, Corporate Secretary

ALASKA PERMANENT FUND CORPORATION

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA
PERMANENT FUND CORPORATION RE-AFFIRMING THE BOARD'S
COMMITMENT TO A CONSTITUTIONAL AMENDMENT ESTABLISHING A
PERCENT OF MARKET VALUE ("POMV") SPENDING LIMIT
METHODOLOGY FOR THE ALASKA PERMANENT FUND**

RESOLUTION 04-09

In December 2000 and again in April 2003, the Board of Trustees ("Board") expressed by resolution its view, as the body with fiduciary responsibility for the management of the Alaska Permanent Fund ("Fund"), that adoption of a constitutional amendment to limit spending from the Fund by use of a "percent of market value" ("POMV") formula was in the long-term best interest of both the Fund and the people of the State of Alaska. In both resolutions (Resolutions 00-13 and 03-05), the Board encouraged the Legislature to consider and approve a POMV amendment that would permit an annual payout from the Fund of no more than five percent of the average market value of the Fund over a prior five year period.

Such a proposal was introduced during the now-concluded 23rd Legislature, but was not approved for presentation to the voters at the upcoming general election. The Board appreciates the support given this POMV proposal by Governor Murkowski and the support by the Legislature.

Despite the failure of the Board's POMV proposal to be placed on the 2004 general election ballot, implementation of a constitutional POMV spending limit for the Fund, with the accompanying benefit of assuring permanent inflation proofing of the Fund, continues to be a high priority policy goal for the Board.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees that the Board reaffirms its commitment to a constitutional amendment that provides for protection of the Fund by application of a POMV payout mechanism.

BE IT FURTHER RESOLVED that the 24th Legislature of the State of Alaska, in consultation with the governor and the Board, is again urged to consider and approve a proposal for a POMV spending limit.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation this 21st day of September, 2004.

*Carl Brady, Chair
Board of Trustees*

ATTEST:

*Michael J. Burns
Corporate Secretary*

Alaska Permanent Fund Corporation

**RESOLUTION OF THE BOARD OF TRUSTEES
OF THE ALASKA PERMANENT FUND CORPORATION
PERTAINING TO INFLATION-PROOFING THE PRINCIPAL OF THE PERMANENT
FUND**

RESOLUTION 17-01

WHEREAS, Alaska Statute 37.13.020 provides, in part:

“ . . . The legislature finds with respect to the fund that

- (1) The fund should provide a means of conserving a portion of the state’s revenue from mineral resources to benefit all generations of Alaskans . . .”; and

WHEREAS, Alaska Statute 37.13.145 provides for an annual transfer of, via appropriation from the earnings reserve account, an amount sufficient to offset the effect of inflation on the principal of the fund during the year, but such appropriations have not been enacted during the last two fiscal years; and

WHEREAS, the Trustees believe that the permanent fund principal must be inflation-proofed to maintain its value over time for the benefit of present and future generations of Alaskans;

NOW THEREFORE BE IT RESOLVED that the Trustees direct the Executive Director to identify and pursue legislation or legislative support for some form of inflation-proofing that will preserve the purchasing power of the principal of the permanent fund for all generations as specified in AS 37.13.020.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 28th day of September, 2017.

/s/
Bill Moran
Chairman, Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:

/s/
Angela M. Rodell, Corporate Secretary

Alaska Permanent Fund Corporation

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT
FUND CORPORATION SUPPORTING ADHERENCE TO A RULES BASED LEGAL
FRAMEWORK FOR FUND TRANSFERS**

RESOLUTION 18-01

Alaska has a long tradition of following a rules-based system for Permanent Fund withdrawals and savings. Since the Fund’s inception, with the exception of certain one time deposits into the corpus, the State has adhered to a combination of constitutional and statutory law to manage cash flows into and out of the Fund, as well as those between the corpus and earnings reserve. The Board of Trustees acknowledges the fiscal challenges facing the State have resulted in multiple stakeholders proposing and analyzing new rules-based frameworks to change how Fund transfers occur, and that this process of examination and evaluation takes time. Nonetheless, the Board of Trustees believes that consistently adhering to a rules-based framework established in law to govern Fund inflows, outflows, and internal transfers is critical to the success of the Fund.

Adherence to a rules-based system for Fund transfers is a basic element of best practices for management of sovereign wealth funds. The International Forum of Sovereign Wealth Funds, of which the Permanent Fund is a member, has adopted a set of Generally Accepted Principles and Practices, including that, “There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the fund’s general approach to funding, withdrawal and spending operations on behalf of the government.”¹ “Such a system helps provide a clear basis for deriving the expected time horizon and efficient investment policy for the savings, and promotes macroeconomic stability and accountability.”²

A rules-based system improves the likelihood that the Permanent Fund will be sustainable over time. Having a holistic framework rationalized by policymakers regarding the rules for savings, withdrawals, and growing the real value of the Fund results in a consistent approach to transfers over the long-term. This is a core element to ensuring sustainability. Conversely, the reliance on *ad hoc* draws to support government spending would substantially increase the chance of a non-sustainable withdrawal in any one year and the risk of nonformulaic draws compounding in an unsustainable manner over multiple years.

¹ International Working Group of Sovereign Wealth Funds, *Sovereign Wealth Funds Generally Accepted Principles and Practices* (“*Santiago Principles*”) at 13 (October 2008) <available at http://www.ifswf.org/sites/default/files/santiagoprinciples_0_0.pdf>.

² *Id.* at 14.

This holds true as to maintaining the real value of the Fund over time, as well as the durability of the earnings reserve to meet each annual draw.

The Board of Trustees also believes a rules-based system for Fund transfers will provide it with certainty as to the annual liquidity demands on the Fund, thereby allowing the APFC Investment Team to prudently invest all of the Fund's assets while simultaneously having a plan in place to meet distributions for dividends and government spending. Absent the adoption of a replacement rules-based system that results in known annual draws, the Board may be obligated to use a separate, more liquid and risk averse asset allocation for the earnings reserve account to meet the State's unknown annual revenue demands. This allocation would likely generate lower returns for this portion of the Fund.

The Board of Trustees has publicly supported, through legislative proposals and the adoption of board resolutions (*e.g.*, Resolution Nos. 03-05 and 04-09), a percent of market value amendment that would provide for predictable payouts from the Fund. The Board could support other meritorious proposals to redefine how withdrawals from and savings into the Fund occur. However, the hallmark of any plan must be that it is sustainable, occurs through a legally adopted rules-based framework, and not be *ad hoc*.

NOW THEREFORE BE IT RESOLVED

- (1) The Board of Trustees believes that adherence to a legally established rules-based framework governing Fund transfers is warranted and necessary, and such transfers should not occur *ad hoc*;
- (2) The Board of Trustees acknowledges and supports that with the fiscal challenges facing the State a new rules-based framework established in law for the Fund is likely necessary;
- (3) The Board of Trustees expresses appreciation to all stakeholders involved in the difficult and time-consuming task of proposing, evaluating, and deliberating a new rules-based framework to govern Fund transfers;
- (4) The Board of Trustees and staff of the Permanent Fund will continue to provide support to stakeholders to develop a new rules-based framework established in law to govern Fund transfers; and
- (5) That the Board of Trustees directs the Executive Director to distribute this Resolution and Resolution 2017-1 (regarding inflation-proofing) to the Members of the 30th

Alaska State Legislature and offer to testify in support of the need to follow a rules-based framework.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this ___ day of _____, 2018.

/s/
Bill Moran
Chairman, Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:

/s/
Angela M. Rodell, Corporate Secretary

Alaska Permanent Fund Corporation

RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT FUND CORPORATION RELATING TO A SUSTAINABLE RULES BASED LEGAL FRAMEWORK FOR FUND TRANSFERS

RESOLUTION 18-04

In 2018 the Alaska Legislature passed and the Governor signed into law SB 26, Chapter 16 SLA 18, an important first step in codifying a set of rules to establish a sustainable annual draw from the earnings of the Permanent Fund. As the people of Alaska begin a new chapter in the role the Permanent Fund will take in our state, the Alaska Permanent Fund Corporation Board of Trustees (Board) offers the following guidance on a rules based framework around fund transfers to help ensure the long-term success and sustainability of using Permanent Fund earnings for the benefit of all generations of Alaskans:

- 1. Adherence to a Rules Based System for Fund Transfers:** Resolution 18-01 of the Board states the importance of following a rules-based legal framework for withdrawals and savings into the principal and Earnings Reserve Account of the Permanent Fund. That rules-based framework includes adhering to the formulaic calculations provided for in statute for transfers into and out of the Permanent Fund, such as dividends, royalty deposits, and inflation proofing. As explained in the Resolution 18-01, adherence to the rules increases the likelihood that systematic draws from the Permanent Fund will be sustainable over time and will allow for more prudent investment of the Permanent Fund due to the predictability of liquidity needs.
- 2. Ensure Sustainability:** Any rules-based system for drawing from the Permanent Fund (to support government spending and for dividends) should be sustainable, meaning the formulaic system for withdrawals should be projected to result in the Permanent Fund growing annually by at least the rate of inflation. Sustainability also requires annual formulaic withdrawals from the Earnings Reserve Account at an amount that the long-term balance of the account is able to fund. The Board has long supported the percent of market value (POMV) concept, including a constitutional amendment that would ensure no more than a sustainable amount was taken from the annual earnings of the Permanent Fund (Resolutions 00-13, 03-05 and 04-09). SB 26 institutes an annual POMV draw from the Earnings Reserve Account to the general fund that is based on 5.25 percent (going to 5.0 percent in fiscal year 2022) of the average market value of the Permanent Fund for the first five of the preceding six fiscal years. Current market projections applied to the asset allocation of the Permanent Fund suggest annual draws as set forth in SB 26 are sustainable over the long-term. To ensure long-term sustainability, the Board recommends instituting a process that would require periodic review of these assumptions as market conditions change so that a timely reduction to the annual draw could be effectuated if necessary to maintain the long-term sustainability of the Earnings Reserve Account.
- 3. Automatic Inflation Proofing:** To ensure that the purchasing power of the principal is maintained as set forth in Alaska Statutes 37.13.020 and 37.13.120(a), an annual transfer of realized income from the Earnings Reserve Account to the non-spendable principal of the fund must occur. The Board has expressed its support for ensuring that this annual inflation proofing transfer take place (Resolution 17-01). Traditionally inflation proofing happened through an annual appropriation by the Legislature consistent with the provisions of Alaska Statute 37.13.145(c), but for fiscal years 2016, 2017 and 2018 the transfers were not made. The Board believes that the inflation-proofing transfer should become a guaranteed annual event rather than a discretionary transfer that is subject to appropriation. To achieve this goal, the Board supports passage of legislation that would define net income to require realized gains that are accumulated throughout the fiscal year be used to offset the impact of inflation on the principal of the fund with the remainder of net realized gains being accounted for in the Earnings Reserve Account.

4. **Promote Real Growth When Possible:** While providing for a sustainable draw by preserving the purchasing power of the fund and ensuring a durable Earnings Reserve Account is a primary goal of the Board, recognizing and executing on opportunities to grow the real value of the fund is also important. Real growth will not only result in more income and thus higher sustainable draws in the future, it is necessary to preserve intergenerational wealth as Alaska continues extraction of its finite natural resources. Thus the Board supports thoughtful strategies to grow the fund on a real, and not just nominal, basis. Examples might include instituting a mechanism to reduce the annual draw on the fund during years when other state general fund revenues are sufficient to fund government services or increasing the amount of royalties that are annually deposited into the principal of the fund during years where oil and gas revenues are high. Setting up the rules for when and how Permanent Fund earnings and oil and gas revenues could be used to promote real growth would need to occur in the near term while oil and gas revenues are still substantial enough to provide meaningful options for real growth of the fund.

NOW THEREFORE BE IT RESOLVED that the Trustees direct the Executive Director to distribute this Resolution to the Members of the 31st Alaska State Legislature and offer to have the Board testify in support of the Legislative initiatives set forth in this Resolution.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 17th day of October, 2018.

/s/
Craig Richards
Chairman, Board of Trustees

Alaska Permanent Fund Corporation

ATTEST:

/s/
Angela M. Rodell, Corporate Secretary

Alaska Permanent Fund Corporation

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT FUND CORPORATION
OFFERING ALTERNATE PROPOSALS TO SUPPORT AN ANNUAL PERCENT OF MARKET VALUE
DRAW FROM THE PERMANENT FUND
RESOLUTION 20-01**

With the enactment of SB 26, Chapter 16 SLA 18 on July 1, 2018, an essential step was taken to codify a set of rules to establish a sustainable annual draw from the realized earnings of the Alaska Permanent Fund (Fund). The Board of Trustees believes additional measures would enhance the sustainable use of Fund earnings for the benefit of all generations of Alaskans that warrant consideration by the Alaska Legislature and the Administration, including:

1. Transform, by constitutional or statutory amendment, the Alaska Permanent Fund and Earnings Reserve Account into a single fund and limit the annual draw to the fund's long-term real return:

- a. Constitutional Amendment:** On three prior occasions the Board has adopted a resolution (Resolutions 00-13, 03-05, and 04-09) to collapse the Earnings Reserve Account into the Principal of the Fund and limit the annual draw from the combined Fund to no more than five percent of the average fiscal year-end market value of the fund over the immediately preceding five years. These resolutions explained that limiting the Fund's annual draw to the average real return of the Fund was both: (1) a common practice among large endowment funds, and (2) an effective way to balance the goal of maximizing the availability of income with the long-term goal of protecting the purchasing power of the Fund. Constitutional amendments to advance this change were considered by the Alaska Legislature during the Twenty-Second and Twenty-Third Alaska Legislatures, and are currently being considered by the Thirty-First session of the Alaska Legislature. To date, none of these resolutions have received sufficient Legislative support to advance to a general election for consideration by Alaska voters. The Board, through this Resolution, expresses its continued support of a constitutional amendment along the parameters outlined in its three prior resolutions on this topic.
- b. Statutory Amendment:** The Board has also discussed and supports the development of a legislative proposal that would amend existing law to transform the current two-fund structure (i.e. Principal and ERA) into a single fund with an annual appropriation to the General Fund based on the average long-term real return of the Fund. Because the constitutionally dedicated royalty deposits and appropriations to the Principal of the Fund are not subject to appropriation (i.e., permanent dedications), an annual appropriation would be prohibited if it would cause the value of the Fund to drop below the historic dollar value of these dedicated deposits. By collapsing the ERA and Principal into a single fund and limiting the annual draw to the Fund's real return, inflation-

proofing the Fund on an annual basis via annual appropriation would no longer be necessary. Importantly, this single fund transformation, based on the words contained in article IX, section 15 of the Alaska Constitution, appears supported by the rules of construction in section 4 of the Uniform Prudent Management of Institutional Funds Act, which Alaska enacted in 2010. The Board, through this Resolution, expresses its support for and directs APFC Staff to draft a legislative proposal and seek input from the Department of Law before submitting this proposal to the Administration and Legislature for their consideration.

2. **Adjustments to the existing rules-based system governing fund transfers into and out of the Principal and ERA, if the ERA and Principal are not combined:** If sufficient support for a constitutional or statutory amendment cannot be garnered to transform the Principal and ERA into a single fund with a limited annual draw, the Board supports the following additions to the existing rules-based system to ensure the ERA balance is sufficient to meet the annual POMV draw enacted by the Legislature in SB 26:
 - a. **Periodic Review of Fund Return Assumption:** Because the POMV draw from the ERA established in SB 26 is based on the assumption that the Fund expects to generate an average real return of 5%, if the Fund's real return falls below 5% for an extended period of time, the ERA will run dry (i.e. ERA Shortfall). The Board recommends having a mechanism built into state law that would require APFC to revisit this return assumption every few years and provide the Legislature with a report as to whether a 5% POMV is projected to be sustainable, both in terms of the expectation of the Fund to generate a 5% real return and the ERA's ability to support the POMV draw based upon its current and projected balance.
 - b. **ERA Balance Buffer:** In modeling and analyzing the long-term durability of the ERA to support the POMV draw, it is clear that during market environments when realized gains from the Principal remain low for a prolonged period of time, without a buffer of funds in the ERA, the risk of ERA Shortfalls become meaningful. To hedge this risk, the Board supports a change to the existing rules-based system to maintain a balance in the ERA of at least four times the expected annual POMV draw ("4X Buffer"). This would include a rules-based approach that suspends inflation proofing when the ERA balance is below the 4X Buffer, and to make up missed inflation proofing payments when the ERA balance exceeds the 4X Buffer. This set of rules is projected to result in similar inflation proofing outcomes as the current annual rule, but significantly decrease the chance the POMV draw cannot be made in any given year.

To be clear, the Board continues to support the consistent inflation-proofing of the Principal of the Fund as set forth in Board Resolutions 17-01 and 18-04. However, if the Legislature can both maintain the long-term durability of the ERA to support the SB 26 annual POMV draw and honor its commitment to inflation-proof the Principal of the Fund over the long-term, the harm

to the Principal of the Fund will be mitigated. The Board is also evaluating and discussing with the Department of Law a legislative proposal to re-define “net income” so that the annual inflation-proofing transfer would happen every year automatically. Should this legislative proposal receive support, it could be designed to trigger the suspension of inflation-proofing when the ERA balance is too low and trigger inflation-proofing catch-up payments when the balance of the ERA recovers; all without the need for annual appropriation to support these events.

Based on analysis completed by APFC Staff and the General Consultant at the request of the Board, the combination of these two protective measures will enhance the ability of the ERA to weather most foreseeable market environments and sustainably generate the 5% POMV draw set forth in SB 26.

NOW THEREFORE BE IT RESOLVED that the Trustees direct the Executive Director to distribute this Resolution to the Members of the 31st Alaska State Legislature and offer to have the Board, Staff, and the General Consultant testify in support of the Legislative initiatives set forth in this Resolution.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 5th day of March, 2020.

/s/
Craig Richards
Chairman, Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:

/s/
Angela M. Rodell, Corporate Secretary



ALASKA PERMANENT
FUND CORPORATION

APFC Communications

Targeted External Communications



Communications

APFC provides reliable and objective information to the Legislature, the Executive Branch and the people of Alaska on all matters affecting the Alaska Permanent Fund.



Communications Plan FY21

External

Background

The Alaska Permanent Fund, specifically the use of the earnings from the Permanent Fund to support state services, as well as the dividend program, is a topic of statewide debate.

APFC in providing sound stewardship and prudent investment of the Fund based on the constitutional and statutory mandates is an important participant in the evolving dialogue on the structure of the Fund.

Goal

To continue to build on APFC's positive reputation and further educate Alaskans on the workings of the Alaska Permanent Fund, the Corporation, and its resources to support the stability and sustainability of the Fund.



Strategy

Develop an external stakeholder education campaign in Alaska that incorporates:

- Constitutional and Statutory Mandates
- APFC's Stewardship Role
- Active Board Resolutions
- Trustees' Paper Volume 9

Messaging

As a public corporation, APFC strives to communicate factual information about Fund values, corporate operations and investments

- timely, openly, and accurately
- as a trusted, non-partisan resource

Constitutional & Statutory Mandates

The Permanent Fund has two parts: Principal and net income retained in the Earnings Reserve Account. This two-account system is unique to the Fund, as most classic endowments are structured as a single account with an annual draw mechanism.

The Principal

- is the permanent part of the Permanent Fund
- is to be used only for income-producing investments
- grows through royalty contributions, special appropriations, and inflation proofing.

The Earnings Reserve Account (ERA)

- is established in state law as an account to hold the net income from the Permanent Fund's investment portfolio
- is available for appropriation by the Legislature.

Constitutional & Statutory Mandates

Royalty Deposits to Principal

- Alaska Constitution Article IX, Section – at least 25% of royalty proceeds
- AS 37.13.010 - statutorily mandated deposits of 50% for leases after 1979

Inflation Proofing - AS 37.13.145 (c).

- The Principal does not retain any of the realized gains on investments (above the cost basis of the original investment), nor does it keep the cash flow income from real estate properties and bond interest.
- For the Principal to preserve its purchasing power to benefit all generations, it is essential that it receives an annual appropriation to offset the effects of inflation on the value of the deposits.

Constitutional & Statutory Mandates

Percent of Market Value – AS 37.13.140 (b) and AS 37.13.145 (e & f)

SB26 is an important first step in codifying rules to establish a sustainable annual draw from the ERA and affirms the importance of formulaic management of transfers into and out of the ERA to ensure sustainability and long-term growth of the Fund.

- The POMV methodology provides a certainty of liability for the management of the portfolio and a stable, predictable payout from year to year.
- The POMV structure establishes a limit to the amount that can be drawn from the Fund and is based on its average annual market value over five years. It is subject to appropriation by the Legislature.
- The POMV draw for the Fund is limited not only by the statutory allowable percentage, but it is also limited to the amount that is available for appropriation in the ERA. There could be occasions when there is not sufficient realized income in the ERA to meet the maximum POMV draw.

APFC's Stewardship Role

APFC manages the Alaska Permanent Fund, one of Alaska's only sources of renewable revenue.

The Board of Trustees, as the fiduciaries of the Alaska Permanent Fund, have a duty to Alaskans in assuring that the Permanent Fund is managed and invested in a manner consistent with legislative findings in AS 37.13.020 and in accordance with the Prudent Investor Rule.

APFC possesses the skill and efficiency to ensure that Alaskans benefit from this resource for generations to come.

Now, more than ever, the economic health of the State is dependent upon APFC's effective management and investment of the Alaska Permanent Fund. The POMV draw from the Earnings Reserve Account now supports ~70% of Alaska's undesignated general fund budget.

Active Board Resolutions

POMV - Resolutions 03-05 , 04-09

Supporting a constitutional amendment to limit the annual Fund payout to not more than a 5% POMV averaged over a period of 5 years.

Implementation of a constitutional POMV spending limit for the Fund, has the accompanying benefit of assuring permanent inflation proofing of the Fund.

Active Board Resolutions

Inflation Proofing - Resolutions 03-05, 04-09, 17-01, 18-04

The permanent fund Principal must be inflation-proofed to maintain its value over time for the benefit of present and future generations of Alaskans.

Active Board Resolutions

Sustainability - Resolution 18-01

The Board of Trustees

- believes that adherence to a legally established rules-based framework governing Fund transfers is warranted and necessary, and such transfers should not occur ad hoc;
- acknowledges and supports that with the fiscal challenges facing the State a new rules-based framework established in law for the Fund is likely necessary;
- expresses appreciation to all stakeholders involved in the difficult and time-consuming task of proposing, evaluating, and deliberating a new rules-based framework to govern Fund transfers;
- and staff of the Permanent Fund will continue to provide support to stakeholders to develop a new rules-based framework established in law to govern Fund transfers;

Active Board Resolutions

Rules- Based Legal Framework For Fund Transfers – Resolution 18-04

Affirms the importance of formulaic management of transfers into and out of the ERA to ensure sustainability and long-term growth of the Fund, by identifying four key principles:

Adherence – Sustainability - Inflation Proofing - Real Growth

Active Board Resolutions

Alternate Proposals to Support POMV – Resolution 20-01

With the enactment of SB 26, Chapter 16 SLA 18 on July 1, 2018, an essential step was taken to codify a set of rules to establish a sustainable annual draw from the realized earnings of the Alaska Permanent Fund (Fund). The Board of Trustees believes additional measures would enhance the sustainable use of Fund earnings for the benefit of all generations of Alaskans that warrant consideration by the Alaska Legislature and the Administration, including:

1. Transform, by constitutional or statutory amendment, the Alaska Permanent Fund and Earnings Reserve Account into a single fund and limit the annual draw to the fund's long-term real return
2. Adjustments to the existing rules-based system governing fund transfers into and out of the Principal and ERA, if the ERA and Principal are not combined: Periodic Review of Fund Return Assumptions and ERA Balance Buffer (4x the annual draw)

Trustees' Paper Volume 9

Alaska has a robust system of constitutionally mandated savings, a long history of preserving and growing the real value of the Fund, and a strong track record in investment management.

Successful Sovereign Wealth Funds operate within a rules-based system that allows them to perform a combination of saving, stabilization, and income-generation functions. In Alaska, the latter function has come into sharper focus, as the Fund income supports the State budget in an era of lower oil revenues.

This paper proposes a number of reforms that will strengthen the stability and sustainability of Alaska's Permanent Fund:

LESSON # 1: MISSION CLARITY

LESSON #2: THE IMPORTANCE OF RULES

LESSON #3: SUCCESSFUL ENFORCEMENT OF SAVING RULES

LESSON #4: DESIGNING A POMV SPENDING RULE

LESSON #5: REFORMING THE ERA



Tactics

External Communications Tactics

- Speakers Bureau
- Liaison with the Legislature and Administration
- Media Relations
- Publications
- Video production
- Social Platforms
- Website



Speakers Bureau establish calendar and engagement opportunities

Chambers of Commerce: State and Local
Local Rotary Clubs throughout the State
Common Wealth North
AML
The Institute of the North
The Alliance
RDC - Resource Development Council for Alaska
AFN - Alaska Federation of Natives
NEA-Alaska – National Education Association
Municipal Assemblies and Councils

Legislative Communications Plan by December

- Schedule for Individual Meetings with Legislators
- Targeted Schedule for Legislative Presentations
 - General Education Forum: APFC and Fund 101
 - House and Senate Finance Committees
 - House and Senate Budget Subcommittees
- Education Kit
 - Publications: Annual Report, Newspaper Insert, Alaskan's Guide to the Fund
 - apfc.org Resources
 - Video Assets
 - Board of Trustees Paper Volume 9 and Resolutions

Media Relations and Outreach

Communications is responsive to media inquiries and requests for interviews about the Fund.

Designated spokespeople are the Board Chair and CEO.

Strategies to promote the Corporation's activities and objectives will be developed and coordinated through the Chair and the CEO, both

- Proactively through editorial boards, interviews, op-ed pieces, etc., and
- In response to external articles or op-eds addressing important Board initiatives.

News releases – Communications will regularly submit ideas to the CEO for news releases on upcoming events, Board meetings, key news items and issues.



Commemorating 40 Years of Investing for Alaska APFC

SUBJECT: Proposed Changes to Board of Trustees Charters
and Governance Policies

ACTION: X

DATE: September 24, 2020

INFORMATION:

The Alaska Permanent Fund Corporation's Board of Trustees Charters and Governance Policies, which supplement the By Laws and statutes, provide the framework and process for the Corporation to fulfill its statutory mission to prudently invest and manage the assets of the of Alaska Permanent Fund.

More specifically, the Board's Charters outline the duties and responsibilities of the:

- (1) Board;
- (2) Chair and Vice Chair;
- (3) Board Committees;
- (4) Investment Advisory Group; and
- (5) Executive Director.

And, the Board's Governance Policies describe the process utilized by the Board in adopting a formal board policy and includes a copy of the Board Policies adopted utilizing this process, including its policies regarding:

- (1) Strategic Planning and Budgeting;
- (2) Monitoring and Reporting;
- (3) Trustee Education;
- (4) Board Communication;
- (5) Executive Director Performance Evaluation; and
- (6) Board Standards.

To ensure that the charters and policies remain relevant and current, the Board, with the assistance and input from the Governance Committee, is required to review the charters and policies every three years and adopt any changes that the Board supports.

The Governance Committee met on September 2, 2020 and discussed a number of minor changes to the charters and policies to improve the consistency of word usage throughout the document and clarify a few minor issues. Additionally, at this meeting, three substantive changes were discussed: (1) modifying the strategic plan from a five-year plan to a four-year plan; (2) requiring the Board to evaluate the investment policy and asset allocation at least every five years, but making clear that either could be reviewed and modified whenever the Board thought it was prudent; and (3) requiring Staff to include as a regular Board report, demonstration that the IAG had met with the CIO and discussed the specific categories of information outlined in section 6 of the IAG Charter.

The Governance Committee's role is to recommend these Proposed changes to the Full Board for its consideration and adoption.

PROPOSED MOTION TO ADOPT CHANGES RECOMMENDED BY THE GOVERNANCE COMMITTEE:

"I move the Board adopt the proposed changes to the Board's Charters and Governance Policies as recommended by the Governance Committee and as set forth in the track change version of this document in the Board's Packet."

ALASKA PERMANENT FUND
CORPORATION

BOARD OF TRUSTEES CHARTERS
AND GOVERNANCE POLICIES

| SEPTEMBER 24TH, FEBRUARY 2017-2020

BOARD CHARTERS AND GOVERNANCE POLICIES

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ALASKA PERMANENT FUND CORPORATION

Charter of the Board of Trustees

INTRODUCTION

1. The State of Alaska has established the Alaska Permanent Fund Corporation (APFC) to manage and invest the assets of the Alaska Permanent Fund and other funds designated by law (Fund). [AS 37.13.040]
2. The Board of Trustees of the APFC (Board) consists of six members appointed by the Governor. Two of the members are required by law to be heads of principal departments of state government, one of whom shall be the commissioner of revenue. Four members shall be appointed by the Governor from the public with recognized competence and wide experience in finance, investments, or other business management-related fields. [AS 37.13.050]

DUTIES AND RESPONSIBILITIES

Governance

3. The Board ~~of Trustees~~ will establish a committee structure that it considers necessary and appropriate.
4. The Board will establish charters setting out the duties and responsibilities of:
 - (a) The Board of Trustees;
 - (b) The Chair and Vice Chair of the Board;
 - (c) The ~~Committees~~ of the Board;
 - (d) The Investment Advisory Group; and
 - (e) The Executive Director.
5. The Board will establish governance policies as necessary, including bylaws and other Board standards, to ensure effective operation of the affairs of the Board.
6. The Board will establish a process for the evaluation of the performance of the Executive Director and will conduct such performance evaluation annually.

Investments

7. In managing and investing the assets of the ~~Alaska Permanent~~ Fund, the Board is required to exercise the 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

**Alaska Permanent Fund Corporation
Charter of the Board of Trustees**

over time while maximizing the expected total return from both income and the appreciation of capital. [AS 37.13.120]

8. The Board will establish an investment policy which shall include the Board's overall investment philosophy, as well as other related policies as necessary for the effective management and investment of the assets of the Fund.
9. The Board will establish a framework and process for the management of the investment risk of the Fund, which shall be set out in the investment policy.
10. ~~Every~~ At least every five years the Board will review the investment policy and approve the long-term or strategic asset allocation of the Fund in terms of the proportion of total assets to be invested within ~~a minimum~~ a minimum-maximum range at any point in time.

Finance, Accounting and Audit

11. The Board will ensure that appropriate financial and operational controls and procedures are in place to safeguard the assets of the Fund.
12. The Board will ensure that audits of these controls and procedures are conducted from time to time by an independent external auditor in order to ensure that the assets are properly accounted for, and that the investments of the Fund are in accordance with applicable laws and regulations.
13. The Board will ensure that annual financial statements of the Fund are prepared and that these statements are audited by an independent external auditor. It will approve the annual financial statements, and include them as part of an annual report for distribution to the Governor, the Legislature and the public. [AS 37.13.170]

Operations and Human Resources

14. The Board will appoint an Executive Director and review the performance of the Executive Director annually.
15. The Board will establish a four-year strategic plan for the APFC and review the strategic plan annually.
16. The Board will approve an annual operating budget for the APFC.
17. The Board will establish human resources policies and procedures necessary for the effective management of the APFC, including a compensation and benefit policy and a succession plan for the senior management of the organization.

**Alaska Permanent Fund Corporation
Charter of the Board of Trustees**

Communications

18. The Board will establish a communications policy which sets out guidelines with respect to how the Board and individual trustees should communicate with:
- (a) The staff of the APFC;
 - (b) Service providers;
 - (c) The media, including social media such as Facebook, LinkedIn, and Twitter and
 - (d) Other external parties.

Appointments

19. The Board will approve the appointment of the following key service providers and advisors:
- (a) The External Auditor;
 - (b) The Custodian;
 - (c) The Investment Consultant;
 - (d) The members of the Investment Advisory Group; and
 - (e) At the Board's election, any other service providers.

Monitoring and Reporting

20. The Board will establish a policy which sets out its requirements regarding the reports the Board will receive on a regular basis in order to meet its responsibility for the oversight of the management of the APFC.
21. The Board will review on a regular basis, without limitation, the following:
- (a) The investment performance of the Fund and each asset class, including the costs of managing the Fund;
 - (b) The asset allocation and investment risk of the Fund; and
 - (c) The compliance program of the Fund and the APFC in relation to applicable laws and regulations, as well as all policies, procedures and bylaws established by the Board.
22. The Board will review the compliance of the Board, its committees, the Chair and Vice Chair of the Board, and the Executive Director with the duties and responsibilities set out in their respective charters.
23. The Board will review all policies established by the Board as frequently as required under the terms of the individual policy.
- ~~24. The Board will review and evaluate the performance of the Executive Director on an annual basis.~~

Commented [PC1]: This is already set out in 14 above.

**Alaska Permanent Fund Corporation
Charter of the Board of Trustees**

~~25. The Board will ensure that an annual report of the APFC is prepared and distributed as required by Alaska Statute 37.13.170.~~

Commented [PC2]: This is already covered in 13 above.

REVIEW AND AMENDMENT OF THE CHARTER

~~26-24.~~ The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.

~~27-25.~~ The Board of Trustees adopted this Charter on ~~September 24th, 2017~~, ~~February 23rd, 2017~~.

ALASKA PERMANENT FUND CORPORATION

Charter of the Audit Committee of the Board

INTRODUCTION

1. The Board ~~of Trustees of the Alaska Permanent Fund Corporation ("APFC")~~ has established an Audit Committee ("the Committee") to assist the Board in the financial oversight of the APFC.
2. The Board has established this Charter which sets out the duties and responsibilities of the Committee.

ROLE

3. The role of the Audit Committee will be to:
 - (a) Monitor the integrity of the financial reporting process and the system of internal controls and procedures regarding finance, accounting, and legal compliance;
 - (b) Review the performance and independence of the APFC's external auditors; and
 - (c) Provide an avenue of communication among the external auditors, management, the Chief Financial Officer, and the Board.

AUTHORITIES

4. The Committee will have the authority to conduct any investigation appropriate to fulfill its responsibilities.
5. The Committee will have direct access to the external auditors, as well as all APFC management and staff, legal counsel, as well as all advisors, consultants and investment managers of the Fund.
6. The Committee may retain, at the expense of the APFC and consistent with applicable procurement requirements, consultants or experts it considers necessary in the performance of its duties.

OPERATING PROCEDURES

7. The Committee will consist of at least three Trustees, each of whom must have a basic understanding of finance and accounting and be able to read and understand financial statements.

**Alaska Permanent Fund Corporation
Charter of the Audit Committee of the Board**

8. The Committee will meet at least two times annually, or more frequently as circumstances dictate. The Committee Chair will ~~prepare and/or~~ approve an agenda in advance of each meeting.
9. The Committee will invite members of management, auditors, or other professionals as deemed necessary, to attend meetings and provide pertinent information. The Committee may meet in executive sessions as necessary within the requirements of the Alaska Open Meetings Act [AS 44.62.310].
10. The Committee will maintain minutes or digital recordings of Committee meetings and periodically report to the board of Trustees on significant results of the Committee's activities.
11. The Committee will annually perform a self-assessment of the Committee's performance.

DUTIES AND RESPONSIBILITIES

Financial Reporting and Internal Controls

12. The Committee will carry out the following responsibilities with respect to financial reporting and internal controls:
 - (a) Review the annual audited financial statements prior to filing or distribution of the final report. This review should include discussion with management and external auditors of significant issues regarding accounting principles, practices, and judgments;
 - (b) In consultation with management, the external auditors, and the Chief Financial Officer, consider the integrity of the financial reporting processes and controls; discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures; and review significant findings prepared by the external auditors and the Chief Financial Officer together with management's responses;
 - (c) Discuss any significant changes to applicable accounting principles and any items required to be communicated by the independent auditors;
 - (d) At least annually, review with the APFC's counsel any legal matters that could have a material impact on the Fund's financial statements, the APFC's compliance with applicable laws and regulations, and any inquiries received from regulators or governmental agencies; and

External Audit

13. The Committee will have the following responsibilities with respect to the APFC's external auditors:

**Alaska Permanent Fund Corporation
Charter of the Audit Committee of the Board**

- (a) Review the external auditors' audit plan - discuss scope, staffing, locations, reliance upon management, and general audit approach;
- (b) Consider the external auditors' judgments about the quality and appropriateness of the APFC's accounting principles as applied in its financial reporting;
- (c) Discuss with management and the external auditors the quality of the accounting principles and underlying estimates used in the preparation of the Fund's financial statements;
- (d) Discuss with the external auditors the clarity of the financial disclosure practices used or proposed by the APFC;
- (e) Review the performance and independence of the auditors and periodically recommend to the Board ~~of Trustees~~ the appointment of the external auditors or approve any discharge of auditors when circumstances warrant; and
- (f) On an annual basis, review and discuss with the external auditors all significant relationships the auditors have with the APFC that could impair the auditors' independence.

REVIEW AND AMENDMENT OF THE CHARTER

- 14. The Governance Committee, in consultation with the Audit Committee, and staff will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
- 15. The Board of Trustees adopted this Charter on ~~September 23rd~~February 24th, 2017~~20~~.

ALASKA PERMANENT FUND CORPORATION

Charter of the Governance Committee of the Board

INTRODUCTION

1. The Board ~~of Trustees of the Alaska Permanent Fund Corporation ("APFC")~~ has established a Governance Committee ("the Committee") to assist the Board in the governance of the APFC.
2. The Vice Chair of the Board will serve as the Chair of the Governance Committee. The Vice Chair may act on behalf of the Governance Committee in performing the ~~following~~ duties set forth in this Charter with the approval of the full Board.

DUTIES AND RESPONSIBILITIES

Governance

3. The Governance Committee will review the charters of the Board, its committees, the Chair, the Vice Chair, the Investment Advisory Group, and the Executive Director, as well as the governance policies of the Board as frequently as required under the terms of the individual charter or policy. The Committee will recommend any proposed changes in the charters and policies to the Board for approval as necessary.
4. The Committee will review compliance by the Board, its committees, the Chair, the Vice Chair and the Executive Director with the duties and responsibilities set forth in their respective charters.
5. The Committee will ensure that the Board undertakes an evaluation of the performance of the Executive Director annually. It will supervise and coordinate the process by which the evaluation is conducted, including developing and recommending to the Board an evaluation survey, meeting with the Executive Director to discuss the evaluation results, and preparing an evaluation report.
6. Every three years, the Committee will review and update the senior management personnel (including Executive Director, Chief Investment Officer, Chief Risk Officer ~~-and~~ Chief Financial Officer) succession plan.

Strategic Planning and Budgeting

7. The Committee will assist the Board in establishing a Strategic Plan. It will undertake a comprehensive review of the Plan every three to ~~five~~our years, and supervise the preparation of a new Strategic Plan.

**Alaska Permanent Fund Corporation
Charter of the Governance Committee of the Board**

Monitoring and Reporting

8. The Committee will review and approve any changes to the list of reports that the Board will receive on a regular basis as set out in the *Monitoring and Reporting Policy*.

REVIEW AND AMENDMENT OF THE CHARTER

9. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
10. The Board of Trustees adopted this Charter on ~~September 23rd~~ February 24th, 2017~~20~~.

ALASKA PERMANENT FUND CORPORATION

Charter of the Chair of the Board

INTRODUCTION

1. Alaska Statute 37.13.050 requires the Board ~~of Trustees~~ to elect a Chair annually from among its members.

DUTIES AND RESPONSIBILITIES

2. The Chair will perform the duties and responsibilities and exercise the powers as specified below:
 - (a) Appoint the members of the committees of the Board and the committee chairs (other than the chair of the Governance Committee);
 - (b) Coordinate Board meetings, agendas, schedules and presentations, in consultation with the Executive Director;
 - (c) Preside at the meetings of the Board and ensure that such meetings are conducted in an efficient manner and in accordance with Alaska's Open Meetings Act and agreed-upon rules of order;
 - (d) Facilitate effective and open communications between the Board and the Executive Director;
 - (e) Act as one of the official spokespersons for the APFC, together with the Executive Director;
 - (f) Review and approve travel and other expenses of the members of the Board of Trustees;
 - (g) Review and approve travel outside of the United States and other expenses of the Executive Director; and
 - (h) Carry out any other duties and responsibilities as assigned by the Board.

REVIEW AND AMENDMENT OF THE CHARTER

3. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
4. The Board of Trustees adopted this Charter on ~~September 23rd~~ February 24th, 2017~~20~~.

ALASKA PERMANENT FUND CORPORATION

Charter of the Vice Chair of the Board

INTRODUCTION

1. The Bylaws of the APFC establish the Vice Chair as an officer of the Board. The Vice Chair is elected annually.

DUTIES AND RESPONSIBILITIES

2. The Vice-Chair will perform the duties and responsibilities and exercise the powers as specified below:
 - (a) Assume the duties of the Chair when the Chair is absent, or when the Chair designates the Vice-Chair to act in that capacity;
 - (b) Temporarily act as the Chair in the event of death, resignation, removal from office, or permanent disability of the Chair, until the election of a new Chair;
 - (c) Serve as the Chair of the Governance Committee; and
 - (d) Carry out any other duties and responsibilities as assigned by the Board.

REVIEW AND AMENDMENT OF THE CHARTER

3. The Board of Trustees will review this Charter at least once every three (3) years and make any amendments as necessary to ensure that the Charter remains relevant and appropriate.
4. The Board of Trustees adopted this Charter on ~~September 23rd~~ February 24th, 2017~~20~~.

ALASKA PERMANENT FUND CORPORATION
Charter of the Investment Advisory Group

INTRODUCTION

1. The Board of Trustees has established an Investment Advisory Group consisting of at least one but not more than three individuals who have considerable knowledge and experience in the management and investment of large endowment or trust funds to serve as independent advisors to the Board of Trustees.
2. This Charter sets out the duties and responsibilities of the Investment Advisory Group, which includes evaluating Fund performance, asset allocation, the merits of specific investment proposals, and other investment topics identified by the Board.
3. The Board will have full authority over the selection and appointment of the members of the Investment Advisory Group who will serve at the pleasure of the Board.

DUTIES AND RESPONSIBILITIES

4. The Investment Advisory Group (or "IAG") members are expected to attend in-person at least three of the quarterly Board meetings and present at least one topic annually for the Board's consideration on best practices in the management of large institutional funds, with input from the Board on the specific topic for presentation.
5. The IAG will provide comments to the Board on the following issues:
 - (a) The long-term or strategic asset allocation of the Fund;
 - (b) The risk management framework of the Fund;
 - (c) Any changes to the investment policy;
 - (d) Any proposed investment in new asset classes;
 - (e) Any proposed investment in new or innovative investment products or strategies, particularly those involving alternative or non-traditional asset classes;
 - (f) Any significant changes to the investment management structure of the Fund, including the following:

**Alaska Permanent Fund Corporation
Charter of the Investment Advisory Group**

- i) The relative proportion of assets in an asset class managed by external investment managers versus internal staff;
- ii) The relative proportion of assets in an asset class managed using active versus passive investment strategies;
- iii) The total number of active investment managers or portfolios in an asset class; and

(g) Any other issue at the discretion of the Investment Advisory Group or as requested by the Board.

6. The IAG shall make contact with the Chief Investment Officer prior to each quarterly Board meeting to discuss topics on the agenda for the upcoming meeting, including:

(a) Fund performance for the quarter;

(b) Changes being considered or implemented to the asset allocation or investment policy; and

~~7.~~ Each Quarter, the Staff shall provide documentation, included as a regular Board report, demonstration that the IAG had met with the CIO as required in Section 6.

~~(e) 8.~~ Any special topics that are to be discussed at the upcoming Board meeting.

~~7-9.~~ Each member of the Investment Advisory Group will annually visit the Juneau office of the APFC and attend in-person an investment committee meeting of the APFC Staff.

REVIEW AND AMENDMENT OF THE CHARTER

~~8-10.~~ The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.

~~9-11.~~ The Board of Trustees adopted this Charter on September ~~25th~~, ~~2020~~¹⁹.

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ALASKA PERMANENT FUND CORPORATION

Charter of the Executive Director

INTRODUCTION

1. Alaska Statute 37.13.100 states that the Board ~~of Trustees~~ of the APFC may employ and determine the salary of an Executive Director.
2. The Bylaws of the APFC state that the Executive Director will be the chief executive officer of the Corporation and serve at the pleasure of the Board. ~~They~~ The Bylaws, set out, in general terms, the duties of the Executive Director.
3. The Board has, for greater clarity, established this Charter which sets out, in more specific terms, the duties and responsibilities of the Executive Director.
4. The Executive Director may delegate certain of these duties to staff. The Executive Director will, however, remain responsible for ensuring that these duties are carried out.

DUTIES AND RESPONSIBILITIES

Leadership

5. The Executive Director will provide executive leadership to the APFC in setting and achieving its mission, goals and objectives and will manage the APFC in accordance with guidelines and parameters established by the Board. In doing so, the Executive Director may solicit advice and counsel from the Board as necessary.

Policy Development

6. The Executive Director will provide support to the Board in establishing the policies of the Board. This will involve working with the Board and the Governance Committee to identify issues requiring Board policy, conducting the necessary analysis of such issues and providing clear and well-supported policy recommendations for Board approval.

Investments

7. The Executive Director will develop and recommend to the Board:
 - (a) An investment policy, including the Board's overall investment philosophy, and mechanism for monitoring and managing investment risk;
 - (b) The long-term or strategic asset allocation of the Fund in terms of the proportion of total assets to be invested within a minimum-maximum range at any point in time; and

**Alaska Permanent Fund Corporation
Charter of the Executive Director**

8. The Executive Director will implement all investment policies and strategies as approved by the Board.

Finance, Accounting and Audit

9. The Executive Director will direct that appropriate financial and operational controls and procedures are put in place to safeguard the assets of the Fund.
10. The Executive Director will direct and supervise a review of the Corporation's internal controls and procedures to ensure that the operations of the Corporation are performed in a secure and appropriate manner.
11. The Executive Director will direct and supervise the preparation of annual financial statements of the APFC and cooperate in the audit of these statements by an independent external auditor prior to their submission to the Audit Committee for its review.
12. The Executive Director will prepare and coordinate management's response to any issues of significant concern on the part of the external auditor, and will meet and discuss with the Audit Committee the findings of the audit.

Operations and Human Resources

13. The Executive Director will develop and recommend to the Board the overall organizational structure of the APFC.
14. The Executive Director will be responsible for managing the day-to-day operations of the APFC.
15. The Executive Director will have the authority to make all necessary operational expenditures, consistent with budgets, policies, and internal controls established by the Board.
16. The Executive Director will have the authority to execute all formal documents and contracts on behalf of the APFC.
17. The Executive Director will develop and recommend to the Board:
 - (a) A strategic plan; and
 - (b) An annual operating budget for the APFC.
18. The Executive Director will select and employ the staff necessary to manage the APFC and develop appropriate staff training and development programs.
19. The Executive Director will develop and recommend to the Board human resources policies and procedures necessary for the effective management of the APFC,

**Alaska Permanent Fund Corporation
Charter of the Executive Director**

including a compensation and benefit policy and a succession plan for the senior management of the organization.

20. The Executive Director will determine the appropriate level of compensation for staff within the benefits and compensation policy approved by the Board.

Communications

21. The Executive Director will develop and recommend to the Board a communications policy which sets out guidelines with respect to how the Board and individual trustees will communicate with:
- (a) The staff of the APFC;
 - (b) Service providers;
 - (c) The media, including social media such as Facebook, LinkedIn, and Twitter; and
 - (d) Other external parties.
22. The Executive Director will serve as one of the official spokespersons for the APFC, together with the Chair of the Board.

Appointments

23. The Executive Director will direct and supervise the conduct of all necessary due diligence that is appropriate in the search and selection of all service providers of the Fund.
24. The Executive Director will develop and recommend to the Board the appointment of the following key service providers and advisors:
- (a) The [External Auditor](#);
 - (b) The Custodian;
 - (c) The members of the Investment Advisory Group;
 - (d) The Investment Consultant; and
 - (e) Other service providers as the Board may direct.
25. The Executive Director will be responsible for the selection and appointment of all other service providers not appointed by the Board.
26. The Executive Director will negotiate and execute the terms and provisions of all agreements and contracts with the service providers of the Fund, including those appointed by the Board.

Monitoring and Reporting

27. The Executive Director will develop and recommend to the Board a monitoring and reporting policy which sets out the Board's requirements regarding the reports it will receive on a regular basis in order to meet its responsibility for the oversight of the management of the APFC.

**Alaska Permanent Fund Corporation
Charter of the Executive Director**

28. The Executive Director will provide the Board with all relevant and appropriate information in a timely manner so as to enable the Board to meet its responsibilities.
29. The Executive Director will monitor on an ongoing basis, without limitation, the following:
 - (a) The investment performance of the Fund, asset classes, and investment managers and portfolios, including the costs of managing the Fund;
 - (b) The asset allocation and investment risk of the Fund; and
 - (c) The compliance of the Fund and the APFC with all applicable laws and regulations, as well as all policies, procedures and bylaws established by the Board, including those set forth in the Board standards.
30. The Executive Director will periodically review the performance, level of service and fees of the service providers appointed by the Executive Director.
31. The Executive Director will direct and supervise the preparation of an annual report of the APFC for distribution as required by Alaska Statute 37.13.170.

REVIEW AND AMENDMENT OF THE CHARTER

32. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
33. The Board of Trustees adopted this Charter on ~~September 23rd~~ February 24th, 2017~~20~~.

ALASKA PERMANENT FUND CORPORATION

Board Policy Development Process

OBJECTIVES OF THE POLICY

1. The Board of Trustees of the APFC has established this *Board Policy Development Process* in order to meet the following objectives:
 - (a) To set out the process by which the Board will develop and establish the policies of the Board; and
 - (b) To ensure that the process is sound and reasonable and provides the Board with effective policies that achieves the goals and objectives of the APFC.

POLICY GUIDELINES

Roles and Responsibilities

2. The role of the Executive Director in the policy development process will be to:
 - (a) Assist the Board in identifying appropriate areas or subject matters in which a board policy may be required;
 - (b) Provide the Board with sound and comprehensive analysis of the underlying issues;
 - (c) Undertake any research and analysis required in the development of the proposed policy, with the assistance of external advisors and consultants if necessary; and
 - (d) Prepare a draft of the proposed policy for the Board's consideration.
3. The role of the Board is to review the proposed policy, including the research and analysis undertaken, and approve it if the Board determines that the policy will achieve the goals and objectives of the APFC.

Development and Approval

4. Any member of the Board, a Board committee, or the Executive Director may propose to the Board that it consider the development of a new Board policy.
5. In determining whether a particular matter warrants a Board policy, the Board should consider whether it meets the following criteria:
 - (a) The matter may have a significant impact on the APFC's ability to achieve its goals and objectives;

**Alaska Permanent Fund Corporation
Board Policy Development Process**

- (b) It is an ongoing concern which is expected to come up again or remain indefinitely; and
 - (c) It is not an operational matter that would otherwise fall within the responsibility of the Executive Director.
6. If the Board determines that the matter warrants a Board policy, it will pass a motion directing the Executive Director to prepare and submit a draft policy to the Board for its consideration.
7. A Board policy should contain, at a minimum, the following sections:
- (a) Objectives of the policy – what the policy is intended to achieve;
 - (b) Policy guidelines – the actual terms and provisions of the policy; and
 - (c) Review and amendment of the policy – how often the policy will be reviewed, and the date(s) on which the policy was adopted and/or amended.
8. The Board will approve the final language of a policy by a roll call vote/resolution in order for the policy to take effect.

Maintenance and Review

9. All Board policies will be maintained in up-to-date form in a single volume or a series of volumes within the APFC's offices, and will be accessible to trustees, staff and the public. Trustees will be provided with a copy of the Board policies which will be updated as necessary.
10. The Board will formally review a Board policy within the time period specified in the policy, but no less frequently than once every three years. Any Trustee, Board committee, or the Executive Director may propose to the Governance Committee that a particular policy be reviewed earlier than required.

REVIEW AND AMENDMENT OF THE POLICY

11. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.
12. The Board of Trustees adopted this Policy on SeptemberFebruary 23rd24th, 201720.

ALASKA PERMANENT FUND CORPORATION

Strategic Planning and Budgeting Policy

OBJECTIVES OF THE POLICY

1. The Board ~~of Trustees~~ of the APFC has established this *Strategic Planning and Budgeting Policy* in order to meet the following objectives:
 - (a) To ensure that the APFC plans, in a deliberate and systematic way, for the future needs of the organization; and
 - (b) To achieve a consensus among the Board and staff on how those needs and priorities are going to be met.

POLICY GUIDELINES

The Strategic Plan

2. The APFC will establish a Strategic Plan, extending over a period of ~~five~~four years into the future, to be reviewed and updated annually, which will address, without limitation, the following:
 - (a) The mission of the APFC;
 - (b) The philosophy and core values of the organization;
 - (c) The goals and objectives of the APFC over the ~~three-to-four~~four-year period;
 - (d) An evaluation of the external environment in which the APFC operates;
 - (e) An assessment of the organization's internal resources and capabilities; and
 - (f) The strategies for achieving the APFC's goals and objectives.
3. The Strategic Plan will include a list of the specific projects and initiatives to be started and/or implemented over the next fiscal year, including for each project or initiative:
 - (a) Its potential benefit or impact;
 - (b) Responsibility for implementation;
 - (c) Timeline for completion; and
 - (d) Budgetary implications.
4. The Board, with the assistance of the Executive Director, will undertake a comprehensive review of the Strategic Plan at least every ~~five~~four years.

**Alaska Permanent Fund Corporation
Strategic Planning and Budgetary Policy**

The Planning and Budgeting Process

5. The Executive Director will review and update the Strategic Plan annually and present a report to the Governance Committee that includes:
 - (a) A review of the implementation of the Strategic Plan for the current fiscal year; and
 - (b) The updated Strategic Plan, including the current projects and initiatives in progress to be carried forward and new initiatives to be undertaken in the next fiscal year.
6. The Executive Director will present to the Board semi-annually a variance report on the current year's Budget that provides:
 - (a) A comparison of actual expenditures versus the budget; and
 - (b) An explanation for significant differences in actual and budgeted amounts for any budget item.
7. The Executive Director will prepare and present to the Board annually a proposed Budget for the next fiscal year which provides:
 - (a) A breakdown of the Budget by line item, and within each line item by major expense category;
 - (b) A comparison of each budget item to the current year's budget and actual expenditure (projected to year-end);
 - (c) An explanation of significant changes from the previous year for any budget item; and
 - (d) The identification of budgetary amounts tied to any project or initiatives in the Strategic Plan for the next fiscal year.
8. Any significant revisions to the Strategic Plan or Budget must be reviewed and approved by the Board.
9. The Executive Director shall inform the Board Chair in a timely manner, if for any reason, a particular project or initiative cannot be implemented or completed as planned.

REVIEW AND AMENDMENT OF THE POLICY

10. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.

**Alaska Permanent Fund Corporation
Strategic Planning and Budgetary Policy**

11. The Board of Trustees adopted this Policy on ~~September 23rd~~February 24th, 2017~~20~~.

ALASKA PERMANENT FUND CORPORATION

Monitoring and Reporting Policy

OBJECTIVES OF THE POLICY

1. The Board ~~of Trustees~~ of the APFC has established this *Monitoring and Reporting Policy* in order to set out its minimum requirements with respect to the reports it expects to receive on a regular basis.

POLICY GUIDELINES

2. The Board will receive the reports specified in the Appendix to this Policy. The reports will be provided on a regular basis at the frequency indicated in the Appendix.
3. The Board may receive additional reports on an ad hoc basis as necessary.
4. Any request by Trustees for additional reports to be provided on a regular basis will require approval by the Board and an amendment to the Appendix of this Policy.

REVIEW AND AMENDMENT OF THE POLICY

5. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.
6. The Board of Trustees adopted this Policy on ~~September 23rd~~ February 24th, 2017~~20~~.

**Alaska Permanent Fund Corporation
Monitoring and Reporting Policy**

Monitoring and Reporting Policy

APPENDIX

Governance Reports

Name of Report	Frequency	Prepared By	Description of Report
1. Review of Governance Policies and Charters	Every 3 years	Staff	Report on the findings and recommendations of the Board's review of its governance policies and charters. There could be separate reports, for policies one year and charters another year.
2. Governance Report	Every 3 years	Third Party or staff	Report on compliance with governance policies and charters. This report should be part of the Board's review of its policies and charters, and produced with the same frequency, i.e. every 3 years, with separate reports for policies and charters.
3. Executive Director Performance Evaluation Report	Annual	Vice Chair, or Third Party	Report on the results of the Executive Officer's performance evaluation.
4. <u>Board Education Report</u>	<u>Annual</u>	<u>Staff</u>	<u>Report on the activities of the Board and its members with respect to education.</u>
Board Education Report 4-5. <u>IAG Report</u>	<u>Annual</u> <u>Quarterly</u>	<u>Staff</u> <u>Staff</u>	Report on the activities of the Board and its members with respect to education. <u>Report on compliance with IAG requirements</u>

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Investment Reports

Name of Report	Frequency	Prepared By	Description of Report
5-6. Investment Performance Report	Monthly and Quarterly	Staff and/or Investment Consultant	Report on the asset allocation and investment performance of the Fund, including the performance of asset classes
6-7. Risk Management Report	Quarterly	Staff and/or Investment Consultant	Report on the investment risk of the Fund, its asset classes and investment portfolios.
7-8. Asset Allocation Study	At least Every 3 to 5 years	Staff and/or Investment Consultant	Report on the findings and recommendations of a review of the long-term or target asset allocation policy of the Fund.
8-9. Review of the Fund's Investment Policies	At least Every 1 to 3 5 years	Staff and/or Investment Consultant	Report on the findings and recommendations of a review of the investment policy statement and related policies and procedures of the Fund.
9-10. Review of the Fund's Investment Managers	Quarterly	Staff and/or Investment Consultant	Report on the performance and strategies of the investment managers of the Fund.

**Alaska Permanent Fund Corporation
Monitoring and Reporting Policy**

Financial, Audit and Operational Reports

Name of Report	Frequency	Prepared By	Description of Report
10-11 Annual Financial Report, including: <ul style="list-style-type: none"> ▪ Audited Financial Statements ▪ Management's Discussion and Analysis ▪ Auditor's Opinion 	Annual	Staff and External Auditor	Report on the financial position and activities of the Fund.
11-12 Cybersecurity/IT Audit	Every 3 years	Staff and/or Third Party	Report on the safety and security controls of the Fund.

Planning and Budgeting Reports

Name of Report	Frequency	Prepared By	Description of Report
12-13 Budget Variance Report	Semi-Annual	Staff	Report on the implementation of the current year's budget, showing the variance between actual and budgeted expenditures.
13-14 Operating Budget	Annual	Staff	Report on the proposed budget for the next fiscal year.

ALASKA PERMANENT FUND CORPORATION

Trustee Education Policy

OBJECTIVES OF THE POLICY

1. The Board ~~of Trustees~~ of the APFC has established this *Trustee Education Policy* with the following objectives:
 - (a) To ensure that the members of the Board have access to the knowledge and information necessary for them to fulfill their fiduciary duties as trustees of the Alaska Permanent Fund; and
 - (b) To assist them in becoming well informed in all matters pertaining generally to the management of a large institutional fund, both public and private, and more specifically to the management and investments of the [FundAPFC](#).

POLICY GUIDELINES

2. The education program for Trustees will be based on the following principles:
 - (a) The program should include both in-house education, so that Trustees can share in a common base of knowledge and information relevant to their tasks, as well as external conferences and seminars, so that Trustees can benefit from exposure to alternative perspectives and interaction with trustees of other organizations;
 - (b) There should be diverse sources for education, beyond APFC staff and current service providers, including other external consultants, advisors and experts, so that Trustees may benefit from a wide range of views and opinions; and
 - (c) Trustees are expected to participate in any in-house education sessions that may be organized for their benefit, including an orientation session for new Trustees. They are also encouraged to attend external conferences and seminars.
3. The education program will consist of the following:
 - (a) A formal orientation for new Trustees;
 - (b) A Trustee Reference Manual containing key information about the APFC;
 - (c) In-house education, including:
 - i) At the request of the Board, an annual education session
 - ii) Seminars and briefings from time to time;
 - iii) Selected reading material provided by staff; and
 - (d) External conferences and seminars.

**Alaska Permanent Fund Corporation
Trustee Education Policy**

Orientation Program

4. The Executive Director will develop an orientation program designed to introduce new trustees to all relevant operations of the APFC, and to the duties and responsibilities of the Trustee. The aim of the orientation program will be to ensure that a new Trustee is in a position to contribute fully to the deliberations of the Board, and effectively carry out their duties and responsibilities as soon as possible after joining the Board.
5. The orientation program should include the following:
 - (a) A briefing by the Executive Director on the history, mission, organization and operations of the APFC;
 - (b) A briefing by the Chief Investment Officer on the investment philosophy, asset allocation, investment managers, and the major investment portfolios of the Fund;
 - (c) A briefing on the laws and regulations governing the APFC, the fiduciary duties and responsibilities of the Trustees, the Board Charter, Committee structure, Bylaws and other Board standards including disclosure requirements;
 - (d) A briefing on administrative policies and procedures relating to Board members;
 - (e) An introduction to the APFC's website and the educational resources available there for Trustees; and
 - (f) A briefing by the Chair of the Board and the Executive Director on the major issues currently before the Board.
6. The new Trustee will also, as part of the orientation program, be provided with the following:
 - (a) The Trustee Reference Manual;
 - (b) Selected articles and papers on the APFC and institutional fund management;
 - (c) A list of upcoming conferences and seminars; and
 - (d) The most recent Annual Report, including the audited financial statements.

Trustee Reference Manual

7. The Trustee Reference Manual will include the following:
 - (a) The laws and regulations governing the Alaska Permanent Fund;
 - (b) The Bylaws of the APFC;
 - (c) The Charters and Governance Policies established by the Board;
 - (d) A list of Board committees and committee members;
 - (e) Names and contact information for Trustees, members of the Investment Advisory Group and the Executive Director;

**Alaska Permanent Fund Corporation
Trustee Education Policy**

- (f) Organization chart of the APFC;
- (g) List of the APFC's major service providers; and
- (h) The Investment Policy for the Fund.

In-house Education

- 8. The Board will periodically conduct assessments of its educational requirements to ensure it will be provided with the knowledge and information necessary to discharge its functions.
- 9. Trustees are encouraged to attend, if scheduled, an annual educational session which may be organized either by the Executive Director or in conjunction with other Alaska public funds such as the Alaska Retirement Management Board.
- 10. The Executive Director will, from time to time, organize short seminars or presentations on various topics by APFC staff and service providers, as well as other external consultants, advisors and experts. The Executive Director will consult with Trustees to identify topics of special interest or relevance to the Board, taking into account the results of the educational needs assessment. These sessions may be organized either as part of regular Board meetings or as stand-alone events.
- 11. The Executive Director will also provide Trustees with relevant and appropriate reading material (e.g., journal articles, research studies, news clippings, etc.).

External Conferences and Seminars

- 12. The Executive Director will maintain a list of conferences and seminars that Trustees may wish to attend, with expenses to be paid for by the APFC upon approval of the Chair. The Executive Director will update the list from time to time taking into account new information and feedback from previous conference attendees.
- 13. The Executive Director will notify the Board of upcoming conferences on a regular basis at Board meetings.
- 14. Trustees are free to attend any other conferences, seminars, or workshops, other than those recommended by the Executive Director. The potential reimbursement of expenses incurred by Trustees will be subject to prior approval by the Chair.

Trustee Education Report

- 15. The Executive Director will present to the Board annually a report on the various educational activities undertaken by the Board and individual Trustees during the year.

**Alaska Permanent Fund Corporation
Trustee Education Policy**

REVIEW AND AMENDMENT OF THE POLICY

16. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.
17. The Board of Trustees adopted this Policy on ~~September 23rd~~ February 24th, 2017~~20~~.

ALASKA PERMANENT FUND CORPORATION

Board Communications Policy

OBJECTIVES OF THE POLICY

1. The Board ~~of Trustees~~ has established this *Board Communications Policy* in order to facilitate effective communication by the Trustees with each other, and with APFC staff and service providers, the media and other external parties.

POLICY GUIDELINES

Communication among Trustees

2. Trustees are free to communicate with each other on matters concerning the APFC, subject to the requirements of Alaska's Open Meetings Act.

Communication with Staff

3. While Trustees have the right to communicate with any member of the APFC staff, they should direct questions and requests for information regarding the APFC's management and operations to the Executive Director or senior management staff.
4. Any question or request for information which can reasonably be expected to take up a significant amount of time, effort or resources on the part of APFC staff or service providers should be made through a formal request at a Board or committee meeting or with the consent of the Chair of the Board.
5. Trustees may directly contact the Executive Director or members of the senior management staff or APFC legal counsel, with any other question or request for which an answer or response is readily available or can be quickly and easily obtained.

Communication with Service Providers

6. Trustees should communicate with the APFC's investment managers and other service providers on matters concerning the APFC generally at Board or committee meetings, or through staff. If Trustees have any questions or wish to request any information from service providers, they should contact the Executive Director or a member of the senior management staff.
7. If Trustees do communicate directly with a service provider, they should be careful not to disclose any privileged information, make any commitments on behalf of the Board, or provide any special treatment or favoritism to the service provider. Trustees should disclose the nature of any communication with the service provider that is important or material to the APFC to the Board at their earliest convenience.

**Alaska Permanent Fund Corporation
Board Communications Policy**

8. Trustees should refer any investment opportunities or proposals they receive from a service provider which may be of relevance to the APFC directly to the Executive Director.
9. The provisions of Section 6 through 8 above will not apply to Trustees' communication with the Investment Consultant, the Investment Advisory Group, the Auditor and APFC legal counsel.

Communication with the Media and Other External Parties

10. The Chair and the Executive Director will both serve as the official spokespersons for the APFC.
11. In their role as spokespersons, they should communicate in a manner consistent with the established policies and decisions of the Board and should not make comments which represent their personal views.
12. The Executive Director will be responsible for all "press releases" or written communications with the media. Such communications should clearly and accurately represent the actions and decisions of the Board.
13. All Trustees, including the Chair, are free to communicate with the media on matters concerning the Board or the APFC in their capacity as individual Trustees. If approached by the media for interviews or information on the APFC, they may refer the matter to one of the official spokespersons. If Trustees do communicate with the media, they should observe the following guidelines:
 - (a) Trustees, other than the Chair, should not speak on behalf of the Board unless specifically authorized to do so by the Board;
 - (b) If authorized to speak on behalf of the Board, Trustees should follow the provisions of Section 11 above; and
 - (c) If Trustees, including the Chair, are speaking as individual Trustees, they should indicate that they are doing so, and not speaking on behalf of the Board.
14. Any written material on the APFC prepared by Trustees for publication or general distribution should be submitted to the Executive Director for review prior to its publication or distribution. The review will be only for the purpose of verifying the accuracy of the material to ensure that the APFC is not being inadvertently misrepresented.

REVIEW AND AMENDMENT OF THE POLICY

15. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.

**Alaska Permanent Fund Corporation
Board Communications Policy**

16. The Board of Trustees adopted this Policy on ~~September 23rd~~February 24th, 2017~~20~~.

ALASKA PERMANENT FUND CORPORATION

Executive Director Performance Evaluation Policy

OBJECTIVES OF THE POLICY

1. The Board of Trustees of the APFC has established this *Executive Director Performance Evaluation Policy* with the following objectives:
 - (a) To ensure that the Executive Director receives appropriate and useful feedback on their performance from the Board on an annual basis; and
 - (b) To help develop clear and meaningful performance objectives for the Executive Director.

POLICY GUIDELINES

Roles and Responsibilities

2. The Board will be responsible for evaluating the performance of the Executive Director on an annual basis.
3. The Governance Committee will be responsible for initiating and coordinating the performance evaluation process.
4. The Board ~~may~~ retain the services of an independent third party to facilitate and administer the performance evaluation in order to ensure the integrity and confidentiality of the process.

Evaluation Survey and Criteria

5. The Board will establish a survey to provide Trustees with a tool for evaluating the performance of the Executive Director based on a number of criteria, including the following:
 - (a) Achievement of the goals and objectives of the APFC;
 - (b) Completion of the specific projects and initiatives set out in the strategic plan for that fiscal year;
 - (c) Implementation of Board policies and reporting requirements;
 - (d) General leadership and management skills; and
 - (e) Compliance with the Executive Director's charter.
6. The Governance Committee, with the assistance of the Executive Director, will develop and recommend to the Board the design of the survey.

**Alaska Permanent Fund Corporation
Executive Director Performance Evaluation Policy**

The Evaluation Process

7. The Vice Chair, acting as Chair of the Governance Committee, will meet with the Executive Director to review the evaluation survey and criteria and agree on any changes.
8. Towards the end of the calendar year and before the fourth quarter meeting of the Board, the Vice Chair will distribute a package of materials to each Trustee which may include the following:
 - (a) A report prepared by the Executive Director on their achievements for the previous year, including the Executive Director's own assessment of the extent to which the evaluation criteria were met;
 - (b) The strategic plan and budget for the fiscal year or a summary thereof; and
 - (c) The evaluation survey, containing the evaluation criteria, to be filled out by the Trustee.
9. Trustees should complete the survey and return it to the facilitator within a specified period of time. The facilitator will tabulate the results of the survey, present a report summarizing the results to the Governance Committee, together with the completed evaluation surveys. The Committee will review the report and submit it to the Board.
10. The Board, consistent with Alaska's Open Meetings Act, will meet in executive session to review and discuss the results of the Executive Director's performance evaluation. The Governance Committee will prepare a draft Evaluation Report, with the Executive Director's assessment and the summary of the evaluation results attached as appendices.
11. The Board, consistent with Alaska's Open Meetings Act, will meet with the Executive Director in executive session to discuss the results of the performance evaluation and any opportunities for improvement.
12. The Board will then approve the final Evaluation Report, following which the Chair, Vice Chair and the Executive Director will each sign the Evaluation Report.
13. The Vice Chair will cause the signed Evaluation Report to be placed in the Executive Director's personnel file.

REVIEW AND AMENDMENT OF THE POLICY

14. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.
15. The Board of Trustees adopted this Policy on ~~September 23rd~~ February 24th, 2017~~20~~.

ALASKA PERMANENT FUND CORPORATION

Board Standards

OBJECTIVES OF THE STANDARDS

1. The Permanent Fund was established by Article IX, Section 15 of the Alaska Constitution. The statutory purpose of the APFC is to manage and invest the assets of the Permanent Fund. The Trustees' conduct is subject to Alaska Constitution and Statutes, regulations under the Alaska Administrative Code, and various other rules and policies. The Board of Trustees has established the *Board Standards* to identify applicable rules and policies and provide further guidance to Trustees in conducting their affairs and activities as Board members.

POLICY GUIDELINES

2. Trustees will conduct themselves with honesty, integrity, decorum, and professionalism in all aspects of their duties, and in their interaction with fellow trustees, APFC staff, service providers, and other external parties.

With Respect to Compliance with Laws, Regulations and Policies

3. Trustees will abide by all applicable laws and regulations, including, in particular, the following:
 - (a) Alaska Statutes at Title 37, Chapter 13;
 - (b) Alaska Administrative Code at Title 15, Chapter 137;
 - (c) APFC Bylaws;
 - (d) The Alaska Open Meetings Act and regulations thereunder;
 - (e) The Alaska Executive Branch Ethics Act and regulations thereunder, administered by the Department of Law; and
 - (f) The Alaska Conflict of Interest Act and regulations thereunder, administered by the Alaska Public Offices Commission (APOC).
4. Trustees will abide by all policies of the APFC.

With Respect to Confidentiality and Use of Information

5. Trustees will respect the confidentiality of all information pertaining to the APFC to which they become privy to by virtue of their position. They will not disclose any confidential information to any external party unless required to do so by law.
6. Any information on the APFC that Trustees request in their capacity as Trustees will only be to fulfill their responsibilities as Trustees of the APFC and not for use in their own personal or business affairs.

**Alaska Permanent Fund Corporation
Board Standards**

With Respect to Enforcement of the Board Standards

7. The Chair of the Board will enforce and attempt to rectify any breach of the Board Standards.
8. If a Trustee has reason to believe that a material violation of the Board Standards has taken place, they will notify the Chair (or the Vice Chair if the allegation is against the Chair) and the Executive Director.

REVIEW AND AMENDMENT OF THE POLICY

9. This Policy will be reviewed periodically and amended by the Board as necessary or appropriate.
10. The Board of Trustees adopted this Policy on ~~September 23rd~~ February 24th, 201720.

SUBJECT: Election of Corporate Officers ACTION: X

DATE: September 24, 2020 INFORMATION: _____

BACKGROUND:

Section 6 of Article II of the APFC Bylaws states that the election of the Chair and Vice Chair of the Board of Trustees shall occur at the annual meeting of the Corporation, and those officers shall hold office for one year or until their successors are elected and qualified. In accordance with APFC Board of Trustees Charters and Governance Policy the following, the election of corporate officers and the committee assignments are noted below.

Charter of the Chair of the Board (excerpts)

1. Alaska Law, Article 01, Section 37.13.050 requires the Board of Trustees to elect a Chair annually from among its members.
2. The Chair will perform the duties and responsibilities and exercise the powers as specified below:
 - (a) Appoint the members of the committees of the Board and the committee chairs (other than the chair of the Governance Committee);

Charter of the Vice Chair of the Board (excerpt)

1. The Bylaws of the APFC establish the Vice Chair as an officer of the Board. The Vice Chair is elected annually.

Charter of the Governance Committee of the Board (excerpt)

2. The Vice Chair of the Board will serve as the Chair of the Governance Committee. The Vice Chair may act on behalf of the Governance Committee in performing the following duties with the approval of the full Board.

Charter of the Audit Committee of the Board (excerpt)

7. The Committee will consist of at least three Trustees, each of whom must have a basic understanding of finance and accounting and be able to read and understand financial statements

RECOMMENDATION:

- Elect a Board of Trustees Chair
- Elect a Board of Trustees Vice-Chair
- Vice Chair to serve as Chair of the Governance Committee
- Chair to Appoint at least two additional Trustees to the Governance Committee
- Chair to Appoint at least three Trustees to the Audit Committee

SUBJECT: Board of Trustees Meetings

ACTION: X

DATE: September 24, 2020

INFORMATION:

BACKGROUND:

APFC’s Board of Trustees holds quarterly meetings to review and evaluate the investment performance of the portfolio, the asset allocation and investment risk of the Fund, and the compliance program in relation to applicable laws, regulations, and governance policies. Special meetings of the Board of Trustees are scheduled as required.

The 2021 Board of Trustees Meeting schedules have been previously approved. Please note that the December 2020 Quarterly Board Meeting will be held December 9-10 in Juneau. Attached are the calendars for your information, please mark your schedules.

2021 BOARD OF TRUSTEES MEETINGS ARE SCHEDULED:

FEBRUARY 17-18, 2021

Wednesday & Thursday
Location: Juneau

Regular Quarterly Meeting

MAY 19-20, 2021

Wednesday & Thursday
Location: Kodiak

Regular Quarterly Meeting/Audit Committee

SEPTEMBER 2, 2021

Thursday
Location: Anchorage

Audit Committee/Budget Planning Session
Labor Day is Monday, September 6

SEPTEMBER 22-23, 2021

Wednesday & Thursday
Location: Juneau

Annual Board Meeting

DECEMBER 8-9, 2021

Wednesday & Thursday
Location: Anchorage

Regular Quarterly Meeting

2022 BOARD OF TRUSTEES MEETINGS ARE PROPOSED TO BE SCHEDULED:

FEBRUARY 16-17, 2022

Wednesday & Thursday
Location: Juneau

Regular Quarterly Meeting

MAY 18-19, 2022

Wednesday & Thursday
Location: Anchorage

Regular Quarterly Meeting/Audit Committee

SEPTEMBER 1, 2022

Thursday
Location: Juneau

Audit Committee/Budget Planning Session
Labor Day is Monday, September 5

SEPTEMBER 21-21, 2022

Wednesday & Thursday
Location: Anchorage

Annual Board Meeting

DECEMBER 7-8, 2022

Wednesday & Thursday
Location: Juneau

Regular Quarterly Meeting

RECOMMENDATION:

- Review of 2021 Board of Trustees Meeting Schedule
- Approve 2022 Board of Trustees Meeting Schedule