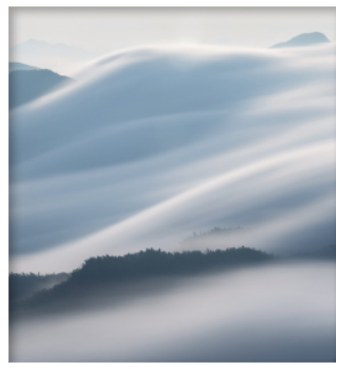
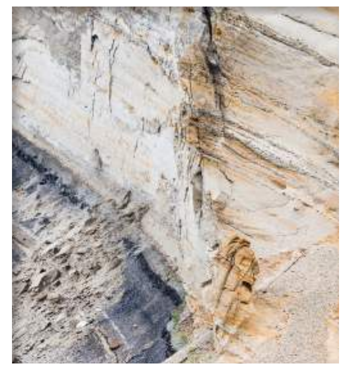




BALANCE

APFC ALASKA PERMANENT FUND CORPORATION

APFC.ORG

THE FUND AND APFC

The Alaska Permanent Fund was created by visionary Alaskans who saw a way to find balance in providing a renewable benefit, to both current and future generations of Alaskans. On November 2, 1976, Alaskans established by a 2:1 margin, the Alaska Permanent Fund to preserve and convert the State's non-renewable oil and mineral wealth into a renewable financial resource.

> ***ALASKA CONSTITUTION ARTICLE IX, SECTION 15 — ALASKA PERMANENT FUND***
> *At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.*

Over the course of the next four years, the Legislature and the Administration evaluated the concept of 'income-producing investments' and how to best implement the constitutional mandate. Options included a development bank and a savings fund. During a Free Conference Committee on Senate Bill (SB) 161 in 1980, the Legislature ultimately focused on a single issue: "the management of the Fund's Principal." They affirmed in the language of the bill that the Fund is an inviolate trust, to conserve "...a portion of the state's revenues from mineral resources to benefit all generations of Alaskans...." The Legislature further determined the Fund to be an independent trust with accountability to "...maintain safety of principal while maximizing total return...." In establishing a management system for the Fund, the aim of the Free Conference Committee as documented in their report was "insulation without isolation" through the creation of a public corporation distinct from state government. Additionally, it was determined that "the Permanent Fund, with its fundamentally different goals and large size, should not be in the hands of the same people whose primary duty is managing money for day-to-day use by the state." The bill provided for a Governor-appointed Board of Trustees to serve as the Fund's fiduciary, with the responsibilities of managing and investing the assets in accordance with the prudent investor rule, maintaining a reasonable diversification among investment categories, and establishing guidelines for investment.

It was 40 years ago, on April 8, 1980, that Governor Jay Hammond signed SB 161 into law, thus establishing the Alaska Permanent Fund Corporation as an independent state entity tasked with the management and investment of the Alaska Permanent Fund.

Today, APFC is a dynamic corporation with the strength of Alaska roots and a pioneering spirit that extends around the world based on our practices of good governance, transparency, and recognition amongst the international sovereign wealth community. The Corporation's award-winning team located in Juneau, Alaska is comprised of over 50 professionals in the fields of investment management, finance, information technology, and administration. As stewards of the Fund, our team possesses the skill and efficiency to ensure that Alaskans benefit from this resource for generations to come.

TRUSTEES' PAPER – VOLUME 9

THE ROLE OF SOVEREIGN WEALTH FUNDS IN SAVING, STABILIZATION, AND GENERATING INCOME

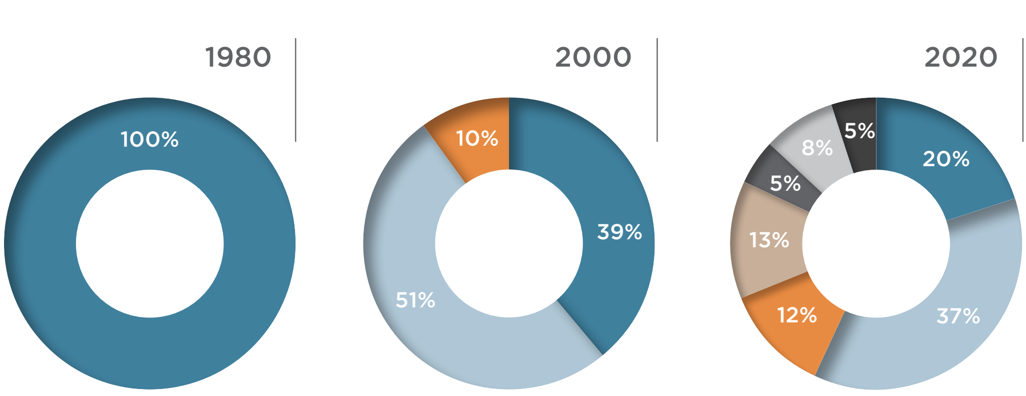
APFC and the Fund are central to the debate currently facing the State of Alaska. As oil revenues flowing to the State's general fund continue to decline due to price and production level, the State of Alaska is confronting the reality that there are not sufficient revenues to support state services. While the Fund was created knowing an era of declining revenues from resource wealth would be inevitable, now that we are there, the public's expectations about the use of the Fund have changed over the past 40 years. During this unique time in Alaska's history, as the conversation around the utilization of the Alaska Permanent Fund's earnings evolves, the Alaska Permanent Fund Corporation Board of Trustees thought it prudent to provide a global context to the discussion. Sovereign Wealth Funds in resource-dependent economies around the world have faced the very same problems that Alaska is facing today, and have found their way through them for better or worse. The Trustees' Paper — Volume 9 discusses best practices of our peer funds from Canada to Saudi Arabia, and closer to home from New Mexico to North Dakota. It examines the codified mechanics that have allowed these funds to flourish as well as the lack of clarity in their fundamentals that have created pitfalls. The lessons and practices highlighted in the paper that can be applied to the Fund include:

- **Mission clarity** — success requires clarity around the Fund's mandate.
- **The importance of rules** — the adherence to a system of well-designed rules promotes sustainability and stability across volatile commodity cycles, and enables management to implement appropriate investment policies.
- **Successful enforcement of saving rules** — adherence to Alaska's existing constitutional and statutory savings rules is necessary.
- **POMV spending rule** — the statutory spending policy adopted in 2018 aligns with the best practices of peer institutions.
- **The ERA** — the emphasis on permanent savings in the Principal and long-term growth of the Fund, together with the existence of a separate account available for appropriation, the ERA, warrant consideration as reliance on realized earnings to support state services increases.

To download a copy of the Trustees' Paper — Volume 9, visit apfc.org.

INVESTMENT OF THE FUND

TARGET ASSET ALLOCATION – PORTFOLIO THEN AND NOW



- Bonds
- Stocks
- Real Estate
- Private Equity and Special Opportunities
- Absolute Return
- Infrastructure and Private Income
- Asset Allocation Strategies

APFC's investment strategy represents a strong, enduring governance structure combined with processes that provide our staff and partners the flexibility and autonomy to be markedly agile and responsive to global market conditions. The Fund is invested across seven asset classes in both public and private markets, creating a portfolio designed to deliver compelling long-term returns under a variety of potential market conditions. All investments must balance expected returns with any risks that are undertaken, ensuring that the APFC portfolio provides an appropriate risk-adjusted return for Alaska.

CEO MESSAGE

When I began my role as CEO a little over four years ago, we were preparing to mark the 40th year of the Alaska Permanent Fund. The anniversary came with both excitement and trepidation, as there were clearly storms on the horizon and we knew we needed to position the Fund to weather many of those storms. This year we will commemorate the 40th anniversary of the Alaska Permanent Fund Corporation (APFC). As we look forward to celebrating with you the many APFC milestones and what they have meant for the success of the Fund, we acknowledge our work is not done. There are many challenges ahead, both here at home in Alaska and Outside, as we look to a global economy that is faltering and becoming increasingly volatile.

Former President Calvin Coolidge is quoted as saying "Nothing is easier than spending the public money. It does not appear to belong to anybody. The temptation is overwhelming to bestow it on somebody." With all the debate and volatility swirling around us, how do we balance the needs of current generations of Alaskans while providing for future generations? First, we fight for inflation-proofing and royalty deposits. These deposits to the corpus ensure that future generations will continue to receive the same or better level of benefits than the previous generation. Secondly, we advocate for the need to follow our self-imposed draw limitations on the Earnings Reserve Account. This ensures healthy balances continue to be invested for the long-term health of Alaska.

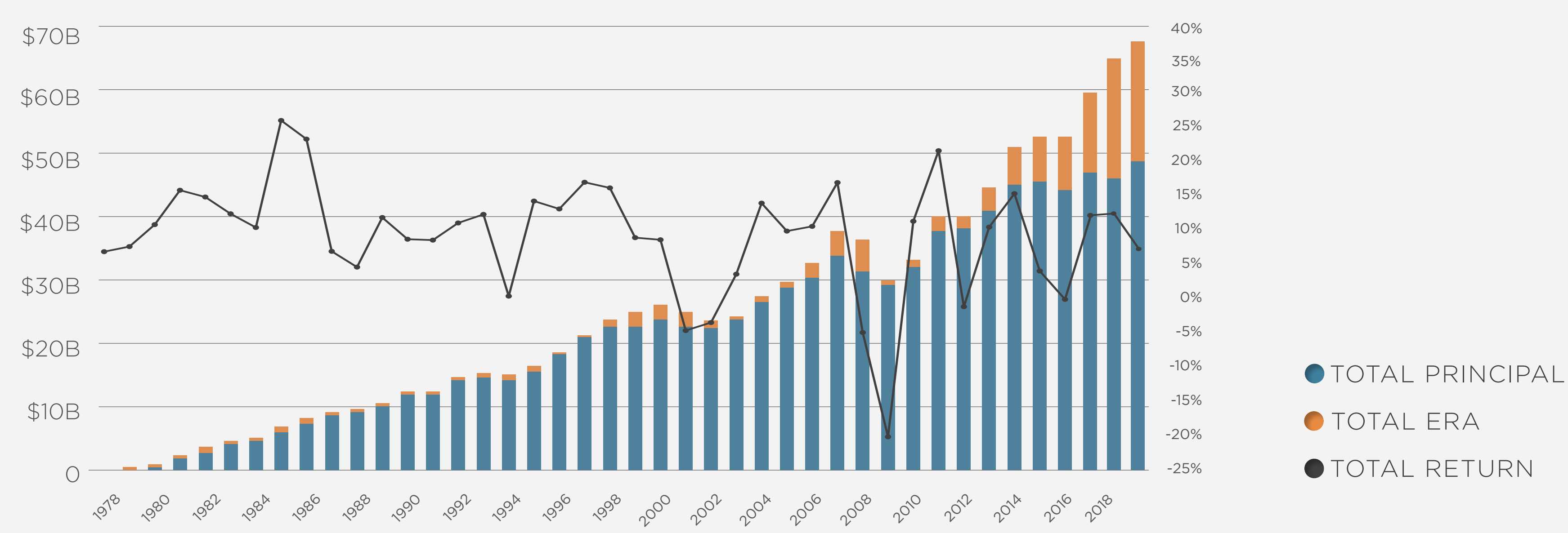
Balancing rewards versus risk is probably one of the most challenging aspects for APFC. As the saying goes, "There is no free lunch," and so it is with investing. We recognize how dependent the State has become on us, and any time we debate how to increase returns we also debate whether or not the risk is worth it. The State now relies on the Alaska Permanent Fund Corporation to generate $0.47 of every $1.00 it is spending on unrestricted general fund expenditures for schools, snow plowing, state troopers, and dividends. We must regularly assess whether it is more important to "not lose money" and have a "known threshold" balance available for today's needs, than to potentially lose it making higher risk/reward investments. Fortunately, we have a talented team of professionals who practice patience and discipline, and who understand the importance of this continuous balancing act.

Alaska is undergoing a great deal of change. Industries, workflow, and economic generation have all revolutionized over the last 40 years, and Alaska must now work to build new industries that capitalize on technology, data, climate and globalization. Over the years, our investment in Alaska has been through delivering returns, yielding dividends to Alaskans to the tune of more than $27 billion that were cycled back into the Alaska economy through consumer spending and saving. As we look to the future, we will be assessing opportunities for investment in Alaska versus our ability to invest in capital markets around the world — while ensuring we continue to deliver the returns Alaskans need to provide essential services. In this time of change, it is essential for us to maintain our center, our sense of balance. In doing so, we will all stand ready to face the many challenges ahead.

Angela M Rodell

Angela Rodell
CEO, Alaska Permanent Fund Corporation

FUND PERFORMANCE — FUND VALUES AND RETURNS



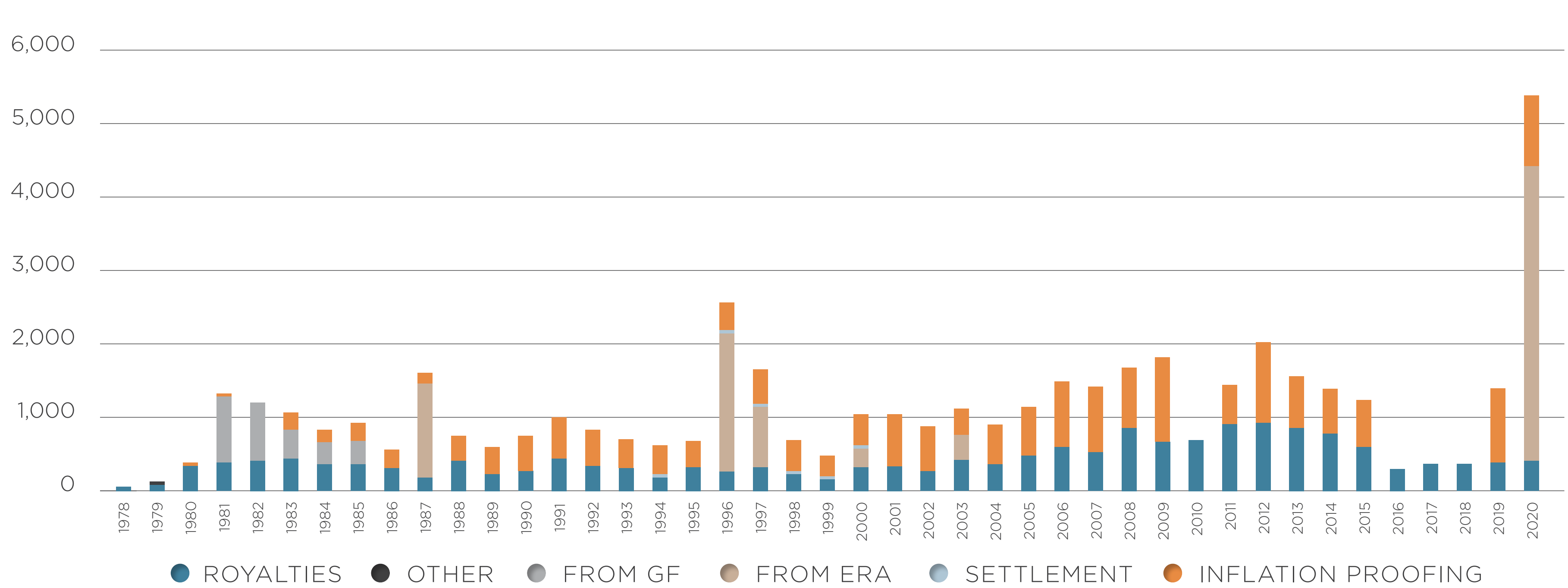
CONTRIBUTIONS TO PRINCIPAL

The Principal's value is comprised of:

$17.3 B of Royalty Deposits — the State Constitution directs that at least 25% of Alaska's mineral royalties (primarily oil royalties) be deposited into the Principal and State Statutes direct an additional 25% for leases after 1979.

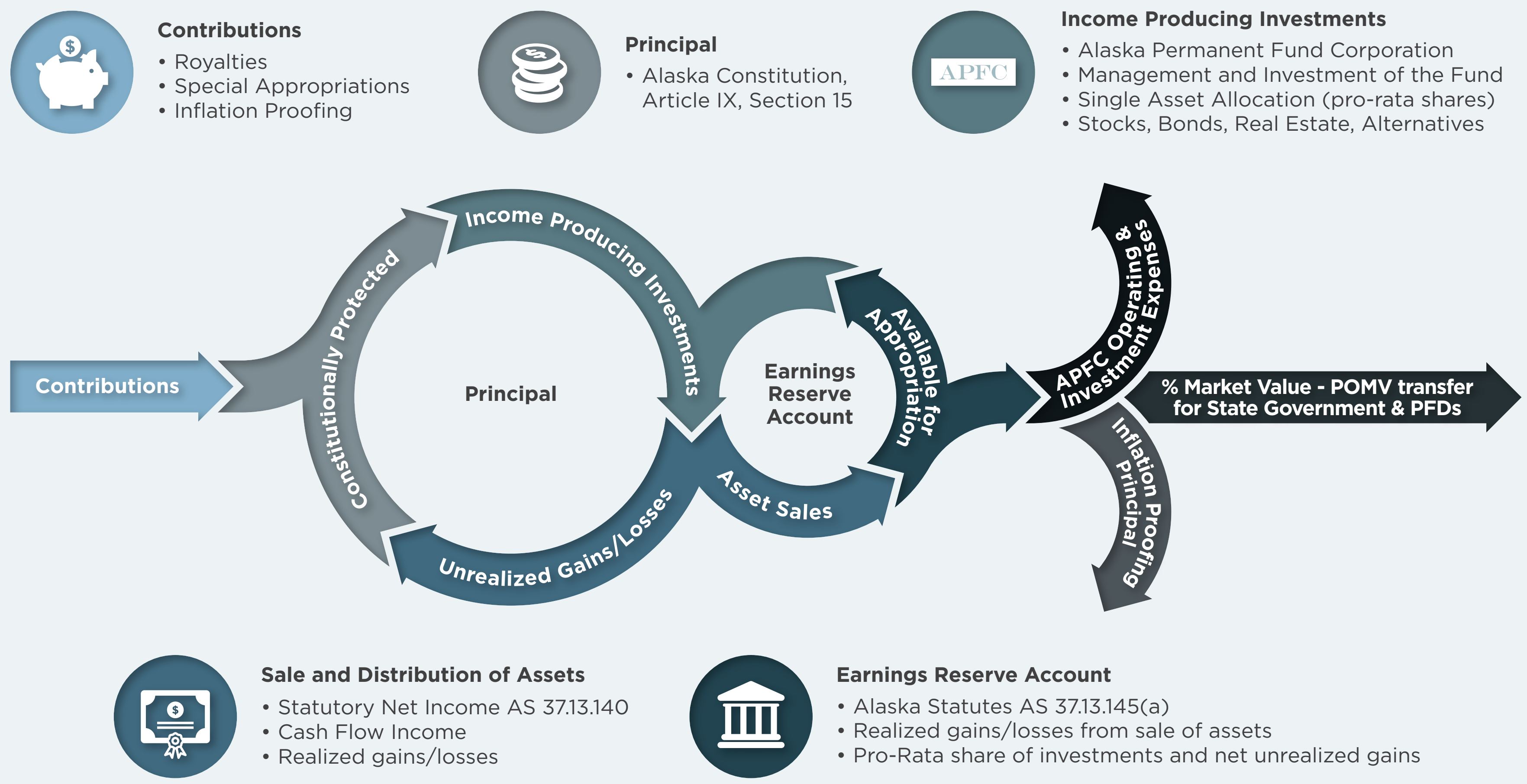
$17.2 B of Inflation Proofing — calculated on the deposits into the Principal of the Fund and the annual rate of inflation as provided for in the Statute to preserve its purchasing power over time.

$11.0 B of Special Legislative Appropriations — contributions to 'permanent savings' appropriated by the Legislature from the ERA and the General Fund.



Note: In FY03, the Legislature made a special appropriation to principal of $354.2 million. In FY04, this was reclassified as pre FY04 inflation proofing in accordance with the FY04 supplemental budget bill.

STRUCTURE OF THE FUND



The Permanent Fund has two parts: Principal and 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 and is to be used only for income-producing investments per the constitutional amendment establishing the Fund. The Principal grows through royalty contributions, special appropriations, and inflation proofing. The Principal does not retain any of the realized gains on investments (above the cost basis of the original investment), nor does it receive the cash flow income from real estate properties and bond interest. For the Principal to preserve its value and purchasing power to benefit all generations, it is essential that it receives an annual appropriation to offset the effects of inflation. For FY20, the Alaska State Legislature funded inflation proofing and made a special appropriation of $4.0 billion from the ERA to the Principal of the Fund.

The Earnings Reserve Account is established in state law as an account to hold the net realized income from the Permanent Fund's investment portfolio; it does not have a legislatively assigned investment mandate. The ERA is currently invested in the same asset allocation as the Principal but differs in that it is available for appropriation by the Legislature. SB26 Chapter 16 SLA 18, an important first step in codifying rules to establish a sustainable annual draw from the ERA, 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 Percent of Market Value (POMV) draw is based on a percentage of the average market value of the Fund for the first five of the preceding six fiscal years. The POMV methodology provides a certainty of liability for the management of the portfolio with a stable and predictable payout from year to year. The draw is subject to appropriation and is set in Statute at 5.25% for Fiscal Years 2019-2021 and 5.0% from Fiscal Year 2022 onward. The POMV draw in FY19 was $2.7 billion, in FY20 was $2.9 billion, and is $3.1 billion in FY21. The POMV draw for the Fund is limited not only by the statutorily allowable percentage, but is also limited by the amount that is available for appropriation in the ERA given the two-account structure of the Fund. There could be occasions when there is not sufficient realized income in the ERA to meet the maximum POMV draw.

To provide additional guidance on rules-based withdrawals, the Board passed Resolution 18-04 at a special meeting on October 17, 2018, outlining four fundamental policy provisions:

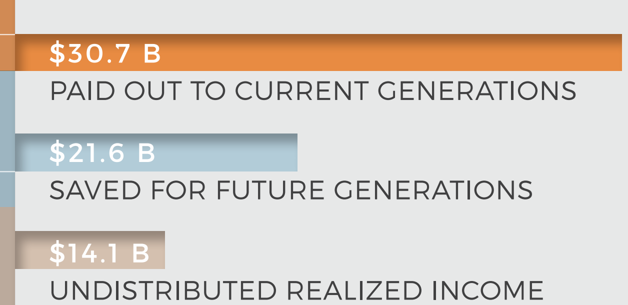
1. ***Adherence*** to the rules increases the likelihood that systematic draws from the Fund will be sustainable over time and will allow for the more prudent investment of the Fund due to the predictability of liquidity needs.
2. ***Sustainability*** requires that annual formulaic withdrawals from the ERA allow the Fund to grow annually by at least the rate of inflation.
3. ***Inflation Proofing — AS 37.13.145 (c)*** preserves the purchasing power of the Principal and is the mechanism by which the Principal retains some value generated from the income-producing assets.
4. ***Real Growth*** is necessary to preserve intergenerational wealth as Alaska continues the extraction of its finite natural resources. Recognizing and executing on opportunities to grow the real value of the Fund will result in more income and thus higher sustainable draws in the future.

ERA — USES OF THE REALIZED FUND INCOME

FROM INCEPTION THRU SEPTEMBER 30, 2019 — THE FIRST QUARTER OF FY20

The Fund has generated cumulated realized net income of more than $66 billion that has been deposited to the Earnings Reserve Account. Over the course of the past four decades, this net income has been used to pay current generations, saved for future generations, and a portion is undistributed and remains available for appropriation.

USES OF FUND INCOME	Percent	Dollar
PAID OUT TO CURRENT GENERATIONS		
General Fund	8.9%	$ 5,937,600,000
Dividend Appropriations	36.8%	$ 24,424,300,000
Alaska Capital Income Fund (ACIF)	0.5%	$ 363,200,000
Total Paid Out	46.2%	$ 30,725,100,000
SAVED FOR FUTURE GENERATIONS		
Inflation Proofing	25.9%	$ 17,225,900,000
Special Appropriations	6.6%	$ 4,340,300,000
Total Saved	32.5%	$ 21,566,200,000
UNDISTRIBUTED REALIZED INCOME		
Committed to General Fund for FY21 POMV Draw	4.7%	$ 3,091,500,000
Committed to Principal Special Appropriations FY20	6.0%	$ 4,000,000,000
Committed to Inflation Proofing & ACIF FY20	1.0%	$ 643,600,000
Earnings Available for Appropriations	9.6%	$ 6,394,400,000
Total Undistributed Realized Income	21.3%	$ 14,129,500,000
TOTAL REALIZED INCOME	**100.0%**	**$ 66,420,800,000**



GUIDE TO ALASKA PERMANENT FUND FINANCIAL STATEMENTS

BALANCE SHEETS

ASSETS: What the Fund owns.

Cash and temporary investments are liquid investments with maturities less than one year. Receivables include interest, dividends, and proceeds from the sale of investments that are yet to be received. The Investments section lists the fair value of each type of investment in the Fund. Securities lending collateral is the cash held in the Fund from parties that have borrowed securities for short-term use.

LIABILITIES: What the Fund owes.

Accounts payable includes amounts related to corporate operations as well as amounts owed for the purchase of investments yet to be paid. Income distributable to the State of Alaska represents the earnings to be transferred to the Alaska Capital Income Fund. Securities lending collateral is the cash collateral listed above that is to be paid back to the lending counterpart.

FUND BALANCES: The assets remaining after the liabilities are paid.

The non-spendable section represents the fair value of the deposits and other appropriations into the Fund since inception, the Principal. This amount is protected from spending by the Alaska Constitution. The committed section includes two amounts appropriated by the Legislature: one for FY20 General Fund expenses, including the dividend, and one transferring $4 billion from the Earnings Reserve Account to Principal at the end of FY20. The assigned section represents the fair value of the Earnings Reserve Account, and the amount of net realized earnings available for appropriation.

STATEMENTS OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES

REVENUES: What the Fund earns.

Revenues include interest, dividends, and other income generated by the investments of the Fund. This section also includes the change in the fair value of the investments in each area of the portfolio over the course of the fiscal year.

EXPENDITURES: What it costs.

Expenditures are costs incurred to manage the Fund that are paid out of Fund earnings. Also included are expenses of other programs within the State of Alaska that are paid with revenues of the Fund.

OTHER FINANCING SOURCES (USES): Transfers in and out of the Fund.

Transfers in include dedicated mineral deposits as dictated by the Alaska Constitution and Statute as well as other legislative appropriations into the Fund. Transfers out are used to fund State programs as designated by the Legislature. All transfers in and out of the Fund are subject to appropriation by the Legislature.

FUND BALANCES: What is left after revenues, expenses, and transfers.

This amount reflects assets under management and includes both the Principal and the ERA.

Please visit our website — *apfc.org* — to learn more about how APFC is investing the Alaska Permanent Fund.

		June 30	
Balance Sheets		**2019**	**2018**
ASSETS			
Cash and temporary investments	$	4,585,921,000	4,906,054,000
Receivables, prepaid expenses, and other assets		673,595,000	664,105,000
Investments:			
Marketable debt securities		13,725,033,000	11,546,620,000
Preferred and common stock		24,253,205,000	26,248,730,000
Real estate		5,755,856,000	5,460,939,000
Absolute return		4,327,475,000	5,288,072,000
Private equity		8,770,247,000	7,198,347,000
Infrastructure		3,300,904,000	3,035,277,000
Private credit		1,816,276,000	1,311,423,000
Total investments		61,948,996,000	60,089,408,000
Securities lending collateral invested		2,840,792,000	2,011,760,000
TOTAL ASSETS	$	70,049,304,000	67,671,327,000
LIABILITIES			
Accounts payable	$	879,776,000	721,827,000
Income distributable to the State of Alaska		28,469,000	43,395,000
Securities lending collateral		2,840,792,000	2,011,760,000
TOTAL LIABILITIES		3,749,037,000	2,776,982,000
FUND BALANCES			
Nonspendable:			
Permanent Fund corpus — contributions and appropriations		41,542,110,000	40,167,394,000
Not in spendable form — unrealized appreciation on invested assets		6,277,500,000	5,862,598,000
TOTAL NONSPENDABLE		47,819,610,000	46,029,992,000
Committed to:			
General Fund appropriation		1,933,084,000	2,722,654,000
Permanent Fund corpus		4,000,000,000	—
TOTAL COMMITTED		5,933,084,000	2,722,654,000
Assigned for future appropriations:			
Realized earnings		10,121,532,000	13,739,046,000
Unrealized appreciation on invested assets		2,426,041,000	2,402,653,000
TOTAL ASSIGNED		12,547,573,000	16,141,699,000
TOTAL FUND BALANCES		66,300,267,000	64,894,345,000
TOTAL LIABILITIES AND FUND BALANCES	$	70,049,304,000	67,671,327,000

		Year Ended June 30,	
Statements of Revenues, Expenditures, and Changes in Fund Balances		**2019**	**2018**
REVENUES			
Interest	$	564,063,000	459,393,000
Dividends		590,980,000	640,620,000
Real estate and other income		399,705,000	480,495,000
TOTAL INTEREST, DIVIDENDS, REAL ESTATE, AND OTHER INCOME		1,554,748,000	1,580,508,000
Net increase (decrease) in the fair value of investments —			
Marketable debt securities		718,789,000	(424,610,000)
Preferred and common stock		393,520,000	2,362,762,000
Real estate		(63,998,000)	65,591,000
Absolute return		56,604,000	221,732,000
Private equity		1,232,440,000	1,599,786,000
Infrastructure		344,267,000	337,403,000
Private credit		40,983,000	62,492,000
Foreign currency forward exchange contracts and futures		79,107,000	(19,519,000)
Currency		(449,436,000)	(114,689,000)
TOTAL NET INCREASE IN THE FAIR VALUE OF INVESTMENTS		2,352,276,000	4,090,948,000
TOTAL REVENUES		3,907,024,000	5,671,456,000
EXPENDITURES			
Operating expenditures		(132,567,000)	(138,799,000)
Other Legislative appropriations		(8,783,000)	(7,159,000)
TOTAL EXPENDITURES		(141,350,000)	(145,958,000)
EXCESS OF REVENUES OVER EXPENDITURES		3,765,674,000	5,525,498,000
OTHER FINANCING SOURCES (USES)			
Transfers in — dedicated State revenues		385,231,000	353,095,000
Transfers out — statutory and Legislative appropriations		(2,744,983,000)	(769,345,000)
NET CHANGE IN FUND BALANCES		1,405,922,000	5,109,248,000
FUND BALANCES			
Beginning of period		64,894,345,000	59,785,097,000
End of period	$	66,300,267,000	64,894,345,000

ASSETS UNDER MANAGEMENT (AS OF JUNE 30, 2019, AUDITED FY19)

$66,300,267,000

FY19 TOTAL FUND RETURN

6.32%

ANNUALIZED FUND RETURN SINCE INCEPTION

8.79%

PRINCIPAL

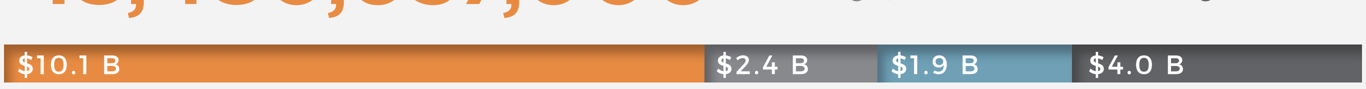
$47,819,610,000

- CONSTITUTIONALLY PROTECTED DEPOSITS
- UNREALIZED GAINS

EARNINGS RESERVE ACCOUNT (ERA)

$18,480,657,000

- REALIZED EARNINGS
- UNREALIZED GAINS
- FY20 COMMITMENT TO THE GENERAL FUND*
- FY20 COMMITMENT TO PRINCIPAL



*o the end of the fiscal year, an additional $1 billion was appropriated from the Earnings Reserve Account to the General Fund for the FY20 POMV draw for a total of $2.9 billion. The additional appropriation is not reflected in this Committed balance due to the timing of the appropriation.