



Board of Trustees

Quarterly Meeting

May 18-19, 2022

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\*Revised February 16-17 Minutes located at the end of the packet

**QUARTERLY MEETING OF THE BOARD OF TRUSTEES  
May 18-19, 2022**

**Ted Ferry Civic Center  
888 Venetia Ave, Ketchikan, AK 99901**

**\*Please sign-up for public testimony by  
emailing [jthorsteinson@apfc.org](mailto:jthorsteinson@apfc.org) by noon May 17\***

**Wednesday, May 18, 2022**

**8:15 a.m. – 4:45 p.m.**

**Day 1 Webinar Access:** <https://apfc.org/bot-meeting-day1>  
Event Password: APFCDay1

**Thursday, May 19, 2022**

**9:30 a.m. – 3:30 p.m.**

**Day 2 Webinar Access:** <https://apfc.org/bot-meeting-day2>  
Event Password: APFCDay2

**Teleconference Option**

***If you are unable to join in-person or via webinar, please contact us at  
(907) 796-1501 to receive a teleconference number.***

**AGENDA**

**WEDNESDAY, MAY 18, 2022**

- |            |   |
|------------|---|
| 8:15 a.m.  | <p><b>CALL TO ORDER</b></p> <p>ROLL CALL (Action)</p> <p>APPROVAL OF AGENDA (Action)</p> <p>APPROVAL OF MINUTES (Action)</p> <ul style="list-style-type: none"> <li>• February 16-17, 2022 – Quarterly Meeting</li> <li>• March 23-24, 2022 – Special Meeting</li> <li>• April 8, 2022 – Special Meeting</li> </ul> <p>SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION</p>   |
| 8:30 a.m.  | <p><b>CHIEF EXECUTIVE OFFICER’S REPORTS (Information/Standard Reports)</b><br/>Pending Board Matters, Trustee Education Report, Disclosure Report, Staff Summary Report, Staff Education &amp; Training Report, Human Resources Summary, Communications Report, Legislative Update, Securities Litigation Update, Financial Report, APFC Transfers, History &amp; Projections, Investment Management Fee Report, FY22 Budget Update</p> |
| 8:45 a.m.  | <p><b>CHIEF INVESTMENT OFFICER REPORT (Information)</b><br/>Marcus Frampton, Chief Investment Officer</p>   |
| 9:30 a.m.  | <p><b>RISK OVERVIEW (Information)</b><br/>Sebastian Vadakumcherry, Chief Risk Officer</p>   |
| 10:00 a.m. | <p><b>BREAK</b></p>   |

- 10:15 a.m. INVESTMENT ADVISOR COMMENTS (Information)  
Ken Frier  
John Skjervem  
George Zinn
- 10:45 a.m. CAPITAL MARKETS OVERVIEW & FUND PERFORMANCE (Information)  
Greg Allen, Callan LLC  
Steve Center, Callan LLC
- 12:00 p.m. *LUNCH*
- 12:30 p.m. FIXED INCOME – ASSET CLASS UPDATE (Information)  
Jim Parise, Director of Investments, Fixed Income  
Matt Olmsted, Senior Portfolio Manager  
Masha Skuratovskaya, Senior Portfolio Manager
- 1:45 p.m. LEGISLATIVE UPDATE (Information)  
Pauly Swanson, Communications Director
- 2:15 p.m. *BREAK*
- 2:30 p.m. EXECUTIVE SESSION (Network Penetration Testing Results)  
Scott Balovich, Director of IT  
Sara Race, Director of Business Operations
- 3:30 p.m. EXECUTIVE SESSION (LB&A Investigation) – if necessary  
Chris Poag, General Counsel
- 4:45 p.m. *RECESS FOR THE DAY*
- 5:00 p.m. *Ketchikan Community Reception – Ted Ferry Civic Center***

|                        |
|------------------------|
| THURSDAY, MAY 19, 2022 |
|------------------------|

**8:15 a.m. Audit Committee (See Separate Agenda)**  
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- 9:30 a.m. MEETING RECONVENES  
COMMITTEE REPORTS  
• Audit Committee
- 9:45 a.m. GENERAL CONSULTANT CONTRACT (Action)  
Sara Race, Director of Business Operations
- 10:15 a.m. INVESTMENT POLICY REVIEW & ADOPTION (Action)  
Marcus Frampton, Chief Investment Officer  
Sebastian Vadakumcherry, Chief Risk Officer
- 11:00 a.m. CHANGES TO GOVERNANCE MANUAL (Action)  
Lucinda Mahoney, Governance Committee Chair
- 12:00 a.m. *LUNCH*
- 12:30 p.m. PACING APPROVAL (Action)  
Tim Andreyka, Director of Investments – Real Estate  
Steve Moseley, Head of Alternative Investments  
Rafa Ramirez, Portfolio Manager – Private Equity & Special Opportunities

- 1:45 p.m. APFC BUDGET REVIEW (Action)  
Sara Race, Administrative Operation Manager
- FY22 BUDGET PROJECTIONS (Information)
  - FY23 BUDGET APPROVAL (Action)
- 2:15 p.m. *BREAK*
- 2:30 p.m. ADVISOR COMMENTS (Information)  
Ken Frier  
John Skjervem  
George Zinn
- 3:00 p.m. OTHER MATTERS  
Valerie Mertz, Acting Executive Director
- 3:15 p.m. TRUSTEE COMMENTS  
FUTURE AGENDA ITEMS
- 3:30 p.m. *ADJOURNMENT*

SUBJECT: Approval of Minutes

ACTION: X

DATE: May 18, 2022

INFORMATION:

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**BACKGROUND:**

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

- February 16-17, 2022                      Quarterly Meeting
- March 23-24, 2022                        Special Meeting
- April 8, 2022                                Special 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**

**WEBEX/TELECONFERENCE**

February 16 and 17, 2022

8:30 a.m.

Originating at:

Alaska Permanent Fund Corporation  
801 West 10<sup>th</sup> Avenue  
Juneau, Alaska 99801

Trustees:

Craig Richards, Chair  
Lucinda Mahoney  
Steve Rieger

William Moran  
Corri Feige  
Ethan Schutt

APFC Staff :

Val Mertz, Acting CEO/CFO  
Chris Poag, General Counsel  
Valeria Martinez  
Sebastian Vadakumcherry  
Tim Andreyka  
Chad Brown  
Jennifer Thorsteinson  
Paulyn Swanson  
Nellie Metcalfe  
Rachel Price  
Lara Pollock  
Scott Balovich  
Sang Won Song  
Joe Shinn  
Adam Kane  
Mark Hadfield  
Sarah Struble  
Sarah Clark  
Norix Mangual  
James Wilkey  
Keira Kelly  
Youlian Ninkov  
Valeria Buschfort  
Catherine Hatch

Marcus Frampton, CIO  
Steve Moseley  
Jim Parise  
Sara Race  
Tom O'Day  
Danielle Graham  
Cliff Sperry  
Masha Skuratovskaya  
Alexa Simpson  
Julia Mesdag  
Fawad Razzaque  
Chirag Shah  
Larissa Murray  
Rafa Ramirez  
Steve Adams  
Ross Alexander  
Rachel Price  
Jacki Mallinger  
Alexander Smith  
Logan Rahn  
Michael Prebeg  
Chris Cummins  
Chris Lavalee  
Jon Strickler

Investment Advisers:

George Zinn  
Kenneth Frier

John Skjervem

Participants:

|  |   |
|--|---|
| Greg Allen, Callan                         | Steve Center, Callan                          |
| Jay Koepfer, Callan                        | Jim Simard, Public Testimony                  |
| Bob Schroeder, Public Testimony            | John Hudson, Public Testimony                 |
| Doug Woodby, Public Testimony              | Richard Bernstein, Richard Bernstein Advisors |
| Lisa Kirschner, Richard Bernstein Advisors | Ben Hofmeister, Alaska Department of Law      |

Public:

|                    |                    |
|--------------------|--------------------|
| Rep. Bryce Edgmon  | John Kevin Baload  |
| Michael Barton     | Cecilia Galliani   |
| Karol Raszkievicz  | Preeti Singh       |
| Dillon Gravenstein | Larry Smith        |
| Lorilyn Swanson    | Robert Maynard     |
| Anne Rittgers      | Tom Gemmell        |
| Leighan Gonzales   | Gregory Samorajski |
| Kevin Allen        | Vince O'Shea       |

## PROCEEDINGS

### CALL TO ORDER

CHAIR RICHARDS called the meeting to order and asked for a roll call.

MS. THORSTEINSON stated that there was a quorum.

### APPROVAL OF AGENDA

CHAIR RICHARDS moved to the agenda and asked for any objection. There being none, the agenda was approved by consent.

### APPROVAL OF MINUTES

CHAIR RICHARDS moved to the minutes of November 9, 2021, special meeting, and December 8-9, 2021, regular meeting, and asked for any comments or objections. Hearing none, the minutes will be treated as approved.

### PUBLIC COMMENT

CHAIR RICHARDS asked if there was anyone signed up to testify on-line.

MS. THORSTEINSON replied that four people had signed up. She unmuted Bob Schroeder.

MR. SCHROEDER stated that he was a Juneau resident and a member of 350 Juneau Climate Action for Alaska. He continued that this group is affiliated with other watchdog groups across the nation that are concerned that public funds are being invested in a dying fossil-fuel industry. He added that fossil-fuel investments are bad bets in a world that must transition to a carbon-free energy economy. He moved to the second part of his testimony and highlighted concerns about APFC's increasing use of private equity, a very high-risk asset class. He urged APFC to have staff take a close look at private equity investments to see if this type of investment matches the transparency requirement, long-term investment strategy, and emerging climate-risk posture of the Alaska Permanent Fund Corporation. He thanked the trustees for their service on the Board.

CHAIR RICHARDS thanked Mr. Schroeder and moved to the next person.

MR. HUDSON stated that he also was a member of 350 Juneau. He continued that for several years, 350 Juneau members have testified on the financial risks associated with the fossil-fuel sector investments and provided examples of asset managers actively divesting from fossil fuels. He talked about the projected costs of repairing the damage to the permafrost thaw and how Alaska is warming faster than other parts of the world. He thanked all for their time and service.

CHAIR RICHARDS thanked Mr. Hudson and recognized the next speaker.

MR. SIMARD stated that he was a Juneau resident, and a retired librarian. He continued that he was a board member of 350 Juneau and a concerned grandfather. Some of his family members live in the town of Louisville, Colorado, and their house was one of 1,000 houses in Boulder County that burned to the ground. Due to advances in climate attribution science, the hot, dry weather conditions that made that fire possible are traceable to worldwide climate changes and fossil-fuel emission. The latest major development in Boulder County are the lawsuits of Suncor Energy over flood and erosion damage in 2017. He suggested reading the Bar Association's thoughts on these lawsuits and how litigation against fossil fuel may occur after the investment risk assessment. He thanked the trustees.

CHAIR RICHARDS thanked Mr. Simard and recognized the next speaker.

MR. WOODYBY stated that he lives in Juneau and was part of 350 Juneau. He continued that he was concerned with the risky investments the Permanent Fund has in fossil-fuel-related companies that were identified last fall by Third Rail Economics, a financial analytics firm specializing in the energy sector. Their analysis found that roughly 6 percent of the Fund's investments were fossil-fuel related, which is above the norm, and is a significant fiduciary risk. After explaining this finding, he requested taking climate risk seriously and decarbonizing the investments to protect the Fund. He thanked them all for everything done to protect and grow the Fund.

CHAIR RICHARDS thanked Mr. Woodby and appreciated the respect and timeliness of the 350 Juneau Group. He moved to the chief executive officer's report.

### **CHIEF EXECUTIVE OFFICER'S REPORT**

MS. MERTZ stated that it was good to see everyone in Juneau, and that staff buckled down and did a great job of doing the great work they have always done. She highlighted some of the things in the packet, and then moved to some updates not in the packet. She talked about some of the problems of recruitment on the intern program and was hopeful that the numbers will go up as the external program is rebuilt. She also talked about the breakdown of the current vacancies in the corporation and the status of the recruitment. She continued on to the communications update which was busy because of the start of the legislative session. The team pulled together and gave several presentations at the Capitol. She added that the FY22 midyear review was published in a digital format. The digital report replaces the newspaper insert, which allows it to reach a wider audience, and is more cost effective. Also included is a summary from the Department of Law of the securities litigation currently going on on behalf of the Fund. She

went through a few financial highlights and a few updates on some projects that are going on within the corporation. Finance and investment staff have collaborated on implementing an analytics tool for the private markets team which will provide greater insight into the exposures in the portfolio and better analytics for potential new investments. She then explained the contract with Callan, which expires on June 30<sup>th</sup>. She added that Trustees Moran and Mahoney would serve on that selection committee with several team members, with a plan to bring the recommendation to the Full Board at the May meeting. She concluded her report.

CHAIR RICHARDS commented on no inflation-proofing for fiscal years '20 and '21, and encouraged staff to have conversations with everyone on that.

### **CIO REPORT**

CIO FRAMPTON began his report with personnel and noted that three remaining positions to be filled were fixed-income analysts and two real estate positions. He added that it has been a tough hiring environment. He continued on about performance, but did not have any conclusion. He also talked about real estate and how the benchmark was beat for the first time in years. He continued on to the limit of no more than 5 percent of the public equity portfolio for an individual manager. The limit works with the strategies in public equities because there is a very active public equity portfolio.

MR. CENTER noted specified benchmarks were permissible as passive. Broad-based benchmarks eligible should be clearly defined as “passive” is a recommendation to avoid confusion.

CIO FRAMPTON moved to the long-standing limit of 40 percent leveraged limit on the real estate portfolio. The recommendation was to increase that to 50.

### **INVESTMENT ADVISOR COMMENTS**

MR. FRIER stated that his main topic would be that the risk to the downside of the projection is larger than the risk to the upside. He continued that an example that comes about is to look at what happened with the price-to-earnings ratio. Predicting the return of the equity market requires getting three things right: First is dividend yield; second is earnings growth; and third is the need to predict price/earnings ratio, which is impossible. He explained Callan’s process.

MR. ZINN stated that it was great to be back in Alaska, and enjoyed seeing the renovation in the office and the tour. He continued that he selected two different topics to focus his comments on. First was the governance topic where the noise versus signal in the investment policies is trying to be sorted out. The green zones are not limits, but were used as a way to inform about escalating levels of management. He added that if green zones are interpreted as limits, behavior will change. He stated the belief of having a strong executive director that looks out for the whole team. There is also an incremental dimension of someone with a Street background, because that is what the CIO has. He added that, from an organizational perspective, the executive director should be looking across the whole organization, and should not be limited to the investment operations.

MR. SKJERVEM began with some comments on some of the earlier points and stated that the team had demonstrated extraordinary results in its management and realization of value within

the private equity portfolio, in general, and also in the distributions. He also commented on the change in the hedge fund benchmark from a high-level fund to funds down to the subindices.

CHAIR RICHARDS thanked the advisors and called a break.

(Break.)

CHAIR RICHARDS moved into the risk overview and recognized Mr. Vadakumcherry.

### **RISK OVERVIEW**

MR. VADAKUMCHERRY stated that there were three parts to the overview section and began with an action point. This is a request for an approval of a 12-month extension of the waiver, which was approved last year. This waiver is a requirement because it is a change in the investment policies. He continued that the guideline says no more than 20 percent of the private equity portfolio should be listed in publicly listed equities, and there is 27.6 percent. Approval is needed from the Board to continue with this excess over the limit for another period of 12 months.

**MOTION: A motion to exceed the 20 percent limit was made by TRUSTEE MORAN; seconded by TRUSTEE MAHONEY.**

*After the roll-call vote, the MOTION was APPROVED. (Trustee Rieger, yes; Trustee Feige, yes; Trustee Mahoney, yes; Trustee Schutt, yes; Trustee Moran, yes; Chair Richards, yes.)*

MR. VADAKUMCHERRY continued that at the last board meeting in Kodiak there was talk about the private equity asset allocation weights, and the Chair requested an elaboration on that and the PR process that would take place. He noted that a metric was provided of the different possible risk weights for the private equity portfolio, assuming changes in the valuations of the private equity portfolio and the rest of the Fund.

### **CAPITAL MARKET OVERVIEW/2022 FORECAST**

MR. ALLEN introduced Jay Koepfer, head of the capital markets research group, and he oversees the process of coming up with and explaining the capital market expectation.

MR. KOEPFER stated that Callan has investor clients across the spectrums, and we help them with their quarterly and annual strategic plannings. This is meant to be a reasonable set of return and risk expectations for a ten-year time horizon. It is a longer term than the 18 months heard from most of the investment managers.

CHAIR RICHARDS highlighted that the numbers were incredibly important in the context of long-term returns, and State-level policymakers making important decisions for the State of Alaska.

MR. KOEPFER continued that the definition of beta is used to limit stock, ownership, debt, and cash, and there are other terms like illiquidity or selling liquidity. He addressed some of those components. He stated that a process is built around models and building blocks with no

substitute for informed judgment. He moved to market conditions and discussed the perspectives, demographics, productivity, and the global economy. He noted some key thoughts about inflation. He moved to equity, went through some summary slides, and concluded his presentation.

MR. ALLEN added that this toolbox helped people make long-term strategic decisions that are used to balance the 30-year time horizons.

CHAIR RICHARDS adjourned for lunch.

(Lunch break.)

CHAIR RICHARDS moved back on the record and stated that Callan and Steve Center will go over the Fund performance for the last quarter.

### **FUND PERFORMANCE OVERVIEW**

MR. CENTER stated that he will focus mostly on performance for the Fund. He looked at the broad capital market performance through the end of 2021, with the understanding that things had changed quite a bit in the last six weeks. For calendar year 2021, U.S. equities and, in particular, large cap U.S. equities were the place to be, with the S&P returning 11 percent last quarter and 28.7 over the last 12 months. He continued that the equity market performance was strong over three-, five-, seven-, ten-year periods, and the S&P was north of 15 percent for most of those time periods. It was a very strong period for large cap U.S. stocks. He talked about the Total Fund, which ended 2021 with about \$84.5 billion in assets. He also talked about the Fund's performance relative to public pension plans, and then relative to large endowments and foundations. He added that the Permanent Fund is at the median relative to other endowments and foundations. Because the Permanent Fund has a slightly higher standard deviation than the benchmark, a slightly higher return versus the median is noticed. He reminded all that the U.S. equity market did extremely well. He moved on to the Permanent Fund's public equity structure, which is evenly split between U.S. equity managers, non-U.S. equity managers and global equity managers. He continued to a quick overview of the U.S. fixed income market.

### **PUBLIC EQUITIES, ASSET CLASS UPDATE**

MR. RAZZAQUE was pleased to have a full-strength public equities team and noted that they did an exhaustive search to find a portfolio manager. After a year, Sang Won Song was hired. He continued that he had spent the same amount of time trying to find a public equity analyst, and Joe Shinn was also hired. He went through the public equities summary, and then the emerging markets.

(Break.)

CHAIR RICHARDS went back on the record and stated that the next presentation would be from Callan, with input from staff, at the request of the Board. He listed the hopes of the discussion as the recruitment process for an executive director began; the role of the governance structure, particularly around investments, in relationship to the executive director's job; the CIO's job; the investment committee; and looking for the most appropriate person for the executive director's role. The goal is to narrow; not to expand.

## GOVERNANCE REVIEW

MR. ALLEN stated that they were asked by the Board to take a look at governance structures, keeping in mind the way the Permanent Fund works now. He went over his understanding of how the Permanent Fund governance works, to frame how all of these others look. It was important to know from where he was starting. He continued that in the case of the Permanent Fund, the Board historically hired an executive director, and made a decision, based on recommendations of the executive director, for the CIO. He added that the focus was an understanding of how the decision-making process around investments worked, recognizing, particularly, in public pension funds, and with a lot of other decisions the Board gets involved with. He stated that, in a lot of the cases in the pension funds, the ED or the CEO spend more than half of the time worrying about benefits, administration, stakeholders, public employees' retirement system, managing the entire organization. He talked about some of the different models with the different positions of the ED and the CIO.

CHAIR RICHARDS stated that he had asked Ms. Mertz and CIO Frampton for any recommendations regarding the ED position.

MS. MERTZ was happy to give thoughts and perspective, but she added that governance was the purview of the Board, and she was looking for the Board to make a final decision.

CIO FRAMPTON stated that it was important to him to work well with whomever the next executive director is. He continued that, if he was accountable for the investment performance, that his preference is to report to the Board because of the shortcomings of reporting to the executive director position. He would have a budget that was established distinct for the investment department.

CHAIR RICHARDS asked for a motion for the Executive Session.

**MOTION:** In accordance with Alaska's Open Meetings Act, a motion that the Board of Trustees convene in Executive Session for the purpose of receiving legal advice regarding the pending LB&A, including the request for interviews and production of documents was made by TRUSTEE MAHONEY; seconded by TRUSTEE FEIGE.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Feige, yes; Trustee Moran, yes; Trustee Schutt, yes; Trustee Rieger, yes; Trustee Mahoney, yes; Chair Richards, yes.)*

CHAIR RICHARDS called a break and stated that they would be coming back into Executive Session.

(Break.)

(Executive session from 5:00 p.m. until 7:14 p.m.)

CHAIR RICHARDS went back on the record and stated that the Board left the Executive Session. While in Executive Session, the trustees considered only the matters mentioned in the motion and took no action. He closed the meeting for the day, to rejoin tomorrow.

(Alaska Permanent Fund Corporation Quarterly Board of Trustees meeting recessed at 7:15 p.m.)

**February 17, 2022**

**CALL TO ORDER**

CHAIR RICHARDS stated that it was Thursday, February 17, 2022, and that the meeting was back on the record. He continued that the meeting will start with the annual asset allocation by Greg Allen.

**ANNUAL ASSET ALLOCATION STUDY**

MR. ALLEN began with the projection process and highlighted a couple of points on some long-term charts. He summarized the 2022 capital market expectation with a bit more focus on some of the asset classes the Permanent Fund uses that were not discussed yesterday. He then went through what was projected for the Permanent Fund portfolio for the next ten years. He stated that their capital market projections were updated every year in January, and the same ones with all client accounts were used. He continued that the Permanent Fund's portfolio was near the top and is an actual reflection of the increasing amount of private equity in it. He went through his presentation and answered questions as he went along. In the five-year plan, he talked about sticking to the plan and having more private equity and private real estate at the end of it.

CHAIR RICHARDS stated that Mr. Frier was next.

**INVESTMENT ADVISOR PRESENTATION**

MR. FRIER thanked all for the invitation and stated that he had been a risk guy his whole career. He added that he was a risk guy before he was an investment guy, and had generated some thoughts to share. He continued that he would talk about the crummy market and hoped it would be aspirational. He hoped that would be done in risk management, and that would help generate better returns than their peers. He stated that he had three goals to this conversation: One is to advocate for a more consistent way of conveying risk that helps in the job of overseeing the fund; second it to understand the current moment; and the third goal is to suggest to sort of integrate risk and strategy. He clarified that the risk function is not just measuring risk, but is also what we want the navigator to do. He began with the risk, return and continued through with his presentation. He talked about the process and that it just works better with return. He then went on to identify the hazards, and not straying from the long-term plan to protect the portfolio at a time of higher risk. He stated that inflation is bad, and another danger is recession; but they are not simultaneous. There is inflation; the Fed acts; inflation goes down; the economy goes down; and then there is recession. He concluded his slides and advocated for consistent communication and measurement risk for ongoing optimization of portfolio efficiency as the market changes during the year. He added implementation of strategies that respond to the strategic situation.

CHAIR RICHARDS called a break.

(Break.)

CHAIR RICHARDS called everyone back on the record, and stated that next there was an external manager presentation.

## **EXTERNAL MANAGER PRESENTATION**

MR. RAZZAQUE introduced Richard Bernstein Advisors who have been part of the external management program since the end of 2017. They are one of the global equity managers and are unique in the sense that they look at things from the top down. Their investment approach is based on the top down, and on identifying profit cycles. There are times within the broader economic cycle, market cycle, that the earnings and profits tend to accelerate and decelerate. He stated that Richard Bernstein was the force behind the founding of his firm, and before that was the chief market strategist for Merrill Lynch. Lisa Kirschner also worked at Merrill Lynch and is the director of research for Richard Bernstein Advisors. He added that they manage multi-asset strategies, have a good view of the markets from the liquidity standpoint, and they have a good read on inflation.

MR. BERNSTEIN thanked all for investing with RBA and for the trust in the firm. He gave a short background on himself and Lisa, and added that their investment team is very experienced. He stated that they were a macro firm and explained that they try to drive performance of the portfolios through macro-economic considerations. He continued that if he could figure out what macro-economic caused the underperformance that it would be a big value. What was discovered was not economic cycles, but profit cycles that drove cycles of style. This was tested around the world, and was found to be consistent. He added that right now a lot of profit cycles around the world are very much aligned, which is not always true. He added that profit cycles have a greater impact on the equity market, and they tend to boom and bust more than the economy. He broke it down into three different categories and stated that most of their research is home-grown. He first grouped sentiment and valuation together, because valuation tends to get viewed as a sentiment measure. He moved to places where fundamentals are improving, and profits look like they are decelerating. Inflation looks like a big item. He concluded his presentation and thanked everyone, and for investing with RBA.

CHAIR RICHARDS called for a lunch break.

(Lunch break.)

CHAIR RICHARDS was back on the record. He stated that, by consent, the two investment advisors would give their comments.

## **INVESTMENT ADVISOR COMMENTS**

MR. ZINN thanked all for being so welcoming for the first trip back to Juneau since pre-pandemic times. He touched on some of the themes that were consistently talked about. The consistency of the Fund reminded him of a quote “consistency over time is trust.” It was important for the Fund to have a rules-based framework that an asset allocation could be planned around for liquidity purposes. He stated that consistency of the Fund in terms of the organizational structure and the leadership will be rewarded with trust over time.

MR. FRIER stated that he was always impressed with the caliber of the people on the investment staff, and that we should treasure the kind of resource. What he talked about before was having a function that does not look at just one asset class, but across the entire portfolio. For the executive director, he advised just getting the person who wants the job for the right reasons and

not being involved in the investment side. There is a need for someone with executive skills, wisdom, knows how to organize work, have a good process, how to build a good culture. He continued that the right kind of person would be able to identify that and just help the organization succeed.

### **PUBLIC EQUITIES - INTERNAL MANAGEMENT**

MR. RAZZAQUE stated that he was very happy to have someone like Mr. Sang with his background, quantitative skills, and sophistication.

MR. SANG stated that he joined APFC six months ago after working as a quantity researcher and quantity trader at a major fund. He was excited to have this opportunity to utilize all his past experiences.

MR. RAZZAQUE talked about internal management as a piece of the overall puzzle. He stated that when he joined the Fund in 2012 there was no internal management, and it was not until 2015 when it started. He continued that the relation of internal management was small; 15 percent of the public equities. He talked about the history of the global tactical tilt with some modest returns. After the pandemic, the picture looks different in looking at performance. Its tactical tilt had outperformed global equities and public equities and the benchmark by a big margin. He continued going through his presentation, explaining as he went along.

(Break.)

MR. SANG continued that the main concept of the low vol is being able to provide low volatility for the portfolio. When these portfolios are added to the portfolio, then the overall volatility of the public equities will be reduced. That is the whole purpose of designing these two portfolios. He continued that one difference is the value factor. Value was added in the second portfolio to take advantage of the values, risk and underperformance. This is done by buying single stocks. He added that one benefit of low volatility is that when the market experiences high volatility and high drawdown, they can outperform the index relatively.

MR. RAZZAQUE stated that Sang ran plenty of back-tests for these strategies, and they appeared to be very compelling.

CHAIR RICHARDS thanked both and moved to the Legislative update.

### **LEGISLATIVE UPDATE**

MS. SWANSON stated that her presentation would provide an overview of the main areas of the legislative communications. She shared some of the examples that are being presented with regard to some of the fundamental concepts with regard to the Fund. The second part of the presentation will focus on legislation, including bills that are related to the Board of Trustees. She added that the legislative communications objectives were based on the strategic communications plan discussed at the annual meeting; also, the budget proposal adopted by the Board of Trustees at that time; and policy guidance outlined in board resolutions. She stated that we continue to affirm that the Alaska Permanent Fund is managed professionally and competently in accordance with fiduciary stands and the prudent investment rule. She continued that HB 213 is a new bill that intends to add a layer of protection from political influence

between the Permanent Fund Corporation and elected officials. She then moved to HB 251, which shifts the selection of the Board of Trustees to a nine-member appointment committee. She appreciated all of the feedback which was very helpful, and added that it would be very beneficial to work together.

MR. POAG stated that there was a special meeting in Anchorage for going over resolutions in November. Some of the resolutions that were no longer effective or useful were repealed. He said that four resolutions were brought forth for further discussion; and two of those four for action. Two of them will stay stagnant for now because further work has to be done on them. Resolution 1990-24 has to do with utilizing the APFC international context to help with the State of Alaska as it does business in those communities' environments. Trustee Feige and Valerie Mertz are working on that, and will bring it back to a future board meeting. The other one being tabled is the most recent, 20-21. That resolution has a concept of a statutory endowment and he and Chair Richards talked with the Department of Law on the need for that to begin with the Governor's Office. He moved to the two resolutions that were identified for minor amendments. He stated that the changes to the first resolution identified as 22-01 are simple. Securities litigation is a collaborative process between the Department of Law and APFC. The resolution proposed for change is that the current resolution requires the general counsel and the executive director to come before the Board on some level and consult before taking any active role. What changed in this resolution is the elimination of the need to come to the Board if taking an active role in a case. The second resolution, also a very minor change, has to do with the travel policy.

**MOTION: A motion for proposed Resolutions 22-01 and 22-02 as they appear in the Board packet with an immediate effective date was made by TRUSTEE SCHUTT; seconded by TRUSTEE FEIGE.**

*After the roll-call vote, the MOTION was APPROVED. (Trustee Feige, yes; Trustee Moran, yes; Trustee Schutt, yes; Trustee Rieger, yes; Trustee Mahoney, yes; Chair Richards, yes.)*

(Break.)

CHAIR RICHARDS called the meeting back on the record, and recognized John Skjervem.

MR. SKJERVEM stated that the guardian angel metaphor really resonated with him. He realized that he was only successful in large part was because he had a guardian angel and he wanted to reinforce that idea and how important it is for the CIO to be successful. He talked about the risk management as things get more challenging. He discussed the human-behavior element and how things could go wrong because of that behavior.

CHAIR RICHARDS thanked Mr. Skjervem, and asked for any other comments.

CIO FRAMPTON stated that the investment policy is usually open in May, and he asked for any feedback on whether amending or not amending should be considered.

TRUSTEE MORAN talked about extending the red zone for a year, and he had no problem with just leaving it the way it is.

TRUSTEE FEIGE stated that one thing that stuck with her was what are arbitrary or artificial limits that change behavior, and that all should be careful about unnecessarily changing behavior.

CHAIR RICHARDS asked about the 5 percent passive.

TRUSTEE RIEGER stated that the real driver is not whether it is passive or not, but that the real driver is whether 5 percent placed with a single manager is something that is enough to either wave a flag about or not. The passive distinction is a distraction that keeps from focusing on the main issue, which is when the portfolio exceeds X percent of a number with one manager.

CHAIR RICHARDS stated the next item is to finish the conversation on governance and to summarize where the conversation ended. It left off at having the CIO continue to have responsibility over the investments, and the executive director role to be more as it is currently reflected in the investment guidelines. He continued that the suggestion would be to ask that the investment guidelines be rewritten to have one committee, and to have the executive director be a nonvoting member of the committee.

TRUSTEE RIEGER stated that the only nuance he wants is the executive director to be able to have a constrained veto power that does not come from second-guessing the analysis the investment staff made.

TRUSTEE SCHUTT commented that this would not be an issue with the right executive director, and this is prematurely addressing an issue that may not even be an issue.

CHAIR RICHARDS asked staff to draft the change to the investment guideline to have a CIO committee structure, and to have the executive director be on the committee, nonvoting; and then have a second draft that has the executive director with veto authority. He requested that we take up which one makes the most sense at the next meeting.

MR. POAG stated, for the record, that this is talking about a practical issue which involves multiple documents, and he wanted to clarify. The Board has, through the bylaws, delegated investment authority to the executive director. He also heard delegating investment authority to the CIO. He asked if a change to the bylaws is being proposed. Second, the governance manual has a charter for the executive director where it identifies and outlines the investment functions. He also wanted to clarify if a charter was being added for the CIO to the governance manual.

CHAIR RICHARDS asked Mr. Poag what needs to be amended.

MR. POAG stated that he needed to be clear that the investment authority is being delegated to the CIO and taking it from the ED.

TRUSTEE MORAN stated that he did not think that the whole Board of Trustees is clear on who does what, when and how. It was put together that there was an executive director that was the boss. If that is to be done, then a lot of the other little areas will get in there.

MR. POAG stated that the change would add a section to the bylaw that included the CIO.

CHAIR RICHARDS stated that two options had been identified, and he asked for a summary of what they are. He also asked to have a discussion about this at the next meeting.

TRUSTEE FEIGE asked for a copy of the bylaws to read, to think about what is being proposed, and to look at the structural changes that are talked about in the summary.

MS. MERTZ asked if there could be some talk about the next step into the type of ED wanted.

TRUSTEE MAHONEY suggested a special meeting.

MS. MERTZ stated the need for an RPF on the type of candidate being looked for. It has to post for 21 days, and then an evaluation process is needed.

MS. RACE stated that a request for information is to see what vendor to use and the potential costs to spend for a search, which will determine a formal versus informal procurement process.

MS. MERTZ stated that the director of HR said that it would be three to six months to have a candidate in place, and it may even be longer.

CHAIR RICHARDS asked for Trustee Comments.

### **TRUSTEE COMMENTS**

TRUSTEE FEIGE thanked Ms. Swanson for the Patton quote. She viewed the role of the board, any board, as a structure which is the big arrow that keeps the course and trajectory of the organization moving in the right direction. She added that when a board tries to micromanage or over-insert themselves into the function of the organization, things go south in a big hurry. She stated that the level of delegation currently in place was hopefully taken as a demonstration of the level of trust that is inherent between this Board, the investment staff, the leadership and the staff at the corporation. It is also important to remember that this is a team and all focused on where that big arrow is going. She appreciated the due diligence work and Chair Richards' leadership, making sure we are all thinking long and hard about what we want in the next ED, and the characteristics of that person. She thanked the investment staff, the operations and admin folks, for putting the meeting on and for the continued diligence and commitment in seeing that the Permanent Fund grows and is managed successfully.

TRUSTEE RIEGER liked the collaborative nature of a lot of the discussions at this meeting. The interaction between the staff and Board was great. He pointed out some of the things he was seeing happening with the real estate, and he stated that he enjoyed Ken Frier's presentation. His concern level is about being prepared to address the markets and about the recruiting environment faced going up.

TRUSTEE SCHUTT appreciated the level of excellence and preparation by the internal staff, the external advisers, and the collaborative effort between staff and the Board. He observed staff joking and kidding with each other, which exhibits a team mentality and a collegiality that is very appropriate and very appreciated from his perspective; a very healthy environment.

TRUSTEE MAHONEY shared that she was frequently out in the community talking about the revenues for the State of Alaska, and more so because the session is going on. She wanted everyone to know that her No. 1 topic of conversation is investments. There are 53 people who work at the Fund that generates 65 percent of the revenues for the State. They all help with education, roads, infrastructure and the incredible amount of benefit delivered to Alaskans. She empowered each one of the leaders, the 53 people, to be proud and know that she brags about them all the time.

CHAIR RICHARDS thought about making sure there is a system in place that if any one or two or three people leave, the place will still function. That continuity will continue. He thanked all for the work they do.

TRUSTEE MORAN seconded everyone else's comments on thanking staff for another excellent meeting, and commented to the Board on the governance issue. It is useful to recognize that the Permanent Fund is a big sack of money which is very easy to mismanage.

**MOTION:** In accordance with Alaska's Open Meetings Act, a motion that the Board of Trustees convene in Executive Session for the purpose of receiving legal advice regarding the pending LB&A investigation. This topic is appropriate for Executive Session to allow the board members to receive confidential legal advice on how to respond to the pending investigation by LB&A, including the request for interviews and production of documents, was made by TRUSTEE MAHONEY; seconded by TRUSTEE FEIGE.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Feige, yes; Trustee Moran, yes; Trustee Schutt, yes; Trustee Rieger, yes; Trustee Mahoney, yes; Chair Richards, yes.)*

(Executive Session from 4:00 p.m. until 6:27 p.m.)

CHAIR RICHARDS stated that the Board was back on the record after having come out of Executive Session. While in Executive Session, the trustees considered only matters mentioned in the motion and took no action except to provide direction to the attorneys. With that, the meeting was adjourned.

(Alaska Permanent Fund Corporation Quarterly Board of Trustees meeting adjourned at 6:30 p.m.)

**ALASKA PERMANENT FUND CORPORATION  
Board of Trustees Special Meeting**

**WEBEX/TELECONFERENCE  
March 23-24, 2022**

Originating at:  
Alaska Permanent Fund Corporation  
801 West 10<sup>th</sup> Avenue  
Juneau, Alaska 99801

Trustees:

Craig Richards, Chair  
Lucinda Mahoney  
Steve Rieger

William Moran  
Corri Feige  
Ethan Schutt

APFC Staff:

Val Mertz, Acting CEO/CFO  
Chris Poag, General Counsel  
Chad Brown  
Nellie Metcalfe  
Chirag Shah  
Adam Kane

Marcus Frampton, CIO  
Sebastian Vadakumcherry  
Jennifer Thorsteinson  
Lara Pollock  
Larissa Murray

Participants:

Ben Hofmeister, Alaska Department of Law  
Mags Patton Walsh, Alaska Department of Law  
Gene Hickey, Alaska Department of Law  
Bill Milks, Alaska Department of Law

Public:

Amory Lelake  
James Brooks  
C Galliani

Deborah Brollini  
Bridget Shaughnessy Smith  
Alaska's News Source

**March 23, 2022 PROCEEDINGS**

**CALL TO ORDER**

VICE-CHAIR MAHONEY called the meeting to order at 12:14 pm and asked for a roll call.

MS. THORSTEINSON stated that there was a quorum.

**APPROVAL OF AGENDA**

VICE-CHAIR MAHONEY moved to the agenda and asked for any objection. There being none, the agenda was approved by consent.

**EXECUTIVE SESSION**

VICE-CHAIR MAHONEY asked for a motion to go into Executive Session.

TRUSTEE FEIGE read the motion

**MOTION:** “In accordance with Alaska’s Open Meeting Act, I move that the Board of Trustees convene in executive session for the purpose of receiving legal advice regarding the pending LB&A Investigation.

This topic is appropriate for executive session to allow the Board members to receive confidential legal advice on how to respond to this pending investigation by LB&A, including the request for interviews and the production of documents.

TRUSTEE SCHUTT seconded the motion.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Feige, yes; Trustee Moran, yes; Trustee Schutt, yes; Trustee Rieger, yes; Trustee Mahoney, yes; Chair Richards, absent for roll call)*

(Executive Session from approx. 12:18 -3:21 pm)

CHAIR RICHARDS brought the meeting back on the record. TRUSTEE FEIGE stated that the Board was back on the record after having come out of Executive Session. While in Executive Session, the trustees considered only matters mentioned in the motion and took no action. With that, the meeting was adjourned.

(Alaska Permanent Fund Corporation Board of Trustees special meeting adjourned at 3:27 p.m.)

**March 24, 2022 PROCEEDINGS**

**CALL TO ORDER**

VICE-CHAIR MAHONEY called the meeting to order at 4:01 pm and asked for a roll call.

MS. THORSTEINSON stated that there was a quorum.

**EXECUTIVE SESSION**

VICE-CHAIR MAHONEY asked for a motion to go into Executive Session.

TRUSTEE FEIGE read the motion

**MOTION:** “In accordance with Alaska’s Open Meeting Act, I move that the Board of Trustees convene in executive session for the purpose of receiving legal advice regarding the pending LB&A Investigation.

This topic is appropriate for executive session to allow the Board members to receive confidential legal advice on how to respond to this pending investigation by LB&A, including the request for interviews and the production of documents.

TRUSTEE SCHUTT seconded the motion.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Feige, yes; Trustee Moran, yes; Trustee Schutt, yes; Trustee Rieger, yes; Trustee Mahoney, yes; Chair Richards, absent for roll call)*

(Executive Session from 4:05-6:22 pm)

VICE CHAIR MAHONEY brought the meeting back on the record and stated that while in Executive Session, the trustees considered only matters mentioned in the motion and took no action. With that, the meeting was adjourned.

(Alaska Permanent Fund Corporation Board of Trustees special meeting adjourned at 6:23 p.m.)

**ALASKA PERMANENT FUND CORPORATION  
Board of Trustees Special Meeting**

**WEBEX/TELECONFERENCE**

April 8, 2022  
8:00 am

Originating at:  
Alaska Permanent Fund Corporation  
801 West 10<sup>th</sup> Avenue  
Juneau, Alaska 99801

Trustees:

Craig Richards, Chair  
Lucinda Mahoney  
Steve Rieger

William Moran  
Corri Feige  
Ethan Schutt

APFC Staff :

Val Mertz, Acting CEO/CFO  
Jennifer Thorsteinson  
Nellie Metcalfe

Chris Poag, General Counsel  
Larissa Murray

Participants:

Ben Hofmeister, Alaska Department of Law  
Mags Patton Walsh, Alaska Department of Law  
Gene Hickey, Alaska Department of Law

**PROCEEDINGS**

**CALL TO ORDER**

VICE-CHAIR MAHONEY called the meeting to order at 8:06 am and asked for a roll call.

MS. THORSTEINSON stated that there was a quorum.

**APPROVAL OF AGENDA**

VICE-CHAIR MAHONEY moved to the agenda and asked for any objection. There being none, the agenda was approved by consent.

**EXECUTIVE SESSION**

VICE-CHAIR MAHONEY asked for a motion to go into Executive Session.

TRUSTEE FEIGE read the motion

**MOTION:** “In accordance with Alaska’s Open Meeting Act, I move that the Board of Trustees convene in executive session for the purpose of receiving legal advice regarding the pending LB&A Investigation.

This topic is appropriate for executive session to allow the Board members to receive confidential legal advice on how to respond to this pending investigation by LB&A, including the request for interviews and the production of documents.

TRUSTEE SCHUTT seconded the motion.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Feige, yes; Trustee Moran, yes; Trustee Schutt, yes; Trustee Rieger, yes; Trustee Mahoney, yes; Chair Richards, absent for roll call)*

(Executive Session from 8:09-10:57 am)

CHAIR RICHARDS brought the meeting back on the record. TRUSTEE FEIGE stated that the Board was back on the record after having come out of Executive Session. While in Executive Session, the trustees considered only matters mentioned in the motion and took no action. With that, the meeting was adjourned.

(Alaska Permanent Fund Corporation Board of Trustees special meeting adjourned at 10:58 am)

SUBJECT: Executive Director's Report

ACTION: \_\_\_\_\_

DATE: May 18, 2022

INFORMATION:   X  

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**BACKGROUND:**

The Executive Director's report provides reports detailing Board matters, disclosures, staffing and budget updates, and financial reports.

**STATUS:**

Valerie Mertz, Acting ED, will present highlights from the following reports:

- Pending Board Matters
- Trustee Education Report
- Disclosure Report
- Staff Summary Report
- APFC Staff Education Training Report
- HR Summary Report
- Communications Report
- Legislative Update
- Securities Litigation Update
- Financial Report
- APFC Transfers
- APFC History and Projections
- Investment Management Fee Report
- FY22 Budget Update

SUBJECT: Pending Board Matters

ACTION:

DATE: May 18, 2022

INFORMATION:   X  

| BY  | TASK                                | CAPTURED | TARGET | COMPLETED |
|---|-------------------------------------|----------|--------|-----------|
| Frampton/Razzaque/<br>Parise/Moseley/<br>Andreyka | Asset Class Staffing/Business Plans | 02/21    | 05/22  |           |
| Mertz   | RFP for General Consultant          | 05/21    | 05/22  | 05/22     |
| Mertz   | Resolution 1990-24                  | 11/21    | 02/22  | 03/22     |
| Poag  | Resolution 2003-01                  | 11/21    | 02/22  | 02/22     |
| Poag  | Resolution 2004-10                  | 11/21    | 02/22  | 02/22     |
| Mertz   | Resolution 2018-02                  | 11/21    | 05/22  |           |
| Poag  | Resolution 2020-01                  | 11/21    | 02/22  | 02/22     |

SUBJECT: Trustee Education

ACTION: \_\_\_\_\_

DATE: May 18, 2022

INFORMATION:     X    

**BACKGROUND:**

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  | June Workshop                                | Atlanta       | June 7, 2022          |
|   | June Workshop                                | Portland      | June 9, 2022          |
|   | “Callan College” Introduction to Investments | San Francisco | July 26-27, 2022      |
|   | “Callan College” Introduction to Investments | Virtual       | September 20-22, 2022 |
|   | “Callan College” Introduction to Investments | Boston        | October 12, 2022      |
|   | October Workshop                             | Denver        | October 18, 2022      |
|   | October Workshop                             | San Francisco | October 20, 2022      |
| Pacific Pension & Investments Institute (PPI) | Summer Roundtable                            | Vancouver, BC | July 13-15, 2022      |
|   | Asia Pacific Roundtable                      | Singapore     | October 19-21, 2022   |

# Memo

To: Lucinda Mahoney  
Governance Committee

Through: Valerie Mertz  
Acting Executive Director

From: Chad Brown  
Director of Human Resources

Date: April 30, 2022

Re: APFC Financial Disclosures

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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 the annual comprehensive disclosures for reportable holdings as of December 31, 2021

| Annual Comprehensive Disclosures |  |                      |            |
|----------------------------------|--|----------------------|------------|
| Name                             | Position Title                         | Disclosure Type      | Received   |
| Craig Richards                   | Trustee                                | Annual Comprehensive | 01/15/2022 |
| Steve Rieger                     | Trustee                                | Annual Comprehensive | 04/22/2022 |
| Bill Moran                       | Trustee                                | Annual Comprehensive | 04/18/2022 |
| Steve Adams                      | Senior Portfolio Manager               | Annual Comprehensive | 04/27/2022 |
| Ross Alexander                   | Portfolio Manager                      | Annual Comprehensive | 04/26/2022 |
| Christopher LaVallee             | Senior Portfolio Accountant            | Annual Comprehensive | 04/14/2022 |
| Valeria Buschfort                | Senior Portfolio Accountant            | Annual Comprehensive | 04/29/2022 |
| Chris Cummins                    | Senior Portfolio Manager               | Annual Comprehensive | 04/13/2022 |
| Adam Kane                        | Communications Specialist              | Annual Comprehensive | 04/30/2022 |
| Jacki Mallinger                  | Senior Portfolio Accountant            | Annual Comprehensive | 04/25/2022 |
| Valeria Martinez                 | Director of Asset Allocation Portfolio | Annual Comprehensive | 04/13/2022 |
| Valerie Mertz                    | Chief Financial Officer – Acting CEO   | Annual Comprehensive | 04/22/2022 |
| Tom O'Day                        | Portfolio Manager                      | Annual Comprehensive | 04/22/2022 |
| Matt Olmsted                     | Senior Portfolio Manager               | Annual Comprehensive | 04/26/2022 |
| Lara Pollock                     | Investment Associate                   | Annual Comprehensive | 02/08/2022 |
| Chris Poag                       | General Counsel                        | Annual Comprehensive | 04/22/2022 |
| Logan Rahn                       | Investment Associate                   | Annual Comprehensive | 05/02/2022 |

|                         |                                 |                      |            |
|-------------------------|---------------------------------|----------------------|------------|
| Sang Won Song           | Portfolio Manager               | Annual Comprehensive | 04/13/2022 |
| Sarah Struble           | Accounting Tech                 | Annual Comprehensive | 04/14/2022 |
| Paulyn Swanson          | Communications Director         | Annual Comprehensive | 04/22/2022 |
| Sebastian Vadakumcherry | Chief Risk & Compliance Officer | Annual Comprehensive | 04/20/2022 |

All disclosures have been reviewed by the myself or the Acting Executive Director, in our capacity as compliance officers. All disclosures follow 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.

# Memo

To: Board of Trustees

From: Valerie Mertz  
Acting Executive Director

Date: May 18, 2022

Re: Travel, Training, and Diligence Summary Report

**Background:**

This report includes APFC staff completed travel for the period January 1- March 31, 2022. The travel report is presented to the Board of Trustees for review at each board meeting as required by APFC Resolution 04-10.

**Due Diligence Summary:**

| Department                             | Number of Meetings Held |                    |
|--|-------------------------|--------------------|
|  | In Person               | Telephonic/Virtual |
| Executives                             | 11                      | 27                 |
| Fixed Income                           | 0                       | 25                 |
| Public Equity                          | 0                       | 34                 |
| Infrastructure & Private Credit        | 71                      | 168                |
| Real Estate                            | 55                      | 160                |
| Private Equity & Special Opportunities | 20                      | 195                |
| Risk Parity                            | 0                       | 10                 |

**Travel Summary:**

Budget-to-Actual Report: January 1, 2022 through March 31, 2022

| CORPORATE OPERATIONS | BOARD-AUTHORIZED BUDGET | EXPENDITURES | BUDGET REMAINING |
|----------------------|-------------------------|--------------|------------------|
| Travel               | \$800,000               | \$91,074.99  | \$708,925.01     |
| Staff                | \$602,000               | \$56,030.26  | \$545,969.74     |
| Trustees             | \$18,000                | \$347.31     | \$17,652.69      |
| Moving/Non-Employee  | \$180,000               | \$34,697.42  | \$145,302.58     |

| TRAVELER | PURPOSE                                    | DATES OF TRAVEL |         | LOCATION            |
|----------|--|-----------------|---------|---------------------|
| Rahn     | Manager Meetings                           | 1/5/22          | 1/5/22  | Beverly Hills, CA   |
| Shah     | Manager Meetings                           | 1/5/22          | 1/8/22  | Dallas, TX          |
| Pollock  | Pre-move Travel/Relocation                 | 1/7/22          | 1/23/22 | Juneau              |
| Richards | LB&A Committee Meeting                     | 1/14/22         | 1/17/22 | Juneau              |
| Moseley  | Manager Meetings                           | 1/21/22         | 2/3/22  | New York City       |
| Frampton | Manager Meetings                           | 1/22/22         | 2/7/22  | New York City/Miami |
| Andreyka | Manager Meetings/Property Visits/IREI 2022 | 1/23/22         | 1/28/22 | San Diego, CA       |
| Shah     | Manager Meetings                           | 1/24/22         | 1/29/22 | New York City       |

|               |                                       |         |         |                                 |
|---------------|---------------------------------------|---------|---------|---------------------------------|
| Shah          | Manager Meetings                      | 2/2/22  | 2/5/22  | Miami                           |
| Mangual       | Quarterly Visit to Jnu/APFC Board Mtg | 2/13/22 | 2/26/22 | Juneau                          |
| Shah          | Quarterly Visit to Jnu/APFC Board Mtg | 2/14/22 | 2/25/22 | Juneau                          |
| Zinn          | APFC Board Meeting                    | 2/15/22 | 2/17/22 | Juneau                          |
| Frier         | APFC Board Meeting                    | 2/15/22 | 2/18/22 | Juneau                          |
| Feige         | APFC Board Meeting                    | 2/15/22 | 2/18/22 | Juneau                          |
| Schutt        | APFC Board Meeting                    | 2/15/22 | 2/17/22 | Juneau                          |
| Moran         | APFC Board Meeting                    | 2/15/22 | 2/18/22 | Juneau                          |
| Rieger        | APFC Board Meeting                    | 2/15/22 | 2/18/22 | Juneau                          |
| Richards      | APFC Board Meeting                    | 2/15/22 | 2/17/22 | Juneau                          |
| Mahoney       | APFC Board Meeting                    | 2/15/22 | 2/18/22 | Juneau                          |
| Ramirez       | Quarterly Visit to Jnu/APFC Board Mtg | 2/16/22 | 2/26/22 | Juneau                          |
| Skuratovskaya | Manager Meetings                      | 2/20/22 | 2/25/22 | Newark, NJ                      |
| Andreyka      | Manager Meetings/Property Visits      | 2/20/22 | 3/5/22  | Dallas/Fort Worth/New York City |
| Adams         | Manager Meetings/Property Visits      | 2/21/22 | 2/27/22 | Dallas/Fort Worth               |
| Sperry        | Manager Meetings                      | 2/26/22 | 3/5/22  | New York City                   |
| Frampton      | Manager Meetings                      | 3/5/22  | 3/20/22 | California                      |
| Shah          | Manager Meetings                      | 3/6/22  | 3/8/22  | Charlotte, NC                   |
| Ramirez       | Manager Meetings                      | 3/6/22  | 3/8/22  | Charlotte, NC                   |
| Moseley       | Manager Meetings                      | 3/11/22 | 3/26/22 | New York City                   |
| Scudder       | Interview                             | 3/13/22 | 3/16/22 | Juneau                          |
| Andreyka      | Property Inspections                  | 3/13/22 | 3/26/22 | Denver/RDU/CLT/LAX              |
| Adams         | Conference                            | 3/18/22 | 4/3/22  | Los Angeles                     |
| Hatch         | Manager Meetings                      | 3/20/22 | 3/25/22 | Miami                           |
| Ramirez       | Manager Meetings                      | 3/22/22 | 3/27/22 | San Francisco/New York City     |
| Rahn          | Conference                            | 3/23/22 | 3/24/22 | Los Angeles                     |
| Smith         | Conference                            | 3/26/22 | 3/31/22 | Tampa, FL                       |



|    | EMPLOYEE      | DEPT | TRAINING TYPE* | VENDOR      | COURSE TITLE                           | CLASS HOURS | CITY   | ST |
|----|---------------|------|----------------|-------------|--|-------------|--------|----|
| 1  | Chad Brown    | HR   | Online         | Table Group | Working Genius Certification           | 8.0         | Juneau | AK |
| 2  | Lara Pollock  | PM   | Online         | ILPA        | Private Equity for the Limited Partner | 15.0        | Juneau | AK |
| 3  | Stephen Adams | RE   | CS             | PREA        | PREA Conference                        | 8.0         | LA     | CA |
| 4  | Rachel Price  | Inv  | Online         | HBS         | Alternative Investments                | 8.0         | Juneau | AK |
| 5  |               |      |                |             |  |             |        |    |
| 6  |               |      |                |             |  |             |        |    |
| 7  |               |      |                |             |  |             |        |    |
| 8  |               |      |                |             |  |             |        |    |
| 9  |               |      |                |             |  |             |        |    |
| 10 |               |      |                |             |  |             |        |    |
| 11 |               |      |                |             |  |             |        |    |
| 12 |               |      |                |             |  |             |        |    |

CS - Conferences & Seminars  
 LT - Local Training  
 OTT - Out of Town Training  
 OL - Online

# Memo

To: Board of Trustees

From: Chad A. Brown  
Human Resources Manager

Date: April 11, 2022

Human Resources – Q2 Summary

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## Highlights

Alexa Simpson has transferred from Business Operations to the HR team. She comes to HR with several years of recruiting experience with Department of Corrections, and is pursuing her Bachelors in Management with an Emphasis in Human Resource Management from University of Alaska Southeast.

Keira Kelly has transferred from Finance to the Risk & Compliance Team as a Compliance Analyst.  
Jon Strickler has transitioned from Finance to the Investment Operations team as an Analyst.

Final Candidate(s) for Real Estate Senior Analyst open since July 2021.

Appreciate Marcus' thoughtful approach to the Private Equity Team structure.

## Welcome

Colton Scudder – Global Rates Analyst: Fixed Income (Starting 6/15/2022)  
Elizabeth Knapp – Accounting Intern  
Ely Cook – Investments Intern

## Challenges

Procurement Officer: Open for two months – Zero viable candidates  
Portfolio Accountant: Open for two months – One/most viable candidate graduates in December 2022  
Portfolio Accountant: Open for one month – One viable candidate

These operational positions we typically hire locally but even with extensive networking and advertising, applications are not near the volume they have been in the past. Compensation continues to be an issue with candidates who do not meet the minimum qualifications requesting starting salaries up to 50% more than what we are offering.

VACANT FULL-TIME POSITIONS (9) AS OF 4/30/2022

| TITLE                     | DIVISION    | DEPARTMENT            | STATUS               |
|---------------------------|-------------|-----------------------|----------------------|
| Procurement Officer       | Operations  | Business Operations   | Actively Recruiting  |
| Administrative Specialist | Operations  | Business Operations   | Actively Recruiting  |
| Analyst / Associate       | Investments | Real Estate           | Actively Recruiting  |
| Portfolio Accountant      | Finance     | Investment Operations | Actively Recruiting  |
| Portfolio Accountant      | Finance     | Investment Operations | Actively Recruiting  |
| Global Rates Analyst      | Investments | Fixed Income          | Filled Pending Start |
| IT Specialist             | Operations  | IT                    | Filled Pending Start |
| Business/Data Analyst     | Operations  | IT                    | Pending              |
| COO                       | Executive   | Business Operations   | Pending              |
| CEO                       | Executive   | Executive             | Pending              |
| Asset / Portfolio Manager | Investments | Real Estate           | Pending              |

VACANT PART-TIME POSITIONS (0) AS OF 4/30/2022

AS OF 4/11/2022 – APFC RECOMBINE 2 PART TIME PCNS TO 1 FULL TIME

POSITIONS PENDING BUDGETARY APPROVAL (7)

|                     |             |                        |         |
|---------------------|-------------|------------------------|---------|
| Investment Officer  | Investments | TBD                    | Pending |
| Investment Officer  | Investments | TBD                    | Pending |
| Investment Officer  | Investments | TBD                    | Pending |
| Investment Officer  | Investments | TBD                    | Pending |
| Investment Officer  | Investments | TBD                    | Pending |
| IT Security Officer | Operations  | Information Technology | Pending |
| Project manager     | Operations  | Business Operations    | Pending |

HEADCOUNT & VACANCIES AS OF 4/30/2022\*\*

| CURRENT COUNT                    | FILLED FTE | VACANT FTE |
|----------------------------------|------------|------------|
| Executive                        | 4          | 2          |
| Investments                      | 23         | 3*         |
| Finance                          | 8          | 2          |
| Operations (IT/HR/Biz Ops/Comms) | 13         | 3          |
| Risk & Compliance                | 2          | 0          |
|                                  | 50         | 10         |

\*Offer Accepted – Fixed Income Global Rates Analyst: Starting June 15, 2022

\*\*One less total PCN as 2 part time merged into one.

| HEADCOUNT & VACANCIES AS OF 1/24/2022 (Previous Board Meeting) * |            |            |
|--|------------|------------|
| CURRENT COUNT  | FILLED FTE | VACANT FTE |
| Executive  | 4          | 2          |
| Investments  | 23         | 3          |
| Finance  | 9          | 1          |
| Operations (IT/HR/Biz Ops/Comms)                                 | 15         | 2          |
| Risk & Compliance  | 1          | 1          |
|  | 52         | 9          |

\*Note Total Headcount = 61 (59 FTE, 2 PTE)

SUBJECT: Communications Update

ACTION:

DATE: 5/18/2022

INFORMATION: X

**Communications to Educate and Inform**

APFC is committed to providing reliable and objective information to the Legislature, the Executive Branch, Alaskan stakeholders, and our global audience regarding the Alaska Permanent Fund and the work the Corporation does to manage and invest the Fund. In doing so, we focus on the goals of our 5-year strategic plan, delivering consistent, accurate information and fulfilling statutory obligations.

**APFC STRATEGIC COMMUNICATIONS GOALS: FY2022-2027**

1. APFC achieves and maintains necessary support and resources to optimize its ability to protect and grow the Fund.
2. APFC maintains and builds upon domestic and international brand recognition, ensuring high regard among global peers and potential partners.
3. Alaskans understand APFC’s role as investment manager of the State’s most valuable renewable financial asset.
4. APFC reestablishes youth education outreach and involvement efforts to engage and inform Alaska’s future leaders.
5. APFC supports the role of the Board and staff as brand ambassadors.

**Presentations & Availability for Legislative Committee Questions**

Valerie Mertz, Acting Executive Director (ED)  
 Marcus Frampton, Chief Investment Officer (CIO)  
 Sara Race, Director of Operations (Operations)  
 Pauly Swanson, Director of Communications (Communications)  
 Chris Poag, General Counsel (GC)

**February 2022**

- Dr. Rietveld, Presentation to SFIN, Sovereign Wealth Funds - Global Trends & Practices, February 22

**March and April 2022**

- CIO, ED, GC – HSTA, HB 396 Russian Divestment, March 10, 15, 22, April 19, 21, 26
- ED, Communications, Operations – SFIN Budget Subcommittee, March 15
- CIO - SFIN SB 235 and HSTA HB 401 No State Investment in Russia, March 22
- Communications, ED – HSTA, HB 251 Board Appointment, March 29, April 14, 19
- Communications – HSTA, HB 412 Board Confirmation, April 9, 14

**April 2022**

- ED, Communications, GC - DOR Presentation Consul General of Kazakhstan, April 20

### **Media and Public Information Requests**

As a public corporation committed to transparency for our stakeholders, APFC frequently responds to media and public records requests. Public records requests continue to increase and require significant time and attention from Communications, IT, and at times Legal to respond. APFC has received 16 new requests since our last report in February, bringing the total requests for the fiscal year to 57.

The Communications team has been developing a formal policy related to public records requests and a standardized form for requests along with a fee schedule. This policy is based on applicable state law and similar to policies of state agencies. Policy implementation is slated for July 1, 2022 to coincide with the new fiscal year.

### **Crisis Communications and Planning**

While ongoing scrutiny brings opportunity for continued stakeholder education about the Fund and the Corporation, it is necessary to be diligent in monitoring for reputational risks. We continue to see evidence of a strained public perception of the Corporation in media stories, social media comments, and legislative proposals.

Through our communications, we are assuring stakeholders that the daily, weekly, and monthly work related to the investment and management of the Fund continues unhindered and in accordance with fiduciary standards.

Without question, APFC staff strives to invest the portfolio to meet or beat the established performance benchmarks. At the same time, finance and operations remain fully committed to the trades, recruitments, reconciliations, reporting, and support necessary for the successful continuum of dedicated management. At all levels, the Alaska Permanent Fund Corporation is looking out for and protecting the interests of the Fund and thus those of the stakeholders that depend on us.

In looking forward, Communications is assessing what steps need to be considered for implementation in the short-term and included in long-term strategies to bolster credibility for the organization, the governance structure that provides foundation, and ongoing support for the investment of the Permanent Fund.

### **Legislative Initiatives**

#### **■ Legislative Presentations and Inquiries**

In March, APFC presented and responded to the Senate Finance Budget Subcommittee questions. Though quite supportive of the Corporation, the committee did not include funding for an increase to incentive compensation nor funding for a portion of contractual services related to the youth education outreach and data projects. With the House having fully-funded APFC's requests, we will be working with the Conference Committee to obtain full funding for the Corporation's FY23 budget.

As the 32<sup>nd</sup> Legislature draws to a close, APFC continues to be readily available to respond to legislative and committee inquiries related to the Fund, the budget and proposed legislation on the Board appointment process and divestment policy.

- **Legislative Line**

Every month, APFC provides the Legislature with an email update on the Fund's value, including the Principal and ERA accounts and the Statutory Net Income to date. Additional email alerts are also sent in advance of quarterly Board meetings, including links to the agenda, packet, and reference to the Legislative Budget & Audit Committee's duties related to the Corporation and the Fund.

## Publications

- **FY22 Annual Report – Active Project**

APFC's Annual Report is produced in accordance with Alaska Statutes, Section 37.13.170. Reports and publications. Initial work has commenced on this annual statutory disclosure. We are preparing to release the report as an electronic publication through an established website and traditional print during the Board's Annual Meeting in September.

- **2022 General Election Pamphlet – Active Project**

With the close of the fiscal year, unaudited fiscal year-end financial statements and content for the general election pamphlet will be finalized and submitted to the Division of Elections in accordance with their production schedule. Alaska Statutes, Section 37.13.170. Reports and publications. mandates that APFC reports the Fund's income statement and balance sheet for two fiscal years in the pamphlet, distributed statewide before the General Election in November 2022.

## Outreach Projects

- **AK Youth Investment Program**

Following a successful procurement process, a contract was signed with Alaska Resources Education (ARE) to develop and distribute educational components about the Permanent Fund – which will fit into an existing Alaska resource-focused curriculum. Easy to understand information about the establishment of the Fund, the Corporation, and basic economic and investment concepts will be piloted this school year at the high school level as part of the “Our Alaska” module, which is also targeted to support Alaska Studies.

As part of this project, the APFC Communications team will be reviewing materials in the Dave Rose Collection at the Archives and Special Collections at the UAA/APU Consortium Library. This collection includes a physical copy of Learning is Permanent, an educational curriculum and board game developed in the early 1990s. A planning session with ARE is scheduled to go through these materials and outline the coming year's objectives.

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

After reviewing social media analytics over the past quarter, efforts have begun to refocus the social media outreach strategy to enhance the information sought after, such as Fund values, staff highlights, and investment information. These efforts are being made to improve overall outreach as efficiently and effectively as possible.

- **APFC.ORG Website**

To provide more information to potential recruits, recent updates to the site include a fully redeveloped Careers section (<https://apfc.org/careers/>) which highlights our open positions and internships. A separate page was also developed to describe the benefits of working at APFC and living in Juneau (<https://apfc.org/juneau/>).

Apfc.org analytics indicated that our Board of Trustees Meetings page (<https://apfc.org/board-of-trustees/board-of-trustees-meetings/>) was the most visited site after the home page. As a result, a second menu navigation was placed on this page, and new quick link features were added to help visitors find information quickly from that page.

Other maintenance and updates continue to be implemented to ensure the site can provide up-to-date information about the Fund and its performance.

### **Internal Communications**

- **Newsletter APFC**

Human Resources continues to lead the effort of producing APFC's internal A-Team newsletter. This thoughtful, informative, fun e-publication includes insights from our leadership team, monthly recruitment updates, legislative updates, employee highlights, and an opportunity for staff to share favorite photos.

SUBJECT: Legislative Update

ACTION:

DATE: 5/18/2022

INFORMATION: X

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The second regular session of the 32<sup>nd</sup> Alaska State Legislature is slated for adjournment on May 18, 2022. This report provides an update on legislative objectives and an overview of appropriations and legislation pertaining to the Alaska Permanent Fund and the Corporation.

## APFC Legislative Objectives

- Resources. Securing appropriations necessary to protect and grow the Fund aligned with the Board's proposed budget and policy objectives outlined in resolutions.
  - APFC Operating Budget appropriations are covered in more detail in the packet materials on the budget. As with every session, APFC works to secure the resources needed to invest and manage the Fund based on the Board's approved budget priorities. Generally speaking, the legislature is very supportive of the Corporation's resource needs, particularly regarding recruitment/retention and staffing levels to support the management of the Fund at optimal levels.
- Education. Understanding APFC's role in generating sustainable financial revenues for all generations of Alaskans and the importance of adhering to established methodologies for deposits into and draws from the Alaska Permanent Fund.
  - Royalty obligations to the Principal are recognized at both the Constitutional minimum of 25% and the 50% contribution for post-1979 leases as outlined in AS 37.13.010 (a)(2). Appropriations for the outstanding FY 18 and FY 19 statutory royalties were included in the budget, thus rectifying a past Legislative Audit finding in support of royalty contributions to Principal.
  - Inflation proofing to protect the purchasing powers of the Principal and provide for intergenerational wealth was appropriated in FY 23.
  - Methodology for long-term Fund sustainability and a stable, predictable revenue stream was adhered to through a 5% percent of market value draw.
  - Real growth was contemplated through a trigger mechanism to direct more royalties to the Principal when ANS is more than \$100 per barrel.
- Monitoring. Asking/answering questions as needed to clarify proposed language in legislation about the Corporation and the Fund and providing fiscal notes as appropriate.

## Appropriations – APFC and the Permanent Fund

The timing of this report for submission to the packet is such that final action on the budget has not occurred, and the Conference Committee (CC) will be meeting to work out some items as indicated below. Having been funded in both the House and Senate versions of the budget, other items are presumed included as FY 23 appropriations. Once the Legislature passes a budget, the bill will be forwarded to the Governor for final review and enactment.

### FY 2023 Operating Budget

#### Alaska Permanent Fund Corporation

- **Total Appropriation = \$217,802,000 House / \$217,021,000 Senate (CC)**
  - APFC Operations Allocation = \$21,934,000 H / \$21,153,000 S (CC)
  - APFC Investment Management Fee Allocation = \$195,868,000
  - Fund Source: PFund Gross Receipts

#### Alaska Permanent Fund

- **Royalties to Principal**
  - FY 23 Constitutional ~\$359,100,000
  - FY 23 Statutory ~\$74,800,000
  - FY 18 Statutory ~\$99,800,000 (CC)
  - FY 19 Statutory ~\$99,200,000 (CC)
  - A trigger provision to provide additional revenues to the Principal if ANS exceeds \$100 a barrel on June 30, 2023 (CC)
- **Inflation Proofing to Principal from the ERA**
  - FY 23 Inflation Proofing ~ \$1,039,000,000
  - This is an estimate based on Callan's 2.00% projection; the final calculation will be at the end of the fiscal year and per AS 37.123.145 (c) and CPI.
- **Withdrawals from the ERA to the General Fund**
  - FY 23 Percent of Market Value 5% Draw \$3,360,567,100
- **Amerada Hess Settlement Earnings AS 37.13.145 (d)**
  - AK Capital Income Fund AS 37.05.565 ~\$27,670,000
- **State Agency Royalty Support – Fund Source: PFund Gross Receipts**
  - Department of Revenue \$190,800
  - Department of Law \$2,710,500
  - Department of Natural Resources \$6,463,900

## Legislation

The following are summaries of legislation pertaining to the Corporation and the Alaska Permanent Fund. Only legislation that has been 'on the move' these past few months and, thus, potentially slated for passage during the 32<sup>nd</sup> Legislature has been included in this report.

### Proposed Constitutional Amendments Related to the Permanent Fund

In this second regular session, little to no action was taken on the nine proposed resolutions that would place an amendment to the Constitution of the State of Alaska before the voters at the next general election to establish distribution formulas for draws from the Alaska Permanent Fund. These resolutions are primarily based on classic endowment structures, combining the Principal and the ERA into a single Fund account, providing a percent of market value draw methodology, and various distributions to dividends and government.

### Proposed Statutory Changes Related to the Distribution of Income

There are ten bills proposing changes in the distribution of the Fund's income from the Earnings Reserve Account. Generally speaking, these bills delete the statutory net income calculation, maintain the 5% POMV draw methodology, provide varying distributions of the draw amount to the dividend fund and the general fund, and provide for inflation proofing of the Principal via annual appropriation. At the time of this report, none were passed by the Legislature, that said SB 199\* is in Senate Rules Committee and pending scheduling for Senate Floor debate.

- **SB 199\*** – Senate Finance Committee

*"An Act relating to use of income of the Alaska permanent fund; relating to the amount of the permanent fund dividend; relating to the duties of the commissioner of revenue, and providing for an effective date."*

\*On April 22, 2022, SB 199 was reported out of the Senate Finance Committee and referred to Senate Rules pending scheduling for floor debate. The bill intends to implement the recommendations of the 2021 Comprehensive Fiscal Plan Working Group and allow time to implement revenue measures and cost reductions for the State's long-term financial stability. The bill adheres to the 5% POMV distribution methodology. It provides a distribution of that draw of 50% to the dividend fund and 50% to the general fund for FY 23, changing to a 25% to the dividend fund and 75% to the general fund effective for FY 24, and providing a conditional effect for the 50/50 split should additional state revenue sources be implemented.

Notably, throughout the second session of the Legislature, the percent of market draw methodology has not been the focus of the policy debate; instead, the draw distribution is being debated. The POMV methodology, established in 2018, has been adhered to starting in FY19 for draws from the Fund and is recognized and budgeted as a known source of revenue for the unrestricted general fund. The policy debate focuses on distributing the draw and deciding on what % should be directed to the general fund for state services and what % should be directed to the dividend fund to support the PFD program.

### **Bills Related to State Finances and Accounts**

While there were several bills introduced about state finances, fiscal policy, and appropriation limits; there is one bill that seems to be 'on the move' that will require the Corporation and all state agencies to provide monthly and annual data as part of the proposed Alaska Online Checkbook Act proposed in SB 25.

- **SB 25\*** – *Senator Wielechowski*

*"An Act relating to the establishment and maintenance of an Internet website providing information on state government financial transactions and specifying the information to be made available on the website; and relating to the Alaska Checkbook Online Internet website."*

\*On February 2, 2022, SB 25 passed the Senate with 20 yeas and was transmitted to the House. The bill is now being heard in the House State Affairs Committee and has a further referral to the House Finance Committee. To be known as the Alaska Online Checkbook Act, this bill intends to allow Alaskans to identify and discover state revenues and expenditures through a searchable website maintained by the Department of Administration. In providing transparency to the public, the bill proposes monthly & annual reporting requirements; searchable data by agency, vendor, year, purpose, amount, and accounting code; revenue & expenditure detail; and includes public corporations. Also included as a resource is the balance of the ERA and the royalty amounts deposited into the Permanent Fund.

Should the bill be enacted, implementation will be conducted through the Department of Administration. APFC will work to provide a streamlined approach to incorporate data from financial statements and adhere to the added reporting requirement. There is a provision in the bill that recognizes confidential information and the need for aggregated reporting in some instances.

### **Proposed Statutory Changes to APFC's Board of Trustees**

There are three bills related to the Board. Two bring forth a legislative confirmation requirement. The other establishes an appointment committee, creates a seven-member Board, and brings forth an ESG requirement for one of the members. Two of these bills had hearings in the House State Affairs Committee and moved to the House Finance Committee for further consideration. At this date, it doesn't appear that these bills are slated for passage this session.

It should be noted that the Legislative Budget & Audit Committee has also indicated an interest in governance-related policy pending further review.

- **HB 213** – *Representative Eastman*

*"An Act relating to the confirmation of appointees to the Board of Trustees of the Alaska Permanent Fund Corporation; and providing for an effective date."*

- **HB 251\*** – Representative Josephson  
*"An Act relating to the Board of Trustees of the Alaska Permanent Fund Corporation; and providing for an effective date."*

On April 20, 2022, this bill was reported out of House State Affairs Committee and referred on to House Finance. The bill: creates a nine-member appointment committee entrusted with the power to select the Board of Trustees, increases the seats from six to seven members by increasing the public member seats from 4 to 6 and maintaining the seat reserved for the Commissioner of Revenue, increases terms from 4 to 6 years for Trustees, maintains that Trustees must have backgrounds and competence in the financial or business management sectors, and adds a mandate that one seat be reserved for a member with experience in socially responsible investing.

The Board's statement on the consideration of this bill has been provided as part of the public record. The Board does not offer a position on the legislation. Instead, it provides insights into aspects of the bill that may improve the current process and elements of the bill that warrant concern in bringing forth potential for political influence.

- **HB 412\*** – House State Affairs Committee  
*"An Act relating to the confirmation of appointees to the Board of Trustees of the Alaska Permanent Fund Corporation; relating to the appointment of public members of the Alaska Industrial Development and Export Authority; and providing for an effective date. "*

On April 20, 2022, this bill was reported out of House State Affairs Committee and referred on to House Finance. It requires legislative confirmation of the public members of the Board of Trustees effective September 1, 2022. Current members of the Board would not be subject to confirmation until the time of reappointment.

The Board's statement on the consideration of this bill has been provided as part of the public record. The Board offered historical constitutional context to the previous legal conclusion that APFC board appointments were not subject to the confirmation process.

#### **Proposed Statutory Changes to APFC's Investment Statutes**

- **HB 396\*** – House State Affairs Committee  
*"An Act restricting certain investments of state funds in certain Russian entities; and providing for an effective date. "*

On April 27, 2022, this bill was reported out of the House State Affairs Committee and referred on to the House Finance. The CS calls for divestment from Russian entities within 180 days of the effective date, includes a clause that divestment must align with fiduciary principles, and specifies divestment does not apply to comingled funds.

The Board's statement on the consideration of this bill has been provided as part of the public record. The Board has indicated that the statutory mandate to divest is being appropriately initiated at the legislative level, and APFC is prepared to follow the established policy directive upon enactment.

# MEMORANDUM

## State of Alaska Department of Law

TO: Chris Poag  
General Counsel, APFC

DATE: April 27, 2022

FILE NO.: 2020101022

FROM: Benjamin J. Hofmeister  
Assistant Attorney General  
Public Corporations and Gov. Services

TEL. NO.: (907) 465-3600

SUBJECT: Securities Litigation Update

### SECURITIES LITIGATION UPDATE

This memorandum serves as a summary of securities cases that the Alaska Permanent Fund Corporation (“APFC”) is actively litigating or involved with on behalf of the Alaska Permanent Fund. According to a memorandum of understanding between APFC and the Department of Law – the administrator of state legal services – “‘actively litigate’ or ‘actively involved’ means: (1) seeking lead plaintiff status in a pending class action; (2) opting-out of a pending class action to file a direct claim; or (3) in a case or jurisdiction (including jurisdictions outside of the United States) where the Fund will not be able to recover damages as a passive member in a class action claim, filing a direct claim or opting into a pending claim seeking recovery of Fund losses.”

### DOMESTIC LITIGATION

1. *State of Alaska Department of Revenue, Treasury Division, et al. v. Teva Pharm. Ind. Ltd., et al.*, No. 3:18-cv-1721 (D. Conn.)

Teva Pharmaceuticals Industries Limited (“Teva”) is a company that develops and distributes generic and specialty medicines worldwide. Teva is alleged to have made false statements in regards to its compliance with antitrust laws. Teva, however, was illegally conspiring with other pharmaceutical companies to artificially fix the prices of certain generic drugs. This conduct led to the start of federal and state investigations in 2015 and 2016 – and ultimately a criminal prosecution against the company filed by the Department of Justice in 2020. The revelation of the investigations led to significant drops in shares of Teva. Both APFC and the Department of Revenue owned shares in Teva and ultimately filed a joint opt-out action against Teva in 2018. The parties in the class action matter recently reached a settlement that was preliminarily approved by the federal district court. Although APFC will continue in its opt-out action, May 2, 2022, is the deadline for investors to opt back into the class. The law firm of Kessler, Topaz, Meltzer and Check (“KTMC”) represents APFC in this matter.

2. *State of Alaska, et al. v. Ryder Systems Inc., et al.*, No. 1:20-cv-22109 (S.D. Fla.)

Ryder Systems Incorporated is a transportation and supply chain management company. Ryder is alleged to have overstated the value of its residual trucking fleet, which allowed it to record smaller depreciation expenses on those assets, and thus artificially inflating Ryder's earnings. A class action lawsuit was filed and APFC sought lead plaintiff status in the matter. The federal district court certified the class and appointed APFC along with two other pension funds as lead plaintiffs. Ryder filed a motion to dismiss the case that is still pending before the court. The law firm of Bernstein, Litowitz, Berger and Grossman represents APFC in this matter.

## **FOREIGN LITIGATION**

1. *Petrobras (Brazil)*

Petrobras is a Brazilian state-run energy company. The company was implicated in a massive corruption scandal involving collusion between company executives, contractors and members of the predominant political party between 2004 and 2012. Allegations involved Petrobras executives falsely inflated the value of projects for their own profit and paid bribes to politicians in the process. The scandal led to law enforcement investigations and arrests of Petrobras executives, contractors and politicians. This resulted in a corresponding decline in Petrobras's securities prices and massive investor losses. Multiple actions were filed in Brazil related to these losses. The law firm of KTMC represents APFC in this matter.

2. *Daimler/Porsche/Volkswagen (Germany)*

Daimler, Porsche and Volkswagen are all multinational automotive companies based in Germany. In 2015, revelations of the German automobile industry's involvement in a long-running fraud related to manipulation of emission standards on diesel engines began to take form. This practice – which came to be known as “Dieselgate” – first came to light with an acknowledgement by Volkswagen of the use of “defeat devices” to conform to government emission standards. By 2017, antitrust investigations into illegal cooperation among German automotive manufacturers were publicized, revealing a potential illegal conspiracy in operation since 1996, encompassing everything from the development of vehicles and engines, to technology, costs, and the market distribution among suppliers. The government investigations and general disclosures of the Dieselgate conspiracy led to multiple securities actions in German courts. Germany utilizes an “opt-in” system for securities litigation known as the Capital Market Model Proceedings Act – or “KapMuG.” Only claimants who file suit in their own name may recover damages. APFC filed claims in all three KapMuG proceedings involve each of the companies.

On December 22, 2021, claims related to the Daimler matter were registered in the Higher Regional Court of Stuttgart. In response, the Court issues a standard order to structure the KapMuG, provided the declaratory objectives for the KapMuG, and set a deadline of May 31, 2022, for the parties to submit initial comments on the declaratory objectives. Declaratory objectives are the basis for the declaratory judgments that will be sought through the KapMuG process that will be applicable to all claimants. The parties' comments consist of legal and factual arguments on those issues.

In November 2021, the Higher Regional Court of Stuttgart requested the model claimant in the Porsche matter to submit an edited version of certain declaratory objectives. The model claimant filed that version on February 7, 2022, and the Court will review the new version at a hearing on June 13, 2022. Separately, the Court has indicated that documentation for certain claimants appears insufficient for asserting a claim due to lack of standing or lack of authority to bring the claim.

The Higher Regional Court of Braunschweig has ordered the filing of responses and evidence regarding Volkswagen's Board of Management's knowledge of the defeat devices. The next hearing in the Volkswagen matter is set for October 25-26, 2022.

The law firms of Robbins, Geller, Rudman, and Dowd and Nieding + Barth – the German litigation firm prosecuting the cases – represents APFC in these matters.

### 3. *Wirecard (Germany)*

Wirecard is a German firm that provided electronic payment applications worldwide. Its business included authorizing and processing payments for merchants, issuing credit and prepaid cards, and providing technology for contactless smartphone payments. Wirecard has been suspected of engaging in questionable accounting practices. Despite constant denials, allegations of fraud persisted. As a result, Wirecard solicited the accounting firm of KPMG to conduct an external audit in order to restore confidence in its financial position. KPMG's report revealed multiple gaps in Wirecard's accounting and reporting. As a result, Wirecard stock prices fell drastically and the company eventually filed for insolvency. Given the insolvency proceedings, investors initiated KaPMuG proceedings against Ernst and Young – Wirecard's auditor responsible for monitoring its accounting practices in the decade before the KPMG report was issued. The law firms of KTMC and TILP Litigation Rechtsanwaltsgesellschaft mbH – the German litigation firm prosecuting the case – represents APFC in this matter.

### 4. *Credit Suisse Group AG (Switzerland)*

Credit Suisse Group AG ("CS") is a multinational investment bank and financial services company that is founded and headquartered in Switzerland. In 2015, CS shareholders authorized a two-phase capital increase. CS issued a prospectus for the capital increase, which allegedly contained all relevant information about the business of CS. Overall

market sentiment regarding CS was based on the prospectus, which shareholders relied upon in making their investment decisions. In 2016, CS announced that it would be taking a multibillion-dollar loss for the fourth quarter of 2015. This loss took place in the same quarter that the capital increase was conducted. In response to the news of the losses, CS share prices declined. Evidence would surface shortly after the announcement that CS management was aware of the losses and did not reveal the information to investors in the prospectus. The law firm of KTMC represents APFC in this matter and has facilitated an assignment of claims to the firm of Astraea Limited. The Swiss law firm Schwärzler Rechtsanwälte is the lead law firm pursuing claims against CS.

SUBJECT: FY22 Year-to-Date Financial Update ACTION: \_\_\_\_\_

DATE: May 18, 2022 INFORMATION:  X

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KEY TAKEAWAYS:

- Total return year-to-date through March 31 of 4.95%, -0.95% for the third quarter
- Accounting net income year-to-date of \$2.3 billion, with a total of \$1.9 billion in losses incurred in January and February
- Realized (statutory) net income year-to-date of \$4.5 billion, ahead of the median forecast and slightly below the level at the same time in the prior year
- Net asset value as of March 31st of \$81.4 billion, a decrease of \$500 million from \$81.9 billion at the end of the prior year
- \$250 million transferred to the General Fund during the third quarter of the year in accordance with SB26; \$100 million in January and \$150 million in February
- \$93 million of mineral deposits transferred in during the quarter ended March 31st
- Committed Earnings Reserve balance of \$3.4 billion for FY23 General Fund transfers (\$3.36 billion) and the transfer to ACIF (\$24 million)

Financial results for the third quarter were reflective of the volatility experienced in the public markets. The fixed income portfolio experienced a loss in value in all three months for a total decline of \$1.1 billion. Public equities lost a total of \$1.8 billion in January and February, recovering \$344 million in the final month of the quarter. Less notable movements were recorded in the other asset classes. Overall, the fund recorded unrealized losses of \$2 billion between the end of December and the end of March. This brought year-to-date total fund return down to 4.95% from 5.95% as of December 31.

Net assets decreased by \$1 billion during the third quarter, dropping to \$500 million less than the ending value for FY21. This is the result of net loss of \$1.1 billion and \$93 million received in mineral royalty deposits. Corporate operating expenses and other appropriations for the third quarter totaled \$52 million.

Two transfers to the General Fund were made during the third quarter of FY22 totaling \$250 million, bringing the total transfers for the year to \$1.9 billion. Staff is in communication with the cash managers at the Department of Revenue to ensure that amounts designated for the General Fund remain invested in the Fund as long as possible, while being available to meet the liquidity needs of the State.



**Financial Report  
March 31, 2022**

**Fiscal Year 2022 Net Assets**

Balances through March 31, 2022

(in millions)

|  |                    |
|--|--------------------|
| Total assets   | \$ 84,813.5        |
| Less liabilities   | (3,426.0)          |
| Net assets   | <u>81,387.5</u>    |
| Fund Balances:   |                    |
| Non-spendable  |                    |
| Permanent Fund corpus—contributions and appropriations           | 51,243.7           |
| Not in spendable form—unrealized appreciation on invested assets | 12,861.7           |
| Total non-spendable fund balance                                 | <u>64,105.4</u>    |
| Committed  |                    |
| General Fund Commitment  | 3,360.6            |
| Current FY AK Capital Income Fund                                | 23.9               |
| Committed fund balance   | <u>3,384.5</u>     |
| Assigned for future appropriations                               |                    |
| Realized earnings  | 10,430.2           |
| Unrealized appreciation on invested assets                       | 3,467.4            |
| Total assigned fund balance                                      | <u>13,897.6</u>    |
| Total fund balances  | <u>\$ 81,387.5</u> |

**Fiscal Year 2022 Income**

For the nine months ending March 31, 2022

(in millions)

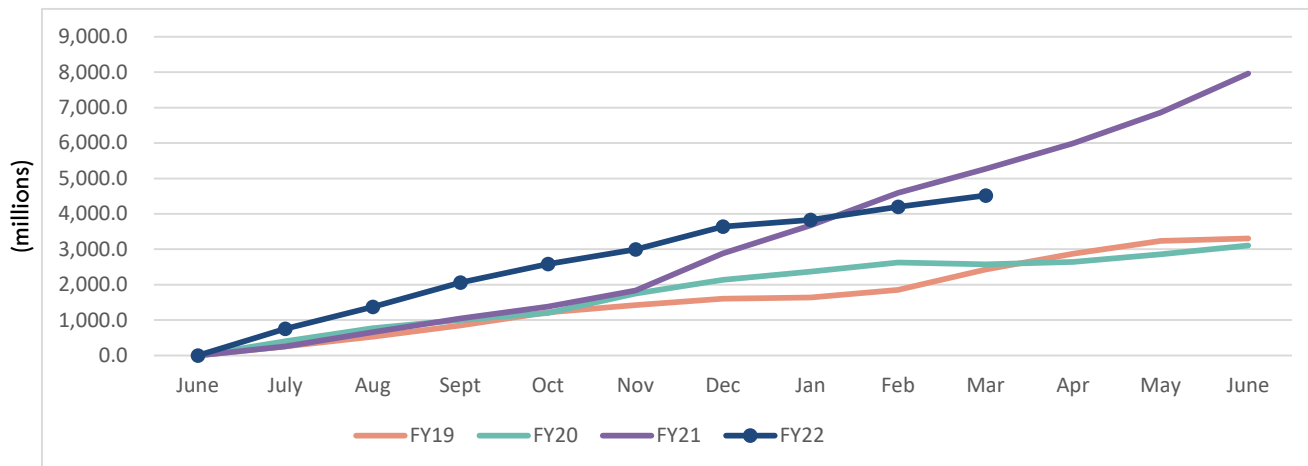
**Statutory (Realized) Net Income**

|   |                |
|---|----------------|
| Interest, dividends, real estate, and other income          | \$ 1,222.9     |
| Realized gains on the sale of invested assets               | 3,440.6        |
| Less operating expenses/legislative appropriations          | (120.1)        |
| Less Alaska Capital Income Fund committed realized earnings | (23.9)         |
| Statutory net income  | <u>4,519.5</u> |

**GAAP (Accounting) Net Income**

|  |                   |
|--|-------------------|
| Statutory net income                                   | 4,519.5           |
| Unrealized loss on invested assets                     | (2,288.7)         |
| Alaska Capital Income Fund committed realized earnings | 23.9              |
| Accounting net income                                  | <u>\$ 2,254.7</u> |

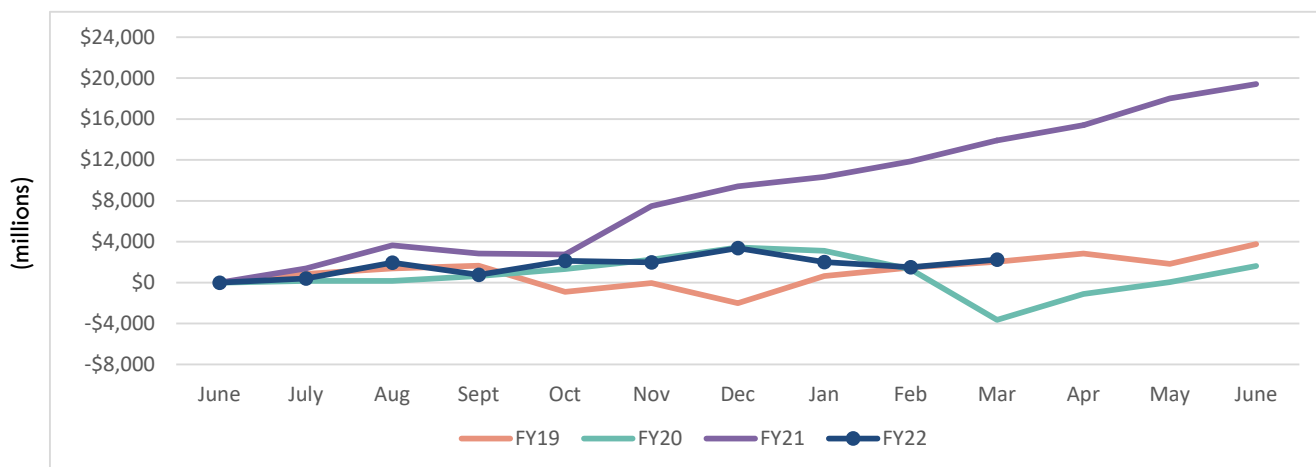
## Statutory Net Income, Fiscal Years 2019 - 2022



- 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.

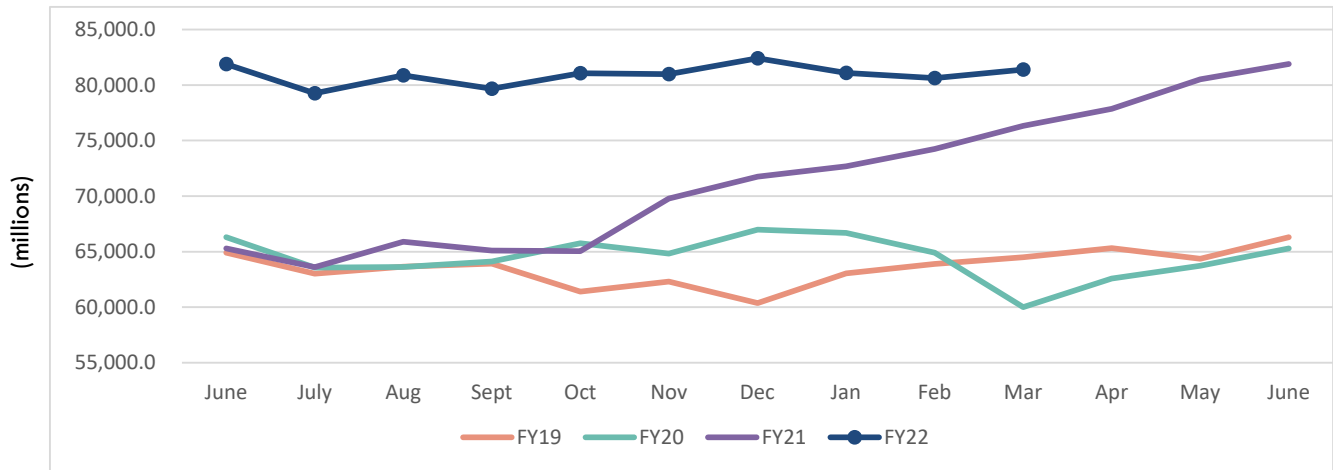
- FY19 statutory net income was \$3,305.1 million.
- FY20 statutory net income was \$3,106.0 million.
- FY21 statutory net income was \$7,962.4 million.
- FY22 statutory net income through March 31st was \$4,519.5 million.

## GAAP Accounting Net Income, Fiscal Years 2019 - 2022



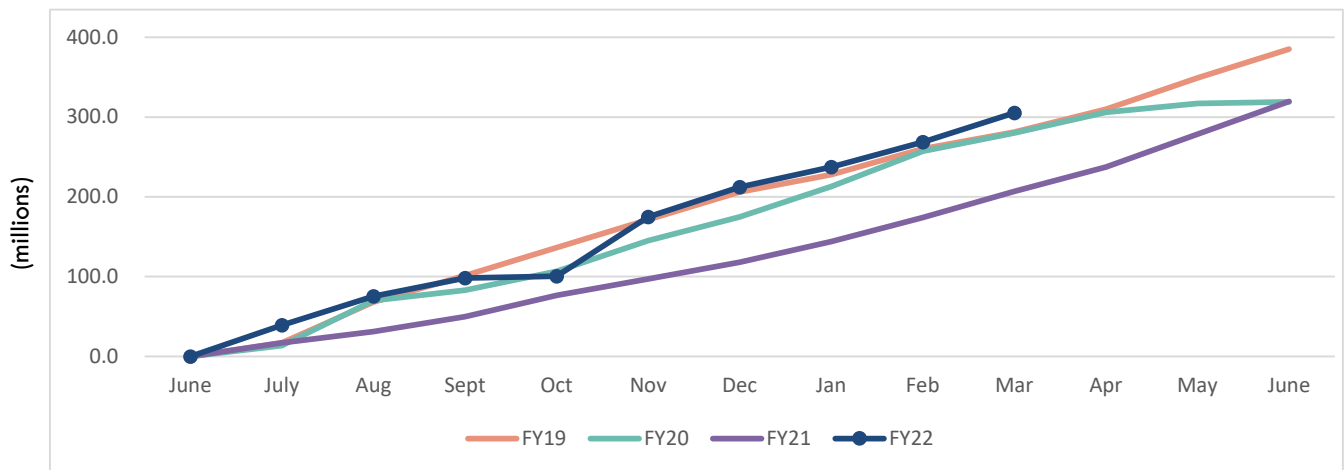
- Accounting net income is the same as statutory net income, except it includes unrealized gains and losses.
- Accounting net income for FY19 was \$3,765.8 million.
- Accounting net income for FY20 was \$1,636.5 million.
- Accounting net income for FY21 was \$19,416.6 million.
- Accounting net income for FY22 through March 31st was \$2,254.7 million.

## Market Value of Fund Net Assets, Fiscal Years 2019 - 2022



- 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 over the FY19 ending balance.
- FY21 net assets as of June 2021 were \$81.9 billion, an increase of \$16.6 billion from the FY20 ending balance.
- FY22 net assets as of March 2021 were \$81.4 billion, a decrease of \$0.5 billion from the FY21 ending balance.

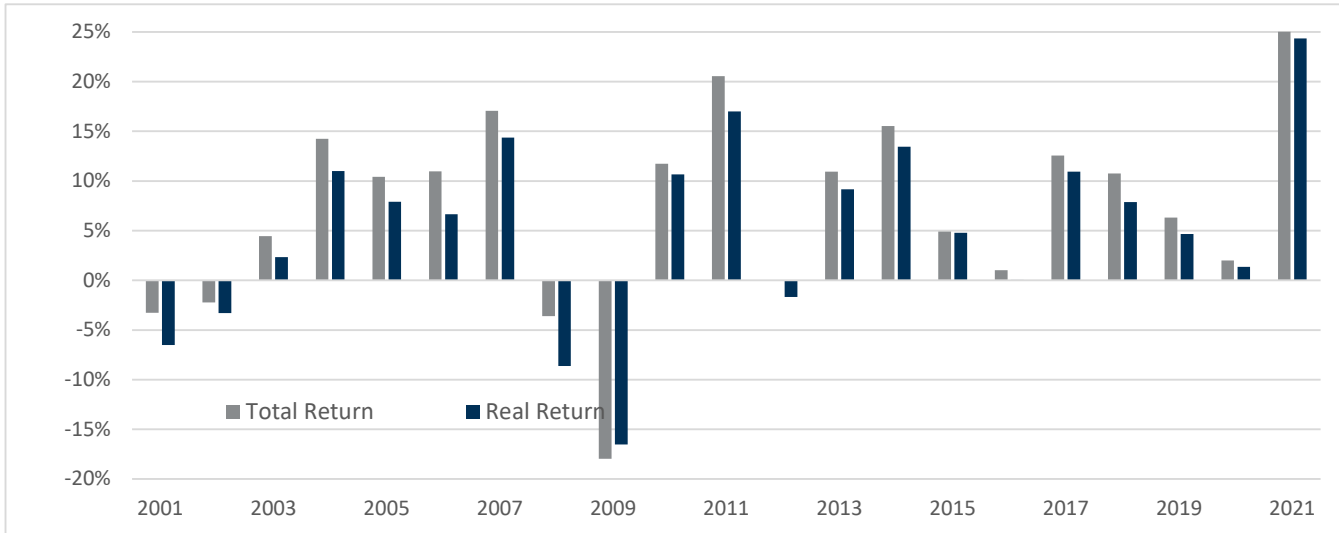
## Dedicated Mineral Revenues, Fiscal Years 2019 - 2022



- FY19 mineral revenue was \$385.2 million.
- FY20 mineral revenue was \$319.0 million.
- FY21 mineral revenue was \$319.6 million.
- FY22 mineral revenue as of March 31st was \$305.3 million.

## Alaska Permanent Fund Historical Returns, Fiscal Years 2001 - 2021

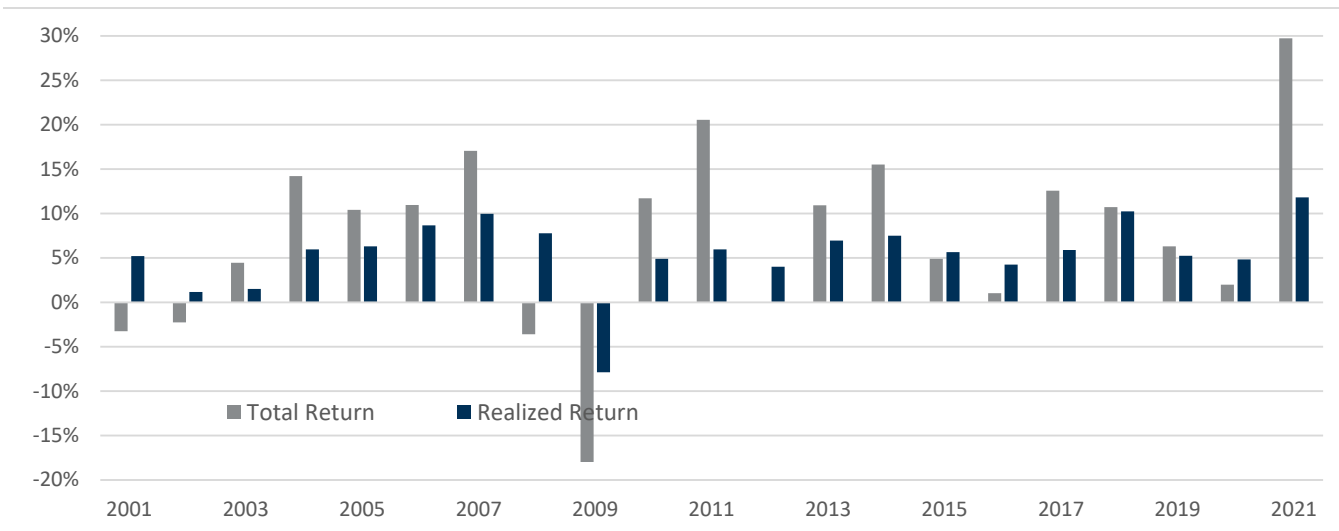
**Total return minus inflation equals real return**



- Total return annualized over 37 years is 9.20%
- Real return annualized over 37 years is 6.59%

## Alaska Permanent Fund Historical Returns, Fiscal Years 2001 - 2021

**Total return minus unrealized gains/losses equals realized return**



- Total return annualized over 37 years is 9.20%
- Realized return annualized over 37 years is 7.55%

**Board of Trustees - APFC Transfers - January 1 through March 31, 2022**

| <b>Type of Transfer</b>                           | <b>January</b>      | <b>February</b>      | <b>March</b>      | <b>Total</b>         |
|---|---------------------|----------------------|-------------------|----------------------|
| <b>Public Equities</b>                            | (1,199,608)         | 148,997,555          | (836,544)         | 146,961,402          |
| <b>Fixed Income</b>                               | 1,815,952           | 5,176,280            | 218,938           | 7,211,170            |
| <b>Private Equity &amp; Special Opportunities</b> | (104,824,844)       | (109,048,485)        | (25,792,257)      | (239,665,586)        |
| <b>Real Estate</b>                                | (119,174,274)       | 2,466,978            | 123,413,496       | 6,706,201            |
| <b>Private Income</b>                             | 131,614,248         | (17,930,671)         | 30,582,535        | 144,266,113          |
| <b>Absolute Return</b>                            | -                   | (748,500)            | (4,157,040)       | (4,905,540)          |
| <b>Risk Parity</b>                                | -                   | (200,000,000)        | -                 | (200,000,000)        |
| <b>Total Fund Cash</b>                            | 15,888,452          | 35,574,380           | (101,712,468)     | (50,249,636)         |
| <b>Net Transfers</b>                              | <b>(75,880,073)</b> | <b>(135,512,462)</b> | <b>21,716,660</b> | <b>(189,675,876)</b> |



Board of Trustees - APFC Transfers - January 2022

| Description                                       | Total Fund Cash   | Public Equities    | Fixed Income     | Pvt. Equity & Spec. Opps. | Real Estate          | Private Income     | Net                 |
|---|-------------------|--------------------|------------------|---------------------------|----------------------|--------------------|---------------------|
| <b>State of Alaska &amp; Administrative</b>       |                   |                    |                  |                           |                      |                    |                     |
| Mineral revenue                                   | 45,728,699        |                    |                  |                           |                      |                    | 45,728,699          |
| AIM STIF interest                                 | 3,071             |                    |                  |                           |                      |                    | 3,071               |
| Commission recapture proceeds                     | 13,416            |                    |                  |                           |                      |                    | 13,416              |
| Securities Lending income                         | 7,541             |                    |                  |                           |                      |                    | 7,541               |
| Appropriation to SOA GF from ERA                  | (100,000,000)     |                    |                  |                           |                      |                    | (100,000,000)       |
| AMHT Transfer to APF                              | 850,000           |                    |                  |                           |                      |                    | 850,000             |
| Corporate expenses                                | (22,482,800)      |                    |                  |                           |                      |                    | (22,482,800)        |
| <b>Public Equities</b>                            |                   |                    |                  |                           |                      |                    |                     |
| APF SPDR Yield                                    | 2,636,113         | (2,636,113)        |                  |                           |                      |                    | -                   |
| APF SPDR Momentum                                 | 772,434           | (772,434)          |                  |                           |                      |                    | -                   |
| APF SPDR Low Vol                                  | 2,223,116         | (2,223,116)        |                  |                           |                      |                    | -                   |
| APF US Tactical Tilt                              | (5,631,662)       | 5,631,662          |                  |                           |                      |                    | -                   |
| Mellon FTSE RAFI US Large                         | (40)              | 40                 |                  |                           |                      |                    | -                   |
| APF EM Markets EQ                                 | 423               | (423)              |                  |                           |                      |                    | -                   |
| Public EQ Sec Lend                                | 1,199,225         | (1,199,225)        |                  |                           |                      |                    | -                   |
| <b>Fixed Income</b>                               |                   |                    |                  |                           |                      |                    |                     |
| APF FI Overlay                                    | (268,125)         |                    | 268,125          |                           |                      |                    | -                   |
| APF TBA Collateral                                | (1,839,304)       |                    | 1,839,304        |                           |                      |                    | -                   |
| Colchester EMD LC                                 | 1,628             |                    | (1,628)          |                           |                      |                    | -                   |
| APF Fixed Income Cash                             | 268,125           |                    | (268,125)        |                           |                      |                    | -                   |
| Fixed Income Sec. Lending                         | 21,723            |                    | (21,723)         |                           |                      |                    | -                   |
| <b>Private Equity &amp; Special Opportunities</b> |                   |                    |                  |                           |                      |                    |                     |
| Private Equity distributions                      | 114,196,775       |                    |                  | (114,196,775)             |                      |                    | -                   |
| Private Equity capital calls                      | (80,594,485)      |                    |                  | 80,594,485                |                      |                    | -                   |
| Special Opportunities distributions               | 83,612,155        |                    |                  | (83,612,155)              |                      |                    | -                   |
| Special Opportunities capital calls               | (12,389,600)      |                    |                  | 12,389,600                |                      |                    | -                   |
| <b>Real Estate</b>                                |                   |                    |                  |                           |                      |                    |                     |
| Direct Real Estate distributions                  | 125,482,093       |                    |                  |                           | (125,482,093)        |                    | -                   |
| Direct Real Estate capital calls                  | (5,809,486)       |                    |                  |                           | 5,809,486            |                    | -                   |
| Real Estate Funds capital calls                   | (498,333)         |                    |                  |                           | 498,333              |                    | -                   |
| <b>Private Income</b>                             |                   |                    |                  |                           |                      |                    |                     |
| Infrastructure capital calls                      | (112,964,423)     |                    |                  |                           |                      | 112,964,423        | -                   |
| Private Credit distributions                      | 34,826,042        |                    |                  |                           |                      | (34,826,042)       | -                   |
| Private Credit capital calls                      | (52,076,505)      |                    |                  |                           |                      | 52,076,505         | -                   |
| Private Income distributions                      | 1,914,564         |                    |                  |                           |                      | (1,914,564)        | -                   |
| Private Income capital calls                      | (3,379,055)       |                    |                  |                           |                      | 3,379,055          | -                   |
| SSGA Listed Infrastructure                        | 65,128            |                    |                  |                           |                      | (65,128)           | -                   |
| <b>Net Transfers</b>                              | <b>15,888,452</b> | <b>(1,199,608)</b> | <b>1,815,952</b> | <b>(104,824,844)</b>      | <b>(119,174,274)</b> | <b>131,614,248</b> | <b>(75,880,073)</b> |

**Board of Trustees - APFC Transfers - February 2022**

| Description                                       | Total Fund Cash   | Public Equities    | Fixed Income     | Pvt. Equity & Spec. Opps. | Real Estate      | Private Income      | Absolute Return  | Risk Parity          | Net                  |
|---|-------------------|--------------------|------------------|---------------------------|------------------|---------------------|------------------|----------------------|----------------------|
| <b>State of Alaska &amp; Administrative</b>       |                   |                    |                  |                           |                  |                     |                  |                      |                      |
| Mineral revenue                                   | 34,636,414        |                    |                  |                           |                  |                     |                  |                      | 34,636,414           |
| AIM STIF interest                                 | 2,045             |                    |                  |                           |                  |                     |                  |                      | 2,045                |
| Commission recapture proceeds                     | 7,966             |                    |                  |                           |                  |                     |                  |                      | 7,966                |
| Securities Lending income                         | 23,140            |                    |                  |                           |                  |                     |                  |                      | 23,140               |
| Class action proceeds                             | 3,399             |                    |                  |                           |                  |                     |                  |                      | 3,399                |
| Appropriation to SOA GF from ERA                  | (150,000,000)     |                    |                  |                           |                  |                     |                  |                      | (150,000,000)        |
| Corporate expenses                                | (20,185,426)      |                    |                  |                           |                  |                     |                  |                      | (20,185,426)         |
| <b>Public Equities</b>                            |                   |                    |                  |                           |                  |                     |                  |                      |                      |
| Mellon S&P 500                                    | 200,000,000       | (200,000,000)      |                  |                           |                  |                     |                  |                      | -                    |
| APF US Tactical Tilt                              | (50,000,000)      | 50,000,000         |                  |                           |                  |                     |                  |                      | -                    |
| Eagle Asset Management, Inc.                      | (200,000,000)     | 200,000,000        |                  |                           |                  |                     |                  |                      | -                    |
| APF Tactical Tilts                                | (99,049,385)      | 99,049,385         |                  |                           |                  |                     |                  |                      | -                    |
| APF Tac Tilts Cash                                | (950,615)         | 950,615            |                  |                           |                  |                     |                  |                      | -                    |
| SSGA International                                | 341               | (341)              |                  |                           |                  |                     |                  |                      | -                    |
| APF EM Markets EQ                                 | 344               | (344)              |                  |                           |                  |                     |                  |                      | -                    |
| Public EQ Sec Lend                                | 1,001,761         | (1,001,761)        |                  |                           |                  |                     |                  |                      | -                    |
| <b>Fixed Income</b>                               |                   |                    |                  |                           |                  |                     |                  |                      |                      |
| APF FI Overlay                                    | (416,337)         |                    | 416,337          |                           |                  |                     |                  |                      | -                    |
| APF TBA Collateral                                | (12,696,237)      |                    | 12,696,237       |                           |                  |                     |                  |                      | -                    |
| Colchester EMD LC                                 | 7,498,973         |                    | (7,498,973)      |                           |                  |                     |                  |                      | -                    |
| APF Fixed Income Cash                             | 416,337           |                    | (416,337)        |                           |                  |                     |                  |                      | -                    |
| Fixed Income Sec. Lending                         | 20,985            |                    | (20,985)         |                           |                  |                     |                  |                      | -                    |
| <b>Private Equity &amp; Special Opportunities</b> |                   |                    |                  |                           |                  |                     |                  |                      |                      |
| Private Equity distributions                      | 111,816,122       |                    |                  | (111,816,122)             |                  |                     |                  |                      | -                    |
| Private Equity capital calls                      | (82,795,974)      |                    |                  | 82,795,974                |                  |                     |                  |                      | -                    |
| Special Opportunities distributions               | 113,821,956       |                    |                  | (113,821,956)             |                  |                     |                  |                      | -                    |
| Special Opportunities capital calls               | (33,793,619)      |                    |                  | 33,793,619                |                  |                     |                  |                      | -                    |
| <b>Real Estate</b>                                |                   |                    |                  |                           |                  |                     |                  |                      |                      |
| Direct Real Estate distributions                  | 11,516,098        |                    |                  |                           | (11,516,098)     |                     |                  |                      | -                    |
| Direct Real Estate capital calls                  | (7,930,130)       |                    |                  |                           | 7,930,130        |                     |                  |                      | -                    |
| Real Estate Funds distributions                   | 4,147,401         |                    |                  |                           | (4,147,401)      |                     |                  |                      | -                    |
| Real Estate Funds capital calls                   | (10,200,347)      |                    |                  |                           | 10,200,347       |                     |                  |                      | -                    |
| <b>Private Income</b>                             |                   |                    |                  |                           |                  |                     |                  |                      |                      |
| Infrastructure distributions                      | 116,321,933       |                    |                  |                           |                  | (116,321,933)       |                  |                      | -                    |
| Infrastructure capital calls                      | (121,818,159)     |                    |                  |                           |                  | 121,818,159         |                  |                      | -                    |
| Private Credit distributions                      | 24,306,509        |                    |                  |                           |                  | (24,306,509)        |                  |                      | -                    |
| Private Credit capital calls                      | (12,538,944)      |                    |                  |                           |                  | 12,538,944          |                  |                      | -                    |
| Private Income distributions                      | 38,559,701        |                    |                  |                           |                  | (38,559,701)        |                  |                      | -                    |
| Private Income capital calls                      | (26,900,436)      |                    |                  |                           |                  | 26,900,436          |                  |                      | -                    |
| Cohen & Steers Listed Infrastructure              | 68                |                    |                  |                           |                  | (68)                |                  |                      | -                    |
| <b>Absolute Return</b>                            |                   |                    |                  |                           |                  |                     |                  |                      |                      |
| Absolute Return distributions                     | 748,500           |                    |                  |                           |                  |                     | (748,500)        |                      | -                    |
| <b>Risk Parity</b>                                |                   |                    |                  |                           |                  |                     |                  |                      |                      |
| Bridgewater All Weather                           | 80,000,000        |                    |                  |                           |                  |                     |                  | (80,000,000)         | -                    |
| PanAgora  | 120,000,000       |                    |                  |                           |                  |                     |                  | (120,000,000)        | -                    |
| <b>Net Transfers</b>                              | <b>35,574,380</b> | <b>148,997,555</b> | <b>5,176,280</b> | <b>(109,048,485)</b>      | <b>2,466,978</b> | <b>(17,930,671)</b> | <b>(748,500)</b> | <b>(200,000,000)</b> | <b>(135,512,462)</b> |

**Board of Trustees - APFC Transfers - March 2022**

| Description                                       | Total Fund Cash      | Public Equities  | Fixed Income   | Pvt. Equity & Spec. Opps. | Real Estate        | Private Income    | Absolute Return    | Net               |
|---|----------------------|------------------|----------------|---------------------------|--------------------|-------------------|--------------------|-------------------|
| <b>State of Alaska &amp; Administrative</b>       |                      |                  |                |                           |                    |                   |                    |                   |
| Mineral revenue                                   | 31,826,210           |                  |                |                           |                    |                   |                    | 31,826,210        |
| AIM STIF interest                                 | 1,405                |                  |                |                           |                    |                   |                    | 1,405             |
| Commission recapture proceeds                     | 6,231                |                  |                |                           |                    |                   |                    | 6,231             |
| Securities Lending income                         | 8,803                |                  |                |                           |                    |                   |                    | 8,803             |
| Class action proceeds                             | 145,450              |                  |                |                           |                    |                   |                    | 145,450           |
| AMHT Transfer to APF                              | 500,000              |                  |                |                           |                    |                   |                    | 500,000           |
| Corporate expenses                                | (10,771,439)         |                  |                |                           |                    |                   |                    | (10,771,439)      |
| <b>Public Equities</b>                            |                      |                  |                |                           |                    |                   |                    |                   |
| APF SPDR Yield                                    | 50,094,304           | (50,094,304)     |                |                           |                    |                   |                    | -                 |
| APF SPDR Low Vol                                  | 50,000,000           | (50,000,000)     |                |                           |                    |                   |                    | -                 |
| Mellon S&P 500                                    | 350,000,000          | (350,000,000)    |                |                           |                    |                   |                    | -                 |
| Lyrical Value LC                                  | (100,000,000)        | 100,000,000      |                |                           |                    |                   |                    | -                 |
| APF US Tactical Tilt                              | (300,094,304)        | 300,094,304      |                |                           |                    |                   |                    | -                 |
| APF Tactical Tilts                                | (45,795,196)         | 45,795,196       |                |                           |                    |                   |                    | -                 |
| APF Tac Tilts Cash                                | (4,204,804)          | 4,204,804        |                |                           |                    |                   |                    | -                 |
| Lee Munder - EM                                   | 205                  | (205)            |                |                           |                    |                   |                    | -                 |
| APF EM Markets EQ                                 | 120                  | (120)            |                |                           |                    |                   |                    | -                 |
| Public EQ Sec Lend                                | 833,946              | (833,946)        |                |                           |                    |                   |                    | -                 |
| Domestic Transition                               | 2,274                | (2,274)          |                |                           |                    |                   |                    | -                 |
| <b>Fixed Income</b>                               |                      |                  |                |                           |                    |                   |                    |                   |
| APF Domestic Structured                           | 258,000              |                  | (258,000)      |                           |                    |                   |                    | -                 |
| APF FI Overlay                                    | (518,781)            |                  | 518,781        |                           |                    |                   |                    | -                 |
| APF TBA Collateral                                | 1,236,609            |                  | (1,236,609)    |                           |                    |                   |                    | -                 |
| Colchester EMD LC                                 | (1,479,498)          |                  | 1,479,498      |                           |                    |                   |                    | -                 |
| APF Fixed Income Cash                             | 260,781              |                  | (260,781)      |                           |                    |                   |                    | -                 |
| Fixed Income Sec. Lending                         | 23,951               |                  | (23,951)       |                           |                    |                   |                    | -                 |
| <b>Private Equity &amp; Special Opportunities</b> |                      |                  |                |                           |                    |                   |                    |                   |
| Private Equity distributions                      | 140,046,363          |                  |                | (140,046,363)             |                    |                   |                    | -                 |
| Private Equity capital calls                      | (103,918,912)        |                  |                | 103,918,912               |                    |                   |                    | -                 |
| Special Opportunities distributions               | 11,763,112           |                  |                | (11,763,112)              |                    |                   |                    | -                 |
| Special Opportunities capital calls               | (22,098,307)         |                  |                | 22,098,307                |                    |                   |                    | -                 |
| <b>Real Estate</b>                                |                      |                  |                |                           |                    |                   |                    |                   |
| Direct Real Estate distributions                  | 6,748,379            |                  |                |                           | (6,748,379)        |                   |                    | -                 |
| Direct Real Estate capital calls                  | (5,236,425)          |                  |                |                           | 5,236,425          |                   |                    | -                 |
| Real Estate Funds capital calls                   | (124,925,450)        |                  |                |                           | 124,925,450        |                   |                    | -                 |
| <b>Private Income</b>                             |                      |                  |                |                           |                    |                   |                    |                   |
| Infrastructure distributions                      | 10,362,671           |                  |                |                           |                    | (10,362,671)      |                    | -                 |
| Infrastructure capital calls                      | (57,442,446)         |                  |                |                           |                    | 57,442,446        |                    | -                 |
| Private Credit distributions                      | 27,616,153           |                  |                |                           |                    | (27,616,153)      |                    | -                 |
| Private Credit capital calls                      | (30,171,723)         |                  |                |                           |                    | 30,171,723        |                    | -                 |
| Private Income distributions                      | 23,445,129           |                  |                |                           |                    | (23,445,129)      |                    | -                 |
| Private Income capital calls                      | (4,392,318)          |                  |                |                           |                    | 4,392,318         |                    | -                 |
| <b>Absolute Return</b>                            |                      |                  |                |                           |                    |                   |                    |                   |
| Absolute Return distributions                     | 4,756,394            |                  |                |                           |                    |                   | (4,756,394)        | -                 |
| Absolute Return capital calls                     | (599,354)            |                  |                |                           |                    |                   | 599,354            | -                 |
| <b>Net Transfers</b>                              | <b>(101,712,468)</b> | <b>(836,544)</b> | <b>218,938</b> | <b>(25,792,257)</b>       | <b>123,413,496</b> | <b>30,582,535</b> | <b>(4,157,040)</b> | <b>21,716,660</b> |



# ALASKA PERMANENT FUND FUND FINANCIAL HISTORY & PROJECTIONS as of March 31, 2022

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

| Nonspendable Fund Balance - Principal |                           |                          |                                      |                              |                                       |                              | Assigned Fund Balance - Earnings Reserve |                      |                    |                               |      |                         |                                       |                         |       |                | TOTAL FUND |  |  |
|---------------------------------------|---------------------------|--------------------------|--------------------------------------|------------------------------|---------------------------------------|------------------------------|--|----------------------|--------------------|-------------------------------|------|-------------------------|---------------------------------------|-------------------------|-------|----------------|------------|--|--|
| FY                                    | FY-Begin Contrib. Balance | Dedicated State Revenues | Inflation Proofing & Special Approp. | FY-End Balance Contributions | Unrealized Gain (Loss) FY-End Balance | FY-End Non-spendable Balance | Distributions                            |                      |                    |                               |      | FY-End Balance Realized | Unrealized Gain (Loss) FY-End Balance | FY-End Assigned Balance | FY    | FY-End Balance |            |  |  |
|                                       |                           |                          |                                      |                              |                                       |                              | Acct. Net Income                         | Statutory Net Income | Div/POMV Transfer  | Inflation Prfg & Spec Approp. | ACIF |                         |                                       |                         |       |                |            |  |  |
| 77-12                                 | 0                         | 13,670                   | 21,362                               | 35,032                       | 3,220                                 | 38,252                       | 41,559                                   | 40,348               | 19,791             | 18,064                        | 451  | 1,905                   | 175                                   | 2,081                   | 77-12 | 40,333         |            |  |  |
| 13                                    | 35,032                    | 840                      | 743                                  | 36,615                       | 4,184                                 | 40,800                       | 4,314                                    | 2,928                | 604                | 743                           | 30   | 3,486                   | 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   | 5,236                   | 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 <sup>(6)</sup>                     | 39,449                       | 4,750                                 | 44,199                       | 398                                      | 2,198                | 696 <sup>(5)</sup> | 0 <sup>(6)</sup>              | 18   | 7,649                   | 921                                   | 8,571                   | 16    | 52,770         |            |  |  |
| 17                                    | 39,449                    | 365                      | 0 <sup>(6)</sup>                     | 39,814                       | 7,155                                 | 46,969                       | 6,676                                    | 3,214                | 0                  | 0 <sup>(6)</sup>              | 25   | 10,862                  | 1,952                                 | 12,816                  | 17    | 59,785         |            |  |  |
| 18                                    | 39,814                    | 353                      | 0 <sup>(6)</sup>                     | 40,167                       | 5,863                                 | 46,030                       | 5,526                                    | 6,324                | 726                | 0 <sup>(6)</sup>              | 43   | 16,460                  | 2,403                                 | 18,864                  | 18    | 64,894         |            |  |  |
| 19                                    | 40,167                    | 385                      | 989                                  | 41,542                       | 6,278                                 | 47,821                       | 3,766                                    | 3,305                | 2,723              | 989                           | 22   | 16,052                  | 2,426                                 | 18,481                  | 19    | 66,301         |            |  |  |
| 20                                    | 41,542                    | 319                      | 4,758 <sup>(8)</sup>                 | 46,619                       | 5,789                                 | 52,408                       | 1,637                                    | 3,106                | 2,933              | 4,758 <sup>(8)</sup>          | 21   | 11,469                  | 1,424                                 | 12,894                  | 20    | 65,302         |            |  |  |
| 21                                    | 46,619                    | 320                      | 0 <sup>(6)</sup>                     | 46,939                       | 13,810                                | 60,749                       | 19,417                                   | 7,962                | 3,091              | 0 <sup>(6)</sup>              | 50   | 16,341                  | 4,807                                 | 21,148                  | 21    | 81,897         |            |  |  |
| Lo                                    | 22                        | 46,939                   | 525                                  | 4,000 <sup>(8)</sup>         | 51,464                                | 9,982                        | (1,390)                                  | 4,543                | 3,069              | 4,000 <sup>(8)</sup>          | 25   | 13,815                  | 2,680                                 | 16,494                  | 22    | 77,940         |            |  |  |
| Mid                                   | 22                        | 46,939                   | 525                                  | 4,000 <sup>(8)</sup>         | 51,464                                | 13,538                       | 4,504                                    | 5,634                | 3,069              | 4,000 <sup>(8)</sup>          | 31   | 14,906                  | 3,921                                 | 18,826                  | 22    | 83,828         |            |  |  |
| Hi                                    | 22                        | 46,939                   | 525                                  | 4,000 <sup>(8)</sup>         | 51,464                                | 17,660                       | 11,615                                   | 6,965                | 3,069              | 4,000 <sup>(8)</sup>          | 38   | 16,237                  | 5,572                                 | 21,809                  | 22    | 90,932         |            |  |  |
| 23                                    | 51,464                    | 631                      | 1,042                                | 53,137                       | 13,288                                | 66,425                       | 4,885                                    | 5,122                | 3,361              | 1,042                         | 28   | 15,625                  | 3,907                                 | 19,532                  | 23    | 85,956         |            |  |  |
| 24                                    | 53,137                    | 584                      | 1,074                                | 54,795                       | 13,064                                | 67,859                       | 5,002                                    | 5,244                | 3,601              | 1,074                         | 28   | 16,194                  | 3,861                                 | 20,054                  | 24    | 87,913         |            |  |  |
| 25                                    | 54,795                    | 550                      | 1,107                                | 56,452                       | 12,860                                | 69,312                       | 5,109                                    | 5,357                | 3,812              | 1,107                         | 28   | 16,633                  | 3,789                                 | 20,421                  | 25    | 89,733         |            |  |  |
| 26                                    | 56,452                    | 511                      | 1,139                                | 58,103                       | 12,675                                | 70,778                       | 5,207                                    | 5,461                | 4,028              | 1,139                         | 28   | 16,926                  | 3,692                                 | 20,618                  | 26    | 91,396         |            |  |  |
| 27                                    | 58,103                    | 516                      | 1,172                                | 59,791                       | 12,515                                | 72,306                       | 5,295                                    | 5,554                | 4,272              | 1,172                         | 28   | 17,036                  | 3,566                                 | 20,601                  | 27    | 92,908         |            |  |  |
| 28                                    | 59,791                    | 537                      | 1,207                                | 61,535                       | 12,355                                | 73,890                       | 5,379                                    | 5,643                | 4,367              | 1,207                         | 28   | 17,105                  | 3,434                                 | 20,539                  | 28    | 94,429         |            |  |  |
| 29                                    | 61,535                    | 544                      | 1,242                                | 63,320                       | 12,193                                | 75,514                       | 5,463                                    | 5,732                | 4,458              | 1,242                         | 28   | 17,137                  | 3,300                                 | 20,437                  | 29    | 95,951         |            |  |  |
| 30                                    | 63,320                    | 588                      | 1,278                                | 65,187                       | 12,030                                | 77,217                       | 5,549                                    | 5,822                | 4,543              | 1,278                         | 28   | 17,138                  | 3,163                                 | 20,301                  | 30    | 97,517         |            |  |  |
| 31                                    | 65,187                    | 692                      | 1,318                                | 67,196                       | 11,865                                | 79,062                       | 5,638                                    | 5,917                | 4,623              | 1,318                         | 28   | 17,114                  | 3,022                                 | 20,136                  | 31    | 99,197         |            |  |  |
| 32                                    | 67,196                    | 802                      | 1,360                                | 69,359                       | 11,697                                | 81,055                       | 5,735                                    | 6,019                | 4,701              | 1,360                         | 28   | 17,072                  | 2,879                                 | 19,951                  | 32    | 101,006        |            |  |  |
| 33                                    | 69,359                    | 884                      | 1,405                                | 71,647                       | 11,522                                | 83,170                       | 5,839                                    | 6,128                | 4,779              | 1,405                         | 28   | 17,017                  | 2,737                                 | 19,753                  | 33    | 102,923        |            |  |  |
| Cumulative Totals                     |                           |                          |                                      |                              |                                       |                              |  |                      |                    |                               |      |                         |                                       |                         |       |                |            |  |  |
| Proj. for FY22-FY31                   |                           |                          |                                      |                              |                                       |                              | 5,679                                    | 14,579               |                    |                               |      |                         |                                       | 280                     |       |                |            |  |  |

| Assumptions:             | Total Return - Inflation = Total Real Return |        |       | Statutory Return |       |       |
|--------------------------|--|--------|-------|------------------|-------|-------|
| Lo                       | FY22   | -1.45% | 4.70% | -6.15%           | Lo    | 5.94% |
| Mid                      | FY22 <sup>(3)</sup>                          | 5.86%  | 4.70% | 1.16%            | Mid   | 7.30% |
| Hi                       | FY22   | 14.68% | 4.70% | 9.98%            | Hi    | 8.96% |
| FY23-FY31 <sup>(4)</sup> |  | 6.20%  | 2.00% | 4.20%            | 6.52% |       |

**Notes related to financial history and projections:**

(1) Dedicated State Revenues in current and future fiscal years are based on the Spring 2022 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 2021 Callan capital market assumptions. Actual results will vary.

(4) Future returns are based on 2021 Callan capital market assumptions and median expected returns (the mid case). Actual results will vary.

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

(6) There was no appropriation for inflation proofing in FY16, FY17, FY18, FY21, and FY22.

(7) 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.

(8) In FY20 and FY22, an additional \$4 billion was appropriated from the ERA to principal.

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

| FY22 POMV Distribution (actual) <sup>(11)</sup> |             | FY22 Statutory Dividend Transfer (actual) <sup>(11)</sup> |            |
|---|-------------|---|------------|
| Ending Fund Value (ex Am Hess)                  |             |   |            |
| FY20  | \$ 64,877.6 | FY21  | \$ 7,962.0 |
| FY19  | 65,876.8    | FY20  | 3,106.0    |
| FY18  | 64,470.0    | FY19  | 3,305.0    |
| FY17  | 59,360.9    | FY18  | 6,324.4    |
| FY16  | 52,345.3    | FY17  | 3,214.2    |
| Average Value \$ 61,386.1                       |             |   |            |
| Statutory Distribution \$ 3,069.3               |             | Available for Dist (21%) \$ 5,021.4                       |            |
|   |             | Statutory Trnsfr Amt \$ 2,510.7                           |            |

| FY23 POMV Distribution (actual) <sup>(11)</sup> |             | FY23 Statutory Dividend Transfer (projected) |            |
|---|-------------|--|------------|
| Ending Fund Value (ex Am Hess)                  |             |  |            |
| FY21  | \$ 81,472.6 | FY22   | \$ 5,633.6 |
| FY20  | 64,877.6    | FY21   | 7,962.0    |
| FY19  | 65,876.8    | FY20   | 3,106.0    |
| FY18  | 64,470.0    | FY19   | 3,305.0    |
| FY17  | 59,360.9    | FY18   | 6,324.4    |
| Average Value \$ 67,211.6                       |             |  |            |
| Statutory Distribution \$ 3,360.6               |             | Available for Dist (21%) \$ 5,529.5          |            |
|   |             | Statutory Trnsfr Amt \$ 2,764.8              |            |

**Income Year-to-Date as of March 31, 2022**

| FY22 YTD Statutory Net Income                   |            |
|---|------------|
| Interest, dividends, real estate & other income | \$ 1,222.9 |
| Realized gains (losses) on the sale of assets   | 3,440.6    |
| Less operating expenses                         | (120.1)    |
| Less AK Capital Inc. Fund realized earnings     | (23.9)     |
|   | \$ 4,519.5 |

| FY22 YTD Accounting (GAAP) Net Income        |            |
|--|------------|
| Statutory net income (loss)                  | \$ 4,519.5 |
| Unrealized gains (losses) on invested assets | (2,288.7)  |
| AK Capital Income Fund realized earnings     | 23.9       |
|  | \$ 2,254.7 |

**FYTD 2022 Fees & Expenses by Funding Source\***

|  |                |
|--|----------------|
| Report Date  | March 31, 2022 |
| Total Fund Balance                                   | 82,116,054,000 |
| FYTD Change in Total Fund Balance (Net of Transfers) | 1,124,986,000  |

***Investment Management Fees***

|                                  | Paid from<br>Investments | Paid from Investment<br>Management Allocation | Paid from<br>Operations Allocation | Total              |
|----------------------------------|--------------------------|---|------------------------------------|--------------------|
| Public Equity                    | 1,570,000                | 44,169,000                                    | 1,482,000                          | 47,221,000         |
| Fixed Income                     | 203,000                  | 7,916,000                                     | 3,864,000                          | 11,983,000         |
| Absolute Return                  | 45,738,000               | 152,000                                       | 274,000                            | 46,164,000         |
| Risk Parity                      | 2,301,000                | 33,000  | 68,000                             | 2,402,000          |
| Total Fund Cash                  | 0                        | 98,000  | 205,000                            | 303,000            |
| Private Equity & Special Opps    | 102,049,000              | 18,775,000                                    | 2,521,000                          | 123,345,000        |
| Infrastructure & Private Income  | 52,094,000               | 1,912,000                                     | 1,174,000                          | 55,180,000         |
| Real Estate                      | 26,737,000               | 3,983,000                                     | 2,798,000                          | 33,518,000         |
| <b>Total Mgmt Fees by Source</b> | <b>230,692,000</b>       | <b>77,038,000</b>                             | <b>12,386,000</b>                  | <b>320,116,000</b> |
| <b>Basis Points</b>              | <b>28</b>                | <b>9</b>                                      | <b>2</b>                           | <b>39</b>          |

***Profit Sharing/Performance***

|                                 | Paid from<br>Investments | Paid from Investment<br>Management Allocation | Paid from<br>Operations Allocation | Total              |
|---------------------------------|--------------------------|---|------------------------------------|--------------------|
| Public Equity                   | 0                        | 22,340,000                                    | 0                                  | 22,340,000         |
| Absolute Return                 | 76,265,000               | 0   | 0                                  | 76,265,000         |
| Private Equity & Special Opps   | 279,970,000              | 0   | 0                                  | 279,970,000        |
| Infrastructure & Private Income | 19,543,000               | 0   | 0                                  | 19,543,000         |
| Real Estate                     | 113,000                  | 0   | 0                                  | 113,000            |
|                                 | <b>375,891,000</b>       | <b>22,340,000</b>                             | <b>0</b>                           | <b>398,231,000</b> |

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



**Budget-to-Actuals and Projected Expenditures: July 1, 2021 through March 31, 2022**

| <b>Corporate Operations</b>        | <b>Authorized Budget</b> | <b>Actuals and Projected Expenditures</b> | <b>Projected Remaining Budget</b> |
|------------------------------------|--------------------------|---|-----------------------------------|
| Personal Services                  | \$ 14,771,300            | \$ 14,119,752                             | \$ 651,548                        |
| Staff                              | 13,860,646               | 13,208,396                                | 652,250                           |
| Incentive Compensation             | 890,000                  | 890,000                                   | -                                 |
| Board: Honoraria                   | 20,654                   | 21,357                                    | (703)                             |
| Travel                             | \$ 800,000               | \$ 517,027                                | \$ 282,973                        |
| Staff                              | 602,000                  | 407,172                                   | 194,828                           |
| Trustees                           | 18,000                   | 28,976                                    | (10,976)                          |
| Moving and Non-Employee            | 180,000                  | 80,879                                    | 99,121                            |
| Contractual Services               | \$ 3,213,600             | \$ 3,036,028                              | \$ 177,572                        |
| Audit, Legal, Consulting           | 625,475                  | 572,635                                   | 52,840                            |
| Public Communications              | 283,150                  | 285,961                                   | (2,811)                           |
| Board Support and Meetings         | 71,800                   | 80,176                                    | (8,376)                           |
| Information Technology             | 1,147,500                | 1,252,106                                 | (104,606)                         |
| HR and Recruitment                 | 63,710                   | 57,053                                    | 6,657                             |
| Training and Education             | 199,600                  | 83,608                                    | 115,992                           |
| Office Support                     | 822,365                  | 704,489                                   | 117,876                           |
| Commodities                        | \$ 201,100               | \$ 183,904                                | \$ 17,196                         |
| Equipment                          | \$ 550,000               | \$ 541,890                                | \$ 8,110                          |
| <b>Corporate Operations Total</b>  | <b>\$ 19,536,000</b>     | <b>\$ 18,398,601</b>                      | <b>\$ 1,137,399</b>               |
| <b>Investment Management</b>       |                          |   |                                   |
| Investment Systems                 | \$ 8,080,900             | \$ 6,987,402                              | \$ 1,093,498                      |
| Investment Due Diligence           | \$ 6,136,700             | \$ 3,179,020                              | \$ 2,957,680                      |
| Custody Fees                       | \$ 1,600,000             | \$ 1,276,087                              | \$ 323,913                        |
| Investment Manager Fees            | \$ 177,221,500           | \$ 117,448,500                            | \$ 59,773,000                     |
| Public Equities                    | 131,895,672              | 79,995,399                                | 51,900,273                        |
| Fixed Income                       | 9,755,847                | 7,546,471                                 | 2,209,376                         |
| Real Estate                        | 3,114,387                | 3,665,525                                 | (551,138)                         |
| Alternative Markets                | 32,455,594               | 26,241,105                                | 6,214,489                         |
| <b>Investment Management Total</b> | <b>\$ 193,039,100</b>    | <b>\$ 128,891,008</b>                     | <b>\$ 64,148,092</b>              |
| <b>Legislative Appropriation</b>   | <b>\$ 9,280,500</b>      | <b>\$ 9,280,500</b>                       | <b>\$ -</b>                       |
| <b>Total Appropriation</b>         | <b>\$ 221,855,600</b>    | <b>\$ 156,570,109</b>                     | <b>\$ 65,285,491</b>              |

SUBJECT: Chief Investment Officer’s Report

ACTION: \_\_\_\_\_

DATE: May 18, 2022

INFORMATION:  X

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BACKGROUND:

The Chief Investment Officer’s report provides an overview of Fund positioning, performance, investment actions taken during the quarter, and other current topics in the Investment Department.

STATUS:

Marcus Frampton, CIO, will present Fund positioning, asset class performance and strategies, and investment actions taken during the quarter from January 1 to March 31, 2022.

The logo for the Alaska Permanent Fund Corporation (APFC) features the letters 'APFC' in a white, serif font, centered within a dark teal rectangular box. The background of the slide is a dark teal color with a faint, semi-transparent image of a large, multi-story building on the left side.

APFC

ALASKA PERMANENT  
FUND CORPORATION

CIO Report  
*Marcus Frampton, Chief Investment Officer*

May 18, 2022

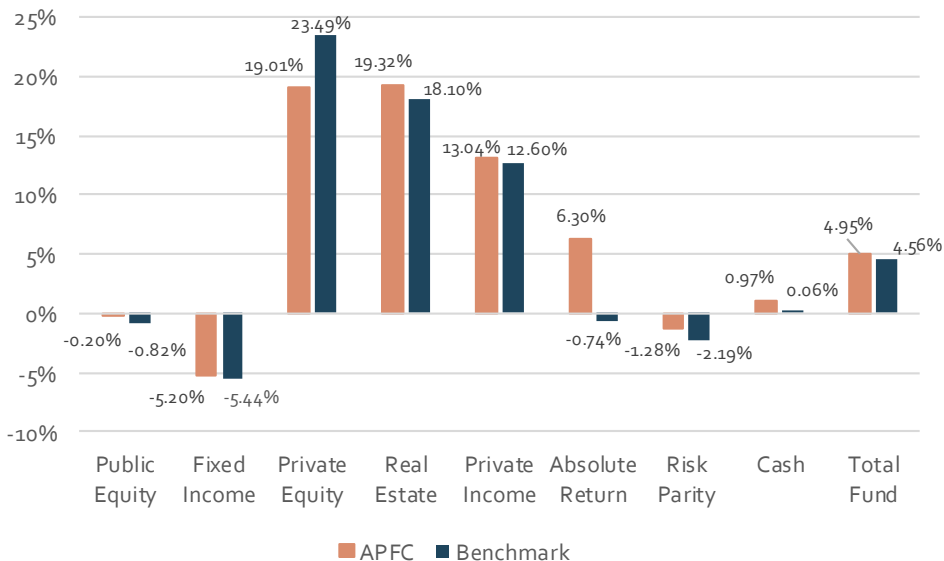
# Investment Department Current Topics

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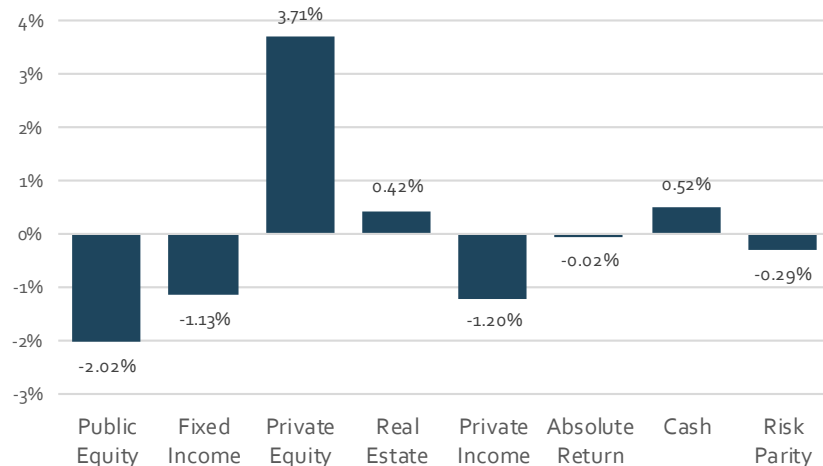
- Personnel
- Performance and positioning
- Investment Policy Statement proposed changes
- Alternative assets pacing
- Investment actions taken during the quarter

# Total Fund Positioning and Performance

## FY' 22 Performance as of 3/31/22 <sup>(1)</sup>



## Positioning as of 3/31/22 <sup>(1)</sup>



# Proposed Changes to the Fixed Income Portfolio

- Beginning at the start of FY '23, Staff propose to bring all Fixed Income assets in-house. Additionally, Staff propose to eliminate the Emerging Markets allocation in the portfolio and change the aggregate benchmark to a more conservative mandate to reflect the true purpose of the Fixed Income asset class in an overall portfolio.

## Pros:

- Significant annual fee savings.
- More control over the portfolio, including increased transparency and accountability of performance attribution.
- More conservative portfolio without Emerging Markets and a more conservative High Yield allocation.

## Cons:

- 20 bps lower expected return on the Fixed Income portfolio given the decrease in risk.
- Additional resources to support incremental internal activity.



# Report on Investment Actions for Quarter Ending March 31, 2022

# Investment Actions

## *Quarter Ending March 31, 2022*

### Public Equity

- During the quarter, the following transfers occurred between **the Total Fund Cash Account and Public Equities**. The net transfer amount was **\$0**.

|                       |   |          |
|-----------------------|---|----------|
| Feb 24 <sup>th</sup>  | Transfer from Cash to APF US Tactical Tilts | \$150 mm |
| March 2 <sup>nd</sup> | Transfer from MCM S&P 500 to Cash           | \$100 mm |
| March 4 <sup>th</sup> | Transfer from Cash to APF US Tactical Tilts | \$100 mm |
| March 7 <sup>th</sup> | Transfer from MCM S&P 500 to Cash           | \$150 mm |

- During the quarter, Staff moved **\$400 million** across **external managers**. Details are below:

|   |                                    |          |
|---|------------------------------------|----------|
| Feb 9 <sup>th</sup> – 11 <sup>th</sup>    | Redemption - MCM S&P 500           | \$100 mm |
|   | Contribution – Eagle US SC Growth  | \$100 mm |
| Feb 16 <sup>th</sup> – 18 <sup>th</sup>   | Redemption - MCM S&P 500           | \$100 mm |
|   | Contribution - Eagle US SC Growth  | \$100 mm |
| March 14 <sup>th</sup> – 15 <sup>th</sup> | Redemption - MCM S&P 500           | \$100 mm |
|   | Redemption - Mellon FTSE RAFI      | \$100 mm |
|   | Contribution – Eagle US SC Growth  | \$100 mm |
|   | Contribution – Lyrical US LC Value | \$100 mm |

- During the quarter, Staff moved **\$100 million** across **internal accounts**. Details are below:

|   |                                      |          |
|---|--------------------------------------|----------|
| March 14 <sup>th</sup> – 15 <sup>th</sup> | Redemption – APF SPDR Yield          | \$50 mm  |
|   | Redemption – APF SPDR Low Vol        | \$50 mm  |
|   | Contribution – APF US Tactical Tilts | \$100 mm |

# Investment Actions (continued)

## *Quarter Ending March 31, 2022*

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### Private Income

#### Fund Commitments closed in Fiscal Q3:

\$25 million to Whitehorse Liquidity Partners V  
\$75 million to Clearlake Opportunities Partners III  
\$75 million to Sprott Private Resource Lending Fund III  
**\$175 million**

### Private Equity & Special Opps

#### Fund Commitments closed in Fiscal Q3:

\$40 million to Battery XIV & Select II  
\$40 million to JMI XI  
\$40 million to Lightspeed XIV & Select V  
\$25 million to ARCH XII  
\$40 million to Green Equity IX & Jade II  
**\$185 million**

#### Direct Investments closed in Fiscal Q3:

**\$30 million** to Tessera Therapeutics Series C (follow-on round)

### Real Estate

- During FY '22 Q3, Staff took the following investment actions:
  - Committed \$300 mm to Denali Industrial Properties (APFC's existing JV with Lincoln).
  - Paid off loans on the Industrial Plaza and Park Huron properties.

# Investment Actions

## *Quarter Ending March 31, 2022*

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### Risk Parity

- As a result of standard rebalancing of the total Fund, Staff redeemed \$200 million from the Risk Parity portfolio in February.

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### Total Fund Cash

- During FY '22 Q3, Total Fund Cash had a net outflow of ~\$40 million. Activity in Total Fund Cash included funding of alternative investments, funding to the State's General Fund and other department appropriations, and various distributions and sale proceeds from the private markets.
  - Staff funded \$100 mm in Gold in January and \$300 mm in March as inflation continued to rise.
  - Cash had a net inflow of \$109 mm from Private Markets. Inflows were the result of distributions mainly in Infrastructure and Private Equity, and outflows were from capital calls mainly in Infrastructure and Real Estate.
  - \$250 mm was transferred to the State General Fund as part of the FY 2022 appropriation.
  - \$112 mm was received in DNR royalty proceeds.
  - \$46 mm was paid in management fees.

SUBJECT: Risk Overview

ACTION: \_\_\_\_\_

DATE: May 18, 2022

INFORMATION:   X  

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**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 parts:

- **Part-1 [Information]:** includes a summary of the level and drivers of equity risk within the total fund. This is followed by an overview of recent macro market events, relative valuation of the public and private equity markets, and potential downside risks.
- **Part-2 [Information]:** covers the main measures of risk for the Fund. Aggregate fund risk compared to approved risk appetite is a key strategic metric. Others 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.



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FUND CORPORATION

# Risk Overview

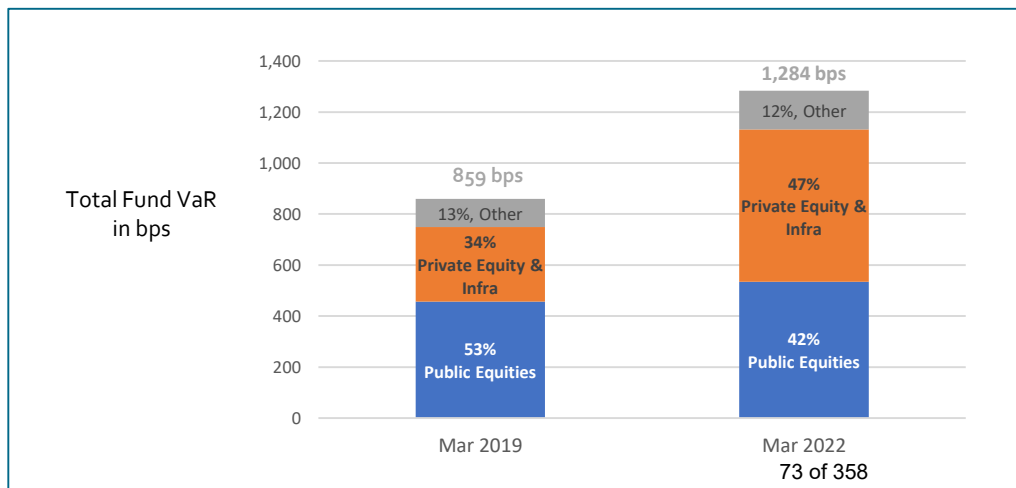
May 18, 2022

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# Part 1: Equity market valuations and related risks

# Equity Risk: the principal driver of risk (and returns) for the Fund

- Over the last three years **equity risk**, entailed in the fund's public and private equity portfolios (public equities + private equity & infra.), has continued to be the principal contributor of total Fund risk.
- While the equity risk proportion has remained mostly constant at about 88% of total Fund risk over the last three years, there has been an almost 50% increase in total Fund risk (in terms of VaR) during the period: from 859 bps to 1,284 bps.
- Most of the increase in total Fund risk can be attributed to increased allocation to private equity over this three-year period.



| Equity Exposure (3/31/2022)                       | Asset Allocation % | Risk Contribution % |
|---|--------------------|---------------------|
| Public Equities + Private Equity + Private Infra. | 64%                | 88%                 |

The approximately 4% overweight, relative to benchmark, in private equity has also resulted in total Fund risk (VaR) exceeding benchmark risk by ~15%

# Equity Markets: Macro Factors; Valuations; Historical Averages

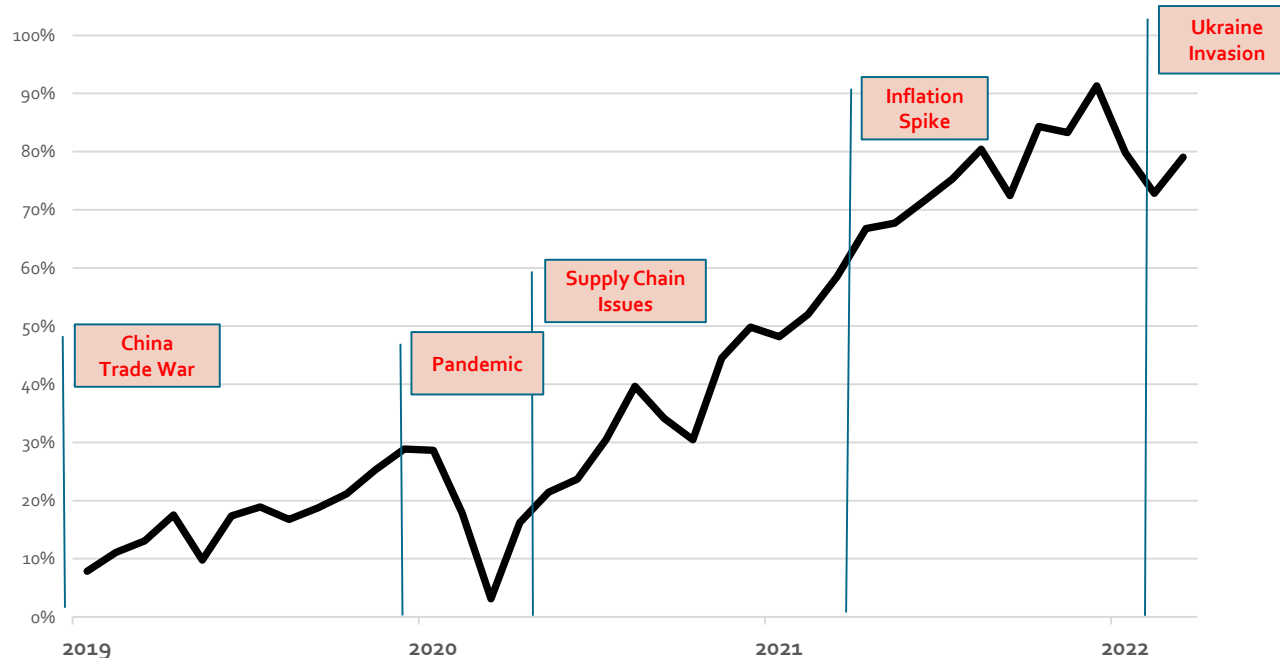
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Given that the Fund is predominantly exposed to equity risk, the next few pages summarize the following salient aspects of equity market dynamics:

- **Adverse macro events (page 5)**
  - ✓ The equity markets have registered [extraordinary] returns, especially during the recent past - approximately 80% cumulative for the S&P over the last 3 years. This has been despite the multiple seemingly high-impact adverse macro events during this period.
  - ✓ Most of these macro events are still unravelling, with their impacts probably yet to be seen.
- **Market valuations and structural issues (pages 6-8)**
  - ✓ Equity market indexes are relatively expensive and the current composition reflects significant concentrations.
  - ✓ The moderate tracking error in the Fund's public equity portfolios imply close alignment to indexes – Fund performance, to a large extent, is expected to mirror equity index performance.
- **Equity market performance (pages 9 – 10)**
  - ✓ Recent equity market returns deviate significantly relative to historical averages – mean reversion?
- **Private Equity is also relatively expensive(pages 11-12)**
  - ✓ Considerably higher capital flows, more than a decade of low inflation and rates, and other factors have contributed to frothiness and altered manager focus.
- **Impact of a market downturn on Fund value (page 13)**
  - ✓ Turmoil in equity markets is likely to have material adverse impact of fund value. Stress analyses estimate possible deep drawdowns.

# Equity markets: (extraordinary!) growth despite significant adverse macro events

S&P 500: Cumulative Returns - Jan 2019 to Mar 2022



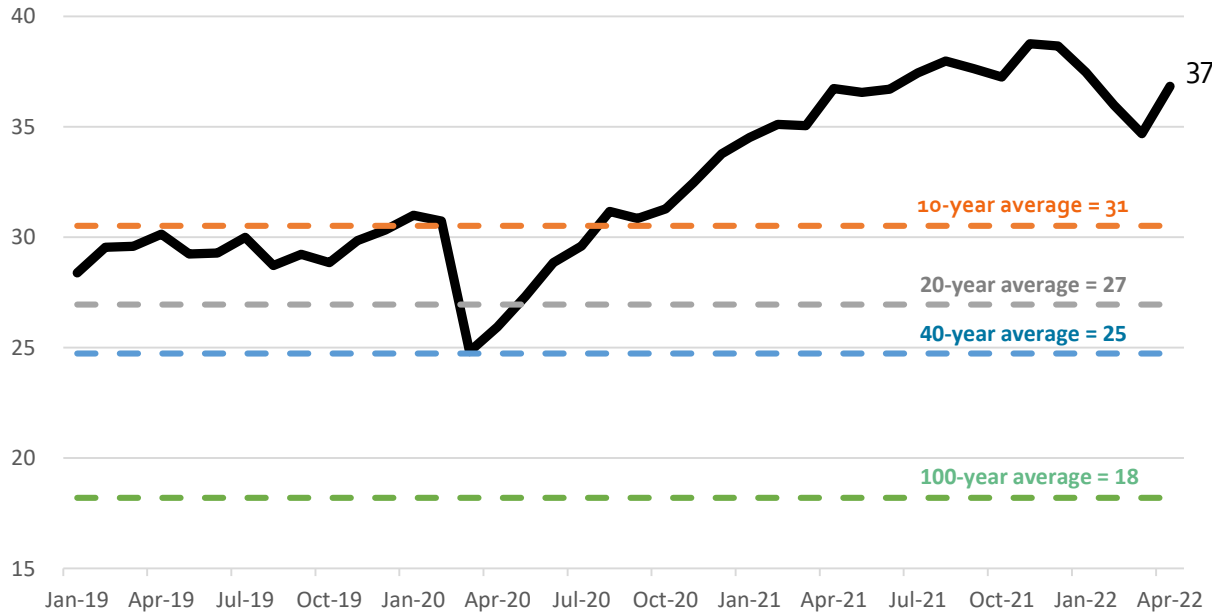
Each of these on their own are potential high impact macroeconomic events

..nevertheless, equity markets seem oblivious

..returning a cumulative ~80% in about 3 years

# Equity markets: S&P valuations are close to all time highs

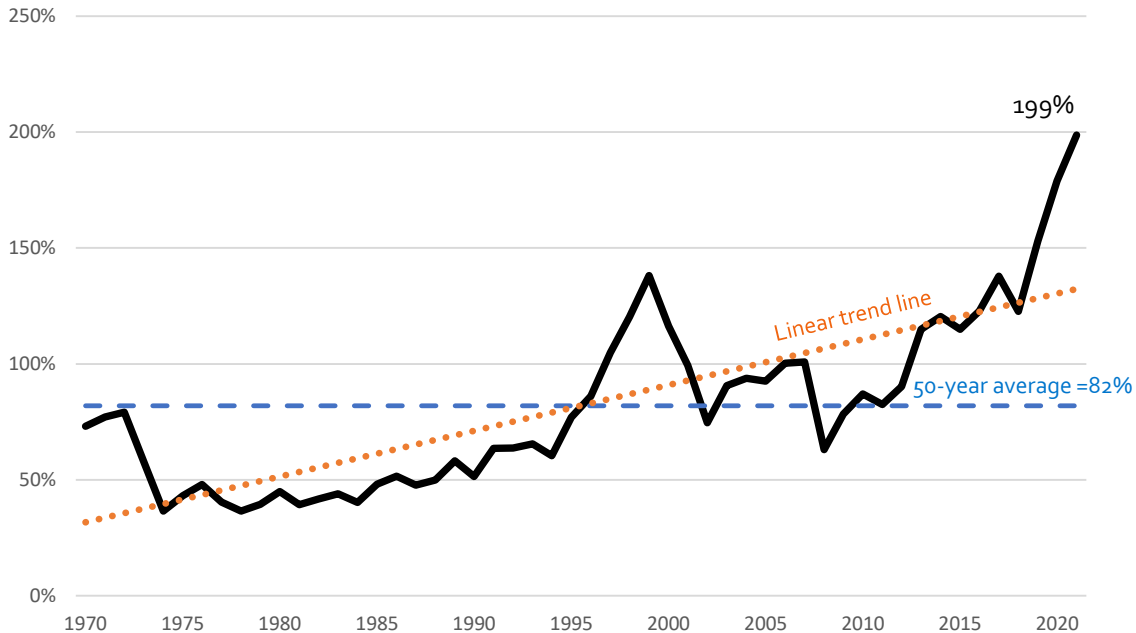
Shiller P/E (CAPE)- S&P Jan 2019 to Mar 2022



- The Cyclically Adjusted Price to Earnings (CAPE) ratio or the Shiller P/E is a widely used measure of equity market expensiveness
- The ratio, as of end Q1-2022, is well above historical averages, even when measured across multiple time periods
- There were only 2 two years (1999 and 2000) in the last century that the ratio exceeded Q4-2021 levels. The 'bear market' soon after, beginning in Mar 2000, resulted in a ~37% decline and lasted just under two years

# Equity markets: out-of-sync with actual economic growth

Ratio of Market Cap (Wilshire Index) to GDP: 1970 to 2021



- The chart highlights the steep growth in market capitalization of the US equity market, materially outpacing economic growth.
- This 'Buffett Indicator' ratio is significantly higher than historical averages. The indicator, even with its shortcomings, seems intuitive and a reasonably sound measure.
- Important to note that the Wilshire index excludes private companies, which over the last two decades have experienced explosive growth: implying that the ratio, of equity market cap to GDP, is actually much bigger (est. ~300%).

# Equity markets: fewer companies drive index valuation

## The Top-5 companies, in terms of weight, of the S&P500: change over 30 years

| Weights within the index                   |                                | Mar-91       | Mar-01       | Mar-11       | Mar-19       | Mar-20       | Mar-21       | Mar-22       |
|--|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| TECH *                                     | Apple Inc                      | -            | -            | 2.7%         | 3.6%         | 5.0%         | 5.7%         | 7.1%         |
| TECH *                                     | Microsoft Corp                 | -            | 2.8%         | -            | 3.8%         | 5.6%         | 5.3%         | 6.0%         |
| TECH *                                     | Amazon.com Inc                 | -            | -            | -            | 3.1%         | 3.8%         | 3.9%         | 3.7%         |
| TECH *                                     | Tesla Inc                      | -            | -            | -            | -            | -            | -            | 2.4%         |
| TECH *                                     | Alphabet Inc                   | -            | -            | -            | -            | -            | 1.8%         | 2.2%         |
| TECH *                                     | Meta Platforms Inc             | -            | -            | -            | 1.7%         | 1.9%         | 2.1%         | -            |
| TECH *                                     | International Business Machine | 2.6%         | -            | 1.6%         | -            | -            | -            | -            |
| RETAIL                                     | Walmart Inc                    | 1.8%         | -            | -            | -            | -            | -            | -            |
| OTHER                                      | General Electric Co            | 2.4%         | 4.0%         | 1.8%         | -            | -            | -            | -            |
| OTHER                                      | Altria Group Inc               | 2.5%         | -            | -            | -            | -            | -            | -            |
| FINANCE                                    | Citigroup Inc                  | -            | 2.2%         | -            | -            | -            | -            | -            |
| FINANCE                                    | Berkshire Hathaway Inc         | -            | -            | -            | 1.7%         | 1.7%         | -            | -            |
| ENERGY                                     | Exxon Mobil Corp               | 2.9%         | 2.7%         | 3.5%         | -            | -            | -            | -            |
| ENERGY                                     | Chevron Corp                   | -            | -            | 1.8%         | -            | -            | -            | -            |
| <b>Total Weight of the Top-5 companies</b> |                                | <b>12.2%</b> | <b>11.7%</b> | <b>11.3%</b> | <b>13.9%</b> | <b>17.9%</b> | <b>18.9%</b> | <b>21.4%</b> |
| <b>Average P/E of the Top-5 companies</b>  |                                | <b>14</b>    | <b>26</b>    | <b>14</b>    | <b>37</b>    | <b>37</b>    | <b>36</b>    | <b>59</b>    |

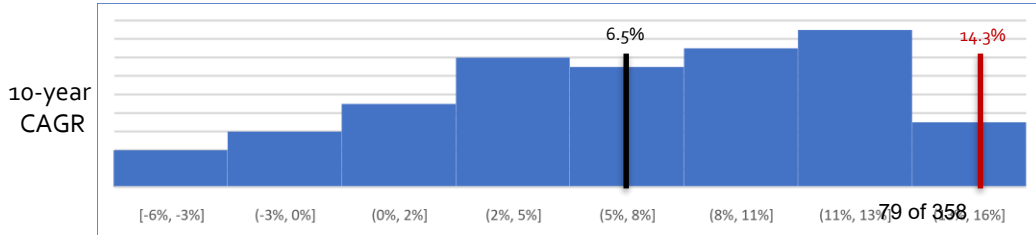
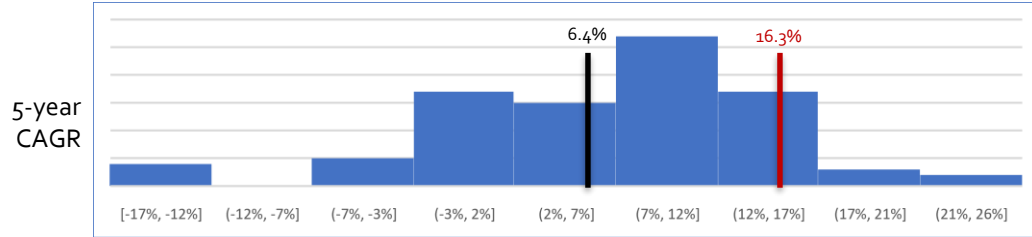
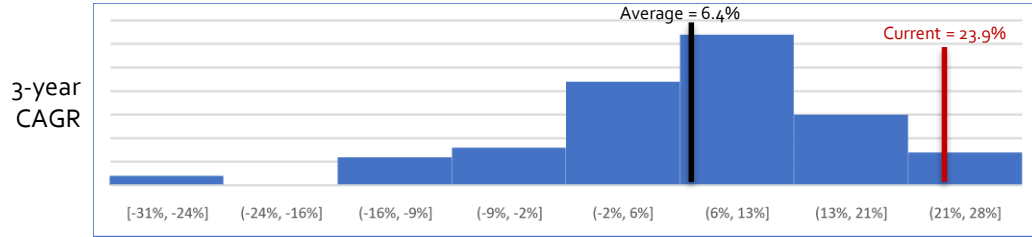
- As of end March 2022, the weightiest 5 of the 500 (i.e. 1%) companies within the S&P500 constituted more than 21% of the index weight
- Comparatively, 30 years ago, the top 1% made up only ~12% of the index weight. And, 3 years ago it was below 14%
- More recently, concentrations in terms of company and sector have become more pronounced as well.
- The weighted average P/E of the top 5 is at a relatively high level of 59 – almost 4 times the comparable number in 1991

*Does this reflect 'structural' weakness or a paradigm change?*

\* The 'TECH' categorization is an internal risk definition, based on assumed implied correlation

# S&P last 100 years: return levels are materially higher than historical averages

Histogram of historical S&P yearly returns: 1921 - 2021



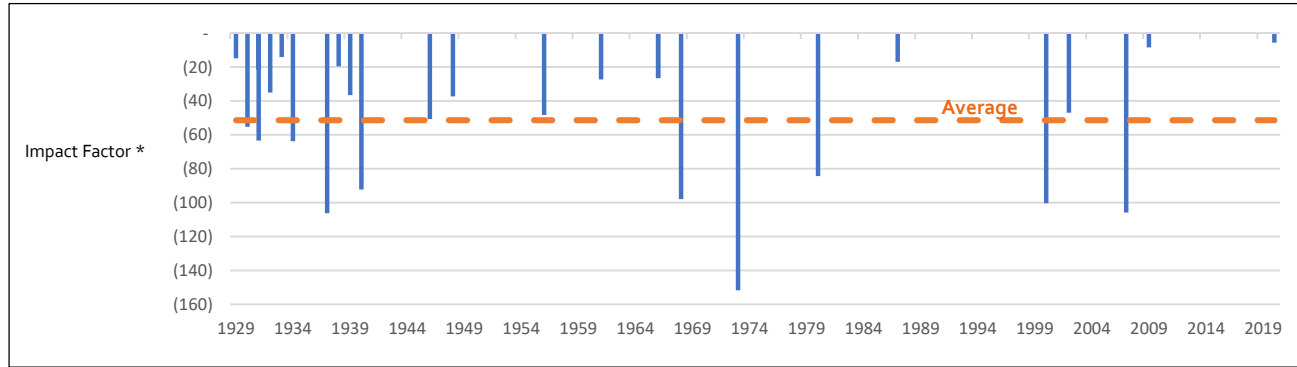
- As of the end of 2021, the annualized 3-year return was 23.9%
- Annualized 3-year returns have averaged about 6.4% during the last ~century
- There were only 5 occasions in the last 100 years where the annualized 3-year return exceeded the current level

- As of the end of 2021, the annualized 5-year return was 16.3%
- Annualized 5-year returns have averaged about 6.4% during the last ~century
- There were only 8 occasions in the last 100 years where the annualized 5-year return exceeded the current level

- As of the end of 2021, the annualized 10-year return was 14.3%
- Annualized 10-year returns have averaged about 6.5% during the last ~century
- There were only 4 occasions in the last 100 years where the annualized 10-year return exceeded the current level

# Bear Market Stats: mean reversion may imply the next correction is near

This chart maps the 'Impact Factor' from the table below



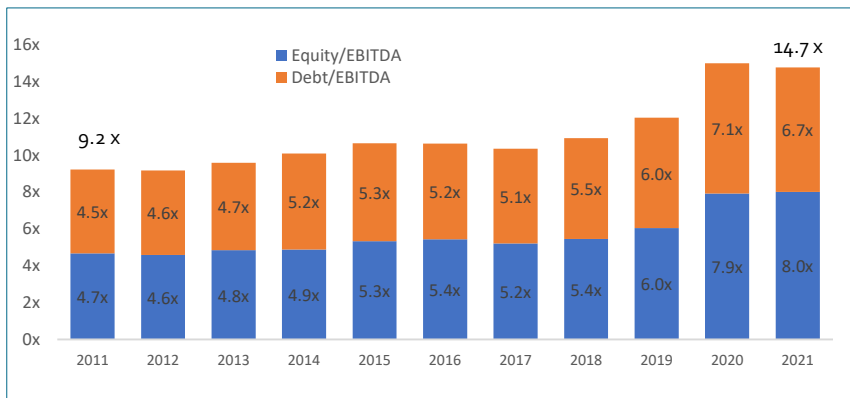
- There have been 26 'bear markets' over the last ~100 years, roughly averaging one every 3.6 years.
- Excluding the 2020 decline, it's been over 13 years since the last one: the 2020 decline was just over a month long and had a low 'impact factor'.
- The severity of a market downturn is assumed to be a function of the quantum and length of the drawdown. The impact factor aims to capture this severity.

|                              | Average | Sep-29 | Apr-30 | Feb-31 | Jun-31 | Nov-31 | Sep-32 | Jul-33 | Feb-34 | Mar-37 | Nov-38 | Oct-39 | Nov-40 | May-46 | Jun-48 | Aug-56 | Dec-61 | Feb-66 | Nov-68 | Jan-73 | Nov-80 | Aug-87 | Mar-00 | Jan-02 | Oct-07 | Jan-09 | Feb-20 |
|------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Decline%                     | -36%    | -45%   | -44%   | -33%   | -43%   | -62%   | -41%   | -30%   | -32%   | -55%   | -26%   | -32%   | -34%   | -29%   | -21%   | -22%   | -28%   | -22%   | -36%   | -48%   | -27%   | -34%   | -37%   | -34%   | -52%   | -28%   | -34%   |
| Length (Days)                | 289     | 67     | 250    | 98     | 100    | 205    | 173    | 95     | 401    | 390    | 150    | 229    | 535    | 353    | 363    | 446    | 196    | 240    | 543    | 630    | 622    | 101    | 546    | 278    | 408    | 62     | 33     |
| Impact Factor*               | (51)    | (15)   | (55)   | (16)   | (22)   | (63)   | (35)   | (14)   | (64)   | (106)  | (20)   | (37)   | (92)   | (51)   | (37)   | (48)   | (27)   | (27)   | (98)   | (152)  | (84)   | (17)   | (100)  | (47)   | (106)  | (9)    | (6)    |
| Years after previous decline | 3.6     | --     | 0.6    | 0.9    | 0.3    | 0.4    | 0.8    | 0.9    | 0.6    | 3.1    | 1.7    | 1.0    | 1.0    | 5.6    | 2.0    | 8.1    | 5.4    | 4.2    | 2.8    | 4.1    | 7.9    | 6.7    | 12.6   | 1.8    | 5.8    | 1.2    | 11.1   |

\* Impact factor = (Decline × Length) ÷ 2

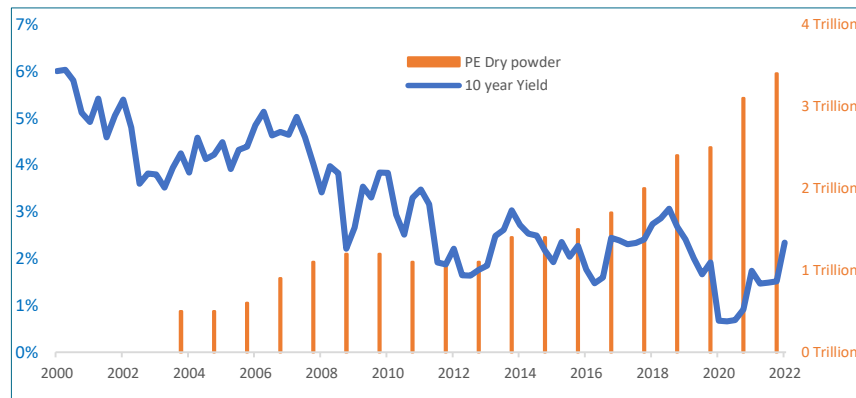
# Private Equity: seems relatively expensive as well

**Fig-1:** Median middle-market PE buyout multiples by rolling 3-year



Source: Pitchbook, As of Q3 2021

**Fig-2:** US treasury 10Y yields (LHS) and Private capital dry powder (RHS)



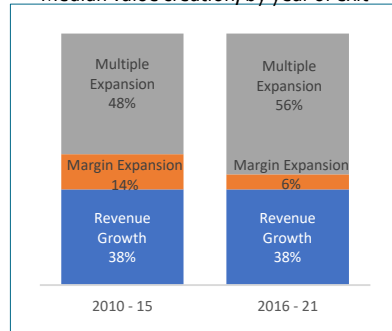
Source: Bain & Company - Global Private Equity Report 2022

- Over the last decade median deal multiples have risen by almost 60% to mid-teens ([Fig-1](#)), reflecting significantly higher entry prices within private equity (while *Fig-1* pertains to middle-market PE buyout, the trends and implications are not vastly different for all PE).
- Transactions have become much more expensive, probably due to declining interest rates (lower discount rates) and increasing dry powder (more pressure to do deals) ([Fig-2](#)).
- Several factors, including inflation/higher rates, increased costs and tight labor market, could change this dynamic. Achieving higher exit multiples is likely to be challenging in the future.

# Private Equity: changing dynamic is likely to challenge manager skills

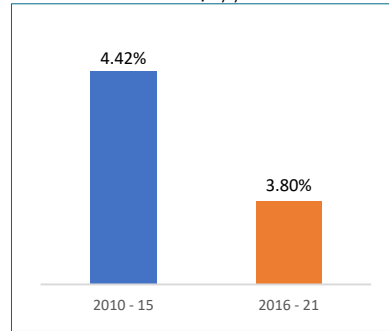
**Fig-1: Value Drivers**

Median value creation, by year of exit



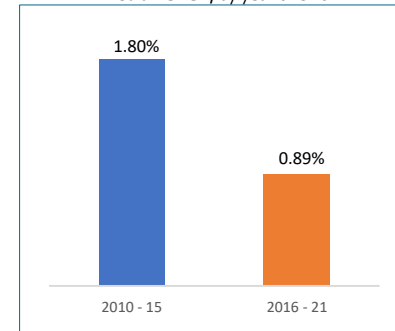
**Fig-2: Revenue**

Median CAGR, by year of exit



**Fig-3: EBITDA margin**

Median CAGR, by year of exit

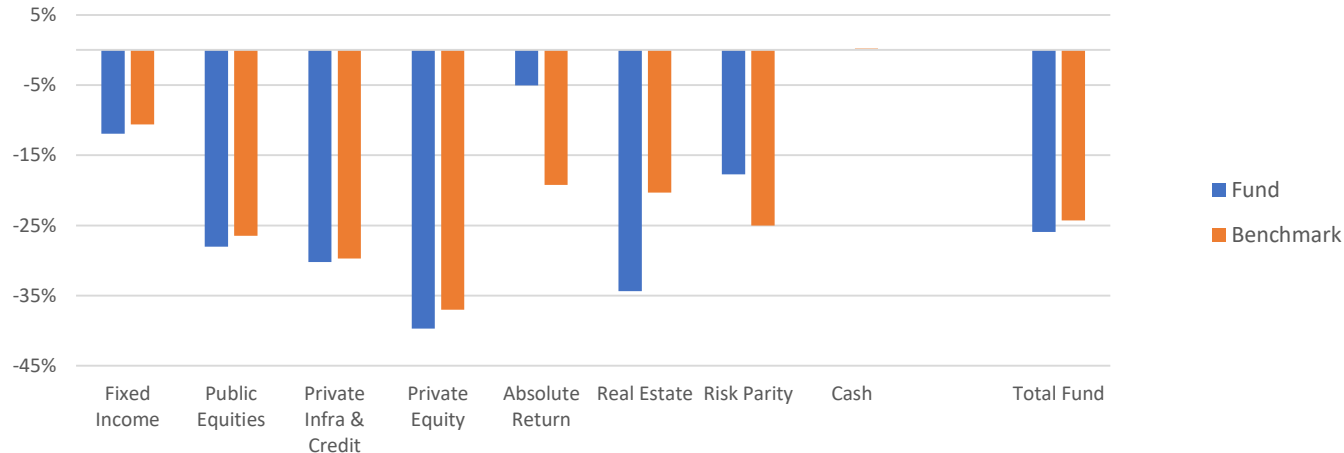


- Over the last several years, PE managers have been able to exit at even greater multiples than the high entry multiples. The contribution of 'multiple expansion', which has been the principal driver of buyout returns, has continued to grow (Fig-1). Looking ahead, several macro factors are potential headwinds to exiting at higher multiples.
- With more than a decade of low rates and rising asset multiples, managers on average have become less adept at improving the performance of their portfolio companies as reflected in the declining revenue and margin growth (Fig-2 & 3). This shift from conventional PE strategy that may prove costly when costs and rates reverse trend and rise.

# Fund Value Impact: could be material in an market downturn

- The Aladdin model estimates an almost 50% decline in Fund value, assuming a **recessionary** scenario similar to the 2007-2009 Global Financial Crisis (GFC).
- However, given the modelling challenges relating to private/alt. assets and potential over-estimation of value loss for these asset classes, a less extreme scenario, focusing on the shorter duration 2008 credit & liquidity crisis, was chosen for this presentation – the value decline in such a scenario is estimated at ~26% (or a loss of about \$21.4 billion).

Historical Stress Scenario (2008 Credit and Liquidity crisis): estimated value impact on individual asset classes and total Fund



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Part 2:  
Key Risk Metrics  
As of March 31, 2022

# Fund Risk: level relative to appetite

Risk Appetite reflects the Risk Tolerance Portfolio (RTP)

| Value at Risk (VaR): Max |            |               |   |
|--------------------------|------------|---------------|---|
| As of Date               | Total Fund | Risk Appetite |   |
| 12/31/2021               | 10.67%     | 11.39%        | ✓ |
| 3/31/2022                | 10.02%     | 11.32%        | ✓ |

- 1 Year, 1 SD
- 10-year historical monthly data, constant weighted

| Drawdown Stress PnL: Max |            |               |   |
|--------------------------|------------|---------------|---|
| As of Date               | Total Fund | Risk Appetite |   |
| 12/31/2021               | (45.34%)   | (48.66%)      | ✓ |
| 3/31/2022                | (42.84%)   | (48.92%)      | ✓ |

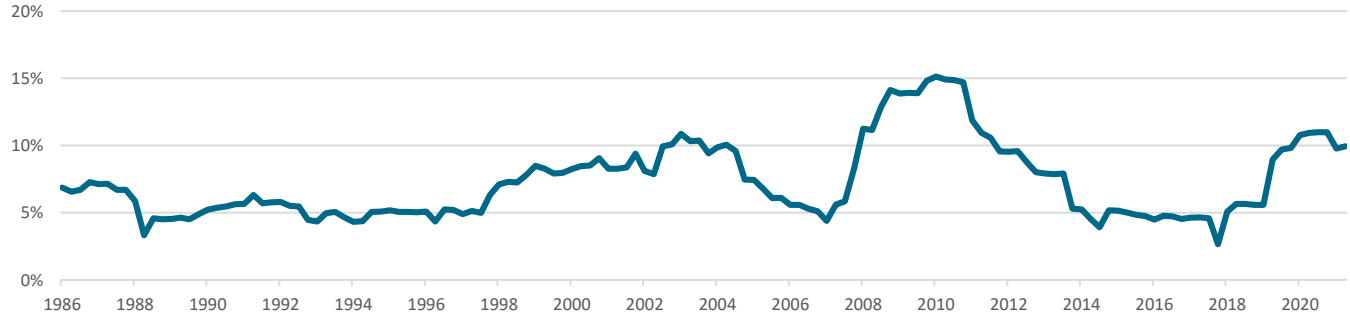
- Historical stress scenario simulating the GFC – Dec 2007 to Mar 2009

| Liquidity Level: Min |            |               |   |
|----------------------|------------|---------------|---|
| As of Date           | Total Fund | Risk Appetite |   |
| 12/31/2021           | 59%        | 40%           | ✓ |
| 3/31/2022            | 58%        | 40%           | ✓ |

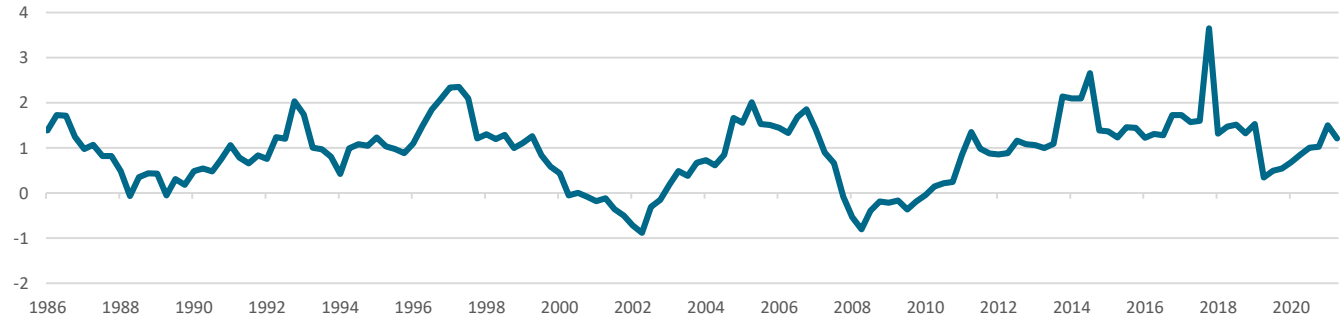
- Liquidity level is the combined allocation, to Public Equities, Fixed Income and Cash, as a % of total fund

# Total Fund: Realized Volatility & Sharpe Ratio

Realized Fund Volatility



Realized Fund Sharpe Ratio

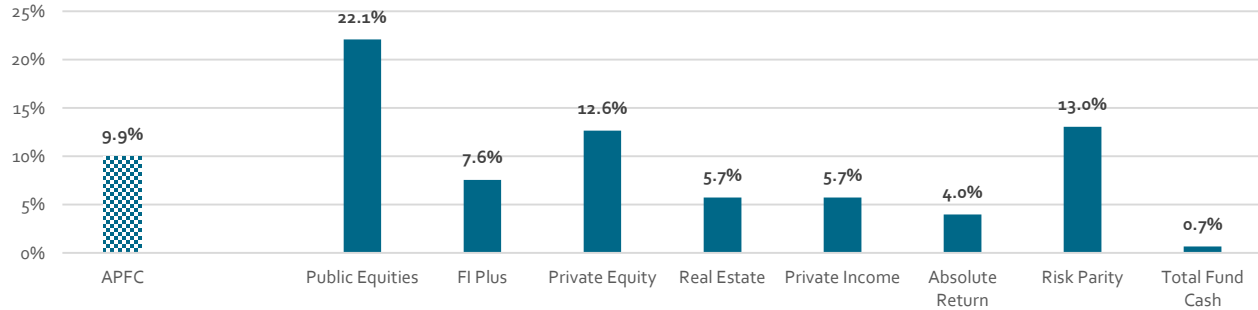


Volatility (standard deviation) and Sharpe ratio have been computed based on rolling 3 year quarterly returns for the Total Fund

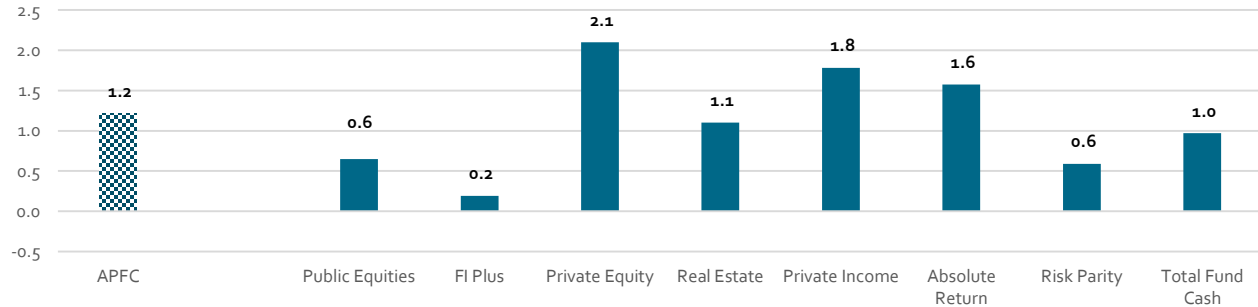
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# Fund & Constituents: Volatility and Sharpe Ratio as of March 31, 2022

## Volatility

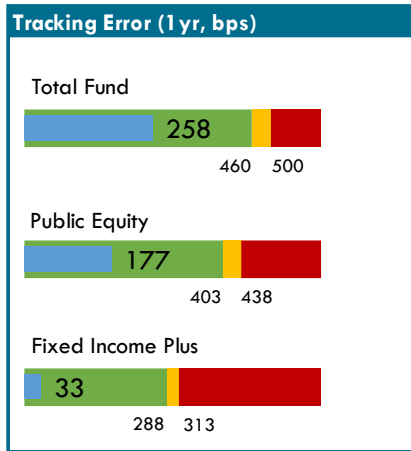


## Sharpe Ratio

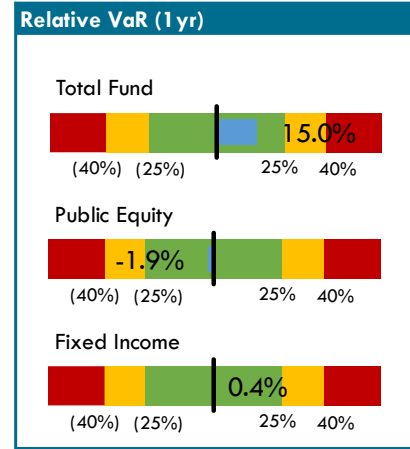


Volatility (standard deviation) and Sharpe ratio have been computed based on historical 3 year quarterly returns, as of March 31, 2022

# 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

# Liquidity Limits: Private Assets

## Private Assets: Investments Vs Targets

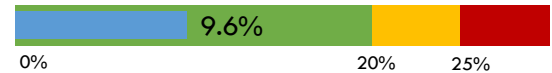
|                | \$ Billion  | % of Total Fund |              |                    |
|----------------|-------------|-----------------|--------------|--------------------|
|                |             | Actual          | Target       | Actual (Vs) Target |
| Private Equity | 16.2        | 19.5%           | 16.0%        | 3.5%               |
| Private Income | 6.3         | 7.7%            | 9.0%         | -1.3%              |
| Real Estate    | 6.9         | 8.4%            | 8.0%         | 0.4%               |
| <b>Total</b>   | <b>29.4</b> | <b>35.6%</b>    | <b>33.0%</b> |                    |

## Private Assets: Future Commitments Vs Targets

|                | \$ Billion | % of Total Fund |              |                    |
|----------------|------------|-----------------|--------------|--------------------|
|                |            | Actual          | Target       | Actual (Vs) Target |
| Private Equity | 4.6        | 5.6%            | 10.0%        | -4.4%              |
| Private Income | 3.1        | 3.7%            | 5.0%         | -1.3%              |
| Real Estate    | 0.3        | 0.4%            | 3.0%         | -2.6%              |
| <b>Total</b>   | <b>8.0</b> | <b>9.6%</b>     | <b>18.0%</b> |                    |

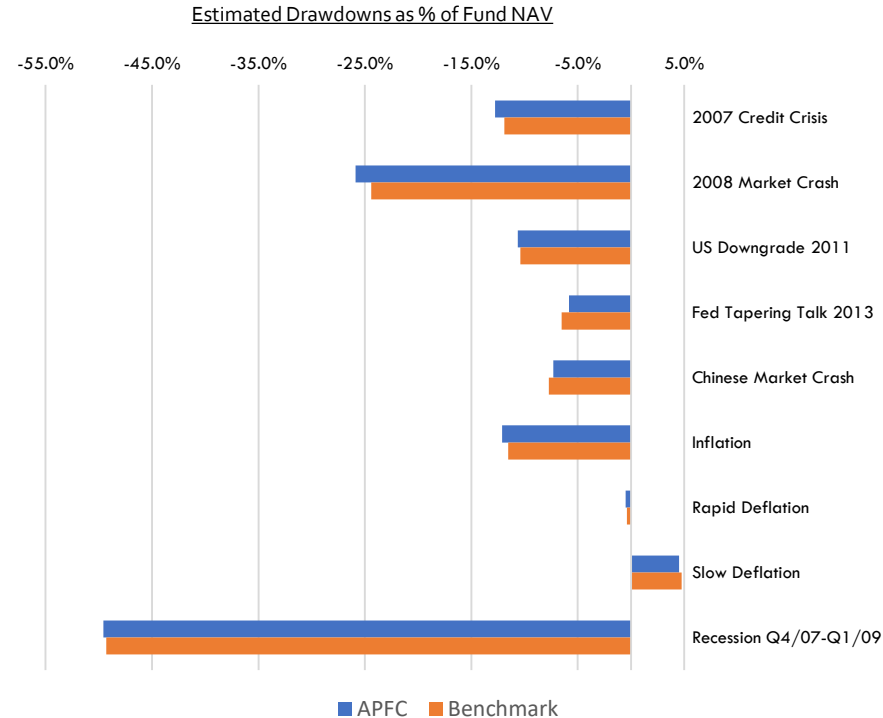
### Future Commitments Limits

\$8.0 Billion Committed to Managers



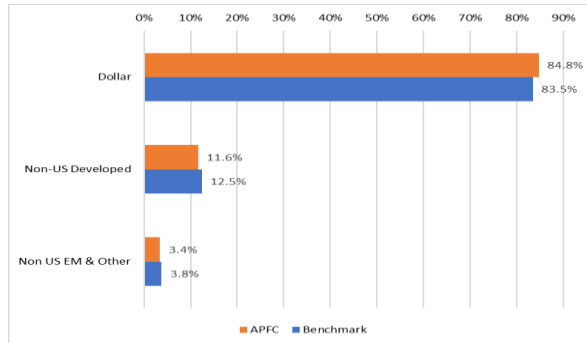
# Tail Risk: Current portfolio during extreme events

| 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.  |
| Inflation Overshoot    | Economic recovery, pent-up demand, supply chain bottlenecks, and fiscal stimulus cause a surge in inflation, prompting higher interest rates in a taper tantrum-style sell-off. |
| 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  |



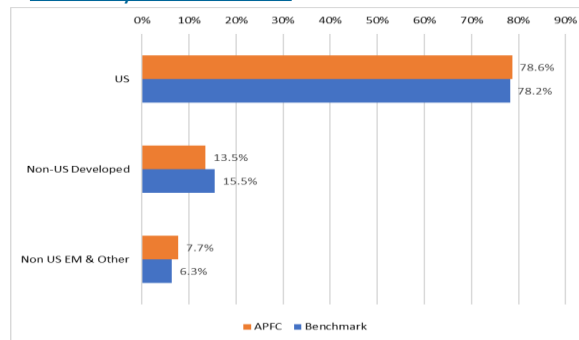
# Currency & Geography: breakdowns

## Currency breakdown



| Currency Name                   | Exposure (\$, millions)     |
|---------------------------------|-----------------------------|
| Euro                            | 3,873                       |
| Japanese Yen                    | 1,399                       |
| Hong Kong Dollar                | 1,101                       |
| British Pound                   | 943                         |
| Australian Dollar               | 679                         |
| Swiss Franc                     | 513                         |
| <b>Sub-Total</b>                | <b>8,507 (10.3% of NAV)</b> |
| <b>Total Non-US DM Exposure</b> | <b>9,591 (11.6% of NAV)</b> |

## Country breakdown

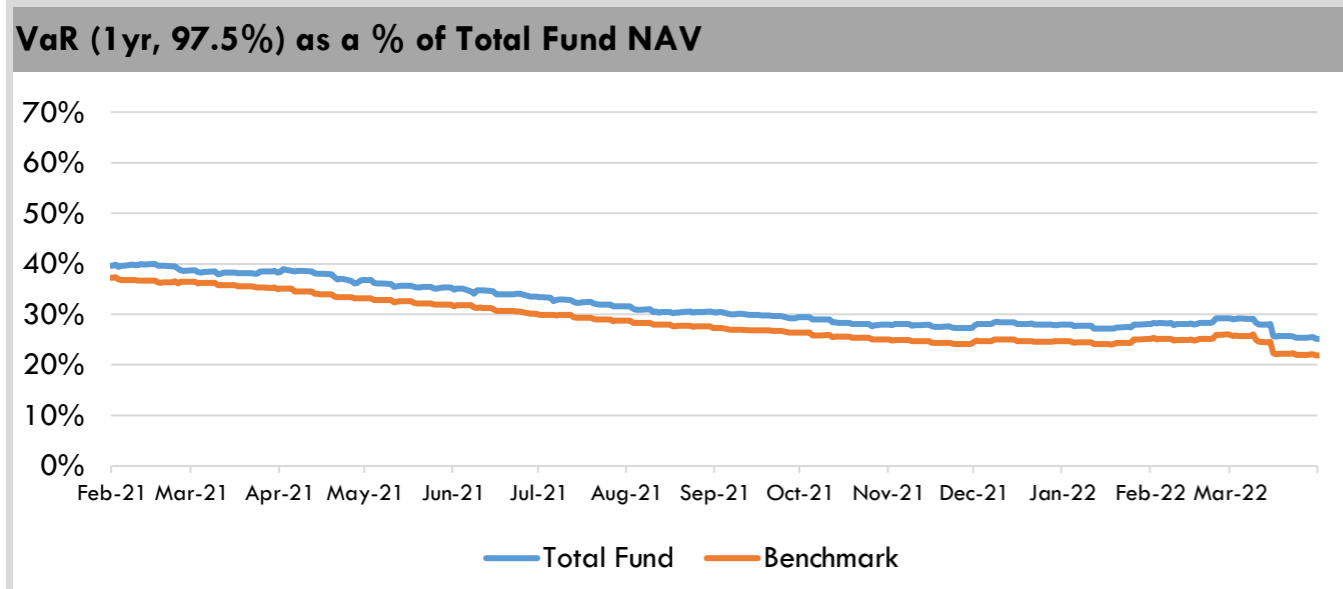
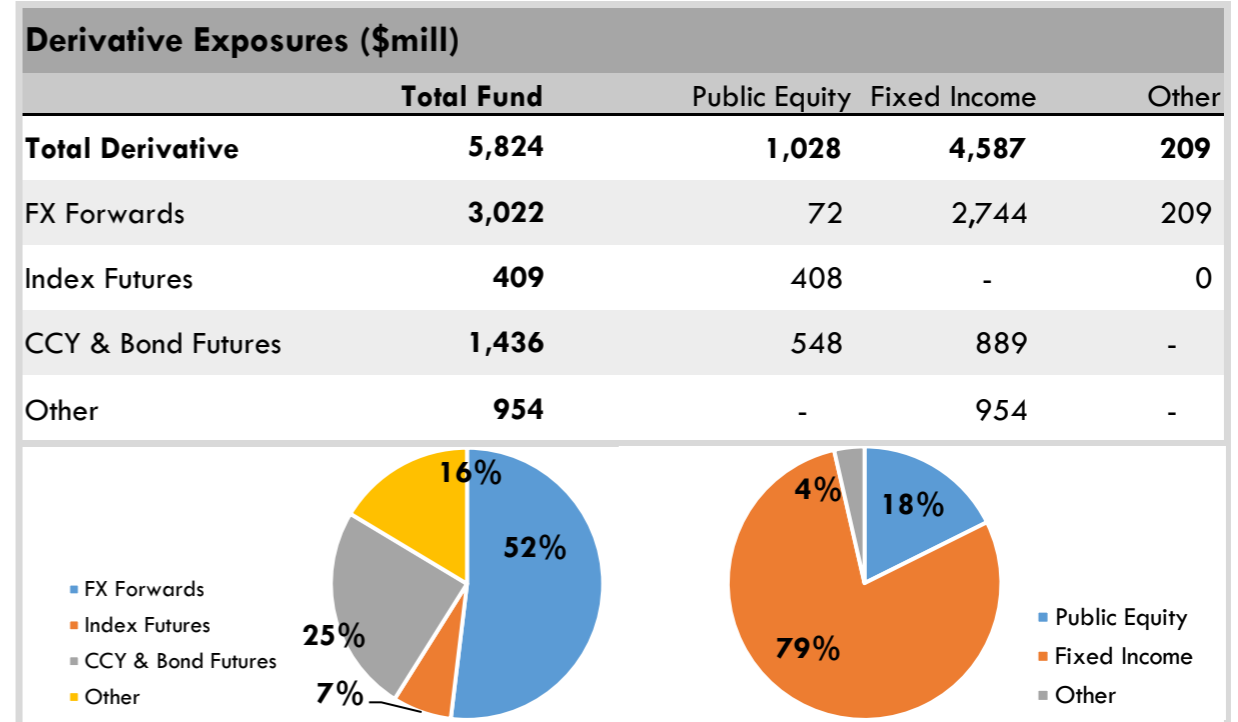
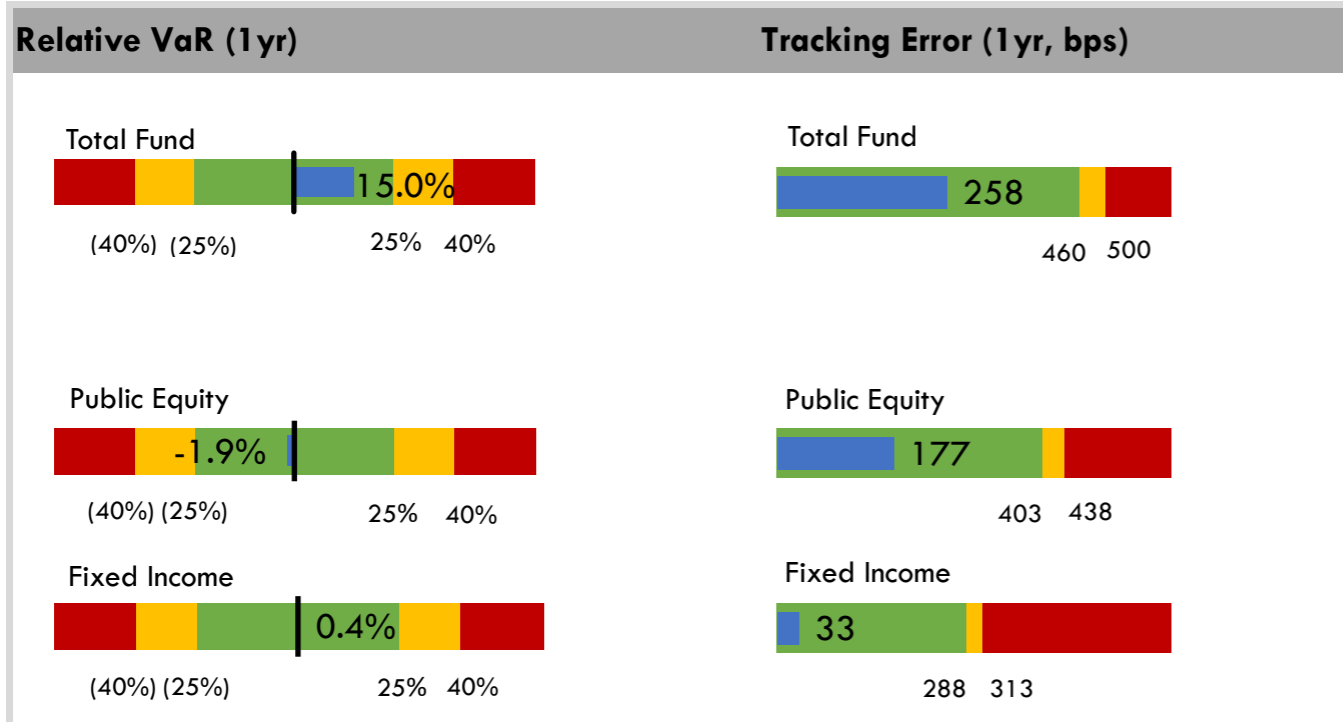


| Country Name             | Exposure (\$, millions)    |
|--------------------------|----------------------------|
| China                    | 1,192                      |
| Taiwan                   | 621                        |
| Korea (South)            | 579                        |
| India                    | 455                        |
| Brazil                   | 281                        |
| Mexico                   | 215                        |
| <b>Sub-Total</b>         | <b>3,343 (4.0% of NAV)</b> |
| <b>Total EM Exposure</b> | <b>6,356 (7.7% of NAV)</b> |

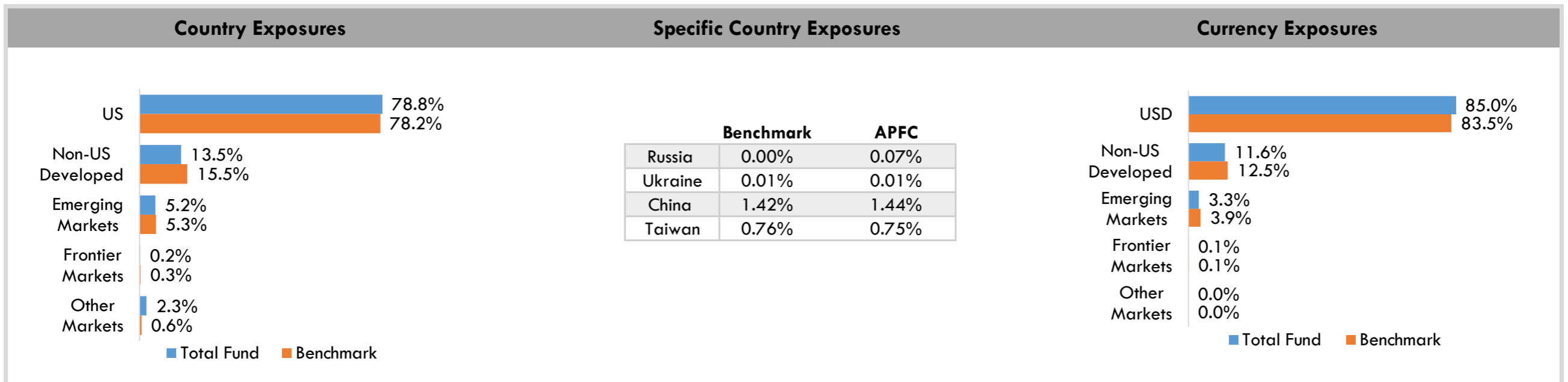
Daily Dashboard - March 31, 2022

NAV : \$ 82,754,564,228

| Risk                  | Performance (%) |              |             |            |            |             |            | Asset Allocation |       |        |            |            |
|-----------------------|-----------------|--------------|-------------|------------|------------|-------------|------------|------------------|-------|--------|------------|------------|
|                       | 1 SD            | Rel VaR      | TE          | MTD        | FYTD       | CYTD        | 1 Year     | NAV (\$mill)     | NAV   | Target | Compliance | Under/Over |
| <b>Total Fund</b>     | <b>13%</b>      | <b>15.0%</b> | <b>2.6%</b> | <b>0.3</b> | <b>3.3</b> | <b>-1.9</b> | <b>9.7</b> | <b>82,755</b>    |       |        |            |            |
| Public Equity         | 15%             | -1.9%        | 1.8%        | 1.4        | -0.4       | -4.3        | 6.2        | 30,019           | 36.3% | 38%    |            | -1.7%      |
| Fixed Income          | 4%              | 0.4%         | 0.3%        | -2.0       | -5.3       | -5.5        | -3.1       | 15,741           | 19.0% | 20%    |            | -1.0%      |
| PE & Special Opps     | 28%             | 20.5%        | 8.0%        | 0.2        | 15.8       | 1.2         | 30.7       | 16,154           | 19.5% | 16%    |            | 3.5%       |
| Real Estate           | 16%             | 10.1%        | 6.7%        | 1.2        | 13.9       | 5.3         | 17.7       | 6,925            | 8.4%  | 8%     |            | 0.4%       |
| Inf. & Private Income | 15%             | 48.4%        | 9.7%        | 0.2        | 5.8        | 0.5         | 14.2       | 6,349            | 7.7%  | 9%     |            | -1.3%      |
| Absolute Return       | 3%              | -41.4%       | 5.0%        | 0.1        | 3.6        | 1.9         | 5.1        | 4,857            | 5.9%  | 6%     |            | -0.1%      |
| Risk Parity           | 9%              | 21.0%        | 8.1%        | 0.0        | -0.8       | -3.0        | 9.0        | 606              | 0.7%  | 1%     |            | -0.3%      |
| Total Fund Cash       | 3%              | 5863.6%      | 3.3%        | 0.3        | 1.0        | 1.0         | 1.1        | 2,104            | 2.5%  | 2%     |            | 0.5%       |



| Economic Indicators    | 3/31/22  | 3/30/22  | % Change |
|------------------------|----------|----------|----------|
| VIX                    | 20.56    | 19.33    | 6.0%     |
| U.S. Dollar/Euro       | 1.11     | 1.12     | -0.8%    |
| Credit Index OAS       | 1.08     | 1.09     | -0.9%    |
| Crude Oil (WTI) (\$)   | 100.28   | 107.82   | -7.5%    |
| 10-Year Treasury Yield | 2.34     | 2.35     | -0.5%    |
| 30-Year Treasury Yield | 2.45     | 2.47     | -1.1%    |
| S&P 500                | 4,530.41 | 4,602.45 | -1.6%    |
| MSCI ACWI              | 2,411.66 | 2,442.87 | -1.3%    |



SUBJECT: Fund Performance Overview      ACTION: \_\_\_\_\_  
Callan, CEO& Chief Research Officer – Greg Allen  
Callan, Senior VP – Steve Center

DATE: May 18, 2022      INFORMATION: \_\_\_\_\_X\_\_\_\_\_

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**BACKGROUND:**

Callan Associates, Inc. is currently under contract to perform APFC’s core general consulting services of 1) Investment policies and procedures review; 2) annual preparation of an asset allocation plan; 3) performance reporting and analysis; 4) risk analysis; 5) statistical modeling, manager searches, selection, and oversight; and 6) other special consulting services as needed.

**STATUS:**

At every quarterly board meeting or as requested, Callan Associated, Inc. provides an extensive review of the Fund’s performance as well as updates on market conditions. Chief Executive Officer and Chief Research Officer, Greg Allen, and Senior Vice President, Steven Center will be the presenters at this meeting.



May 18, 2022

**Alaska Permanent Fund Corporation**

1<sup>st</sup> Quarter 2022

Capital Markets and  
Performance Review

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**Greg Allen**

CEO and Chief Research Officer

**Steven Center, CFA**

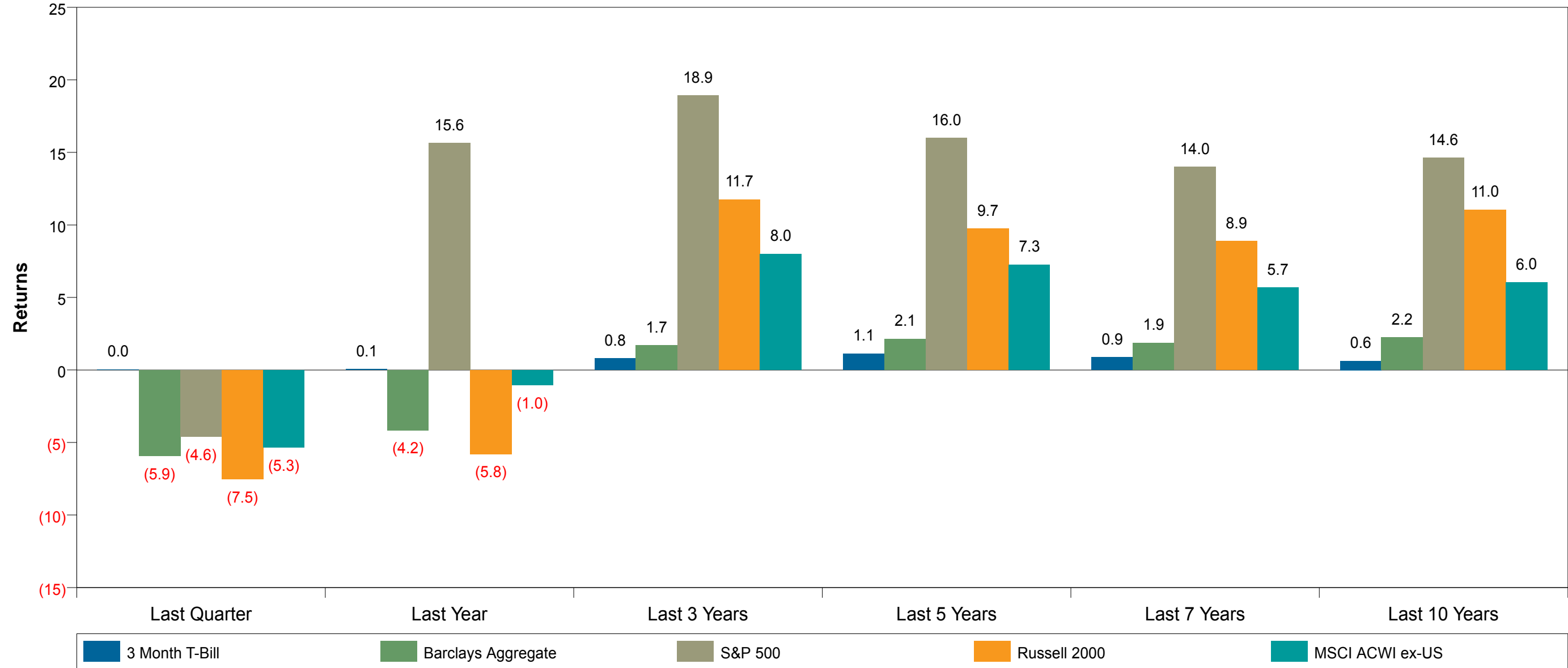
Senior Vice President

**Chris Park, CFA**

Vice President

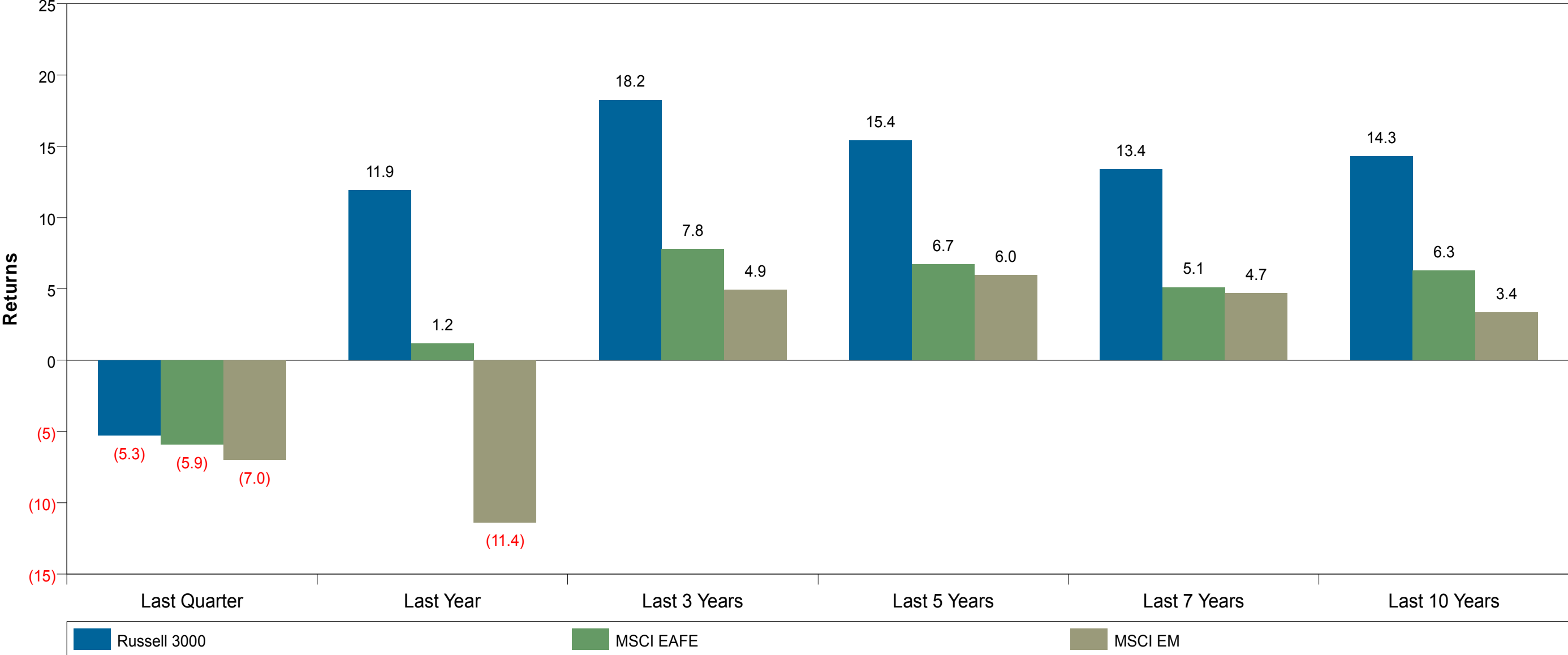
# Broad Capital Market Performance

Periods Ended March 31, 2022



# Public Equity Capital Market Performance

Periods Ended March 31, 2022



# Callan Periodic Table of Investment Returns

## Returns for Key Indices

| 2013  | 2014  | 2015  | 2016   | 2017  | 2018  | 2019   | 2020  | 2021  | 1 Qtr. 2022                                   |
|---|---|---|--|---|---|--|---|---|---|
| Russell 2000<br>38.82%                        | S&P 500<br>13.69%                             | MSCI ACWI ex USA SC<br>2.60%                  | Russell 2000<br>21.31%                       | MSCI Emerging Markets<br>37.28%               | Bloomberg Barclays Aggregate<br>0.01%         | S&P 500<br>31.49%                            | Russell 2000<br>19.96%                        | S&P 500<br>28.71%                             | S&P 500<br>-4.60%                             |
| S&P 500<br>32.39%                             | Bloomberg Barclays Aggregate<br>5.97%         | S&P 500<br>1.38%                              | Bloomberg Barclays Corp High Yield<br>17.13% | MSCI ACWI ex USA SC<br>31.65%                 | Bloomberg Barclays Corp High Yield<br>-2.08%  | Russell 2000<br>25.52%                       | S&P 500<br>18.40%                             | Russell 2000<br>14.82%                        | MSCI World ex USA<br>-4.81%                   |
| MSCI World ex USA<br>21.02%                   | Russell 2000<br>4.89%                         | Bloomberg Barclays Aggregate<br>0.55%         | S&P 500<br>11.96%                            | MSCI World ex USA<br>24.21%                   | Bloomberg Barclays Global Agg ex US<br>-2.15% | MSCI World ex USA<br>22.49%                  | MSCI Emerging Markets<br>18.31%               | MSCI ACWI ex USA SC<br>12.93%                 | Bloomberg Barclays Corp High Yield<br>-4.84%  |
| MSCI ACWI ex USA SC<br>19.73%                 | Bloomberg Barclays Corp High Yield<br>2.45%   | MSCI World ex USA<br>-3.04%                   | MSCI Emerging Markets<br>11.19%              | S&P 500<br>21.83%                             | S&P 500<br>-4.38%                             | MSCI ACWI ex USA SC<br>22.42%                | MSCI ACWI ex USA SC<br>14.24%                 | MSCI World ex USA<br>12.62%                   | Bloomberg Barclays Aggregate<br>-5.93%        |
| Bloomberg Barclays Corp High Yield<br>7.44%   | MSCI Emerging Markets<br>-2.19%               | Russell 2000<br>-4.41%                        | MSCI ACWI ex USA SC<br>3.91%                 | Russell 2000<br>14.65%                        | Russell 2000<br>-11.01%                       | MSCI Emerging Markets<br>18.44%              | Bloomberg Barclays Global Agg ex US<br>10.11% | Bloomberg Barclays Corp High Yield<br>5.28%   | Bloomberg Barclays Global Agg ex US<br>-6.15% |
| Bloomberg Barclays Aggregate<br>-2.02%        | Bloomberg Barclays Global Agg ex US<br>-3.09% | Bloomberg Barclays Corp High Yield<br>-4.47%  | MSCI World ex USA<br>2.75%                   | Bloomberg Barclays Global Agg ex US<br>10.51% | MSCI World ex USA<br>-14.09%                  | Bloomberg Barclays Corp High Yield<br>14.32% | MSCI World ex USA<br>7.59%                    | Bloomberg Barclays Aggregate<br>-1.54%        | MSCI ACWI ex USA SC<br>-6.52%                 |
| MSCI Emerging Markets<br>-2.60%               | MSCI ACWI ex USA SC<br>-4.03%                 | Bloomberg Barclays Global Agg ex US<br>-6.02% | Bloomberg Barclays Aggregate<br>2.65%        | Bloomberg Barclays Corp High Yield<br>7.50%   | MSCI Emerging Markets<br>-14.57%              | Bloomberg Barclays Aggregate<br>8.72%        | Bloomberg Barclays Aggregate<br>7.51%         | MSCI Emerging Markets<br>-2.54%               | MSCI Emerging Markets<br>-6.97%               |
| Bloomberg Barclays Global Agg ex US<br>-3.08% | MSCI World ex USA<br>-4.32%                   | MSCI Emerging Markets<br>-14.92%              | Bloomberg Barclays Global Agg ex US<br>1.49% | Bloomberg Barclays Aggregate<br>3.54%         | MSCI ACWI ex USA SC<br>-18.20%                | Bloomberg Barclays Global Agg ex US<br>5.09% | Bloomberg Barclays Corp High Yield<br>7.11%   | Bloomberg Barclays Global Agg ex US<br>-7.05% | Russell 2000<br>-7.53%                        |

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                                |
|---|---|---|--|--|--|--|
| S&P 500<br>-4.60%                             | S&P 500<br>15.65%                             | S&P 500<br>18.92%                             | S&P 500<br>15.99%                            | S&P 500<br>14.01%                            | S&P 500<br>14.64%                            | MSCI ACWI ex USA SC<br>9.32%                 |
| MSCI World ex USA<br>-4.81%                   | MSCI World ex USA<br>3.04%                    | Russell 2000<br>11.74%                        | Russell 2000<br>9.74%                        | Russell 2000<br>8.87%                        | Russell 2000<br>11.04%                       | S&P 500<br>9.25%                             |
| Bloomberg Barclays Corp High Yield<br>-4.84%  | MSCI ACWI ex USA SC<br>0.03%                  | MSCI ACWI ex USA SC<br>10.22%                 | MSCI ACWI ex USA SC<br>7.89%                 | MSCI ACWI ex USA SC<br>7.24%                 | MSCI ACWI ex USA SC<br>7.28%                 | Russell 2000<br>8.72%                        |
| Bloomberg Barclays Aggregate<br>-5.93%        | Bloomberg Barclays Corp High Yield<br>-0.66%  | MSCI World ex USA<br>8.55%                    | MSCI World ex USA<br>7.14%                   | MSCI World ex USA<br>5.41%                   | MSCI World ex USA<br>6.25%                   | MSCI Emerging Markets<br>8.61%               |
| Bloomberg Barclays Global Agg ex US<br>-6.15% | Bloomberg Barclays Aggregate<br>-4.15%        | MSCI Emerging Markets<br>4.94%                | MSCI Emerging Markets<br>5.98%               | Bloomberg Barclays Corp High Yield<br>5.03%  | Bloomberg Barclays Corp High Yield<br>5.75%  | Bloomberg Barclays Corp High Yield<br>7.48%  |
| MSCI ACWI ex USA SC<br>-6.52%                 | Russell 2000<br>-5.79%                        | Bloomberg Barclays Corp High Yield<br>4.58%   | Bloomberg Barclays Corp High Yield<br>4.69%  | MSCI Emerging Markets<br>4.69%               | MSCI Emerging Markets<br>3.36%               | MSCI World ex USA<br>6.19%                   |
| MSCI Emerging Markets<br>-6.97%               | Bloomberg Barclays Global Agg ex US<br>-7.89% | Bloomberg Barclays Aggregate<br>1.69%         | Bloomberg Barclays Aggregate<br>2.14%        | Bloomberg Barclays Aggregate<br>1.87%        | Bloomberg Barclays Aggregate<br>2.24%        | Bloomberg Barclays Global Agg ex US<br>4.24% |
| Russell 2000<br>-7.53%                        | MSCI Emerging Markets<br>-11.37%              | Bloomberg Barclays Global Agg ex US<br>-0.19% | Bloomberg Barclays Global Agg ex US<br>1.27% | Bloomberg Barclays Global Agg ex US<br>1.26% | Bloomberg Barclays Global Agg ex US<br>0.06% | Bloomberg Barclays Aggregate<br>4.00%        |

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

# Market Environment

## Down Equity and Fixed Income Markets in 1Q22

**Global equity markets are down sharply following the invasion of Ukraine:**

- Similar impact across developed markets
- Greater impact on small cap and emerging markets

**Fixed income down with sharply higher inflation and interest rates:**

- Bloomberg Aggregate: -5.9% (and much worse since, -9.5% through April)
- CPI-U: +8.5% for the year ended 1Q22

**Inflation spiked to the highest rate reported in decades.**

**Economic data show growth hit “pause” in the U.S.:**

- GDP fell 1.4% in 1Q22, down from almost 7% GDP growth in 4Q21
- Forecasters are revising growth estimates for 2022 down to 3% or lower.

Returns for Periods ended 3/31/22

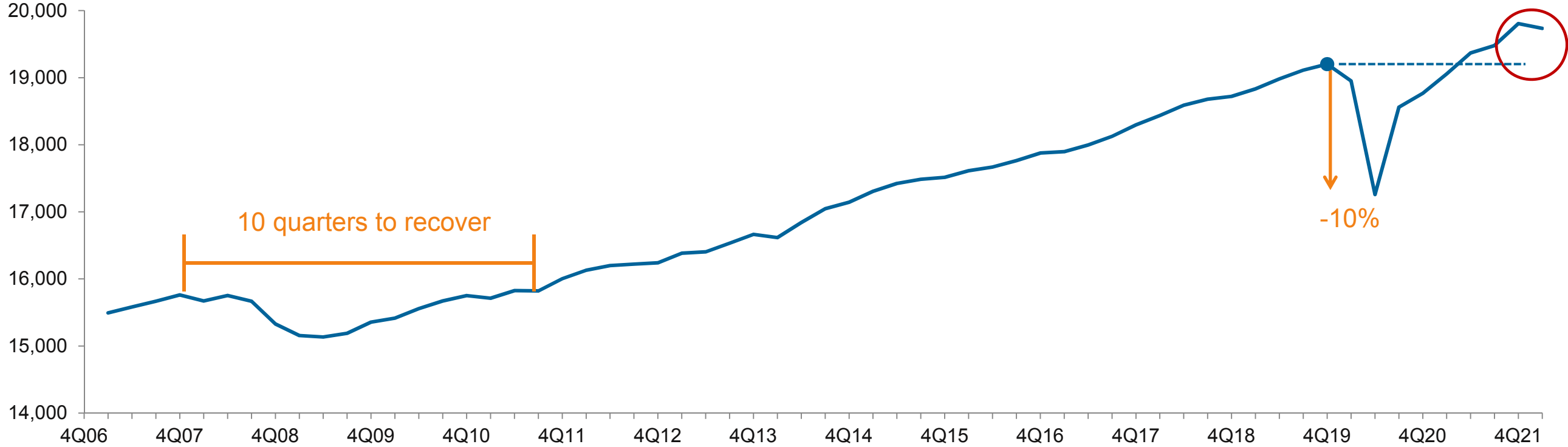
|                              | 1 Quarter   | 1 Year      | 5 Years     | 10 Years    | 25 Years    |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>U.S. Equity</b>           |             |             |             |             |             |
| Russell 3000                 | -5.28       | 11.92       | 15.40       | 14.28       | 9.53        |
| S&P 500                      | -4.60       | 15.65       | 15.99       | 14.64       | 9.44        |
| Russell 2000                 | -7.53       | -5.79       | 9.74        | 11.04       | 8.88        |
| <b>Global ex-U.S. Equity</b> |             |             |             |             |             |
| MSCI World ex USA            | -4.81       | 3.04        | 7.14        | 6.25        | 5.25        |
| MSCI Emerging Markets        | -6.97       | -11.37      | 5.98        | 3.36        | --          |
| MSCI ACWI ex USA Small Cap   | -6.52       | 0.03        | 7.89        | 7.28        | 6.70        |
| <b>Fixed Income</b>          |             |             |             |             |             |
| Bloomberg Aggregate          | -5.93       | -4.15       | 2.14        | 2.24        | 4.71        |
| 90-day T-Bill                | 0.04        | 0.06        | 1.13        | 0.63        | 2.01        |
| Bloomberg Long Gov/Credit    | -10.95      | -3.11       | 4.60        | 4.72        | 6.93        |
| Bloomberg Global Agg ex-US   | -6.15       | -7.89       | 1.27        | 0.06        | 3.40        |
| <b>Real Estate</b>           |             |             |             |             |             |
| NCREIF Property              | 5.33        | 21.87       | 8.54        | 9.61        | 9.50        |
| FTSE Nareit Equity           | -3.86       | 26.49       | 9.63        | 9.81        | 9.69        |
| <b>Alternatives</b>          |             |             |             |             |             |
| CS Hedge Fund                | 2.13        | 7.47        | 5.48        | 4.71        | 6.61        |
| Cambridge Private Equity*    | 5.01        | 48.84       | 21.29       | 17.11       | 15.64       |
| Bloomberg Commodity          | 25.55       | 49.25       | 9.00        | -0.70       | 1.90        |
| Gold Spot Price              | 6.86        | 13.90       | 9.33        | 1.57        | 7.07        |
| <b>Inflation - CPI-U</b>     | <b>3.12</b> | <b>8.54</b> | <b>3.35</b> | <b>2.28</b> | <b>2.37</b> |

\*Cambridge PE data through 09/30/21.

Sources: Bloomberg, Callan, Cambridge, Credit Suisse, FTSE Russell, MSCI, NCREIF, S&P Dow Jones Indices

# GDP Dipped in 1Q22 After Rocketing Out of the Pandemic Bottom

Seasonally Adjusted Real GDP in Billions of Dollars



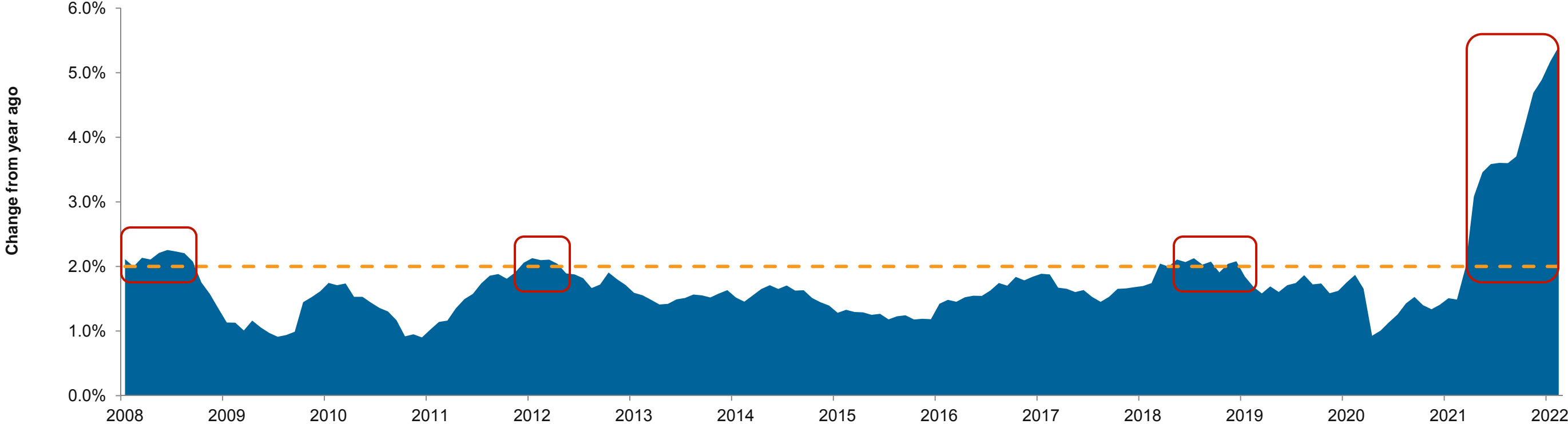
- Consensus estimates for GDP growth in 2022 have been scaled back, from north of 4% at the start of the year to 3% or lower
- 1Q22 GDP fell 1.4% in U.S.
- Loss of business and consumer confidence following the start of the conflict in Ukraine

Source: Federal Reserve Bank of St. Louis

# The Fed's New Inflation Framework

## Targeting core personal consumption expenditures index

Personal Consumption Expenditures Excluding Food and Energy (Chain-Type Price Index)



- Inflation worries are in the headlines, and the data are challenging the Fed's dual mandate to manage inflation and unemployment.
- Inflation had consistently undershot the Fed's 2% target, prompting the Fed to change its inflation framework.
- Fed's aim is to achieve an average of 2% inflation over the medium term, which is not specifically defined.
- Personal Consumption Expenditures (PCE) Index is the Fed's target, different from and typically lower than CPI-U, which had a year-over-year gain of 8.5% in March 2022.

Sources: FRED, Federal Reserve Bank of St. Louis

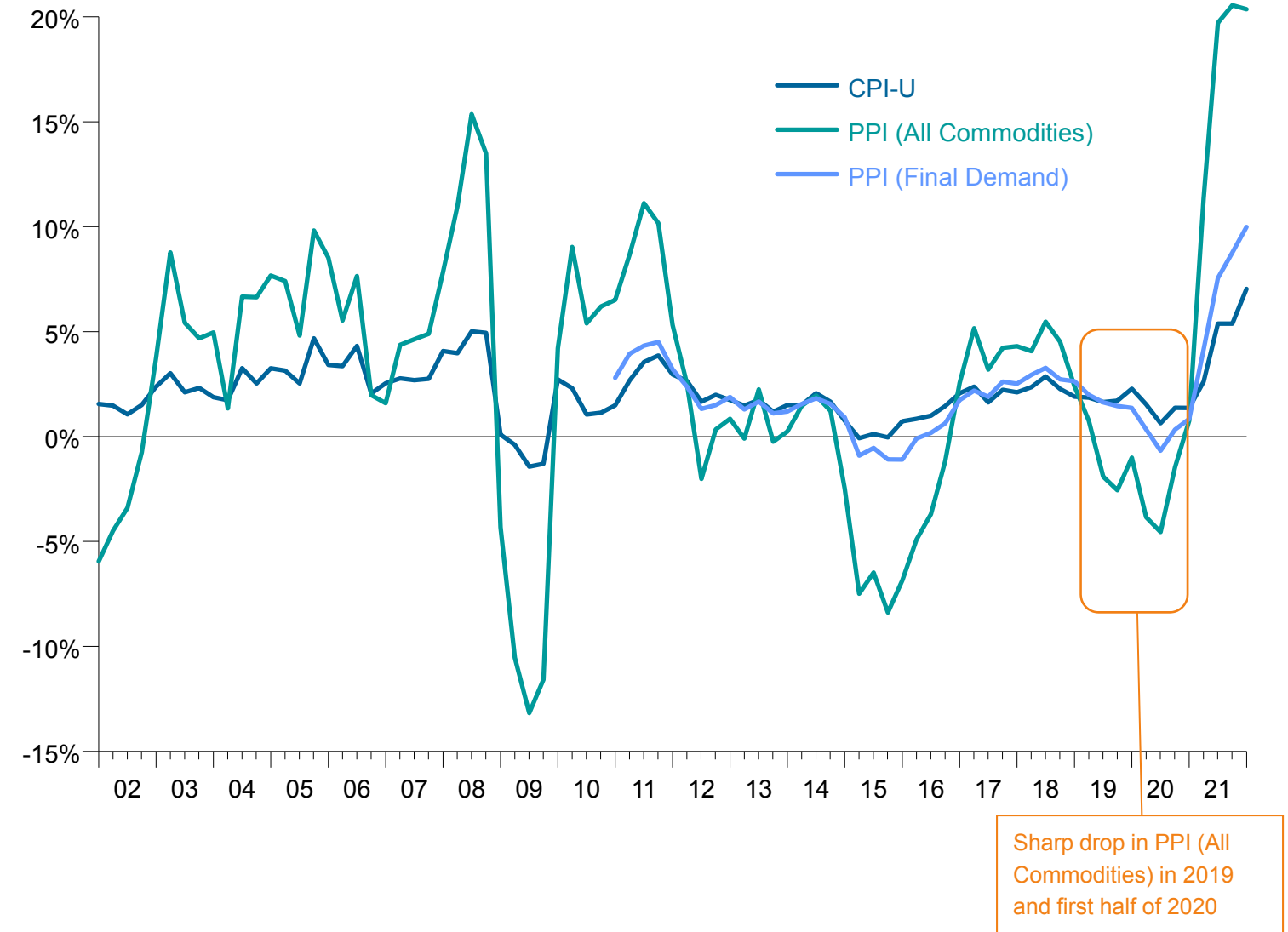
# Inflation Rebounds and Spurs Headline Concerns

CPI and PPI remain at sharply elevated rates in 1Q22

**Inflation fell dramatically at the onset of the pandemic, starting in February 2020.**

- The recovery to pre-pandemic levels in the Consumer Price Index required a 2.6% year-over-year change.
- 8.5% jump in 1Q CPI-U represents added pressure from the war in Ukraine on top of kinks in supply chains and labor markets after more than a year of global economic disruption and shutdown.
- Producer prices had been tumbling for more than a year prior to the pandemic; recovery to 2018 price **levels** happened by 2Q21, and generated eye-popping year-over-year percentage changes. The sharp rise in PPI continues into 2022.
- Prices for transportation goods, energy, and food are driving the elevated rates in both the Consumer and Producer Price Indices.

Consumer and Producer Price Indexes – Inflation Year-Over-Year



Sources: FRED, Federal Reserve Bank of St. Louis

# Contributors to Recent Inflation: Primary Categories

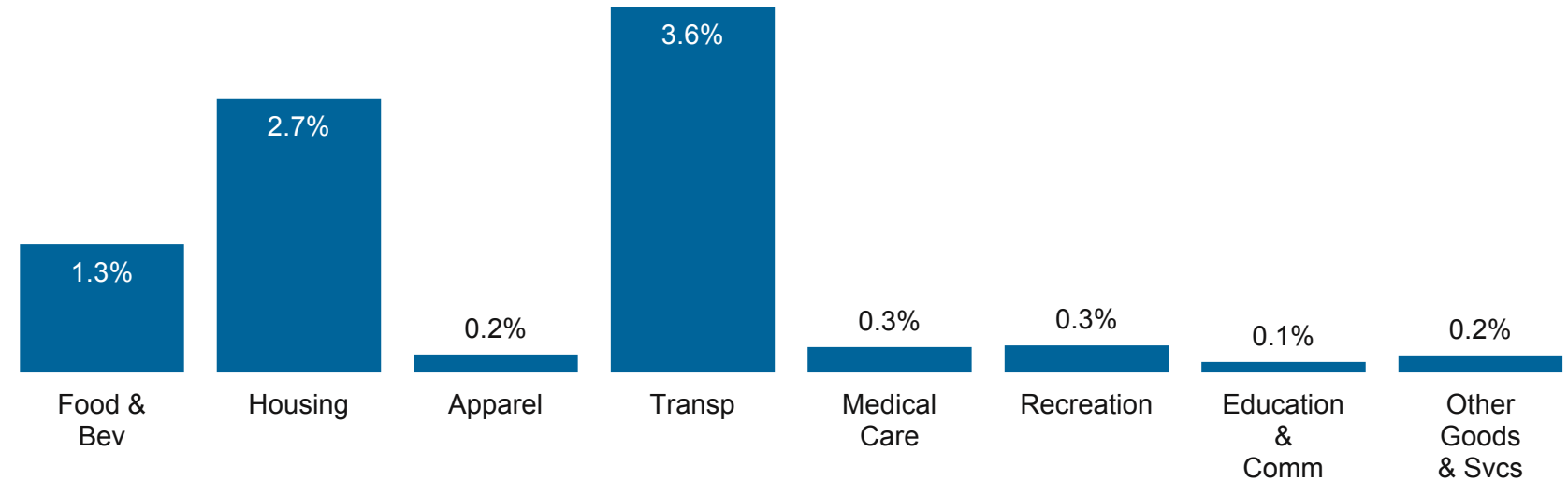
Transportation, including new and used cars, parts, and gasoline, saw a spike in inflation.

- Year-over-year prints are almost three times higher than any other category.
- With a meaningful 18% weight in the index\*, transportation also has the highest weighted contribution to headline CPI.

Housing and food and beverage have also been significant contributors to headline CPI.

- Inflation within these categories has been far lower than transportation, but their large index weights make them meaningful contributors to overall inflation.

Contribution to March 2022 YOY Inflation



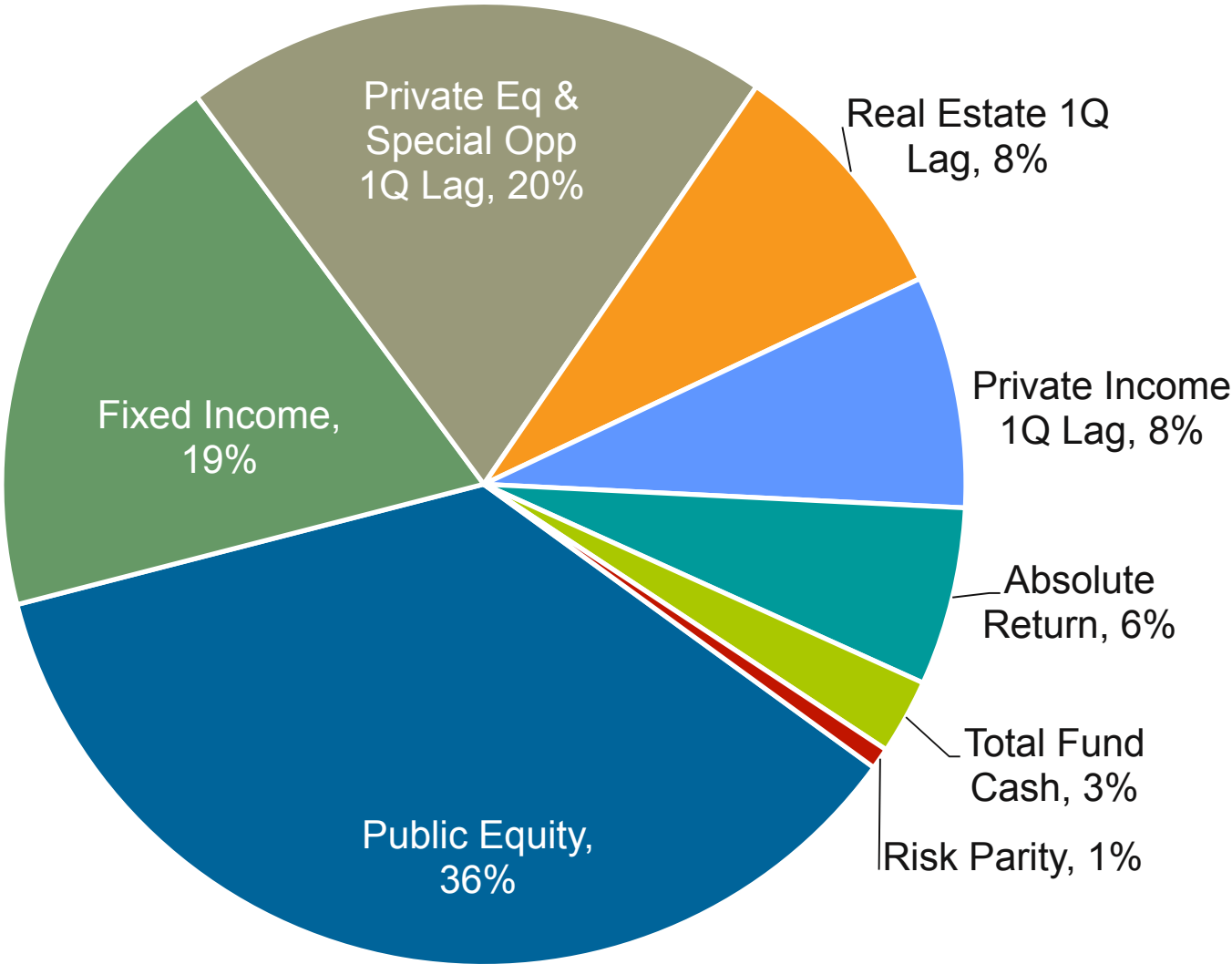
| Primary Category          | Primary Category Weight | Year-over-Year Change |       |       |       |       |       |       |       |       |       |       |       |
|---------------------------|-------------------------|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                           |                         | Apr                   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | Jan   | Feb   | Mar   |
| All Items                 | 100.0%                  | 4.2%                  | 5.0%  | 5.4%  | 5.4%  | 5.3%  | 5.4%  | 6.2%  | 6.8%  | 7.0%  | 7.5%  | 7.9%  | 8.5%  |
| Food & Bev                | 14.3%                   | 2.3%                  | 2.1%  | 2.4%  | 3.4%  | 3.7%  | 4.5%  | 5.1%  | 5.8%  | 6.0%  | 6.7%  | 7.6%  | 8.5%  |
| Housing                   | 42.4%                   | 2.6%                  | 2.9%  | 3.1%  | 3.4%  | 3.5%  | 3.9%  | 4.5%  | 4.8%  | 5.1%  | 5.7%  | 5.9%  | 6.4%  |
| Apparel                   | 2.5%                    | 1.9%                  | 5.6%  | 4.9%  | 4.2%  | 4.2%  | 3.4%  | 4.3%  | 5.0%  | 5.8%  | 5.3%  | 6.6%  | 6.8%  |
| Transportation            | 18.2%                   | 14.9%                 | 20.0% | 21.5% | 19.4% | 17.8% | 16.6% | 18.7% | 21.1% | 21.1% | 20.8% | 21.1% | 22.6% |
| Medical Care              | 8.5%                    | 1.5%                  | 0.9%  | 0.4%  | 0.3%  | 0.4%  | 0.4%  | 1.3%  | 1.7%  | 2.2%  | 2.5%  | 2.4%  | 2.9%  |
| Recreation                | 5.1%                    | 2.1%                  | 1.6%  | 2.4%  | 3.5%  | 3.4%  | 3.5%  | 3.9%  | 3.2%  | 3.3%  | 4.7%  | 5.0%  | 4.8%  |
| Education & Communication | 6.4%                    | 1.7%                  | 1.9%  | 2.1%  | 1.1%  | 1.2%  | 1.7%  | 1.8%  | 1.7%  | 1.6%  | 1.6%  | 1.6%  | 1.5%  |
| Other Goods & Svcs        | 2.7%                    | 2.7%                  | 2.7%  | 2.5%  | 2.9%  | 3.5%  | 3.4%  | 4.2%  | 4.4%  | 4.5%  | 4.9%  | 5.6%  | 5.5%  |

\*Category weights received a revision for 2022. The Transportation weight is up from 15% to 18% with this revision.  
Source: U.S. Bureau of Labor Statistics

# Total Fund Asset Allocation

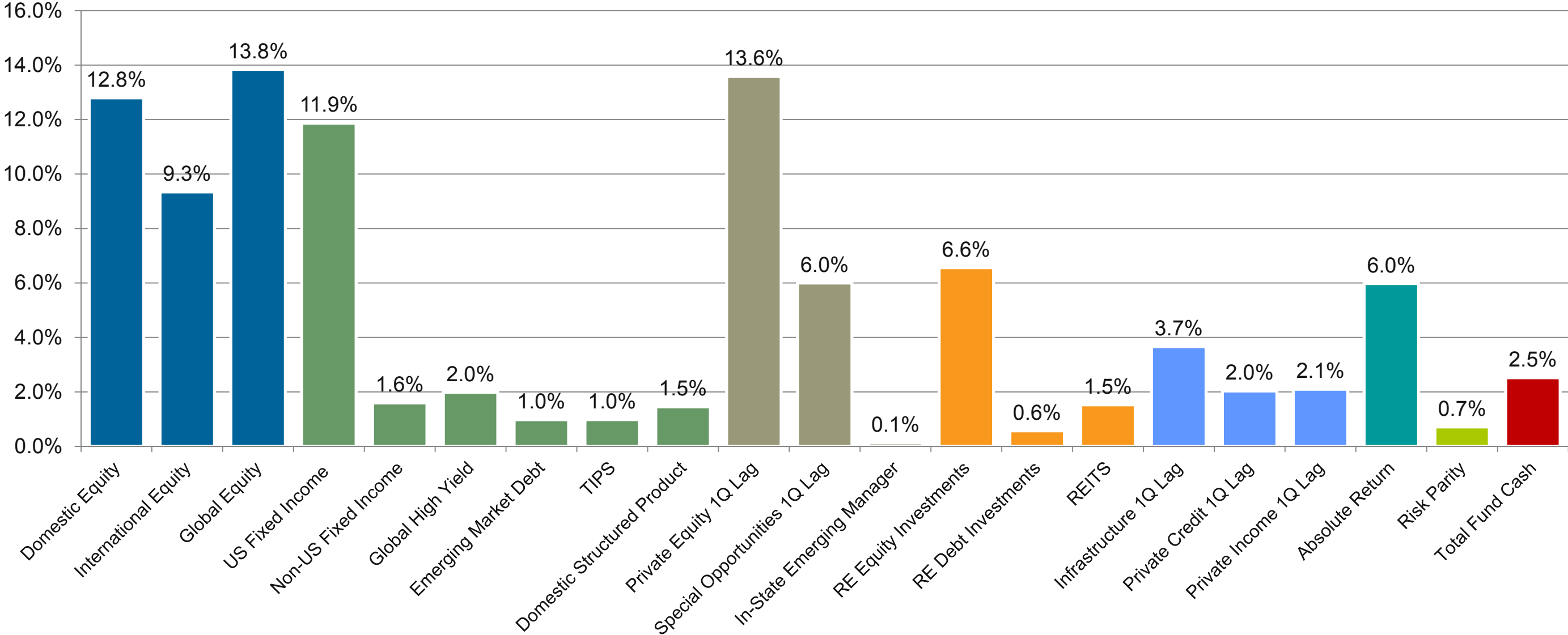
As of March 31, 2022: \$83.38B

- 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 36% to public equity, 19% to fixed income, and 45% to alternative investments.
- Compared to allocations in the fourth quarter, weights to public equity and fixed income decreased, and alternatives increased.
- Alternatives include private equity, special opportunities, real estate, private infrastructure, private credit, private income, absolute return, and risk parity.
- Private Equity & Special Opportunities, Real Estate, and Infrastructure & Private Income are reported on a one-quarter lag.



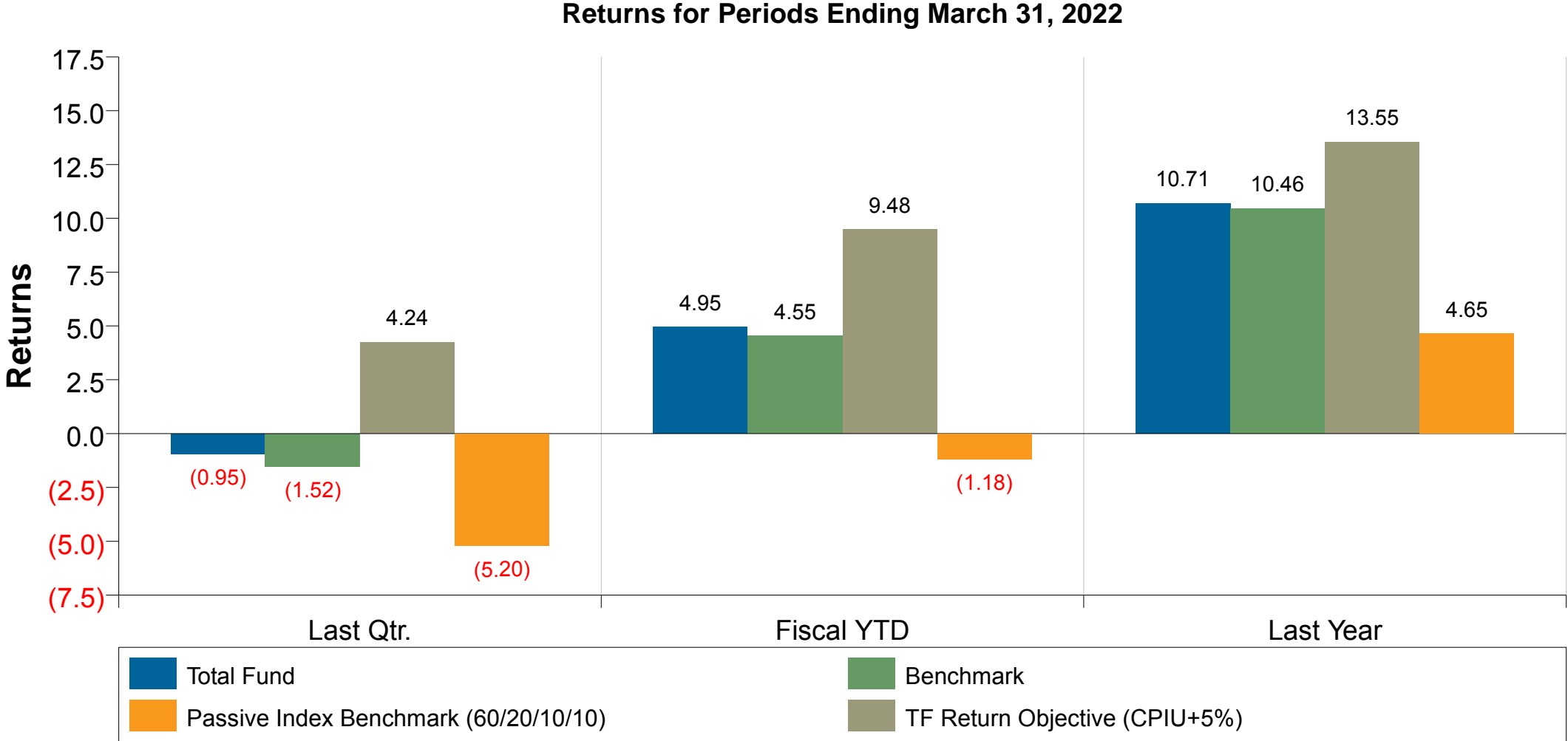
# Total Fund Asset Allocation

As of March 31, 2022



# APFC Total Fund Cumulative Returns

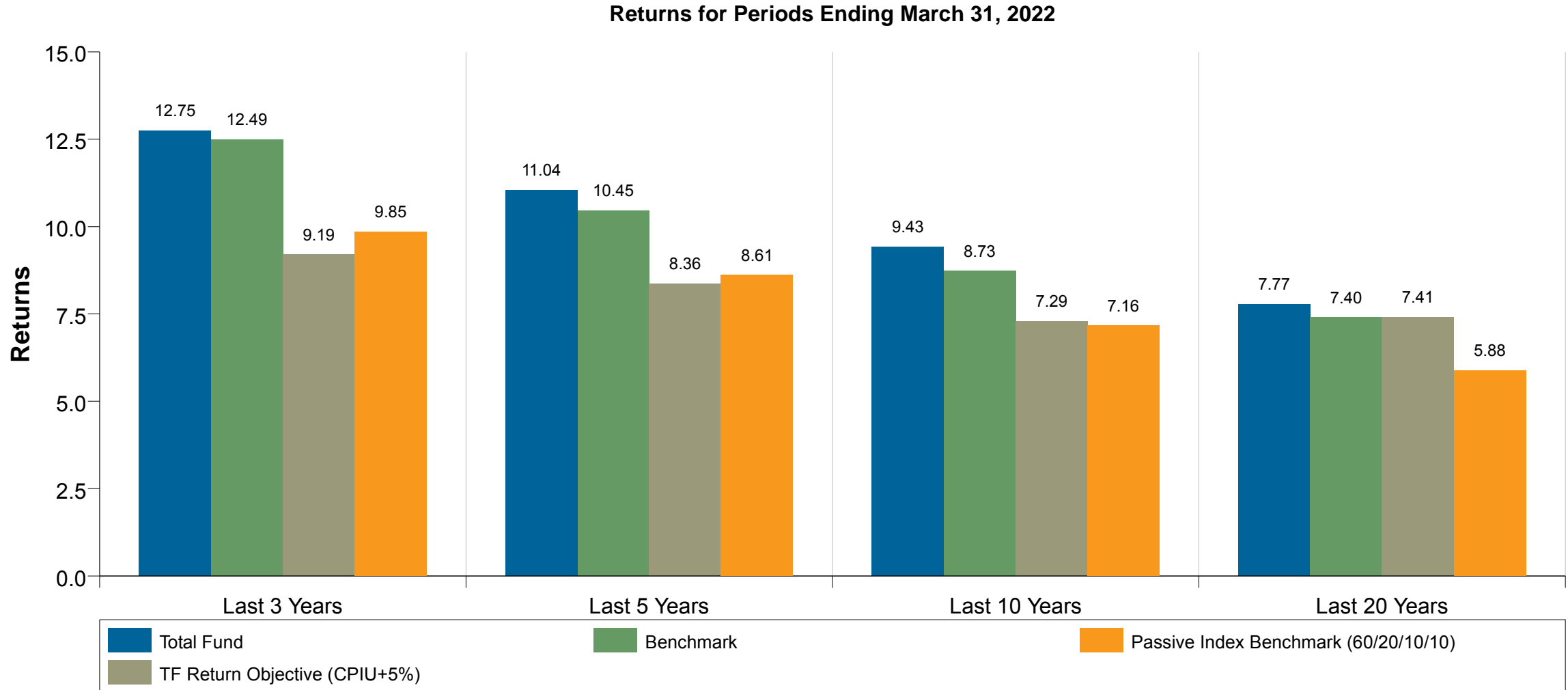
## Total Fund versus Total Fund Targets



- Benchmark (FY21-FY22) = 38% MSCI ACWI IMI, 1.0% 90 Day T-Bills, 1.0% BB US TIPS, 5.5% BB Agg, 5.5% BB Corp IG, 2.0% BB Global Treasury ex-US Hedged, 0.5% JPM EMBI Global Diversified, 0.5% JPM GBI-EM Global Diversified TR, 2.0% BB US High Yield 2% Issuer Cap, 2.0% BB US Securitized, 16% Cambridge PE (lagged), 6.8% NCREIF Total Index (lagged), 1.2% MSCI US REIT (lagged), 5.4% Cambridge Global Pvt. Infrastructure (lagged), 3.6% Cambridge Pvt Credit (lagged), 6% HFRI Total HFOF Universe (weighted), 2% 90 Day T-Bills, 1% HFR Risk Parity Vol 12% Institutional Index.

# APFC Total Fund Cumulative Returns

## Total Fund versus Total Fund Targets



- Benchmark (FY21-FY22) = 38% MSCI ACWI IMI, 1.0% 90 Day T-Bills, 1.0% BB US TIPS, 5.5% BB Agg, 5.5% BB Corp IG, 2.0% BB Global Treasury ex-US Hedged, 0.5% JPM EMBI Global Diversified, 0.5% JPM GBI-EM Global Diversified TR, 2.0% BB US High Yield 2% Issuer Cap, 2.0% BB US Securitized, 16% Cambridge PE (lagged), 6.8% NCREIF Total Index (lagged), 1.2% MSCI US REIT (lagged), 5.4% Cambridge Global Pvt. Infrastructure (lagged), 3.6% Cambridge Pvt Credit (lagged), 6% HFRI Total HFOF Universe (weighted), 2% 90 Day T-Bills, 1% HFR Risk Parity Vol 12% Institutional Index.

# APFC Total Fund Attribution

For One Quarter Ended March 31, 2022

## Relative Attribution Effects for Quarter ended March 31, 2022

| Asset Class              | Effective Actual Weight | Effective Target Weight | Actual Return  | Target Return  | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|----------------|----------------|----------------|------------------|-----------------------|
| Public Equity            | 36%                     | 38%                     | (4.36%)        | (5.47%)        | 0.41%          | 0.05%            | 0.46%                 |
| Fixed Income             | 20%                     | 20%                     | (5.43%)        | (5.69%)        | 0.05%          | 0.02%            | 0.07%                 |
| Private Eq & Special Opp | 20%                     | 16%                     | 2.59%          | 5.14%          | (0.48%)        | 0.24%            | (0.25%)               |
| Real Estate              | 8%                      | 8%                      | 9.31%          | 7.67%          | 0.12%          | (0.05%)          | 0.07%                 |
| Private Income           | 8%                      | 9%                      | 5.56%          | 4.72%          | 0.06%          | (0.09%)          | (0.03%)               |
| Absolute Return          | 6%                      | 6%                      | 2.85%          | (0.97%)        | 0.22%          | (0.00%)          | 0.22%                 |
| Total Fund Cash          | 3%                      | 2%                      | 0.94%          | 0.04%          | 0.02%          | 0.01%            | 0.03%                 |
| Risk Parity              | 1%                      | 1%                      | (5.54%)        | (4.92%)        | (0.00%)        | 0.00%            | (0.00%)               |
| <b>Total</b>             |                         |                         | <b>(0.95%)</b> | <b>(1.52%)</b> | <b>+ 0.39%</b> | <b>+ 0.18%</b>   | <b>0.57%</b>          |

- In the first quarter, the Total Fund outperformed the Performance Benchmark by 57 basis points.
- Manager performance in Private Equity & Special Opportunities detracted from relative return, while strong manager performance from all other asset classes helped on the upside. Allocation was a slight positive due to an underweight to Public Equity.
- In aggregate, active management added 39 basis points to relative performance, while deviations from the Policy Target added 18 basis points.

# APFC Total Fund Attribution

For Fiscal Year-to-Date through March 31, 2022

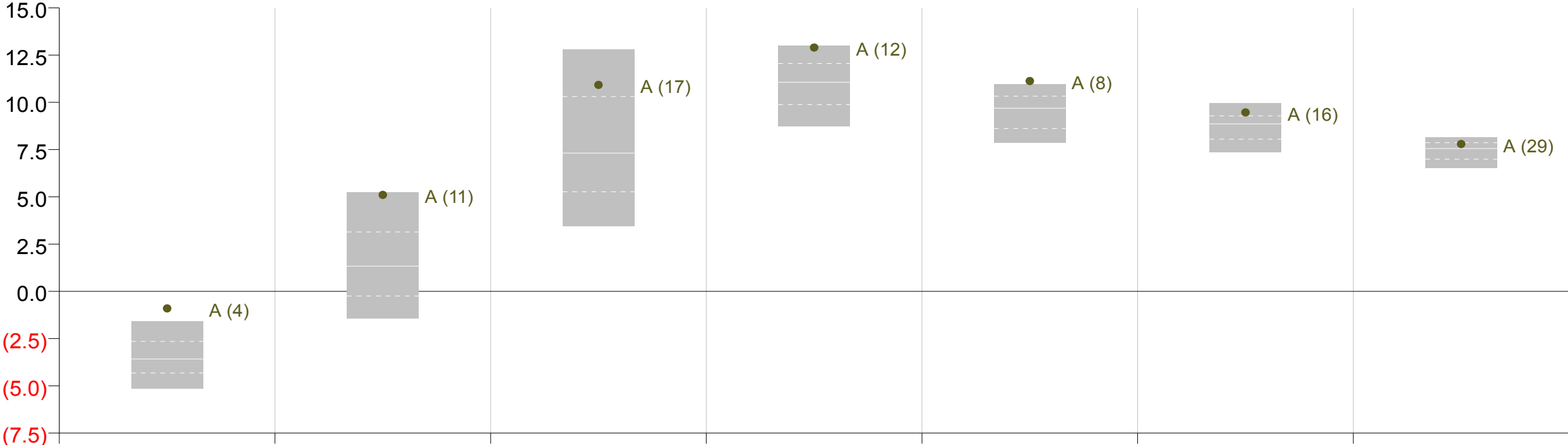
## Three Quarters Relative Attribution Effects

| Asset Class              | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Public Equity            | 37%                     | 38%                     | (0.20%)       | (0.82%)       | 0.22%          | (0.01%)          | 0.21%                 |
| Fixed Income             | 20%                     | 20%                     | (5.20%)       | (5.44%)       | 0.05%          | 0.02%            | 0.07%                 |
| Private Eq & Special Opp | 19%                     | 16%                     | 19.01%        | 23.49%        | (0.76%)        | 0.54%            | (0.22%)               |
| Real Estate              | 7%                      | 8%                      | 19.32%        | 18.10%        | 0.09%          | (0.10%)          | (0.01%)               |
| Private Income           | 7%                      | 9%                      | 13.04%        | 12.58%        | 0.03%          | (0.12%)          | (0.09%)               |
| Absolute Return          | 6%                      | 6%                      | 6.30%         | (0.93%)       | 0.43%          | 0.02%            | 0.44%                 |
| Total Fund Cash          | 3%                      | 2%                      | 0.97%         | 0.06%         | 0.02%          | (0.03%)          | (0.00%)               |
| Risk Parity              | 1%                      | 1%                      | (1.28%)       | (2.19%)       | 0.01%          | 0.00%            | 0.02%                 |
| <b>Total</b>             |                         |                         | <b>4.95%</b>  | <b>4.55%</b>  | <b>+ 0.09%</b> | <b>+ 0.31%</b>   | <b>0.40%</b>          |

- For the fiscal year-to-date, the Total Fund outperformed the Performance Benchmark by 40 basis points.
- Strong manager performance in every asset class, with the exception of Private Equity & Special Opportunities, added to relative performance. Asset allocation was also a positive, particularly due to an overweight to Private Equity—the strongest performing asset class during the period.
- In aggregate, active management added 9 basis points to relative performance, while deviations from the Policy Target added 31 basis points.

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

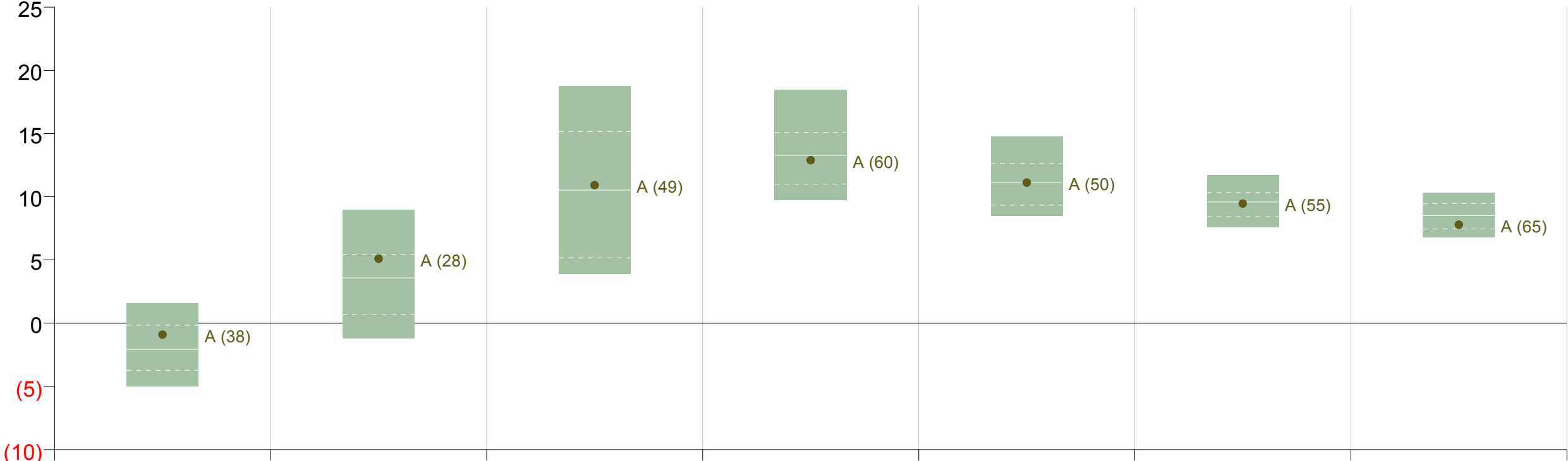
Returns for Periods Ended March 31, 2022  
 Group: Callan Public Fund Sponsor - Large (>1B)



|                 | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 10 Years | Last 20 Years |
|-----------------|--------------|------------|-----------|--------------|--------------|---------------|---------------|
| 10th Percentile | (1.59)       | 5.25       | 12.81     | 13.02        | 10.98        | 9.95          | 8.15          |
| 25th Percentile | (2.65)       | 3.14       | 10.31     | 12.06        | 10.33        | 9.29          | 7.87          |
| Median          | (3.58)       | 1.33       | 7.32      | 11.06        | 9.69         | 8.86          | 7.56          |
| 75th Percentile | (4.32)       | (0.25)     | 5.28      | 9.88         | 8.62         | 8.05          | 7.00          |
| 90th Percentile | (5.14)       | (1.42)     | 3.47      | 8.74         | 7.87         | 7.34          | 6.53          |
| Member Count    | 98           | 97         | 97        | 97           | 96           | 95            | 76            |
| Total Fund ● A  | (0.95)       | 4.95       | 10.71     | 12.75        | 11.04        | 9.43          | 7.77          |

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

Returns for Periods Ended March 31, 2022  
 Group: Callan Endow/Foundation - Large (>1B)

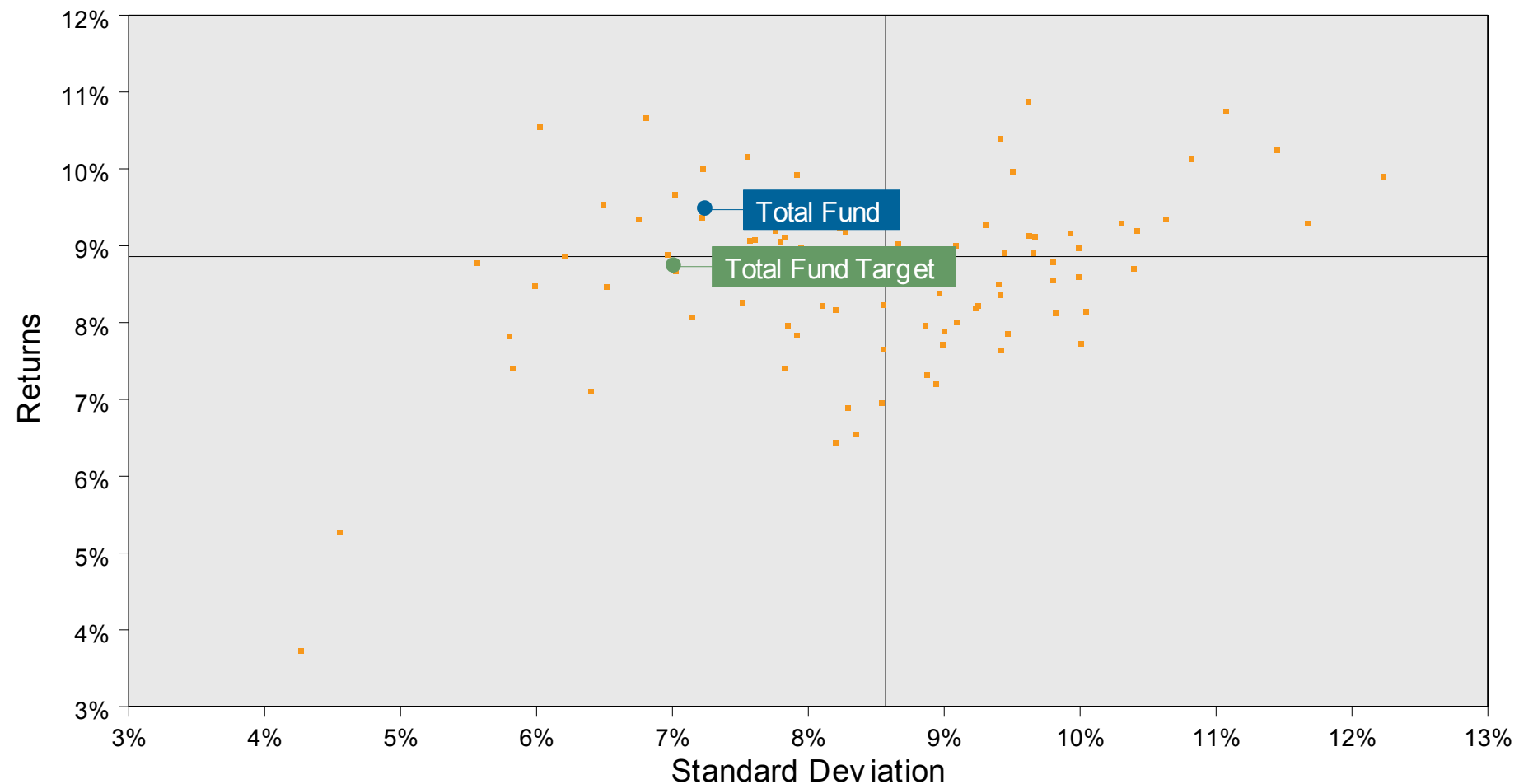


|                 | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 10 Years | Last 20 Years |
|-----------------|--------------|------------|-----------|--------------|--------------|---------------|---------------|
| 10th Percentile | 1.55         | 9.00       | 18.78     | 18.44        | 14.77        | 11.71         | 10.31         |
| 25th Percentile | (0.16)       | 5.42       | 15.15     | 15.08        | 12.63        | 10.33         | 9.46          |
| Median          | (2.06)       | 3.59       | 10.53     | 13.28        | 11.13        | 9.59          | 8.50          |
| 75th Percentile | (3.73)       | 0.67       | 5.18      | 11.00        | 9.34         | 8.43          | 7.45          |
| 90th Percentile | (4.99)       | (1.19)     | 3.92      | 9.73         | 8.51         | 7.59          | 6.77          |
| Member Count    | 37           | 37         | 37        | 36           | 36           | 36            | 29            |
| Total Fund ● A  | (0.95)       | 4.95       | 10.71     | 12.75        | 11.04        | 9.43          | 7.77          |

# APFC Total Fund Return versus Standard Deviations

Relative to Callan's Large Public Fund Database

Ten Year Annualized Risk vs Return

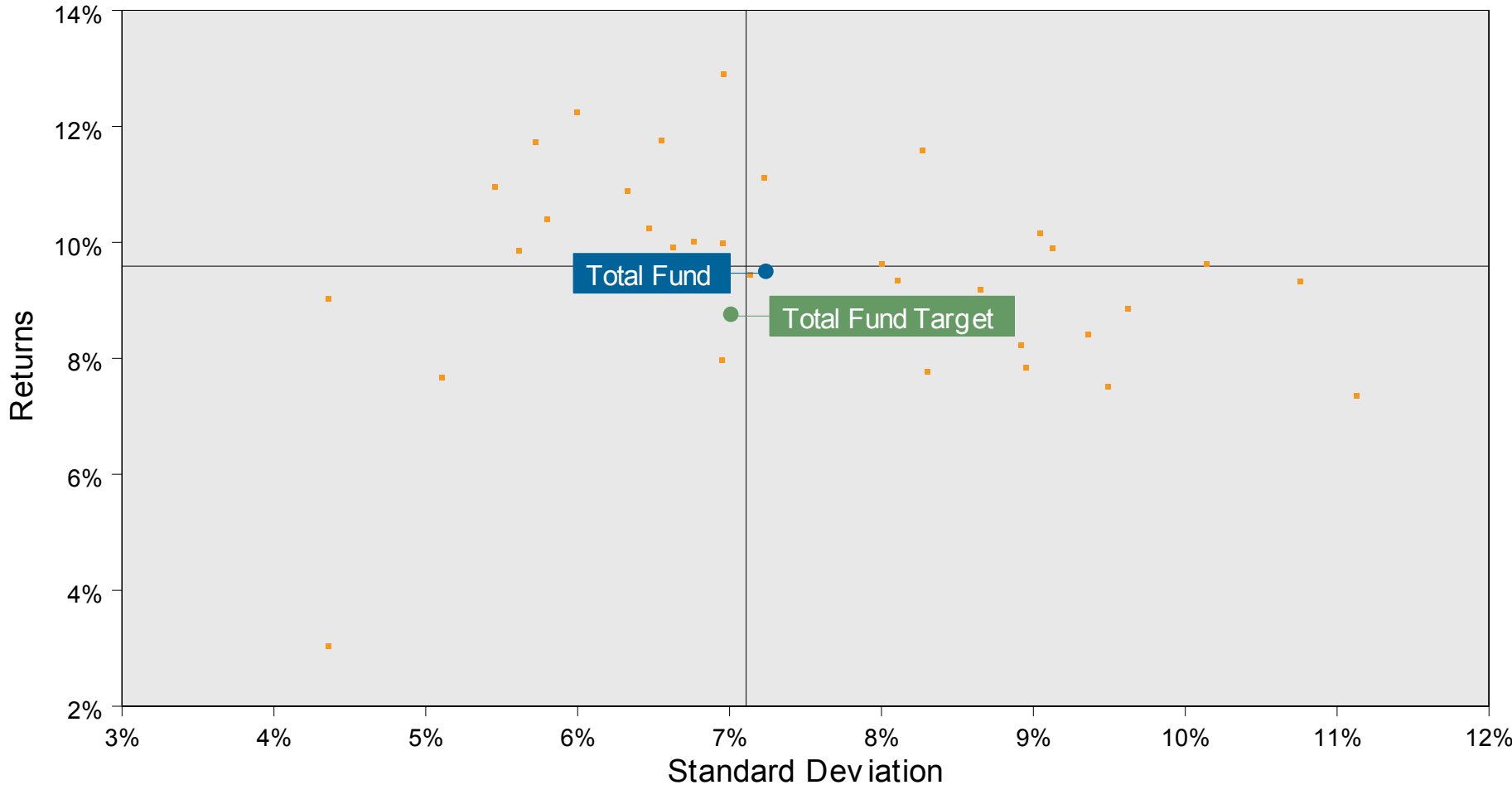


Squares represent membership of the Callan Public Fund Spons - Large (>1B)

# APFC Total Fund Return versus Standard Deviations

Relative to Callan's Large Endowment / Foundation Database

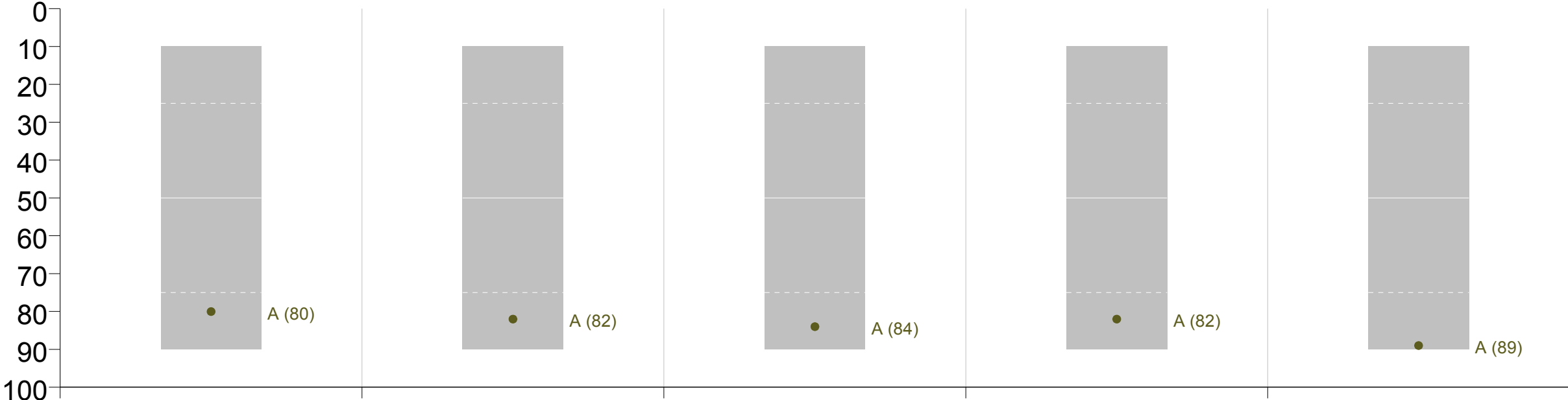
Ten Year Annualized Risk vs Return



Squares represent membership of the Callan Endow/Foundation - Large (>1B)

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

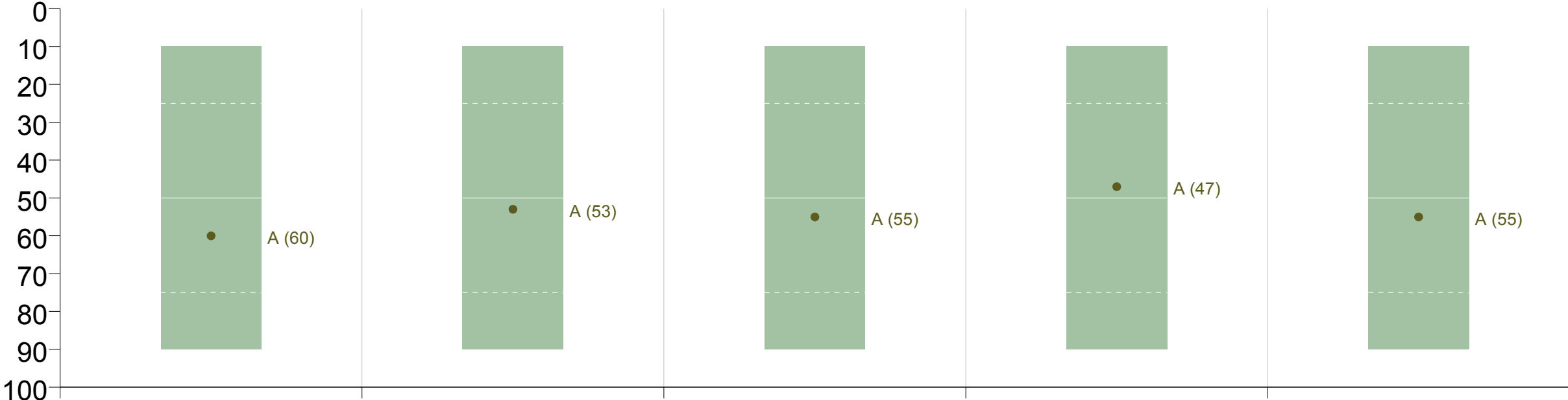
**Standard Deviation for Periods Ended March 31, 2022**  
**Group: Callan Public Fund Sponsor - Large (>1B)**



|                 | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years | Last 20 Years |
|-----------------|--------------|--------------|--------------|---------------|---------------|
| 10th Percentile | 15.36        | 13.35        | 11.82        | 10.21         | 11.59         |
| 25th Percentile | 14.36        | 12.36        | 10.94        | 9.51          | 10.99         |
| Median          | 12.70        | 10.98        | 9.72         | 8.57          | 10.43         |
| 75th Percentile | 11.15        | 9.63         | 8.70         | 7.67          | 9.67          |
| 90th Percentile | 9.22         | 7.97         | 7.36         | 6.52          | 9.24          |
| Member Count    | 97           | 96           | 95           | 95            | 76            |
| Total Fund ● A  | 10.46        | 9.09         | 8.14         | 7.25          | 9.26          |

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

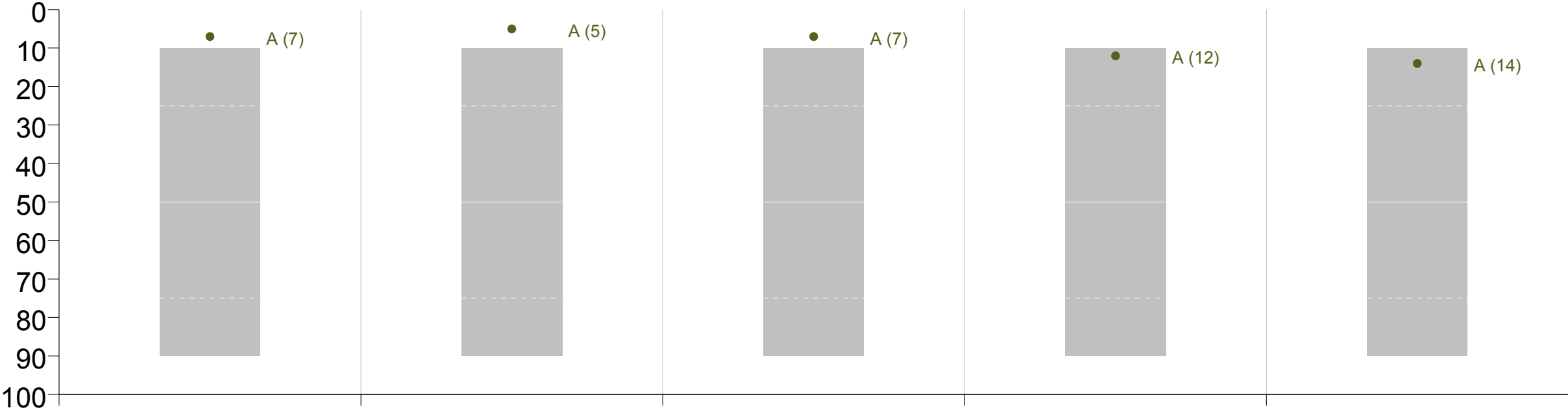
Standard Deviation for Periods Ended March 31, 2022  
 Group: Callan Endow/Foundation - Large (>1B)



|                 | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years | Last 20 Years |
|-----------------|--------------|--------------|--------------|---------------|---------------|
| 10th Percentile | 14.84        | 12.91        | 11.43        | 9.84          | 12.13         |
| 25th Percentile | 13.77        | 11.55        | 10.41        | 9.01          | 10.38         |
| Median          | 10.82        | 9.22         | 8.28         | 7.11          | 9.33          |
| 75th Percentile | 9.60         | 8.13         | 7.49         | 6.43          | 8.51          |
| 90th Percentile | 7.58         | 6.52         | 6.16         | 5.41          | 7.93          |
| Member Count    | 36           | 36           | 36           | 36            | 29            |
| Total Fund ● A  | 10.46        | 9.09         | 8.14         | 7.25          | 9.26          |

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

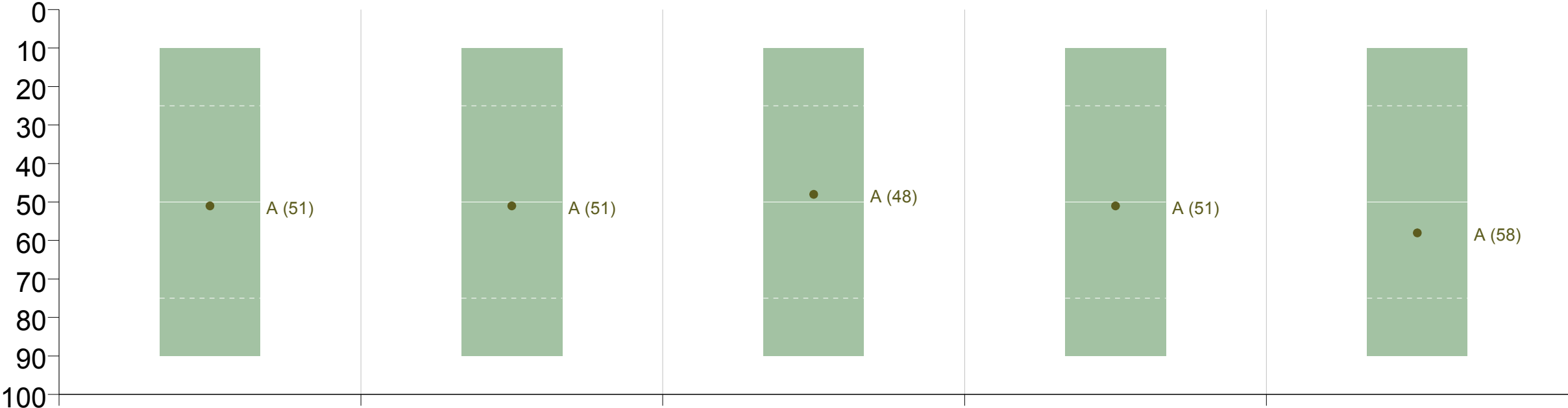
Sharpe Ratio for Periods Ended March 31, 2022  
 Group: Callan Public Fund Sponsor - Large (>1B)



|                 | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years | Last 20 Years |
|-----------------|--------------|--------------|--------------|---------------|---------------|
| 10th Percentile | 1.12         | 1.06         | 1.04         | 1.26          | 0.73          |
| 25th Percentile | 0.98         | 0.89         | 0.87         | 1.06          | 0.64          |
| Median          | 0.79         | 0.74         | 0.75         | 0.92          | 0.59          |
| 75th Percentile | 0.66         | 0.64         | 0.63         | 0.81          | 0.54          |
| 90th Percentile | 0.59         | 0.59         | 0.57         | 0.74          | 0.52          |
| Member Count    | 97           | 96           | 95           | 95            | 76            |
| Total Fund ● A  | 1.16         | 1.10         | 1.06         | 1.22          | 0.70          |

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

Sharpe Ratio for Periods Ended March 31, 2022  
 Group: Callan Endow/Foundation - Large (>1B)



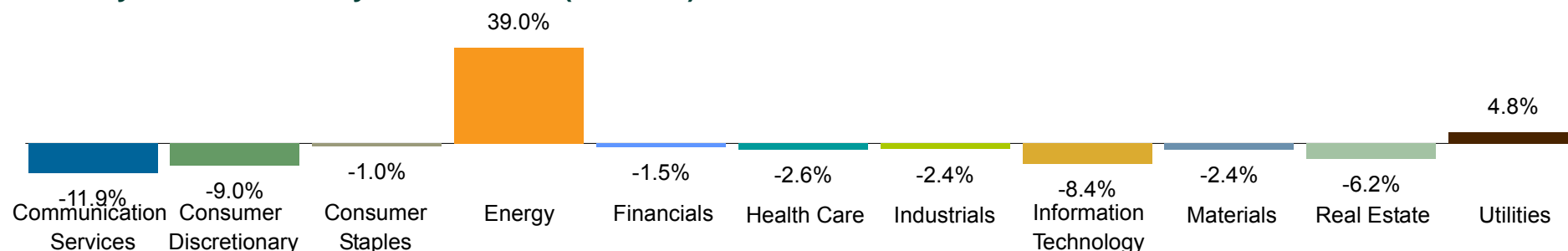
|                 | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years | Last 20 Years |
|-----------------|--------------|--------------|--------------|---------------|---------------|
| 10th Percentile | 1.84         | 1.70         | 1.50         | 1.87          | 1.10          |
| 25th Percentile | 1.55         | 1.34         | 1.28         | 1.57          | 0.95          |
| Median          | 1.24         | 1.14         | 1.04         | 1.27          | 0.77          |
| 75th Percentile | 0.78         | 0.73         | 0.72         | 0.86          | 0.57          |
| 90th Percentile | 0.63         | 0.62         | 0.59         | 0.77          | 0.44          |
| Member Count    | 36           | 36           | 36           | 36            | 29            |
| Total Fund ● A  | 1.16         | 1.10         | 1.06         | 1.22          | 0.70          |

# U.S. Equity Performance Q1 2022

## Returns take a step back given increased macro uncertainty

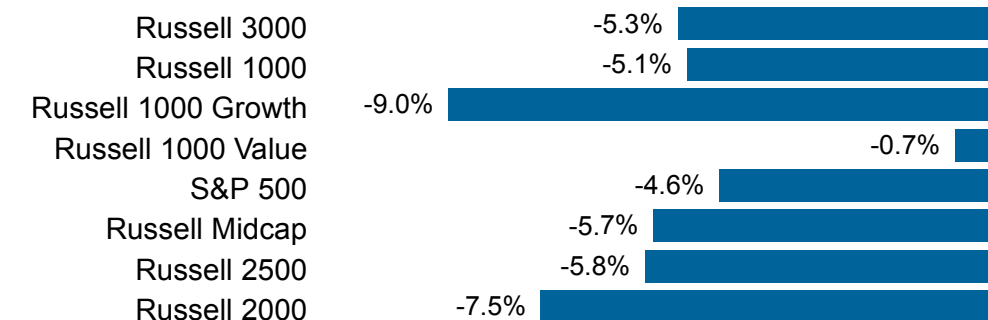
- The S&P 500 Index fell 4.6% in 1Q, but was down more than 12% early in March before staging a rally into quarter-end.
- Value stocks sharply outpaced growth across capitalizations, with the spread exceeding 10% in both mid and small caps and just over 8% in large caps.
- Energy (+39%) was the best-performing sector given a 33% spike in WTI crude oil prices. Commodity-linked Basic Materials and Utilities sectors also performed well on a relative basis.
- Communication Services (-12%), Consumer Discretionary (-9%), and Information Technology (-8%) were the worst-performing sectors.
- Uncertainty over rates, inflation, and geopolitical tensions all contributed to a volatile and risk averse environment.
- Interestingly, the Russell Dynamic Index (-4.3%) outperformed the Russell Defensive Index (-5.9%) during the 1Q downturn. Quality did not hold up as well as expected in some sectors.

### Industry Sector Quarterly Performance (S&P 500)

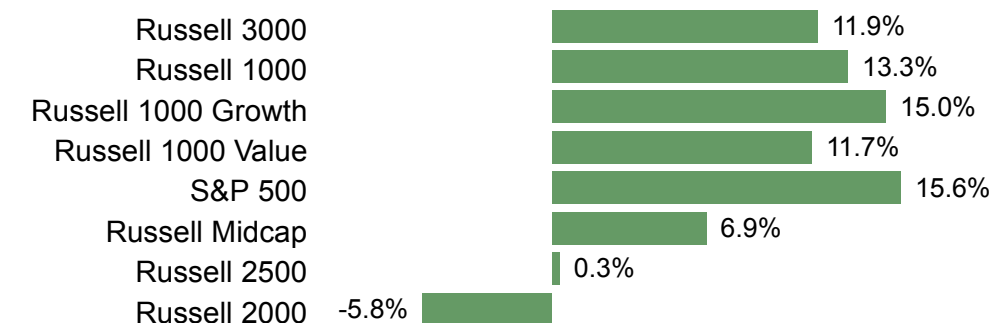


Sources: FTSE Russell, Standard & Poor's

### U.S. Equity: Quarterly Returns



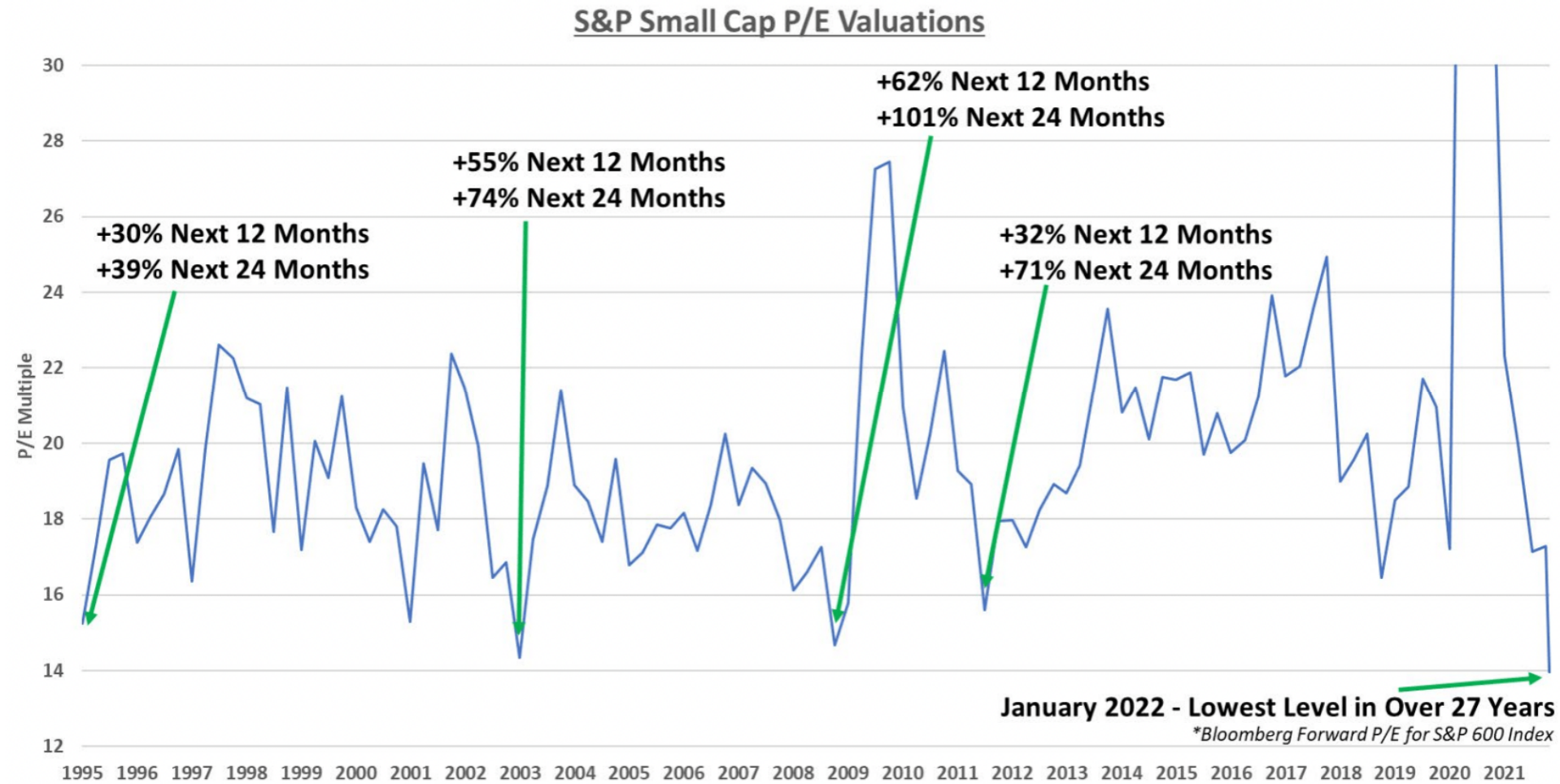
### U.S. Equity: One-Year Returns



# U.S. Equity Market Overview

## Historical small cap discount relative to large cap

- The Russell 2000 Index continues to underperform the Russell 1000 Index; the small cap index now trails large cap by almost 1,660 basis points cumulatively on a three-year basis and over 2,360 basis points on a five-year basis.



Sources: Bloomberg, JP Morgan

# U.S. Equity Market Overview

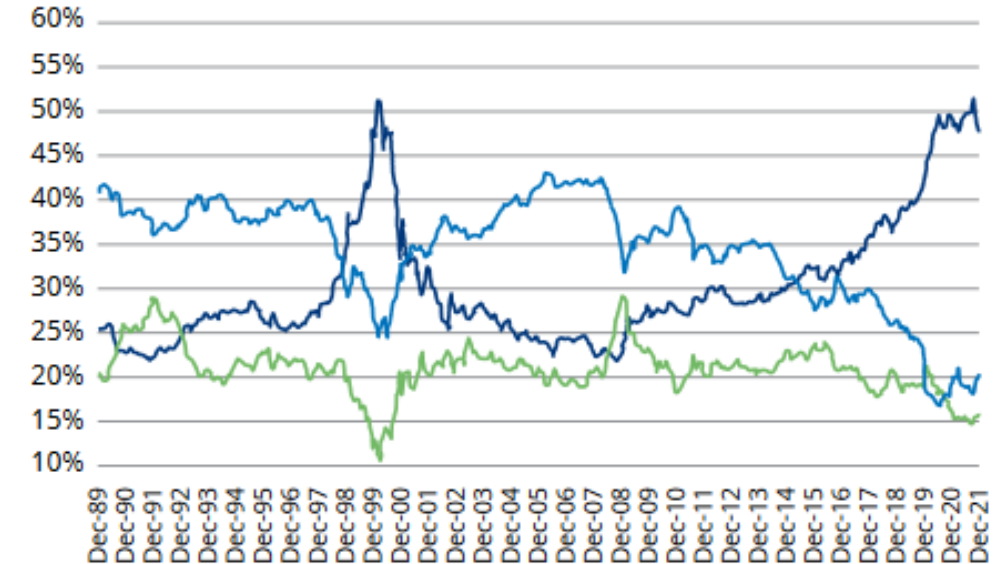
## Index construction evolution

- Value had a strong outperformance profile versus growth in both large and small cap in 1Q. However, some large cap core weighted investors may not have benefited as much as they once would have.
- Well-known mega cap technology stocks have helped dramatically change the index profile over recent time periods, increasing the S&P 500 Index secular growth exposure (dark blue line).
- Cyclical areas of the market outperformed in 1Q but have a lower contribution to return given the lower index weight (light blue line).

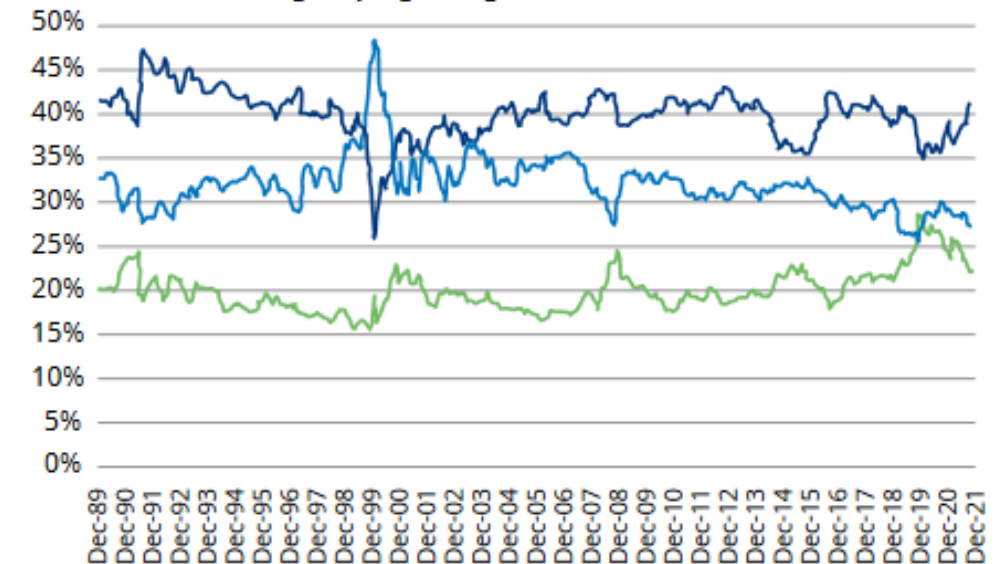
## Russell 2000 Index remains more diversified

- The small cap index remains more stable and diversified from a sector and exposure standpoint.
- The Russell 2000 Index is also more domestically focused than its large cap counterpart.

S&P 500 sector groupings weights



Russell 2000 sector groupings weight in index



Sources: Bloomberg, JP Morgan

# U.S. Equity Market Overview

## Index concentration

- Index concentration continues despite negative 1Q core index returns and falling earnings contribution.
- Among FAANG stocks, Apple and Microsoft now seen as providing downside protection
- Index concentration continues to cause active managers significant headwinds in the large cap growth space: the Russell 1000 Growth Index has nearly 50% of portfolio capital in just the top 10 names (Apple and Microsoft are greater than 10% weights).

**Weight of the top 10 stocks in the S&P 500**  
% of market capitalization of the S&P 500



**Earnings contribution of the top 10 in the S&P 500**  
Based on last 12 months' earnings



Source: JP Morgan

# Global ex-U.S. Equity Performance Q1 2022

## War in Ukraine stoked market volatility

- In the aftermath of invading Ukraine, Russia faced condemnation and sanctions that crippled its stocks, bonds, and currency and shocked the global markets.
- The fog of war exacerbated inflationary concerns and led energy prices to surge as Russia is the second-largest natural gas provider and the third-largest oil producer in the world.
- Energy exporters notably outperformed importers.

## Fears of COVID-19

- A resurgence of COVID-19 cases in Europe and Asia, specifically in China, weighed on global recovery.
- China's zero-COVID policy has injected doubt into the 2022 GDP growth projection of 5.5%, already its lowest annual target in more than 25 years.

## Growth vs. value

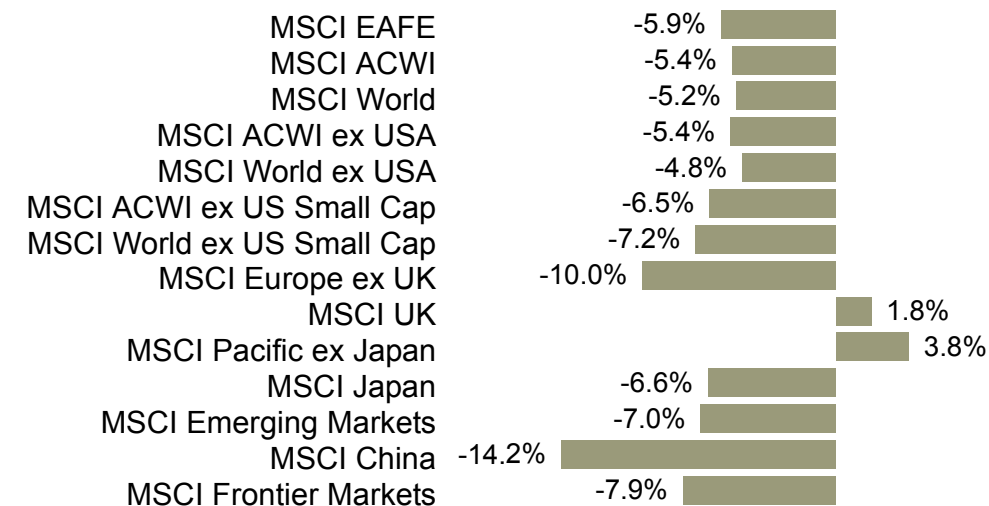
- Value sectors such as Energy, Materials, and Financials were in favor relative to growth sectors like Consumer Discretionary and Information Technology due to a combination of recession fears and tightening monetary cycle.
- However, Energy was the worst performer within Emerging Markets due to the removal of Russia from indices with effectively zero value.

## U.S. dollar vs. other currencies

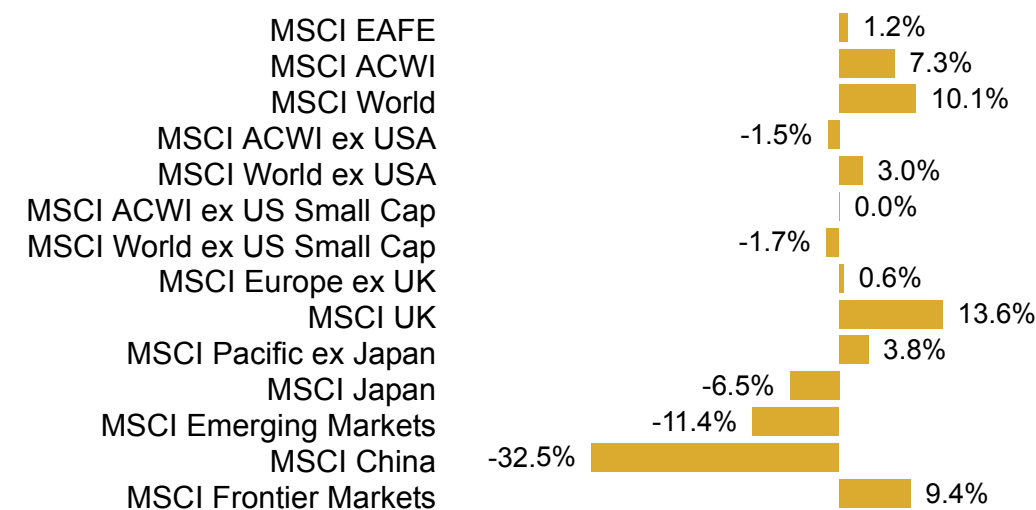
- With the uncertainty of war, the U.S. dollar strengthened against other major currencies.

Source: MSCI

## Global Equity: Quarterly Returns



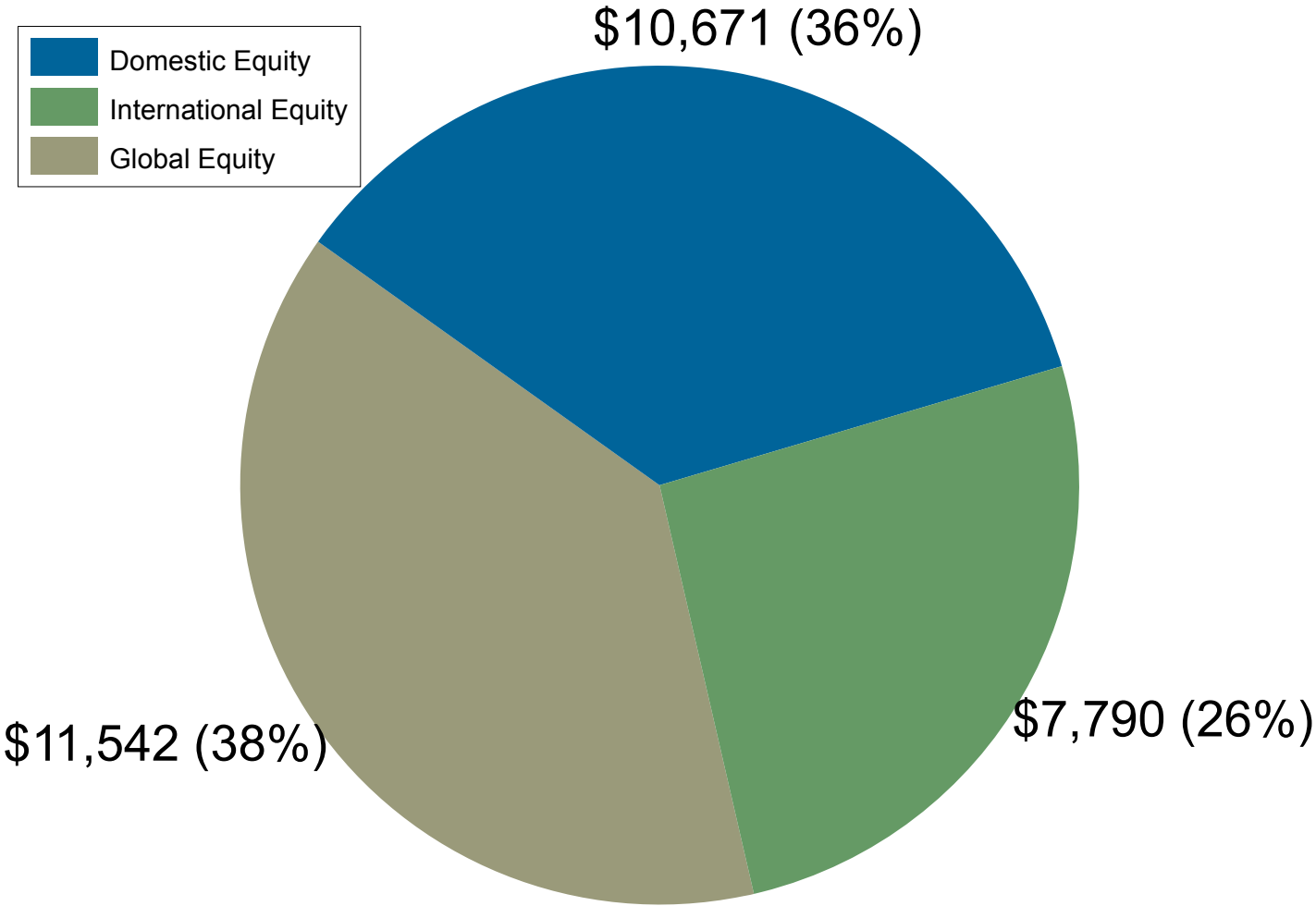
## Global Equity: Annual Returns



# APFC Public Equity Structure

As of March 31, 2022

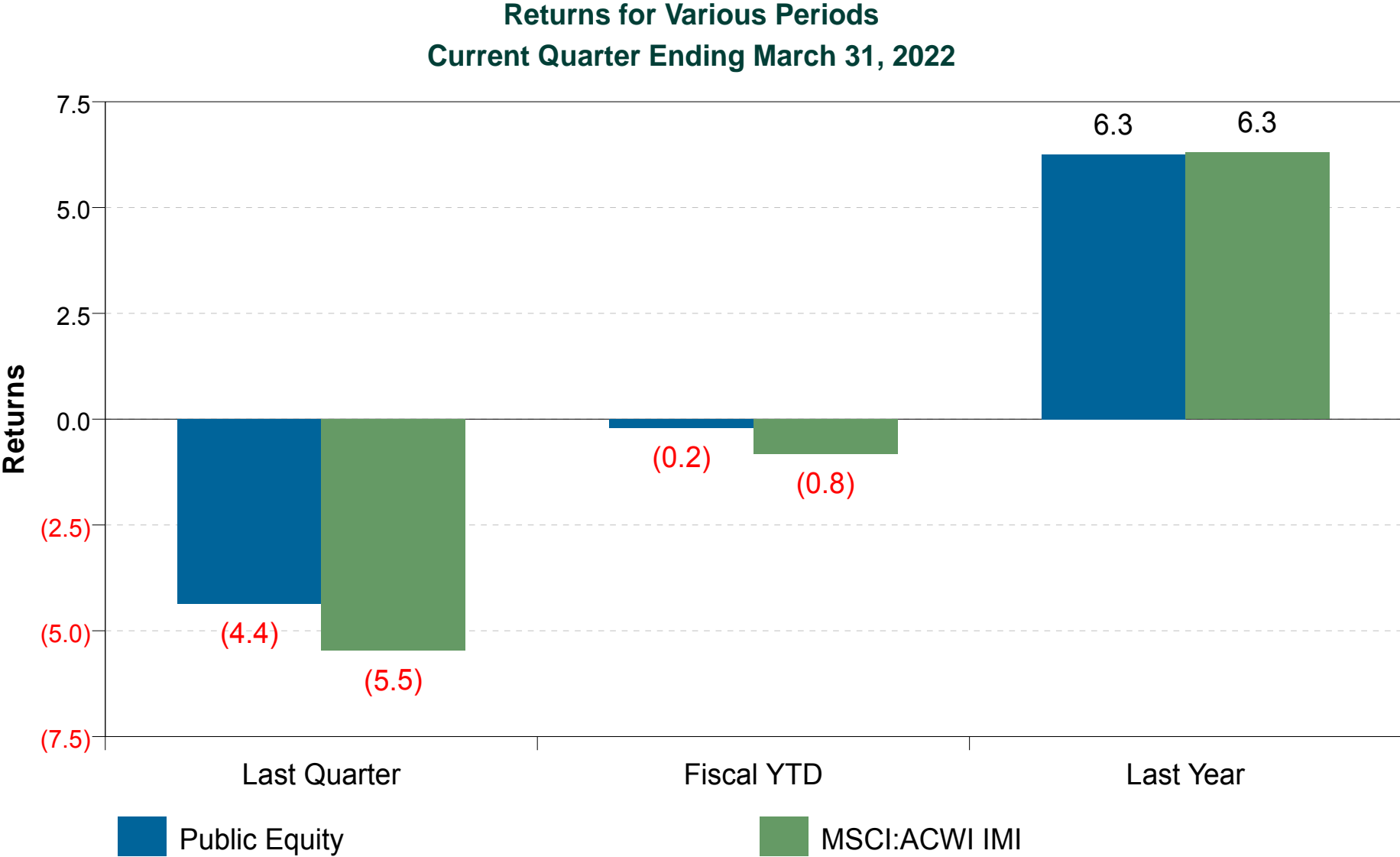
- APFC Public Equity portfolio has a weighting of roughly 59% in US equity, and 41% in non-US equity.
- The MSCI ACWI IMI benchmark has a weighting of roughly 60% in US equity, and 40% in non-US equity.
- The median allocation to US equity across public equity portfolios in Callan’s Large Public Fund Sponsor database is roughly 59%.



# APFC Public Equity vs. MSCI ACWI-IMI

Periods Ended March 31, 2022

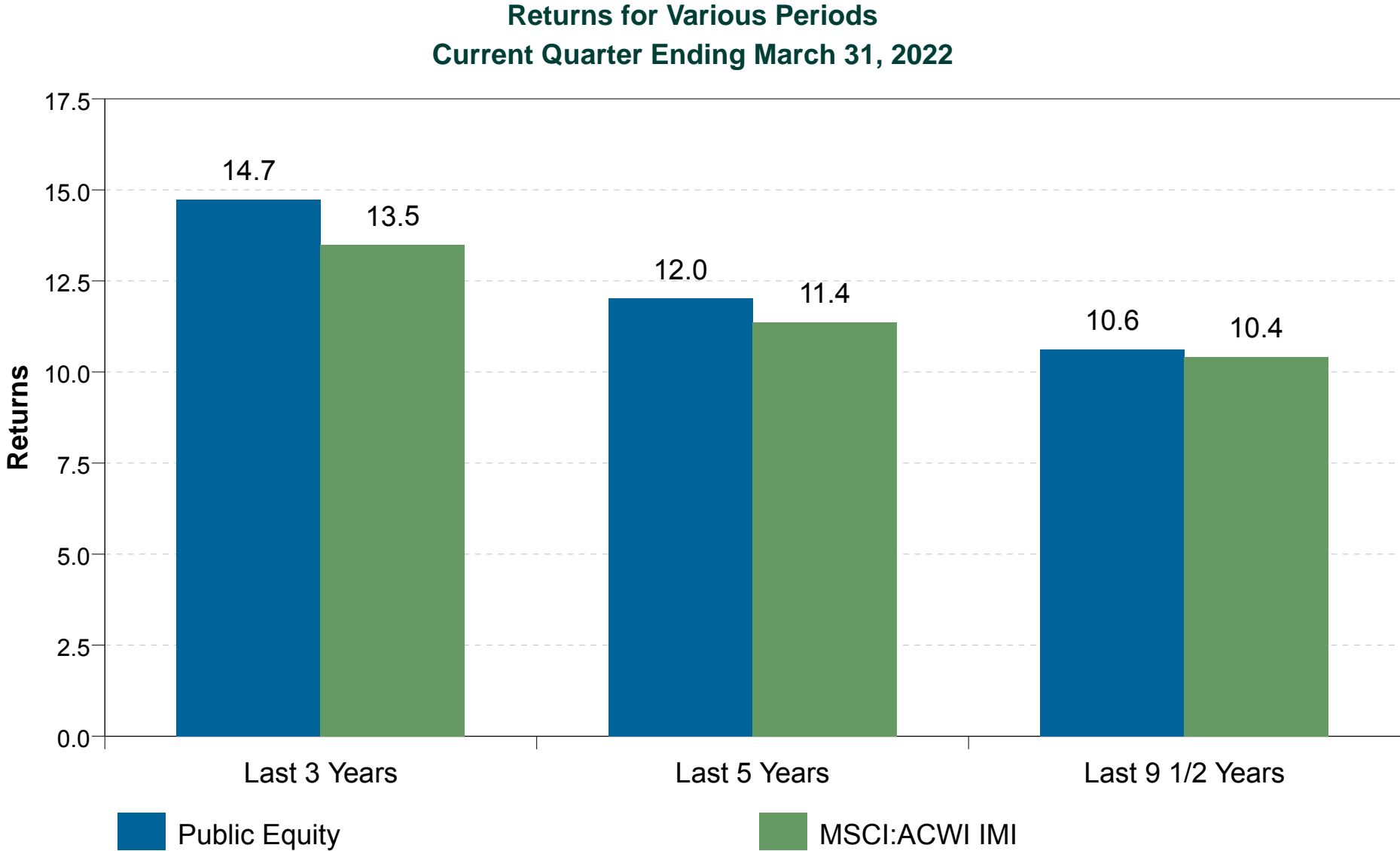
- APFC Public Equity portfolio outperformed the MSCI ACWI IMI index for the recent quarter and ended inline with the benchmark for the last year.
- Domestic, International, Global Equity composites ended ahead of their respective benchmarks in the latest quarter. Over the trailing year, Global Equity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



# APFC Public Equities Performance vs. MSCI ACWI-IMI

Periods Ended March 31, 2022

- Public Equities exceeded the benchmark 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.

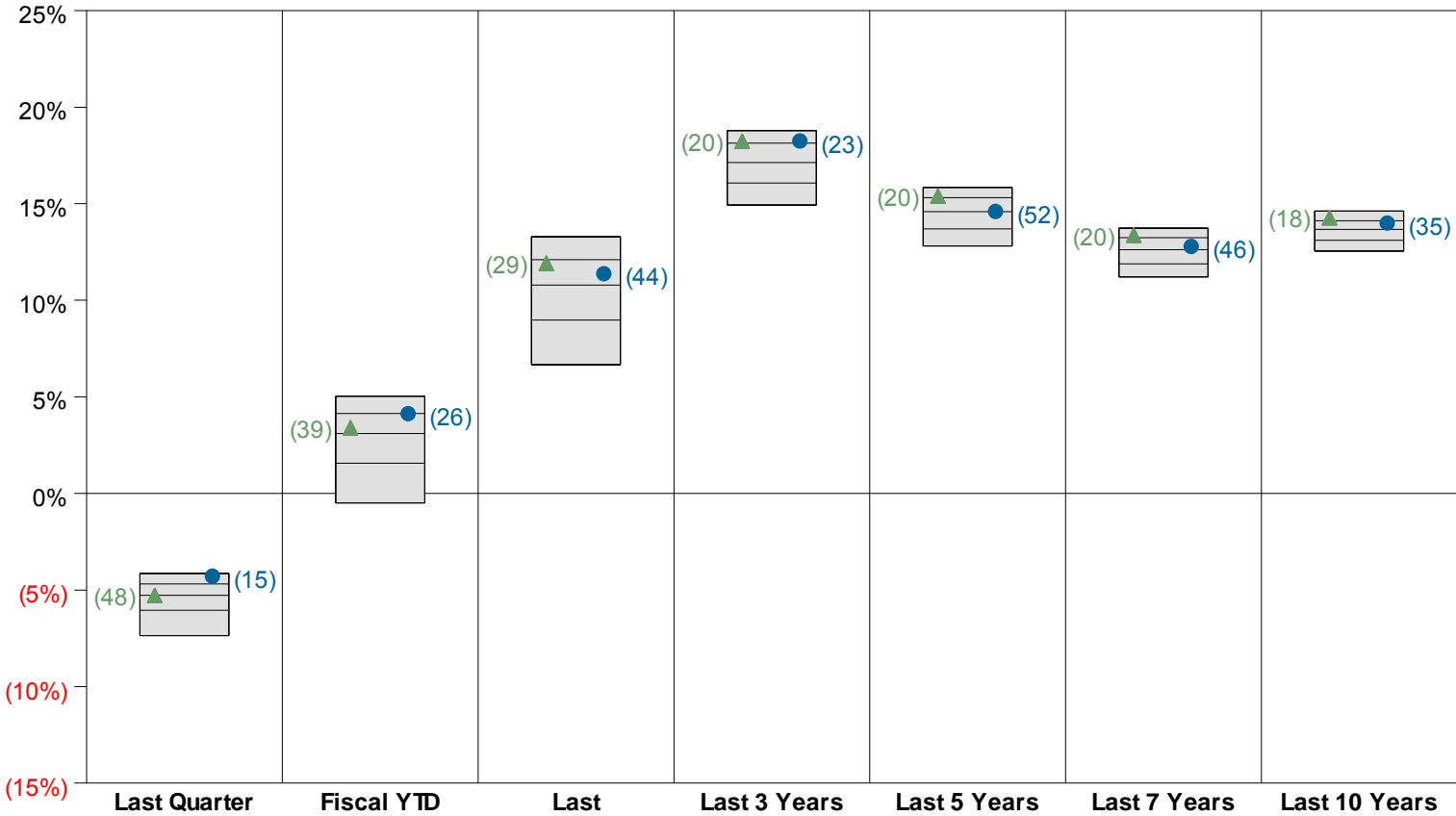


# APFC US Equity Performance vs. Fund Sponsor US Equity

Periods Ended March 31, 2022

- 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 and fiscal year-to-date ahead of its benchmark, but remains behind over the trailing year.
- When compared to US Equity portfolios of other large institutional investors, APFC's US Equity composite ranked above median in all periods with the 5-year period being the exception.

Performance vs Fund Sponsor - Domestic Equity (Gross)



|                          | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|--------------------------|--------------|------------|-----------|--------------|--------------|--------------|---------------|
| 10th Percentile          | (4.14)       | 5.04       | 13.29     | 18.78        | 15.84        | 13.74        | 14.61         |
| 25th Percentile          | (4.68)       | 4.13       | 12.10     | 18.13        | 15.31        | 13.25        | 14.12         |
| Median                   | (5.28)       | 3.10       | 10.79     | 17.13        | 14.59        | 12.62        | 13.67         |
| 75th Percentile          | (6.05)       | 1.56       | 8.97      | 16.07        | 13.70        | 11.89        | 13.11         |
| 90th Percentile          | (7.37)       | (0.49)     | 6.67      | 14.93        | 12.81        | 11.21        | 12.55         |
| <b>Domestic Equity</b> ● | (4.37)       | 4.04       | 11.29     | 18.16        | 14.52        | 12.70        | 13.92         |
| Russell 3000 Index ▲     | (5.28)       | 3.40       | 11.92     | 18.24        | 15.40        | 13.38        | 14.28         |

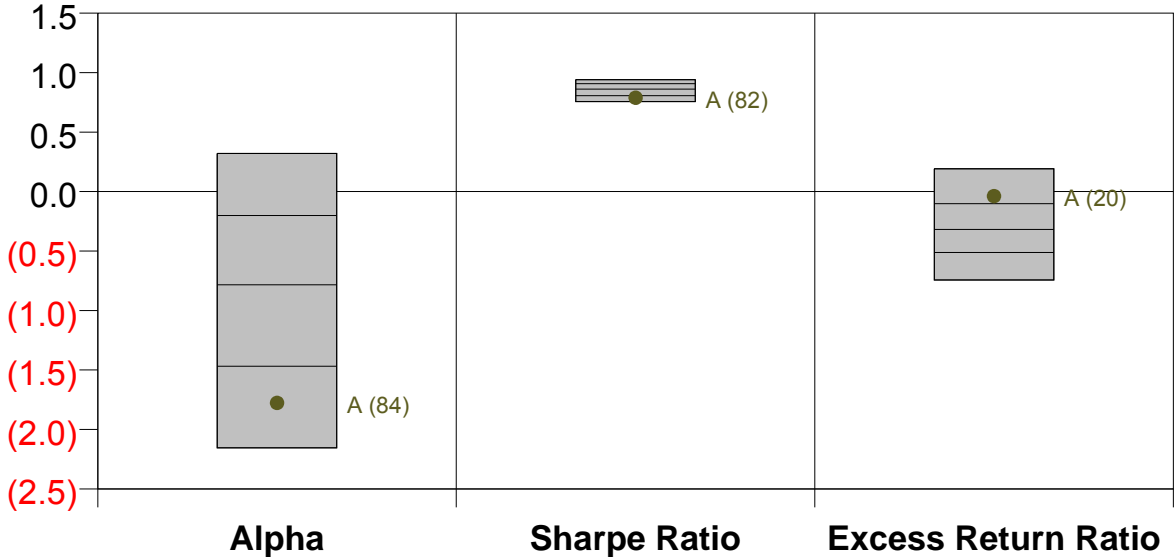
# APFC US Equity Portfolio Risk Adjusted Return Rankings

Ten Years Ended March 31, 2022

- 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 below median for alpha and Sharpe ratio, and above median for excess return ratio.

- 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**

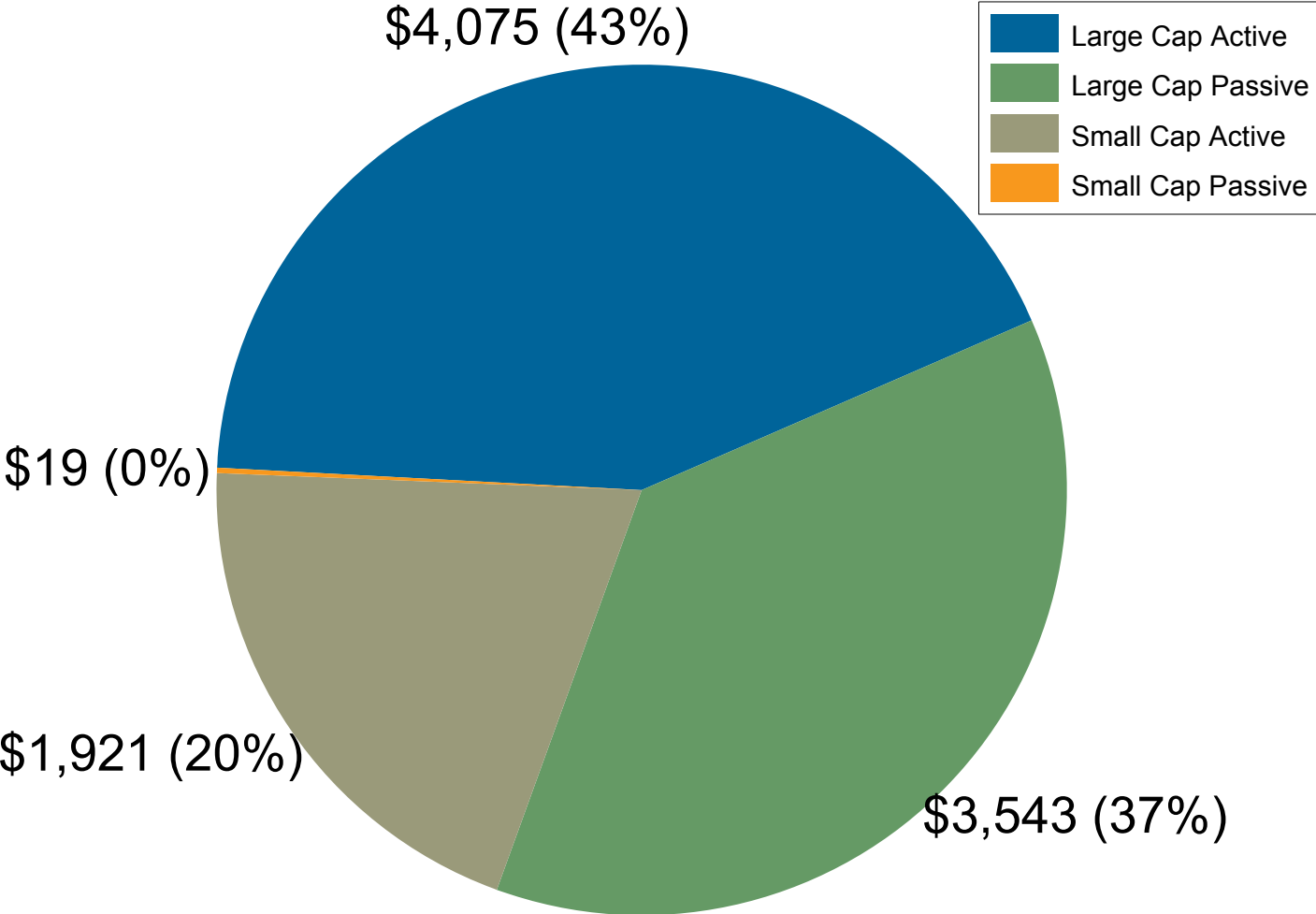


|                            | Alpha         | Sharpe Ratio | Excess Return Ratio |
|----------------------------|---------------|--------------|---------------------|
| 10th Percentile            | 0.32          | 0.94         | 0.19                |
| 25th Percentile            | (0.20)        | 0.91         | (0.10)              |
| Median                     | (0.78)        | 0.86         | (0.32)              |
| 75th Percentile            | (1.47)        | 0.81         | (0.51)              |
| 90th Percentile            | (2.15)        | 0.76         | (0.74)              |
| <b>Domestic Equity ● A</b> | <b>(1.78)</b> | <b>0.79</b>  | <b>(0.04)</b>       |

# APFC US Equity Structure

As of March 31, 2022

- US equity portfolio is roughly 63% actively managed and 37% passive (or quasi-passive).
- Roughly 53% of the large cap allocation is actively managed while 99% of the small cap allocation is actively managed.

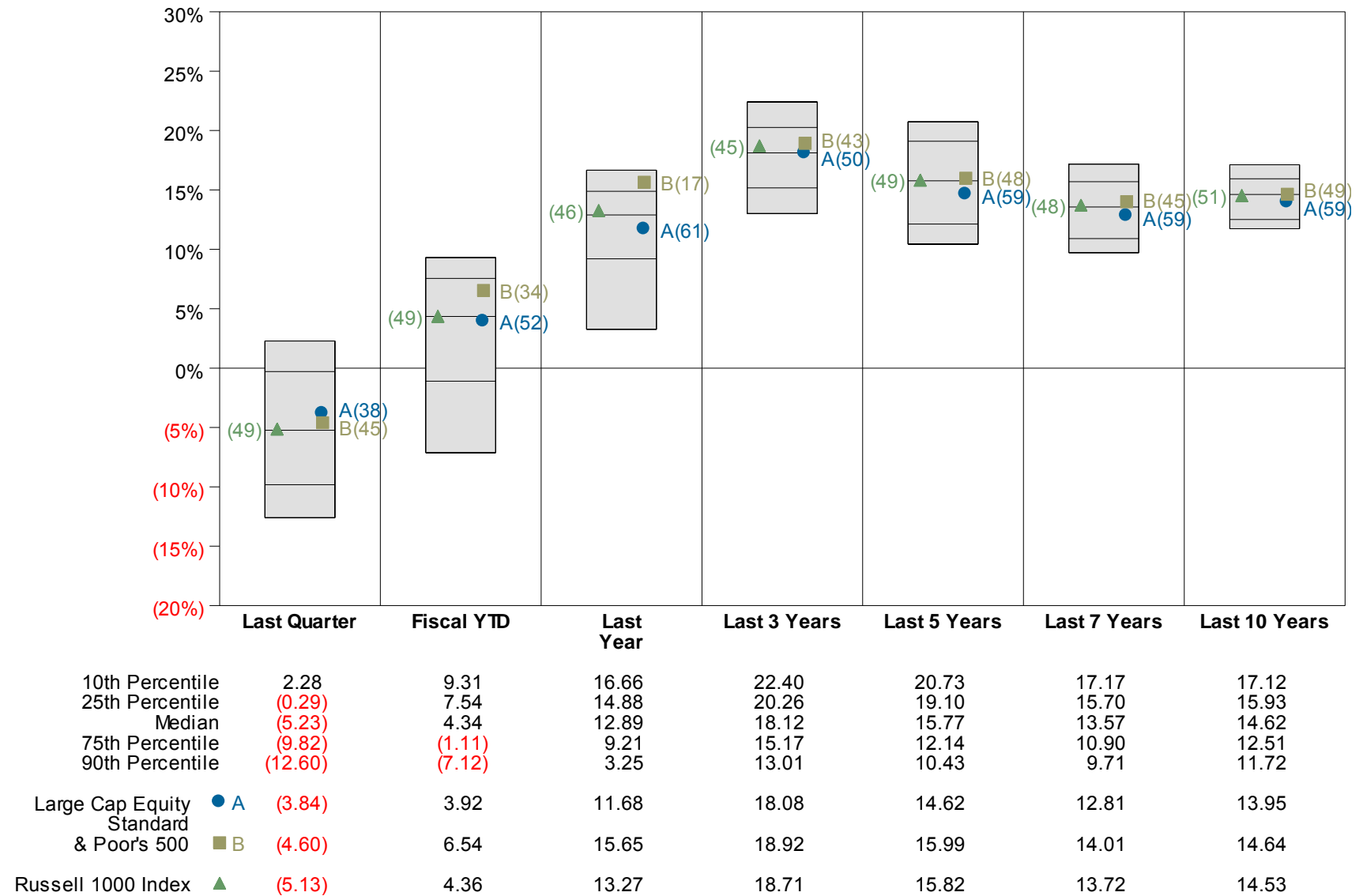


# APFC Large Cap Equity Relative to Large Cap Universe

Periods Ended March 31, 2022

- APFC's Large Cap portfolio outperformed its benchmark over the quarter and year.
- Outside of the quarter, the portfolio ranked at or below median within the large cap universe.
- Large cap composite has a small/mid cap size bias relative to the index, which detracted from relative performance during the quarter.

Performance vs Callan Large Capitalization (Gross)

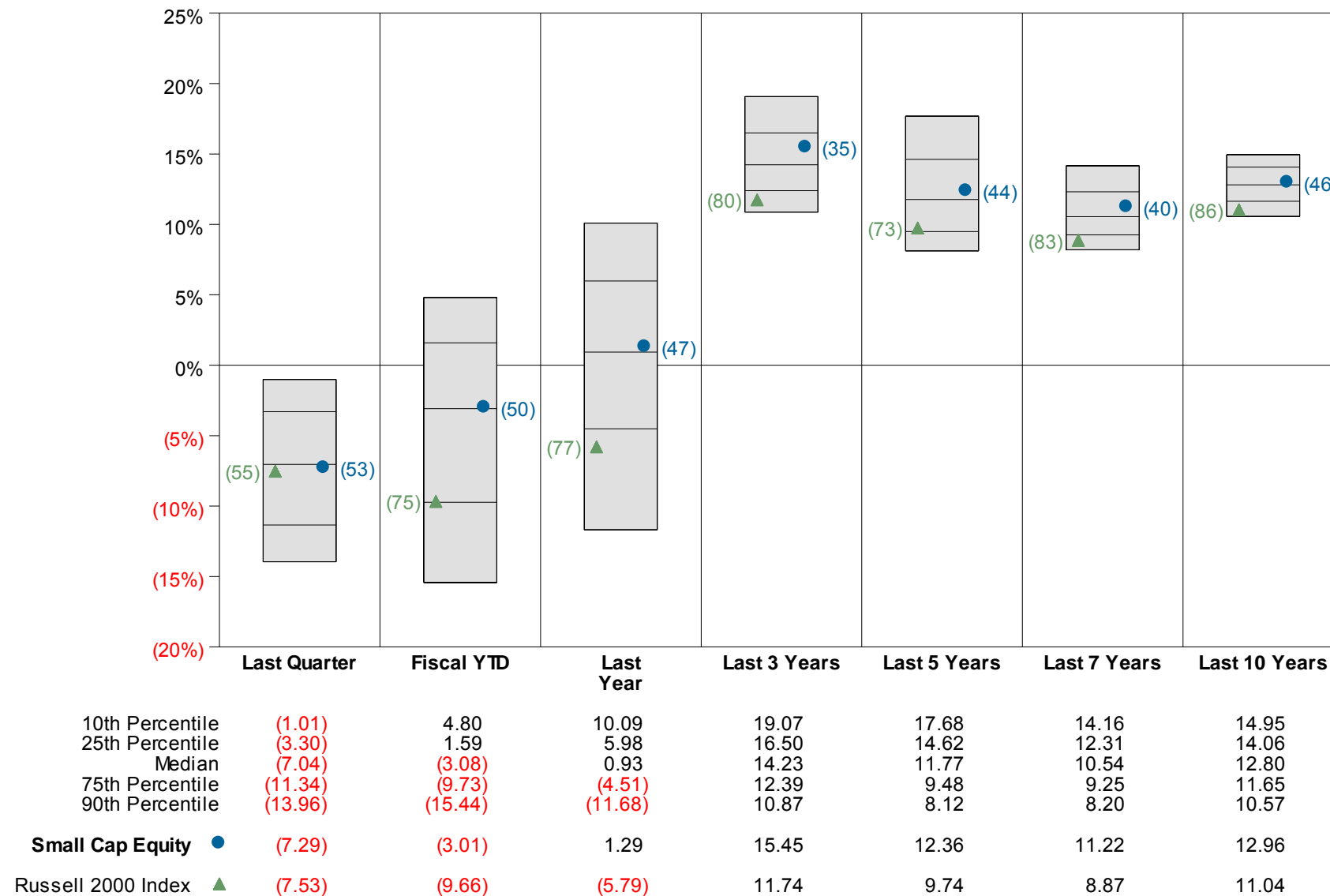


# APFC Small Cap Equity Relative to Small Cap Universe

Periods Ended March 31, 2022

Performance vs Callan Small Capitalization (Gross)

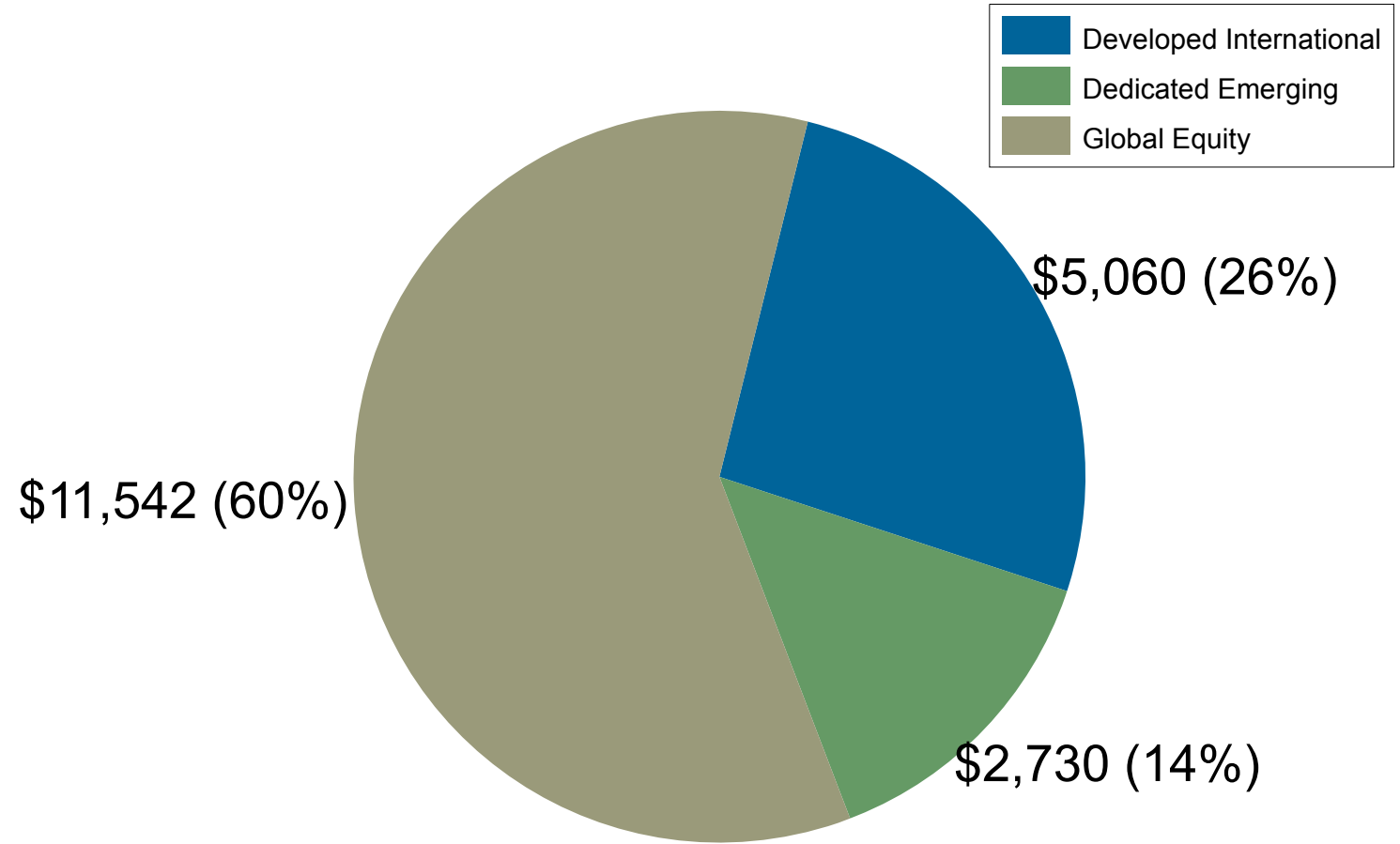
- APFC small cap portfolio outperformed the Russell 2000 for the quarter, fiscal year-to-date, and year, and ranked near its peer group median.
- In all other standard time periods, the portfolio ranked above median in the small cap universe and was ahead of the benchmark.



# APFC Non-US and Global Equity Structure

As of March 31, 2022

- 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.

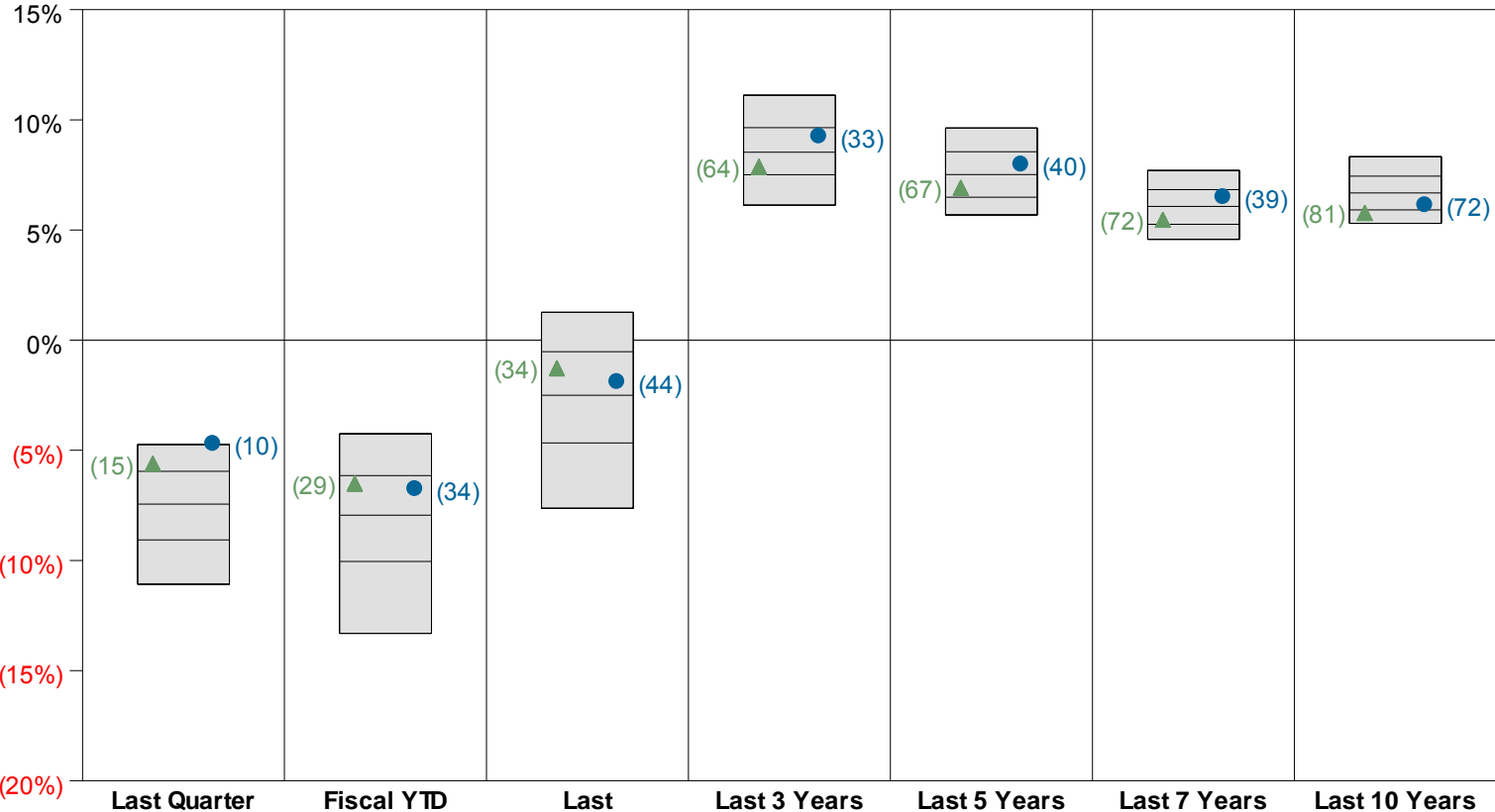


# APFC International Equity Relative to Fund Sponsor Universe

Periods Ended March 31, 2022

Performance vs Fund Sponsor - International Equity (Gross)

- International Equity ended the quarter ahead of its benchmark and peer group median.
- Outside of trailing year, the portfolio outperformed its benchmark over all other periods.
- Relative to other fund sponsor portfolios, International Equity ranked above median for all periods other than the 10-year period.



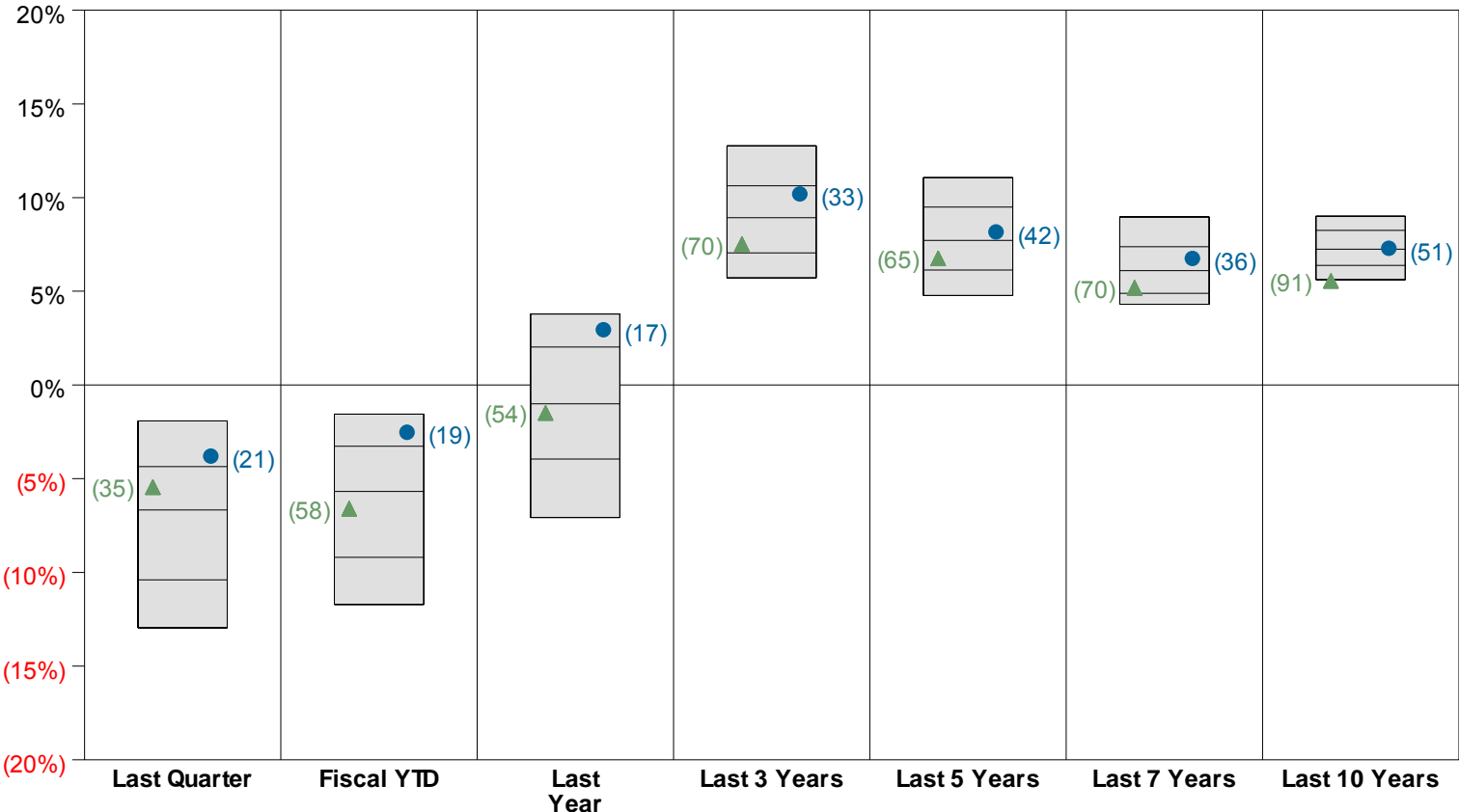
|                               | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|-------------------------------|--------------|------------|-----------|--------------|--------------|--------------|---------------|
| 10th Percentile               | (4.74)       | (4.25)     | 1.27      | 11.12        | 9.62         | 7.70         | 8.33          |
| 25th Percentile               | (5.95)       | (6.14)     | (0.52)    | 9.64         | 8.55         | 6.83         | 7.45          |
| Median                        | (7.44)       | (7.94)     | (2.50)    | 8.53         | 7.52         | 6.08         | 6.68          |
| 75th Percentile               | (9.06)       | (10.04)    | (4.66)    | 7.51         | 6.49         | 5.26         | 5.91          |
| 90th Percentile               | (11.08)      | (13.30)    | (7.62)    | 6.13         | 5.68         | 4.57         | 5.31          |
| <b>International Equity</b> ● | (4.74)       | (6.80)     | (1.93)    | 9.21         | 7.93         | 6.46         | 6.09          |
| MSCI ACWI ex US IMI ▲         | (5.60)       | (6.50)     | (1.27)    | 7.87         | 6.92         | 5.46         | 5.78          |

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

Periods Ended March 31, 2022

- The International Developed portfolio ended ahead of its benchmark and peer group for the quarter. The portfolio continued to show strong performance relative to its benchmark across all other time periods.
- The portfolio ranked above median for most time periods and near median for the 10-year period.

Performance vs Callan Non-US Equity (Gross)



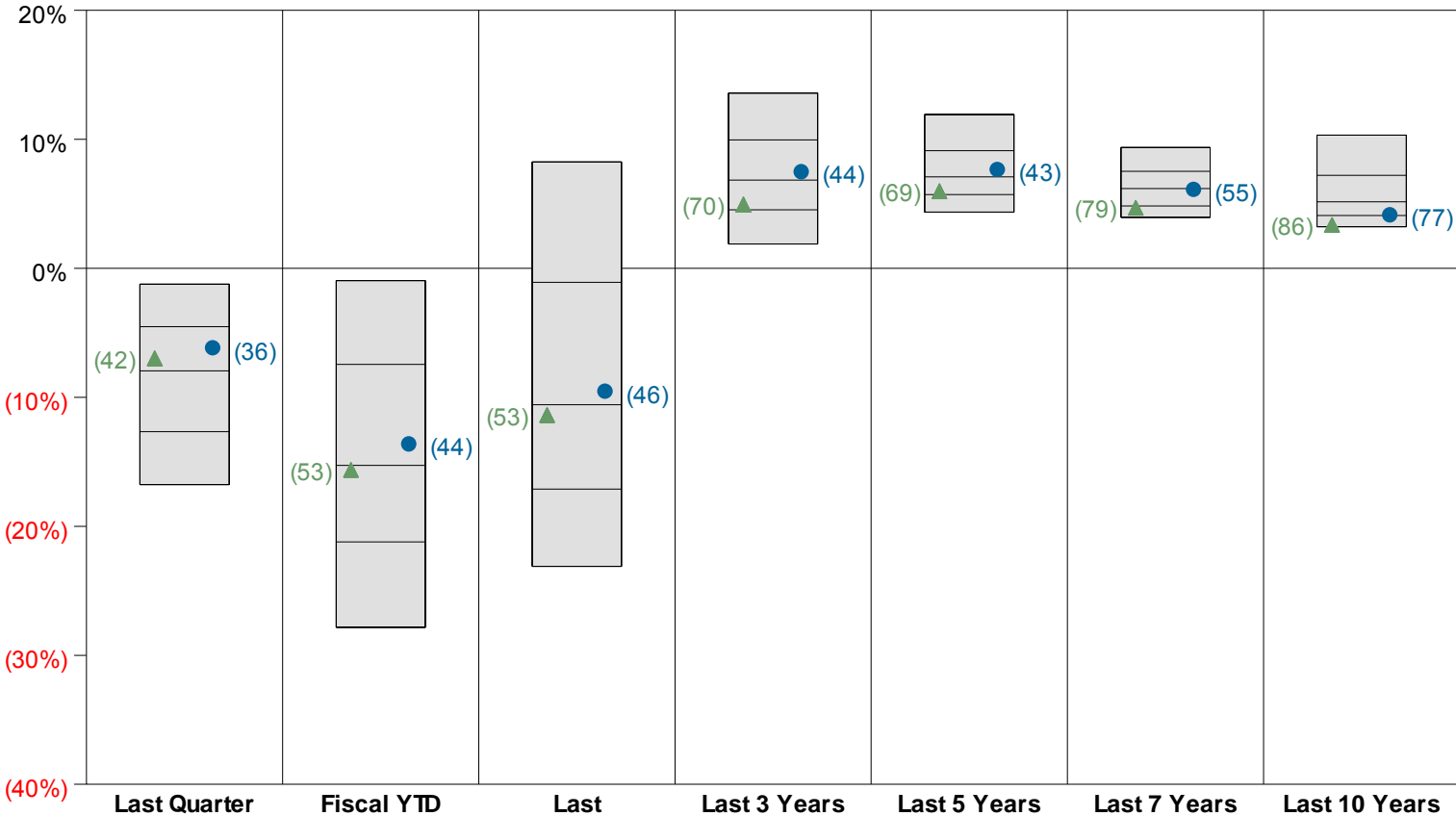
|                                | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|--------------------------------|--------------|------------|-----------|--------------|--------------|--------------|---------------|
| 10th Percentile                | (1.92)       | (1.55)     | 3.78      | 12.76        | 11.06        | 8.96         | 9.01          |
| 25th Percentile                | (4.36)       | (3.27)     | 2.03      | 10.63        | 9.49         | 7.38         | 8.25          |
| Median                         | (6.66)       | (5.68)     | (1.00)    | 8.93         | 7.72         | 6.10         | 7.25          |
| 75th Percentile                | (10.40)      | (9.20)     | (3.95)    | 7.04         | 6.13         | 4.89         | 6.38          |
| 90th Percentile                | (12.95)      | (11.72)    | (7.07)    | 5.72         | 4.77         | 4.30         | 5.62          |
| <b>International Developed</b> | ● (3.88)     | (2.61)     | 2.86      | 10.10        | 8.07         | 6.67         | 7.20          |
| MSCI ACWI ex US                | ▲ (5.44)     | (6.60)     | (1.48)    | 7.51         | 6.76         | 5.19         | 5.55          |

# APFC Emerging Markets Equity Relative to EM Universe

Periods Ended March 31, 2022

- APFC Emerging Markets Equity portfolio experienced a shallower decline than its benchmark over the quarter and trailing year.
- The portfolio leads its benchmark across all standard periods.
- 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 (Gross)



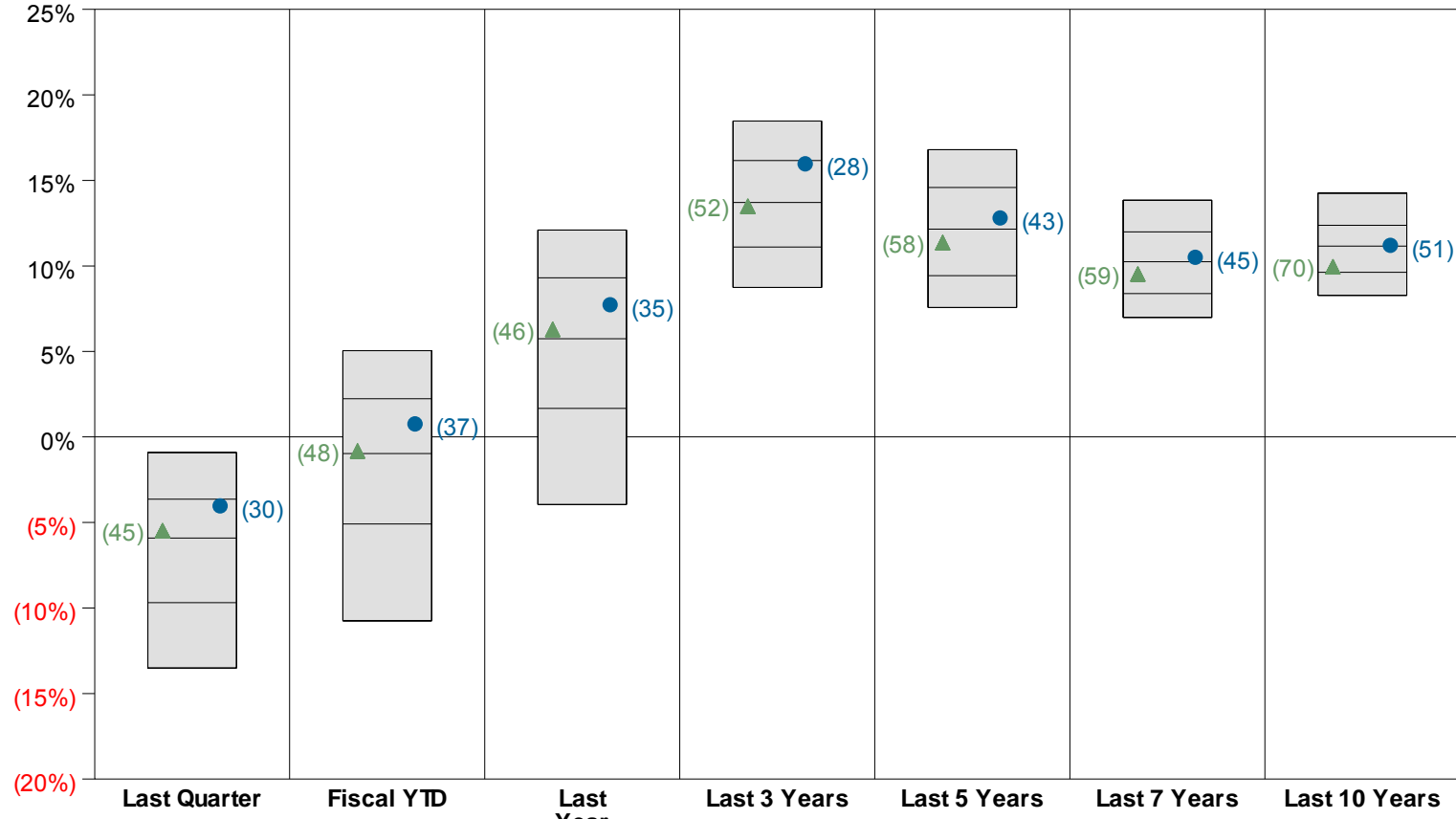
|                           | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|---------------------------|--------------|------------|-----------|--------------|--------------|--------------|---------------|
| 10th Percentile           | (1.23)       | (0.95)     | 8.25      | 13.59        | 11.92        | 9.36         | 10.32         |
| 25th Percentile           | (4.52)       | (7.44)     | (1.09)    | 9.95         | 9.11         | 7.52         | 7.20          |
| Median                    | (7.95)       | (15.27)    | (10.58)   | 6.84         | 7.09         | 6.18         | 5.16          |
| 75th Percentile           | (12.67)      | (21.21)    | (17.10)   | 4.53         | 5.72         | 4.82         | 4.09          |
| 90th Percentile           | (16.76)      | (27.83)    | (23.11)   | 1.89         | 4.36         | 3.95         | 3.22          |
| <b>Emerging Markets</b> ● | (6.28)       | (13.73)    | (9.65)    | 7.37         | 7.52         | 5.98         | 4.02          |
| MSCI EM ▲                 | (6.97)       | (15.62)    | (11.37)   | 4.94         | 5.98         | 4.69         | 3.36          |

# APFC Global Equity Relative to Global Universe

Periods Ended March 31, 2022

- APFC Global Equity portfolio outperformed its benchmark and peer group for the quarter and year.
- The portfolio was ahead of its benchmark over all time periods and ranked above or near median for all time periods.
- Performance from the APFC Tactical Tilts portfolio positively impacted performance over the quarter, 1-, 3-, and 5-year.

Performance vs Global Equity Database (Gross)



|                      |          |         |        |       |       |       |       |
|----------------------|----------|---------|--------|-------|-------|-------|-------|
| 10th Percentile      | (0.91)   | 5.04    | 12.09  | 18.47 | 16.79 | 13.84 | 14.25 |
| 25th Percentile      | (3.63)   | 2.23    | 9.30   | 16.15 | 14.59 | 11.99 | 12.37 |
| Median               | (5.90)   | (0.96)  | 5.74   | 13.71 | 12.15 | 10.24 | 11.15 |
| 75th Percentile      | (9.68)   | (5.09)  | 1.67   | 11.11 | 9.43  | 8.38  | 9.63  |
| 90th Percentile      | (13.51)  | (10.75) | (3.95) | 8.74  | 7.57  | 6.99  | 8.28  |
| <b>Global Equity</b> | ● (4.13) | 0.66    | 7.64   | 15.88 | 12.70 | 10.41 | 11.11 |
| <b>MSCI ACWI IMI</b> | ▲ (5.47) | (0.82)  | 6.30   | 13.49 | 11.37 | 9.52  | 9.95  |

# U.S. Fixed Income Performance

## First Quarter 2022

### Bonds hit hard as rates rose sharply

- Bloomberg Aggregate worst quarterly return since 1980
- Curve flattened; as of 3/31 5-year UST yield 10 bps higher than 10-year UST yield (2.42% vs 2.32%)
- TIPS outperformed nominal Treasuries and 10-year breakeven spreads widened to 2.84% from 2.56% as of year-end.
- Fed raised rates by 25 bps with many more hikes expected this year.

### Credit sectors underperformed

- Investment grade corporates underperformed duration-matched U.S. Treasuries by 145 bps; RMBS by 71 bps.
- High yield “benefited” from less interest rate sensitivity and relatively higher exposure to the energy sector; excess return vs. U.S. Treasuries was 92 bps.
- Defaults remain low (less than 1%) and yield breached 6%.

### Leveraged loans performed relatively well

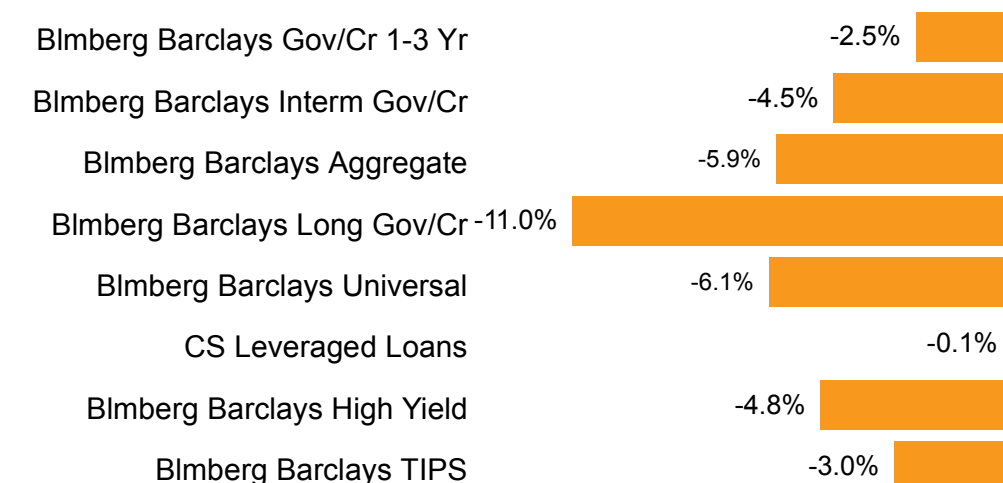
- Helped by floating rate coupons / low duration

### Securitized sectors performed relatively well

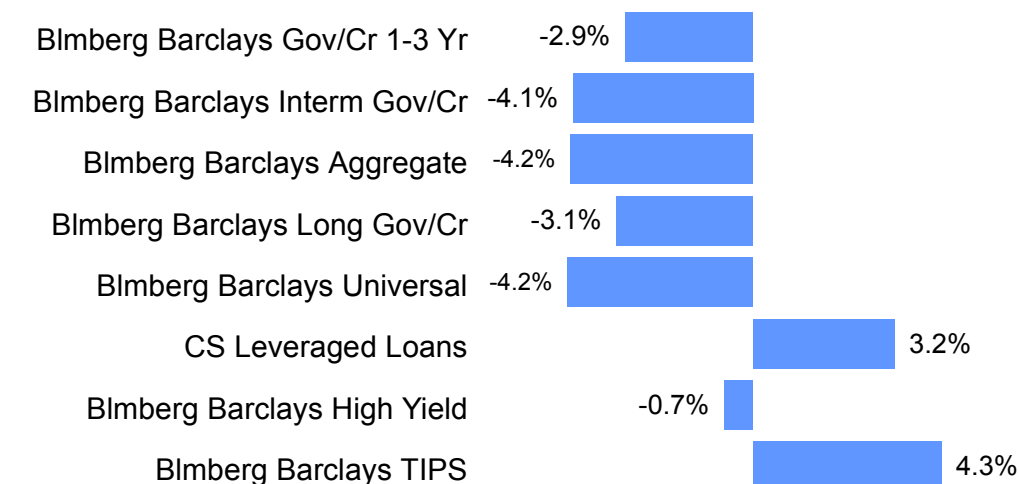
- Consumer ABS held up the best within the sector due to its shorter duration profile and solid consumer spending; conduit CMBS traded in line as economy re-opens.
- Agency MBS saw duration extend by 0.4 years due to higher rates (deters refinancing and slows payments to monthly mins).

Sources: Bloomberg

### U.S. Fixed Income: Quarterly Returns



### U.S. Fixed Income: Annual Returns



# Interest Rate Movement in the Last Year + First Quarter of 2022

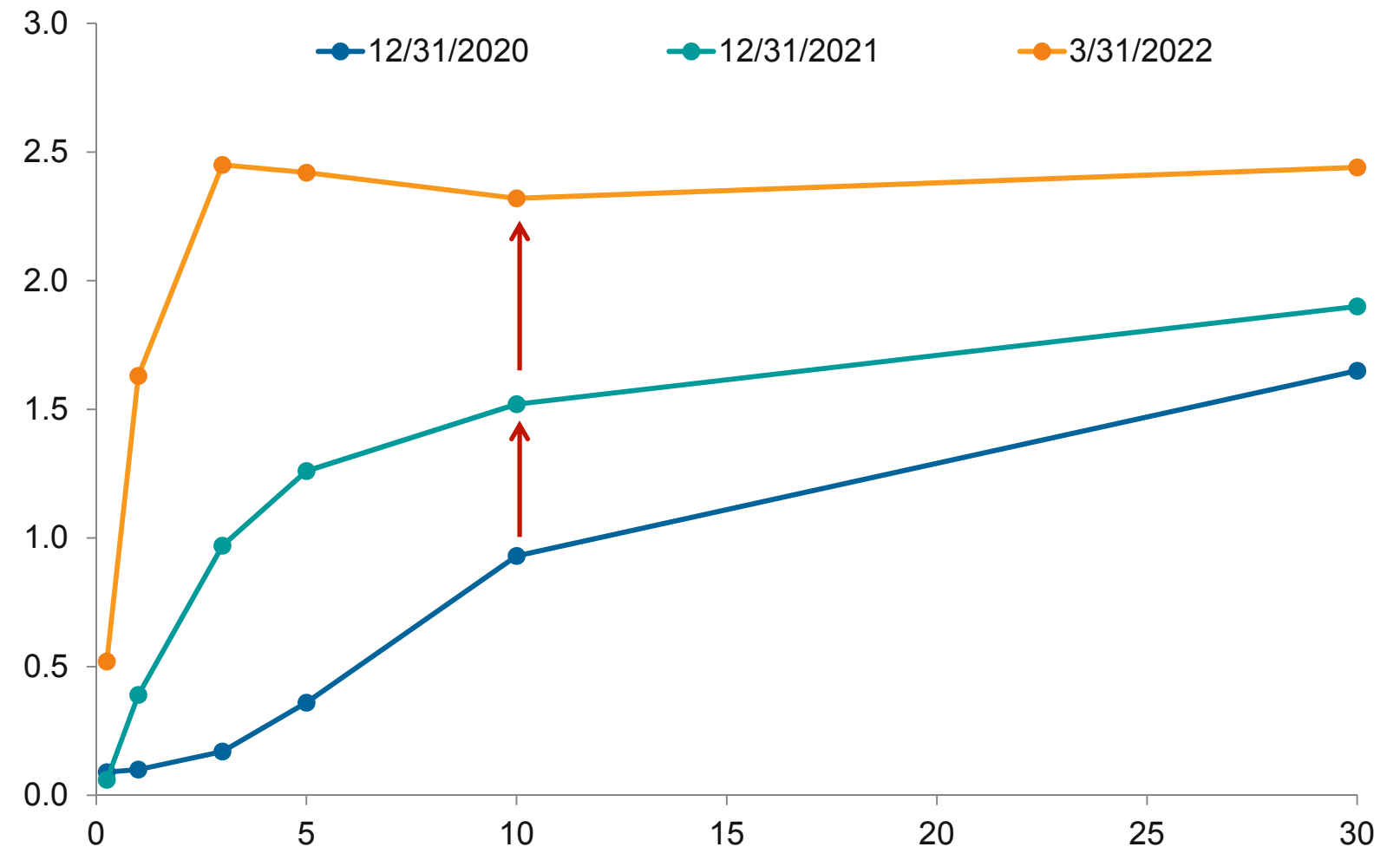
## The Treasury yield curve rose meaningfully during 2021

- Because of potential volatility in yields at any given point such as 12/31/21, we use the average of recent yields as the anchor to develop Callan's 2022 capital markets assumptions.

## Yield curve shifted sharply higher in 1Q22, especially on the short end

- Steep losses for bonds in 1Q, and likely for 2Q
- For 10-year forecast, losses up front will be offset by higher yields in the following periods; 10-year forecast can be meaningfully higher if yield increases are early and high enough, AND yields are maintained.
- Higher yields increase the risk of inducing recession, which could lead to reversal in interest rates and lower return.

Treasury Yield Curve Change



Sources: Bloomberg, Federal Reserve

# Global Fixed Income Performance

## First Quarter 2022

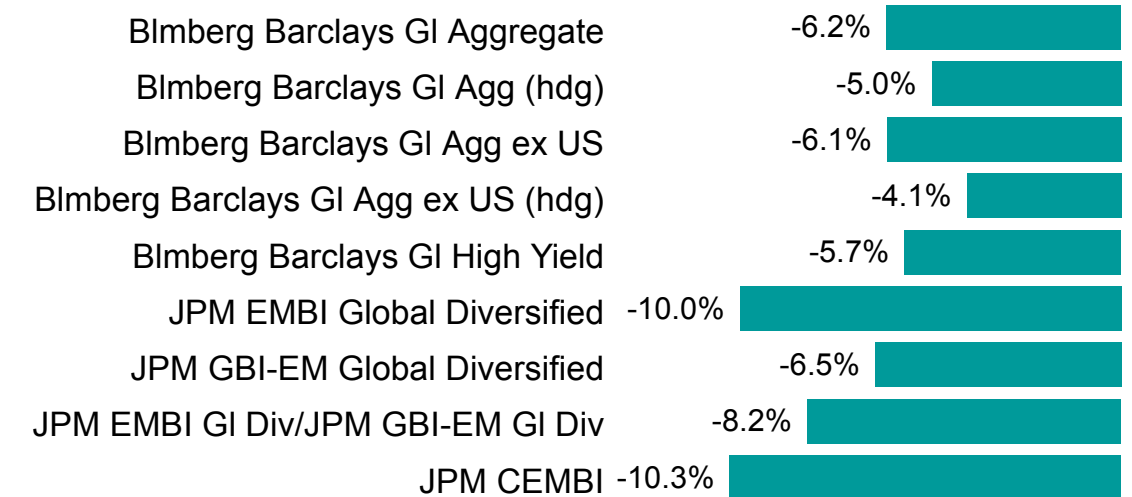
### Negative returns driven by broad interest rate increases

–U.S. dollar appreciated against the Japanese yen, euro, and British pound.

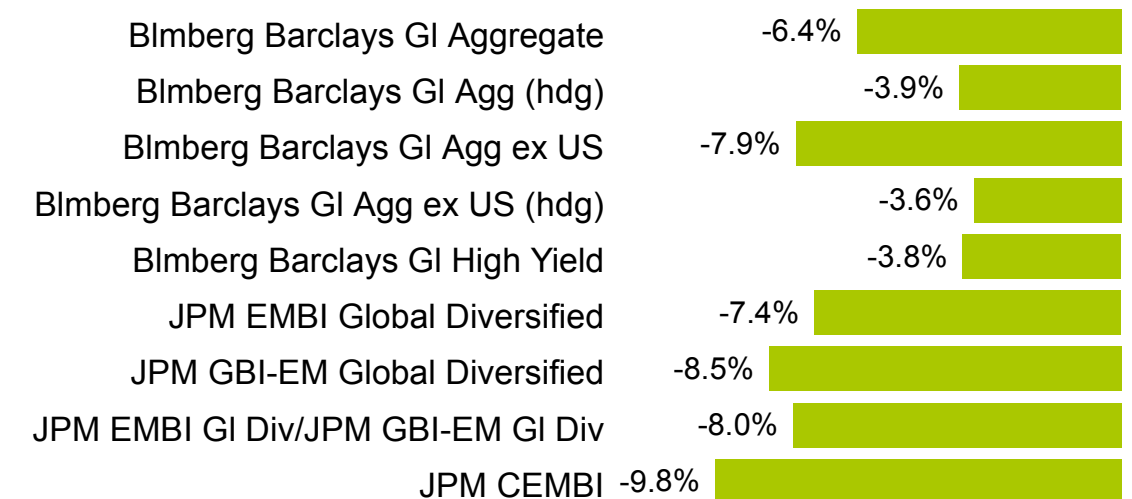
### Emerging market debt not spared

- JPM Global Diversified hurt by rising rates in the U.S.
- GBI-EM hurt by rising local rates, but currency appreciation helped in Latin America and Africa.
- Russia removed from indices at a price of \$0 (-100% return); prior to the Russian invasion of Ukraine, index weight of Russia domiciled debt ranged from 3%-8%, depending on the index.

### Global Fixed Income: Quarterly Returns



### Global Fixed Income: Annual Returns

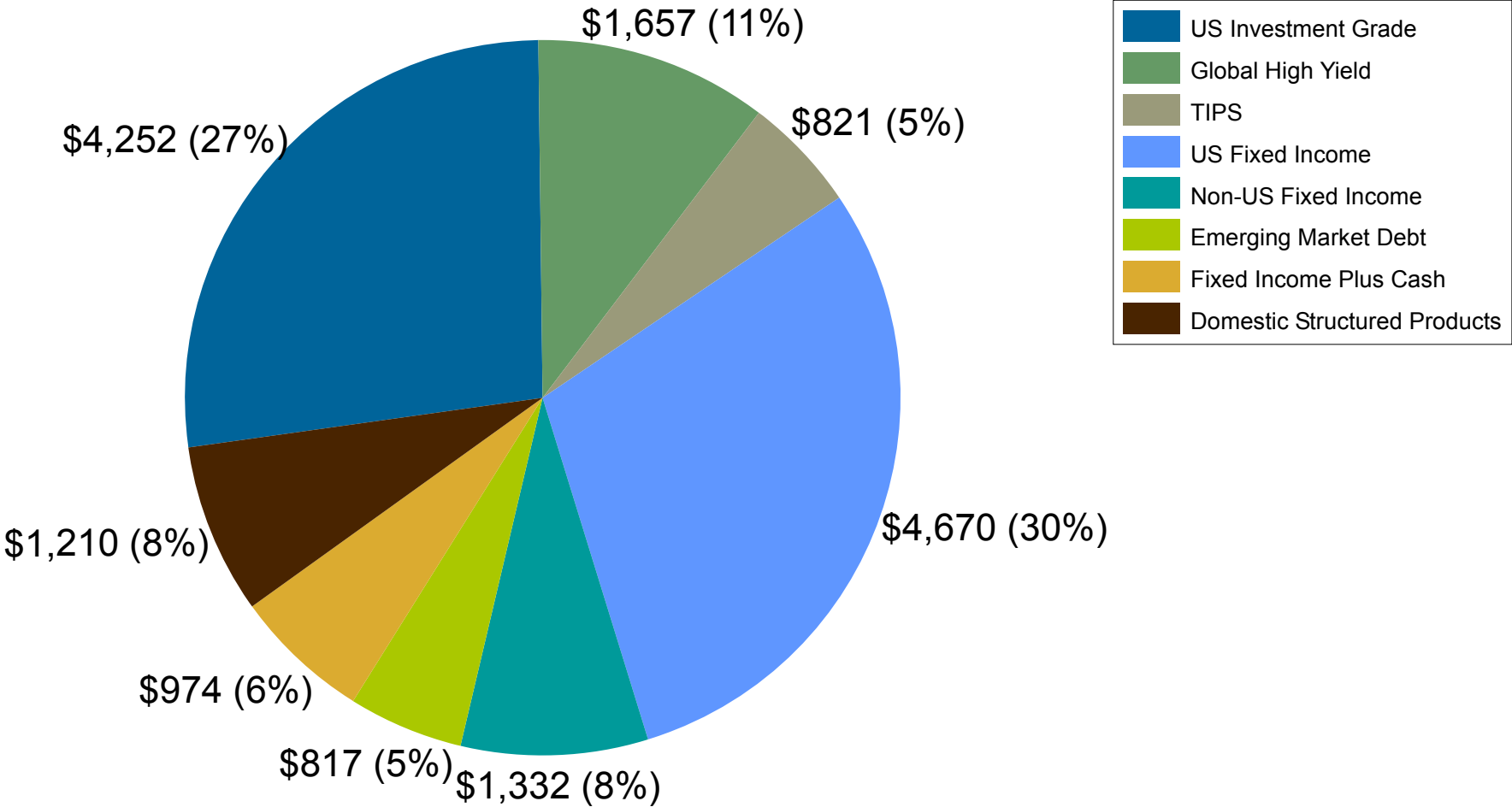


Sources: Bloomberg Barclays, J.P.Morgan

# APFC Fixed Income Structure

As of March 31, 2022

- 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, and Emerging Market Debt.
- The APF Domestic Structured Products portfolio was funded in the Q3 2020.
- REITS and Listed Infrastructure transferred out on 7/1/2020

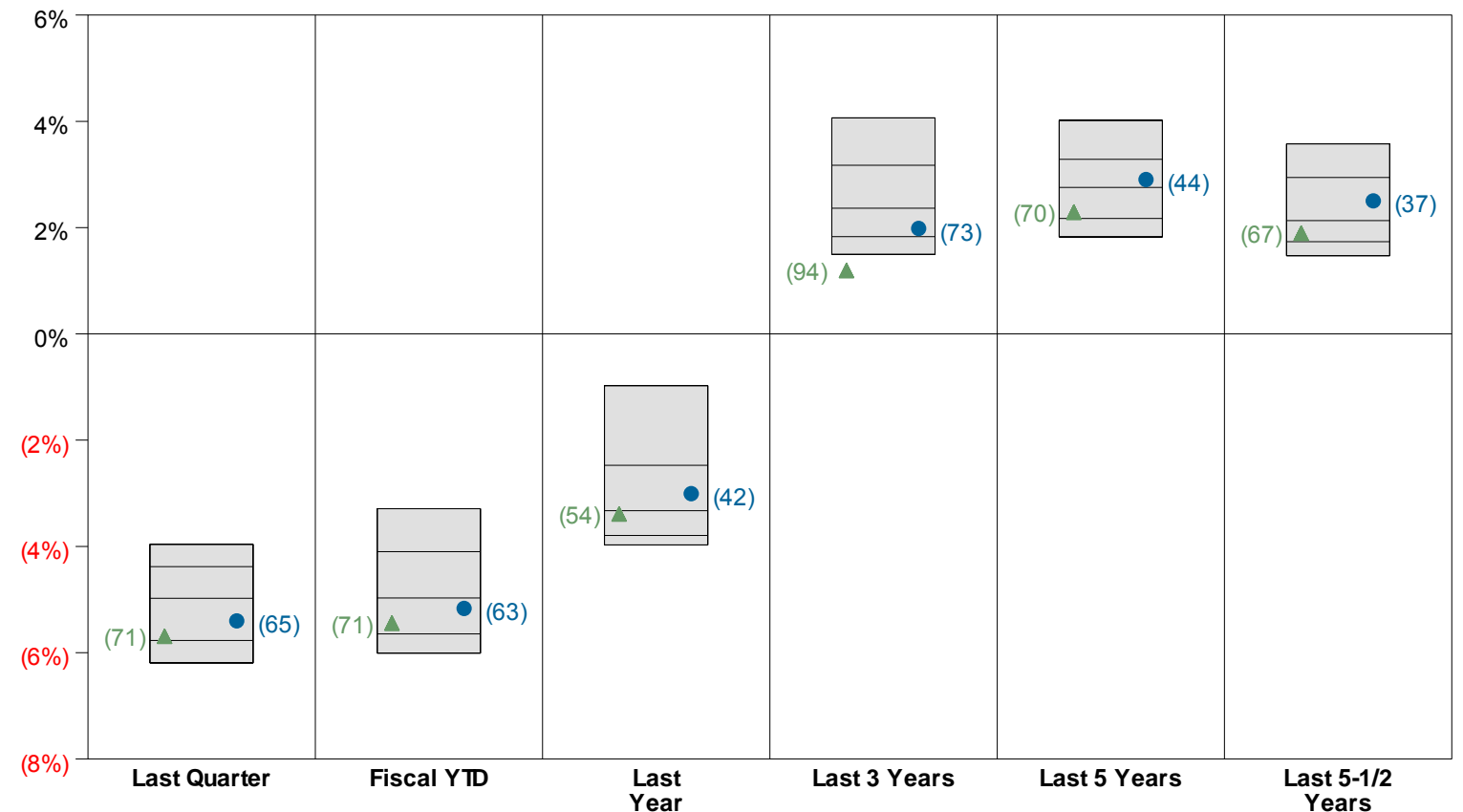


# Fixed Income Relative to Public Fixed Income Funds

Periods Ended March 31, 2022

- The APFC Total Fixed Income portfolio ended the quarter and fiscal year-to-date ahead its benchmark on a relative basis and ranked below its peer group median.
- The portfolio outperformed its benchmark over the 3- and 5-year periods, but ranked below the median over the 3-year period and above the median over the 5-year period.
- As a reminder, Total Fixed Income included REITs and Listed Infrastructure up to the end of the second quarter of 2020.

Performance vs Public Fund - Domestic Fixed (Gross)



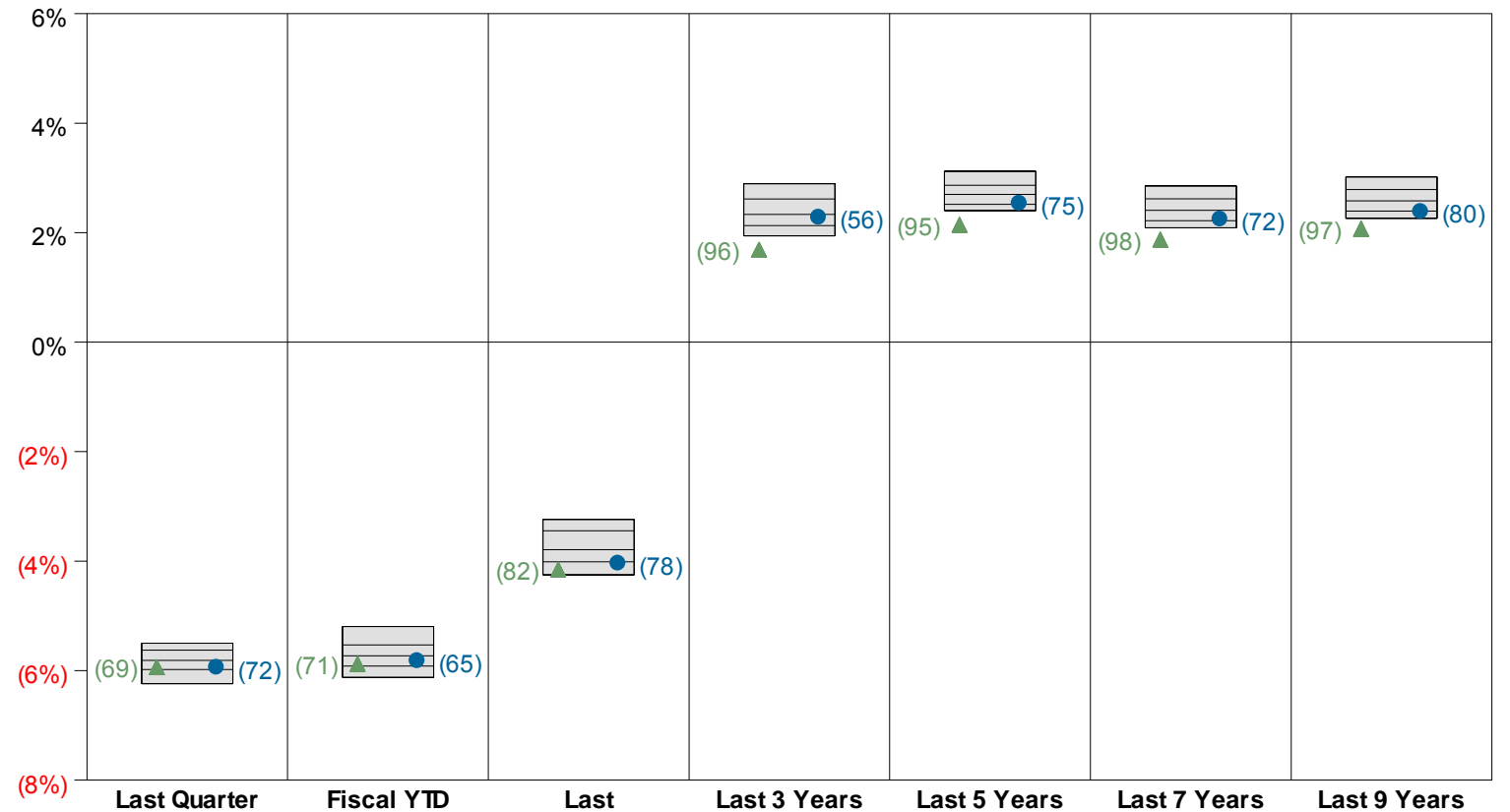
|                          |        |        |        |      |      |      |
|--------------------------|--------|--------|--------|------|------|------|
| 10th Percentile          | (3.96) | (3.29) | (0.98) | 4.07 | 4.02 | 3.57 |
| 25th Percentile          | (4.38) | (4.10) | (2.47) | 3.17 | 3.29 | 2.94 |
| Median                   | (4.98) | (4.97) | (3.33) | 2.36 | 2.76 | 2.13 |
| 75th Percentile          | (5.77) | (5.64) | (3.79) | 1.83 | 2.17 | 1.74 |
| 90th Percentile          | (6.19) | (6.01) | (3.97) | 1.50 | 1.82 | 1.47 |
| <b>Fixed Income</b> ●    | (5.43) | (5.20) | (3.04) | 1.95 | 2.87 | 2.48 |
| Fixed Income Benchmark ▲ | (5.69) | (5.44) | (3.39) | 1.19 | 2.29 | 1.90 |

# US Fixed Income Aggregate Relative to Core Bond Funds

Periods Ended March 31, 2022

- APFC US Fixed Income Aggregate portfolio fell behind its benchmark by 3 bps in the first quarter, but outperformed in all other periods.
- Peer ranks were below median for all periods.
- As a reminder, this strategy is far more benchmark-aware than the typical active manager in the Callan Core Bond peer group.

Performance vs Callan Core Bond Fixed Income (Gross)



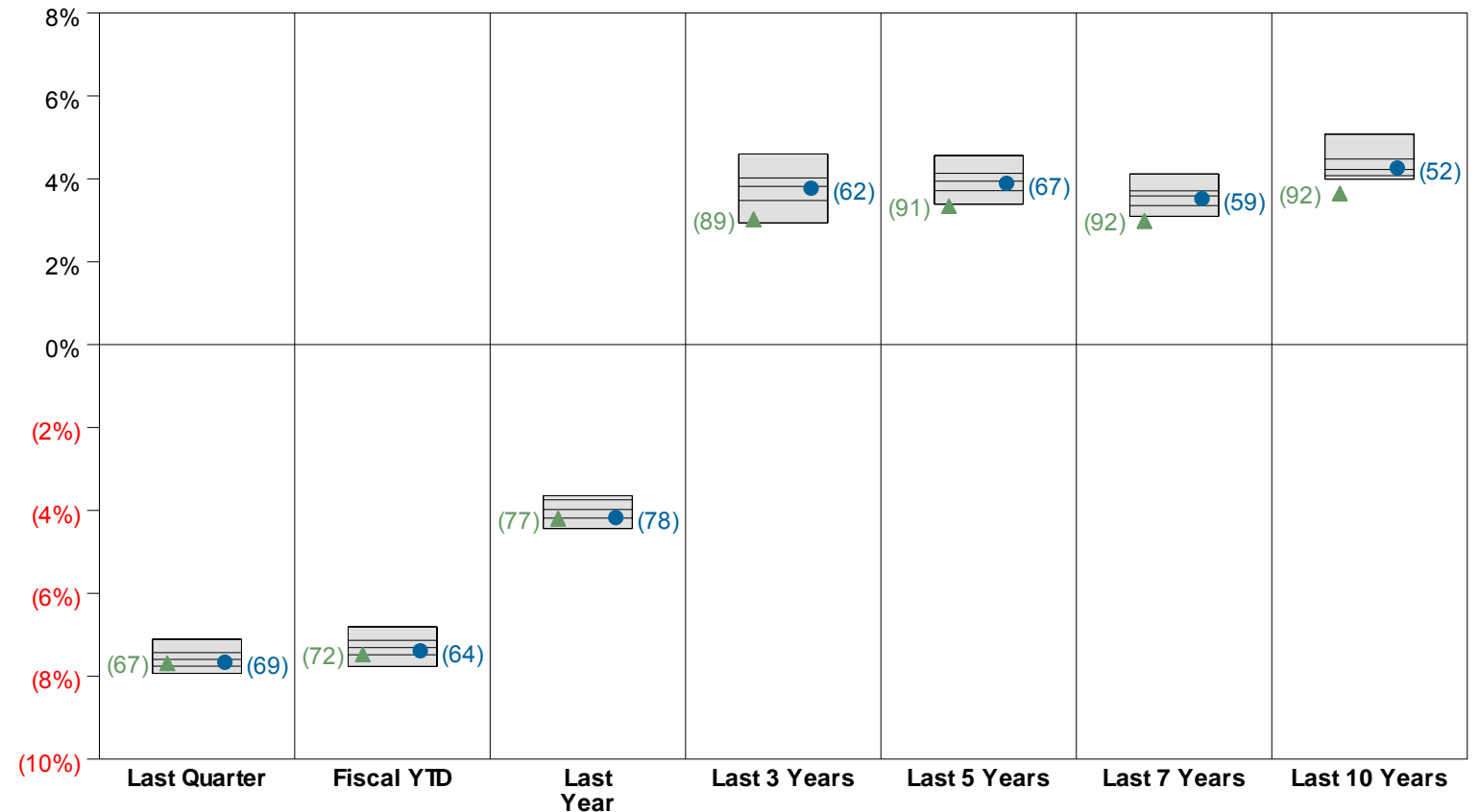
|                                    | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 9 Years |
|------------------------------------|--------------|------------|-----------|--------------|--------------|--------------|--------------|
| 10th Percentile                    | (5.50)       | (5.20)     | (3.24)    | 2.89         | 3.12         | 2.85         | 3.02         |
| 25th Percentile                    | (5.63)       | (5.53)     | (3.45)    | 2.62         | 2.86         | 2.62         | 2.79         |
| Median                             | (5.81)       | (5.73)     | (3.79)    | 2.33         | 2.70         | 2.41         | 2.58         |
| 75th Percentile                    | (5.98)       | (5.92)     | (4.01)    | 2.13         | 2.52         | 2.22         | 2.39         |
| 90th Percentile                    | (6.24)       | (6.12)     | (4.25)    | 1.94         | 2.40         | 2.09         | 2.26         |
| <b>US Fixed Income Aggregate</b> ● | (5.96)       | (5.84)     | (4.06)    | 2.26         | 2.52         | 2.23         | 2.37         |
| Blmbg Aggregate ▲                  | (5.93)       | (5.87)     | (4.15)    | 1.69         | 2.14         | 1.87         | 2.07         |

# US Investment Grade Corp Relative to Investment Grade Funds

Periods Ended March 31, 2022

- APFC US Investment Grade Corporate was nearly inline with its benchmark for the trailing quarter and year.
- The Investment Grade Corporate composite ranked below the peer group median over all periods.

Performance vs Callan Investment Grade Credit Fixed Inc (Gross)



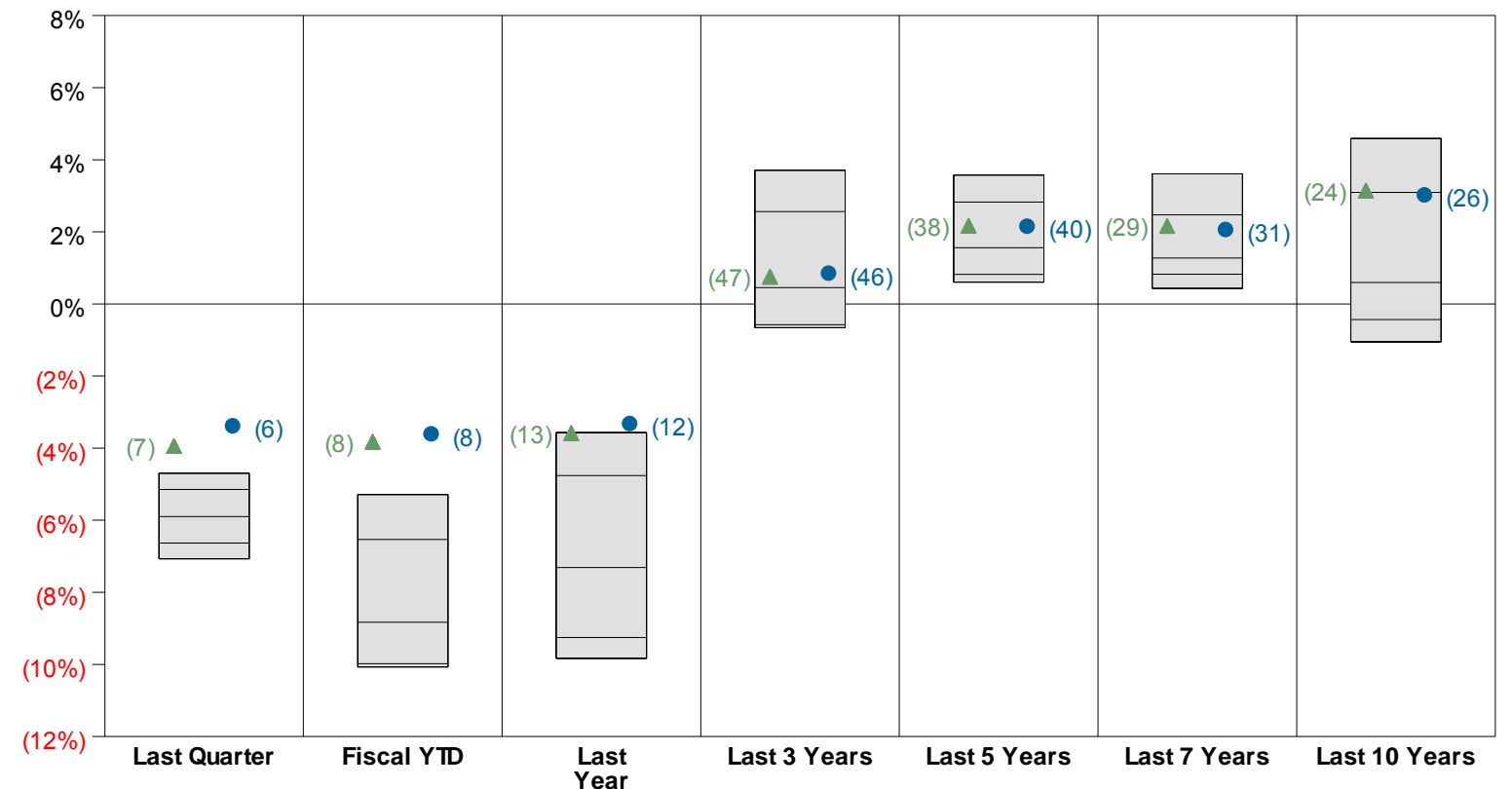
|  | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|--|--------------|------------|-----------|--------------|--------------|--------------|---------------|
| 10th Percentile                        | (7.11)       | (6.81)     | (3.65)    | 4.60         | 4.56         | 4.12         | 5.08          |
| 25th Percentile                        | (7.43)       | (7.14)     | (3.74)    | 4.02         | 4.13         | 3.71         | 4.48          |
| Median                                 | (7.59)       | (7.31)     | (3.98)    | 3.82         | 3.94         | 3.59         | 4.23          |
| 75th Percentile                        | (7.76)       | (7.48)     | (4.19)    | 3.48         | 3.71         | 3.36         | 4.08          |
| 90th Percentile                        | (7.93)       | (7.77)     | (4.44)    | 2.94         | 3.39         | 3.10         | 3.99          |
| <b>US Investment Grade Corporate</b> ● | (7.70)       | (7.43)     | (4.21)    | 3.73         | 3.85         | 3.48         | 4.22          |
| Blmbg Corporate ▲                      | (7.69)       | (7.48)     | (4.20)    | 3.02         | 3.34         | 2.99         | 3.65          |

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

Periods Ended March 31, 2022

- The APFC Non-U.S. Fixed Income portfolio protected on the downside and outperformed its benchmark over the quarter and year, and ranked in the top quartile over the same periods.
- Compared to peers, the portfolio ranked above median in all time periods.
- The composite included allocations to Rogge Asset and an In House Global Gov't Bonds mandate.

Performance vs Public Fund - International Fixed (Gross)



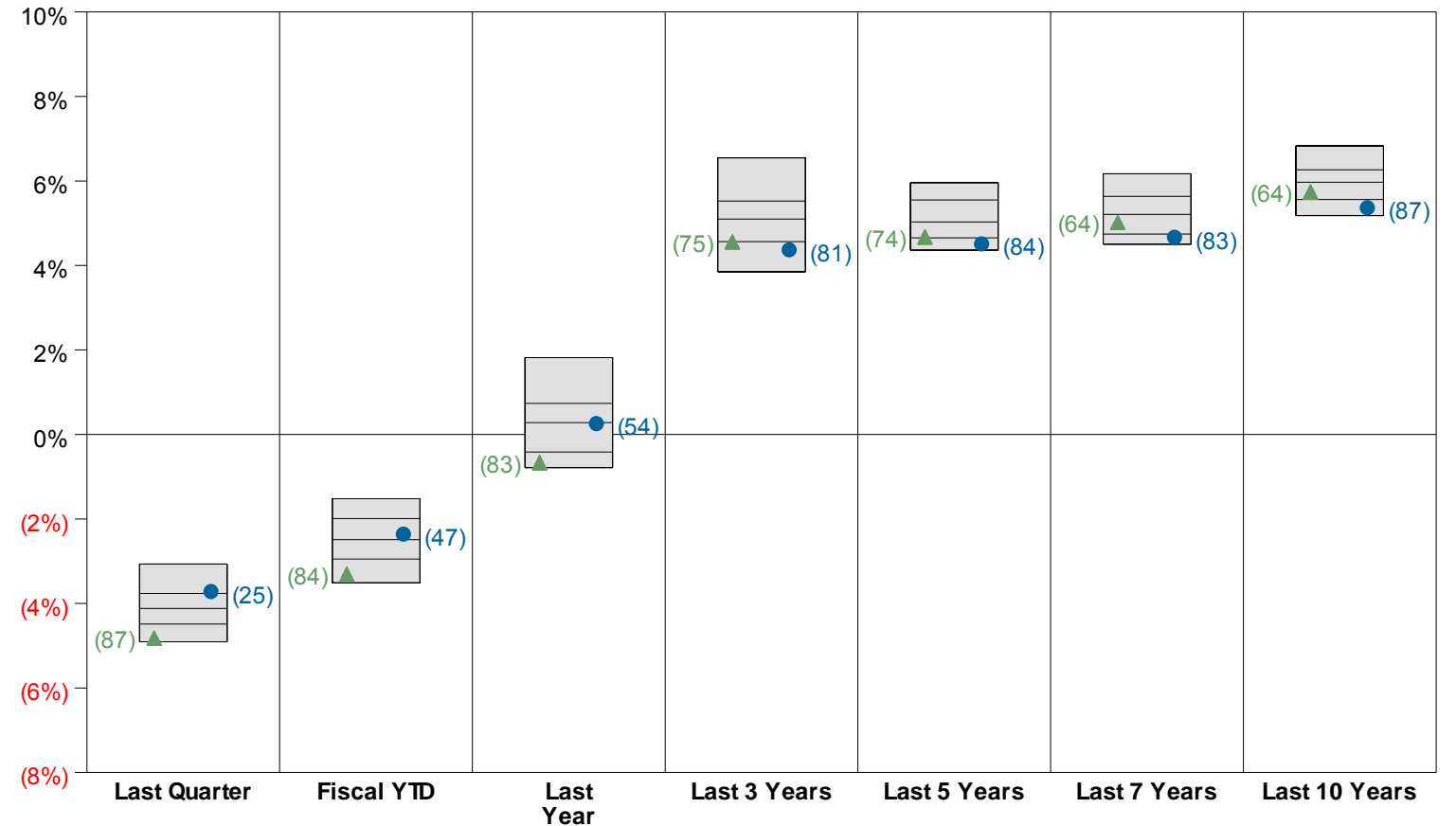
|                               | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|-------------------------------|--------------|------------|-----------|--------------|--------------|--------------|---------------|
| 10th Percentile               | (4.69)       | (5.29)     | (3.57)    | 3.71         | 3.57         | 3.61         | 4.59          |
| 25th Percentile               | (5.15)       | (6.54)     | (4.76)    | 2.56         | 2.83         | 2.47         | 3.09          |
| Median                        | (5.90)       | (8.83)     | (7.31)    | 0.45         | 1.56         | 1.28         | 0.59          |
| 75th Percentile               | (6.63)       | (9.98)     | (9.25)    | (0.58)       | 0.82         | 0.82         | (0.44)        |
| 90th Percentile               | (7.07)       | (10.07)    | (9.83)    | (0.66)       | 0.61         | 0.43         | (1.05)        |
| <b>Non US Fixed Income</b> ●  | (3.43)       | (3.65)     | (3.37)    | 0.80         | 2.11         | 2.01         | 2.97          |
| BImbg Global Treasury ex-US ▲ | (3.94)       | (3.82)     | (3.58)    | 0.75         | 2.17         | 2.17         | 3.15          |

# Global High Yield Relative to High Yield Funds

Periods Ended March 31, 2022

- APFC Global High Yield portfolio outperformed versus its benchmark and peer group in the quarter.
- The portfolio ranked below median for most other reported periods.
- The composite included allocations to Oaktree, Capital Guardian, and an iShares ETF.

Performance vs Callan High Yield Fixed Income (Gross)



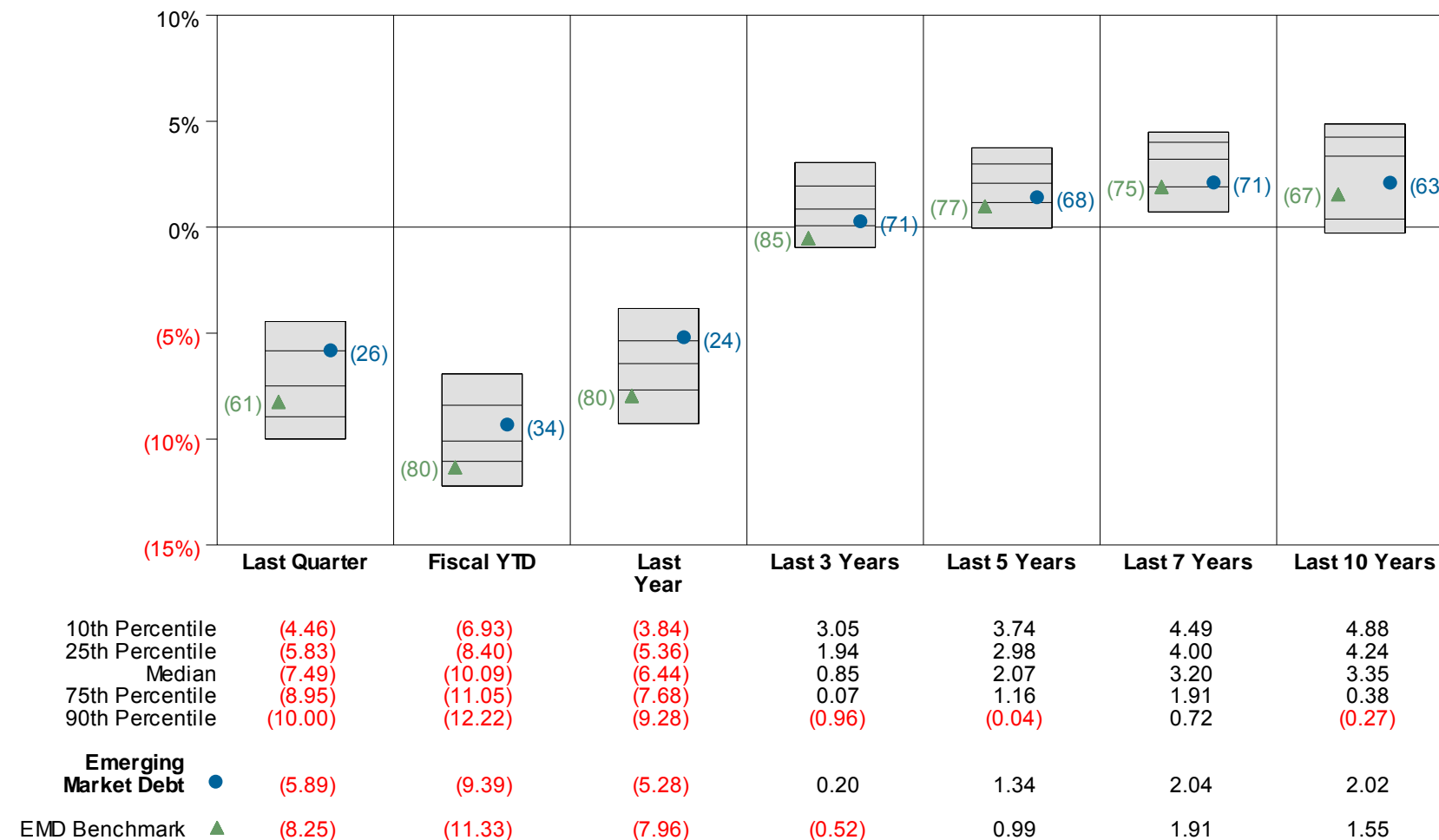
|                            | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|----------------------------|--------------|------------|-----------|--------------|--------------|--------------|---------------|
| 10th Percentile            | (3.07)       | (1.52)     | 1.82      | 6.54         | 5.96         | 6.17         | 6.83          |
| 25th Percentile            | (3.76)       | (1.99)     | 0.73      | 5.52         | 5.55         | 5.64         | 6.26          |
| Median                     | (4.11)       | (2.49)     | 0.28      | 5.10         | 5.03         | 5.21         | 5.97          |
| 75th Percentile            | (4.49)       | (2.95)     | (0.42)    | 4.56         | 4.66         | 4.74         | 5.56          |
| 90th Percentile            | (4.91)       | (3.51)     | (0.78)    | 3.85         | 4.36         | 4.50         | 5.18          |
| <b>Global High Yield</b> ● | (3.76)       | (2.40)     | 0.21      | 4.33         | 4.47         | 4.62         | 5.32          |
| Bimbg HY 2% Iss Cap ▲      | (4.82)       | (3.31)     | (0.66)    | 4.56         | 4.68         | 5.02         | 5.74          |

# Emerging Market Debt Relative to EMD Funds

Periods Ended March 31, 2022

- APFC Emerging Market Debt portfolio outperformed its benchmark for the quarter and year protecting on the downside.
- Relative to peers, the portfolio ranked above median for the quarter and year, and below median for all other periods exhibited.

Performance vs Emerging Debt Database (Gross)

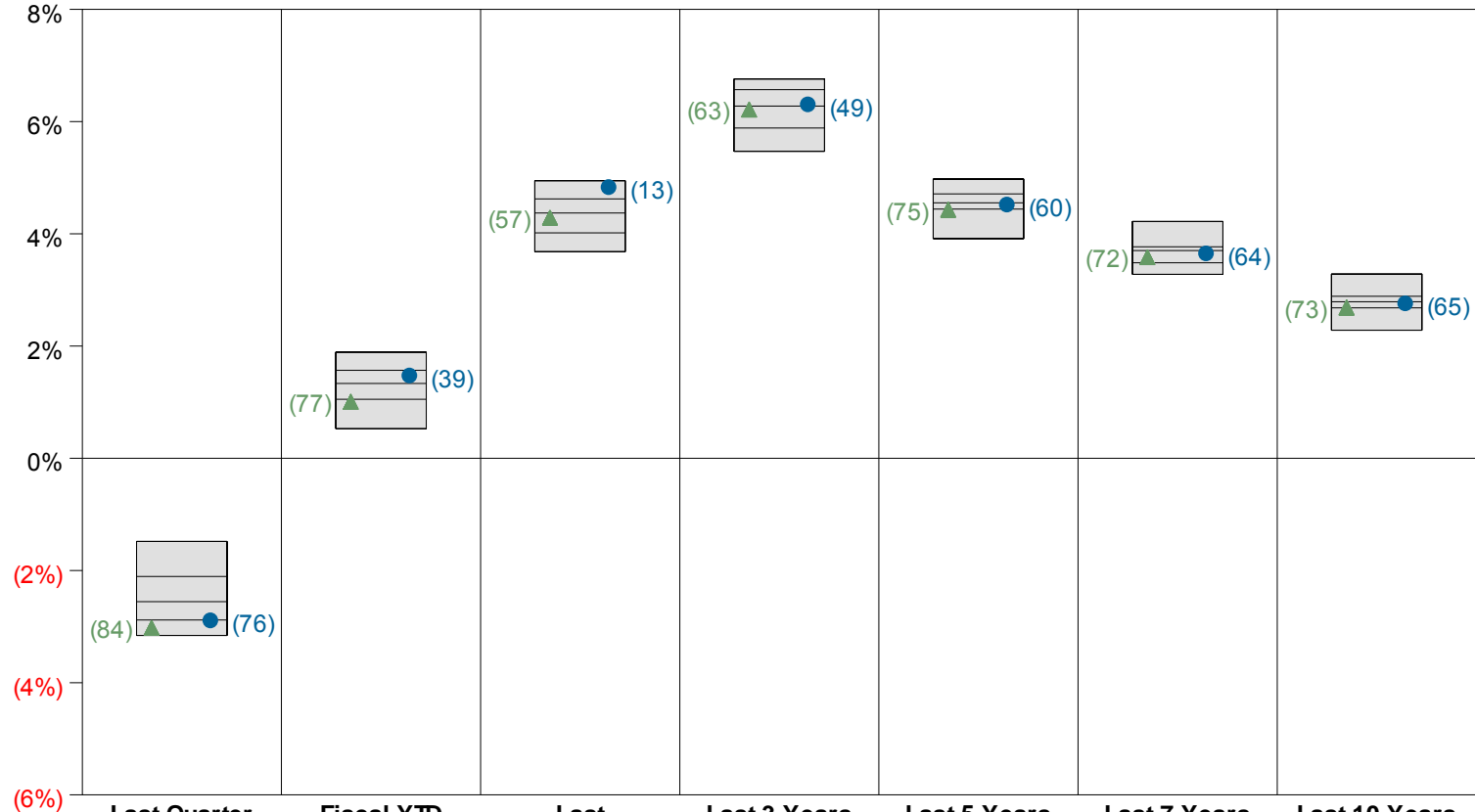


# TIPS Relative to Callan's Inflation Linked Bonds database

Periods Ended March 31, 2022

- APFC TIPS portfolio exceeded the Bloomberg US TIPS Index for the quarter and year.
- The TIPS composite ranked near or below median in Callan's Inflation Linked Bonds peer universe over most time periods.
- The TIPS allocation includes an In House TIPS portfolio; APCM was completely liquidated in Q4 2021.

Performance vs Callan Inflation Linked Bonds (Gross)



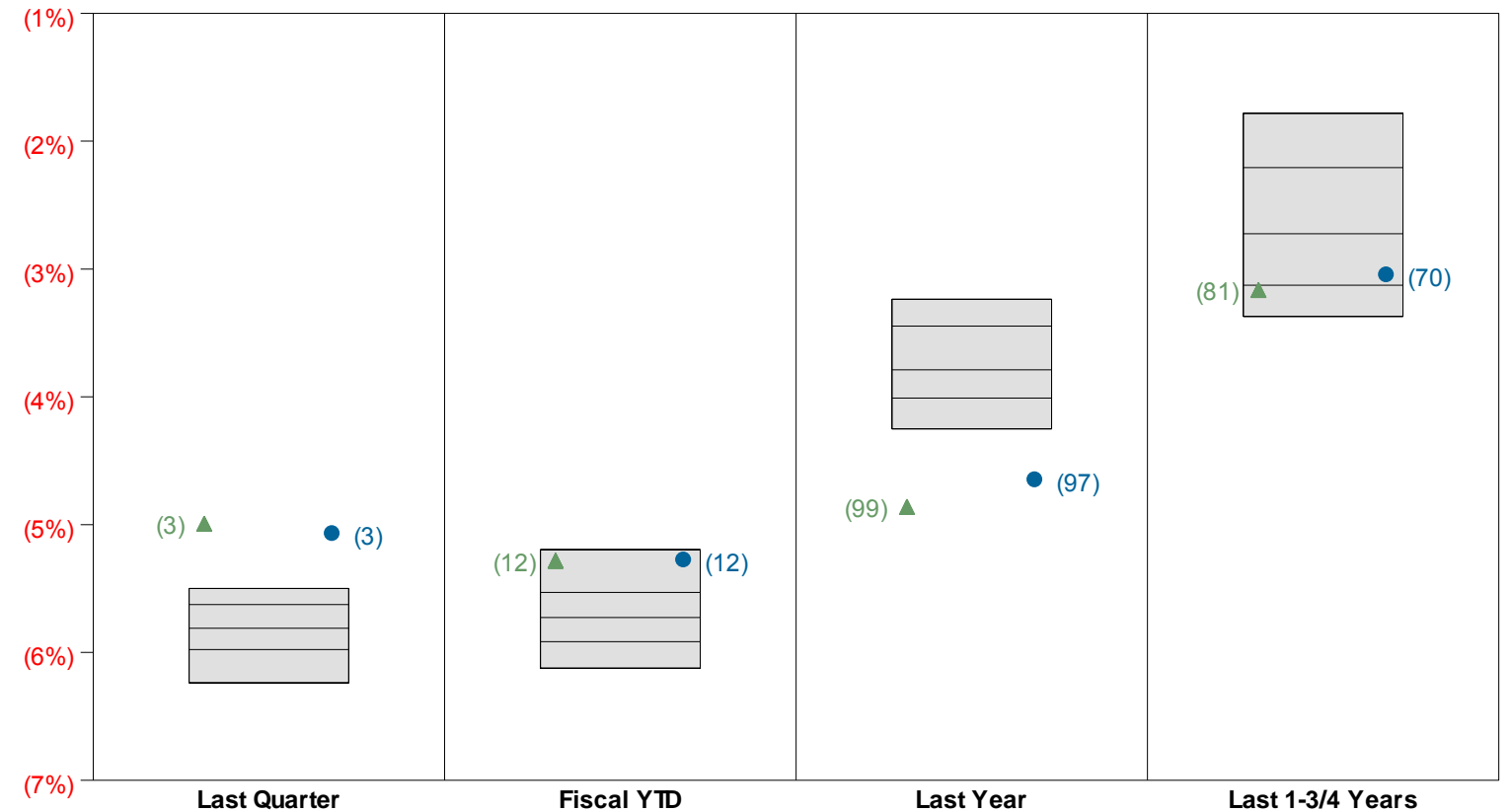
|                 | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|-----------------|--------------|------------|-----------|--------------|--------------|--------------|---------------|
| 10th Percentile | (1.48)       | 1.89       | 4.95      | 6.76         | 4.97         | 4.22         | 3.28          |
| 25th Percentile | (2.11)       | 1.57       | 4.62      | 6.57         | 4.71         | 3.77         | 2.89          |
| Median          | (2.56)       | 1.33       | 4.37      | 6.28         | 4.55         | 3.70         | 2.79          |
| 75th Percentile | (2.88)       | 1.05       | 4.02      | 5.88         | 4.44         | 3.48         | 2.68          |
| 90th Percentile | (3.16)       | 0.53       | 3.68      | 5.47         | 3.91         | 3.28         | 2.28          |
| <b>TIPS</b> ●   | (2.92)       | 1.44       | 4.80      | 6.28         | 4.49         | 3.62         | 2.73          |
| Blmbg TIPS ▲    | (3.02)       | 1.01       | 4.29      | 6.22         | 4.43         | 3.58         | 2.69          |

# Domestic Structured Product to Callan's Core Bond database

Periods Ended March 31, 2022

- The Domestic Structured Product portfolio was funded at the end of the second quarter of 2020.
- The portfolio ended behind its benchmark over the quarter, and ahead for the year.
- The portfolio ranked above the median of the Core Bond Fixed Income peer group, though benchmark-relative performance is far more applicable.

Performance vs Callan Core Bond Fixed Income (Gross)



|                                       | Last Quarter | Fiscal YTD | Last Year | Last 1-3/4 Years |
|---------------------------------------|--------------|------------|-----------|------------------|
| 10th Percentile                       | (5.50)       | (5.20)     | (3.24)    | (1.78)           |
| 25th Percentile                       | (5.63)       | (5.53)     | (3.45)    | (2.21)           |
| Median                                | (5.81)       | (5.73)     | (3.79)    | (2.72)           |
| 75th Percentile                       | (5.98)       | (5.92)     | (4.01)    | (3.13)           |
| 90th Percentile                       | (6.24)       | (6.12)     | (4.25)    | (3.37)           |
| <b>Domestic Structured Products</b> ● | (5.08)       | (5.29)     | (4.66)    | (3.05)           |
| BB US Securitized ▲                   | (4.99)       | (5.28)     | (4.86)    | (3.16)           |

# Real Estate Market

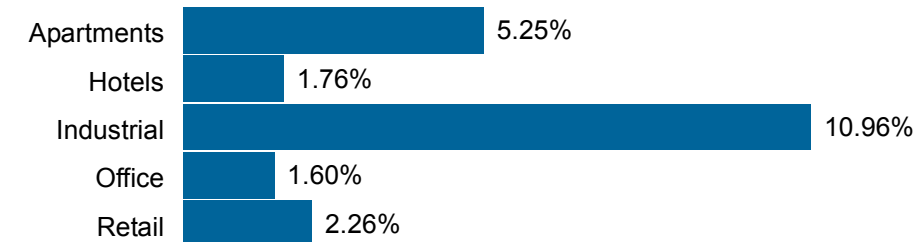
## Fourth Quarter 2021

| 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           | 5.55         | 5.55         | 26.16     | 10.71        | 9.34         | 9.79          | 5.93          |
| NFI-ODCE (value weight net)      | 7.14         | 7.14         | 27.26     | 10.30        | 8.90         | 9.91          | 6.03          |
| NCREIF Property                  | 5.33         | 5.33         | 21.87     | 9.60         | 8.54         | 9.61          | 7.32          |
| NCREIF Farmland                  | 2.63         | 2.63         | 9.73      | 5.89         | 6.17         | 9.56          | 10.60         |
| NCREIF Timberland                | 3.21         | 3.21         | 11.82     | 4.75         | 4.08         | 5.60          | 5.17          |
| Public Real Estate               |              |              |           |              |              |               |               |
| Global Real Estate Style         | -4.13        | -4.13        | 16.77     | 9.35         | 9.82         | 9.17          | 4.78          |
| EPRA/NAREIT Developed            | -3.96        | -3.96        | 14.46     | 5.43         | 6.50         | 6.91          | 2.85          |
| Global ex-U.S. Real Estate Style | -3.71        | -3.71        | 4.42      | 4.97         | 8.89         | 8.38          | 2.58          |
| EPRA/NAREIT Developed ex US      | -3.22        | -3.22        | 3.05      | 1.75         | 5.39         | 5.94          | 1.66          |
| U.S. REIT Style                  | -4.92        | -4.92        | 25.97     | 13.30        | 11.32        | 10.68         | 7.31          |
| NAREIT Equity REITs              | -3.86        | -3.86        | 26.49     | 11.12        | 9.63         | 9.81          | 6.42          |

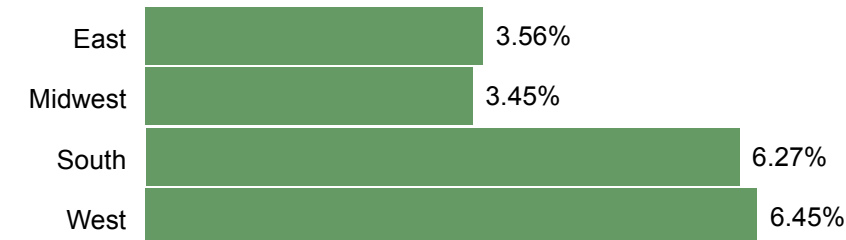
### Another strong quarter for real estate

- Income returns were positive across sectors.
- Valuations are reflective of strong fundamentals in Industrial and Apartment and continued uncertainty despite a modest recovery in Office and Retail.
- Return dispersion by manager within the ODCE Index was due to the composition of underlying portfolios.
- Niche sectors such as self-storage and life sciences continued to be accretive.

### Sector Quarterly Returns by Property Type



### Sector Quarterly Returns by Region



Sources: Callan, FTSE Russell, NAREIT, NCREIF

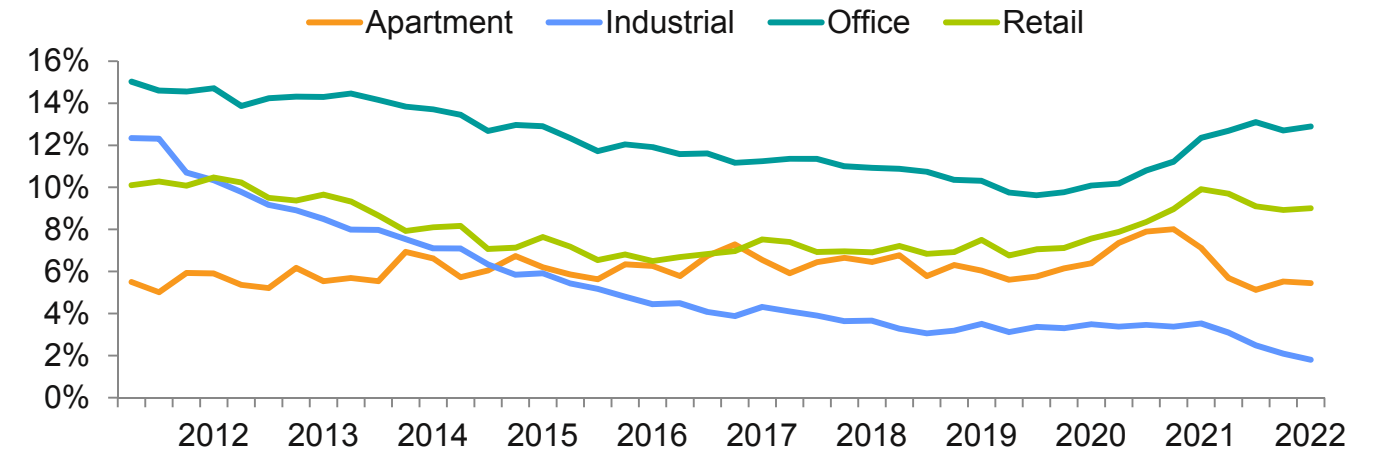
# Real Estate Market

Fourth Quarter 2021

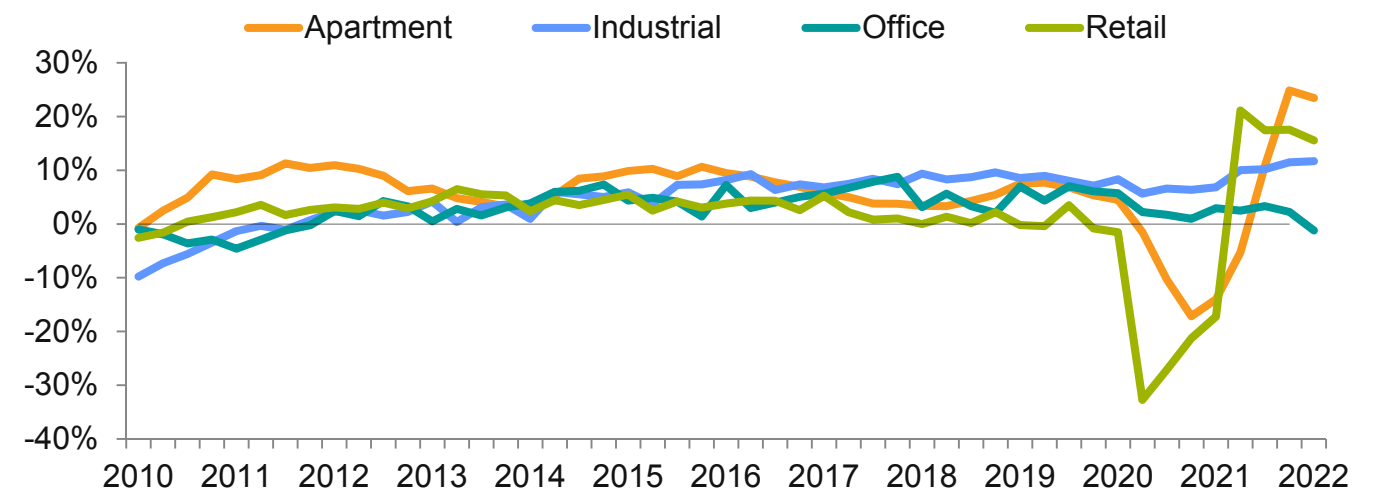
## Mixed vacancy and NOI growth results

- Vacancy rates continued to compress in Industrial and Apartment.
- Office and Retail vacancy rates increased slightly during the quarter.
- Net operating income growth turned negative for Office as the Omicron variant delayed many return-to-office plans.
- Net operating income growth continued its gradual increase in Industrial while decreasing slightly in Apartment and Retail.

Vacancy by Property Type



Rolling 4-Quarter NOI Growth by Property Type

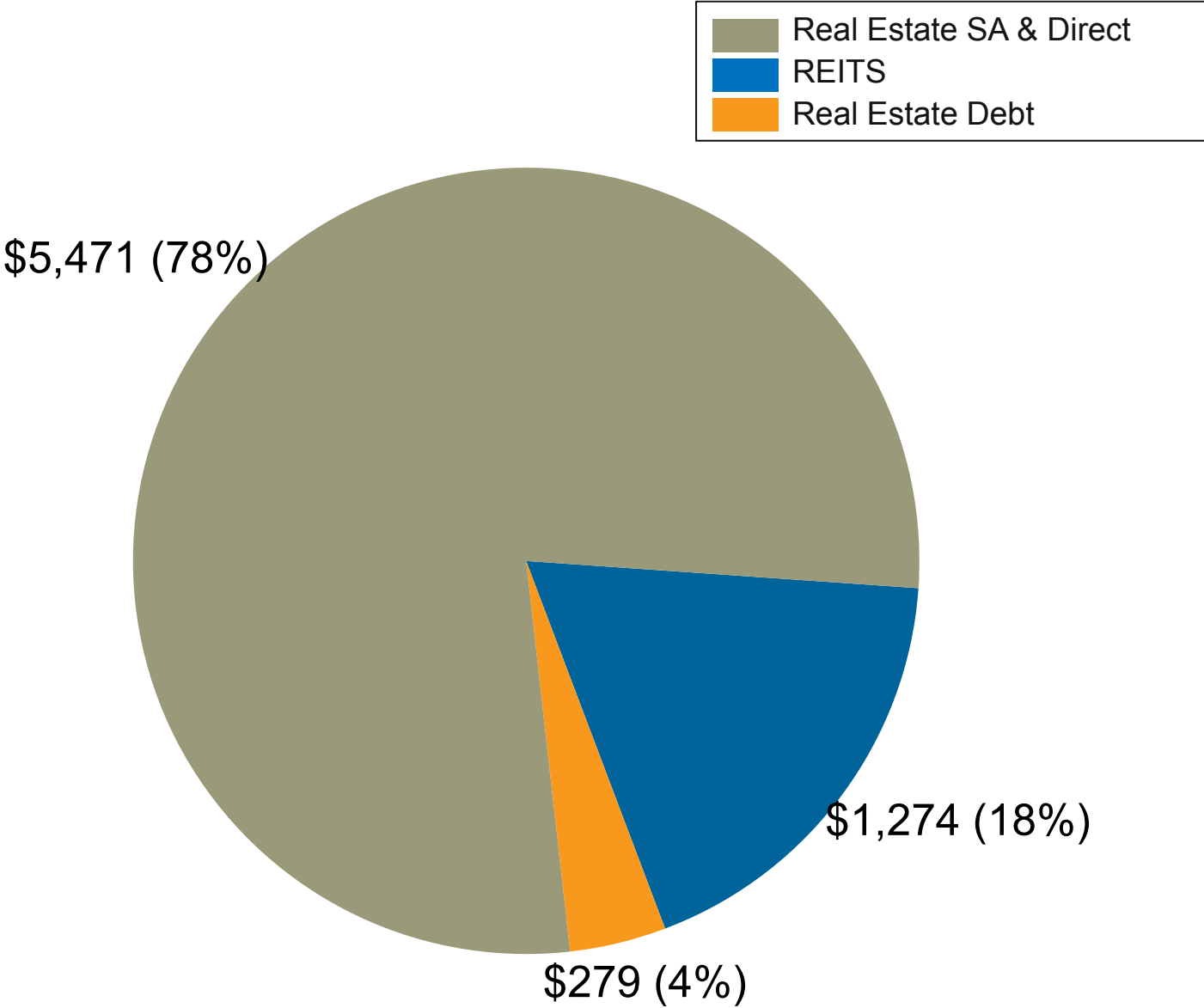


Sources: NCREIF

# APFC Real Estate Structure (1Q LAG)

As of December 31, 2021

- The real estate portfolio is comprised of Real Estate Separate Accounts and Direct Investments, REITS, and Real Estate Debt Investments.
- Real Estate Debt Funds moved from Real Estate Separate Accounts and Direct Investments, and REITS from Fixed Income Plus.

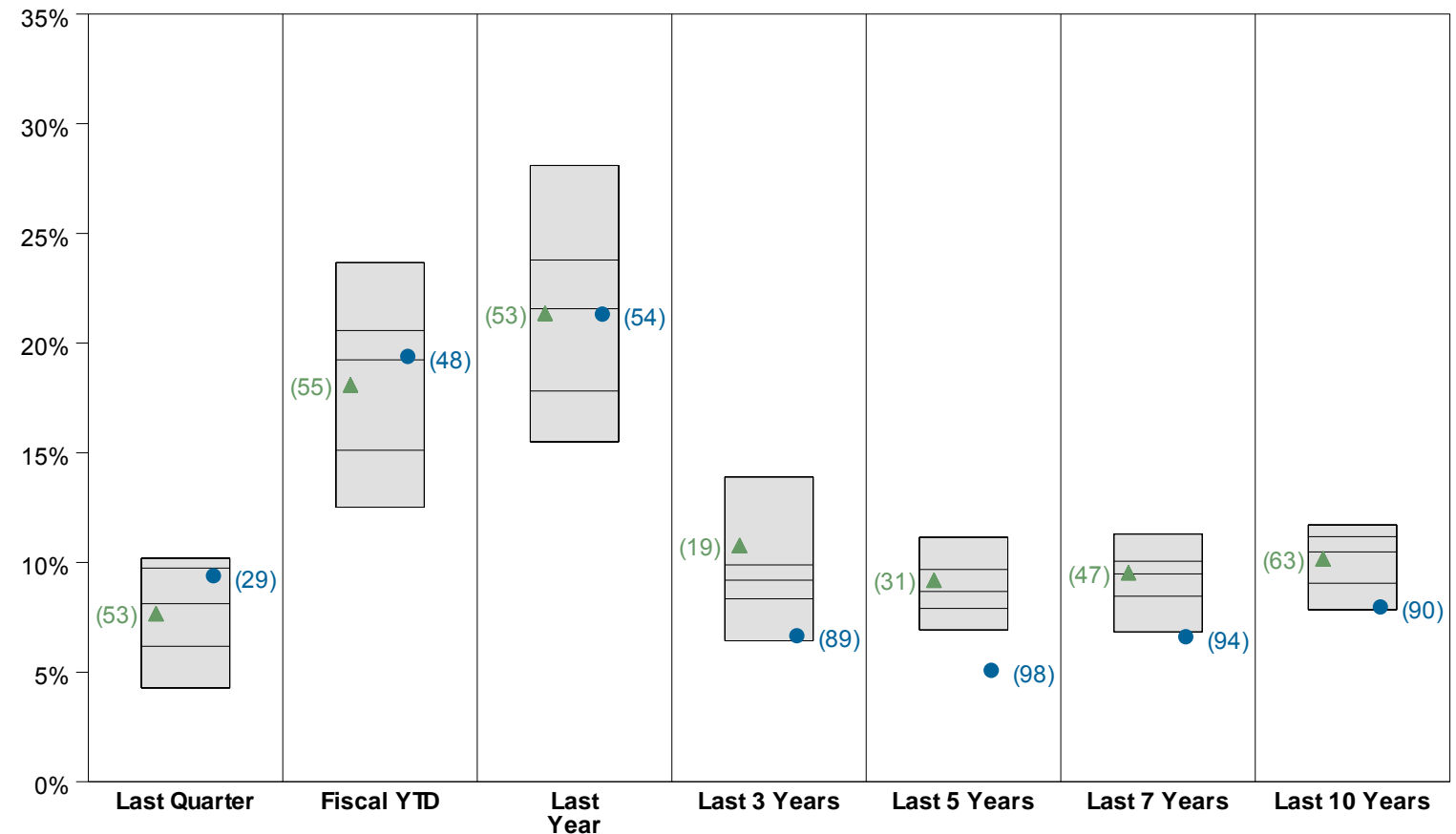


# Real Estate Relative to Callan's Total Real Estate Database (1Q LAG)

Periods Ended December 31, 2021

- APFC Real Estate portfolio performance is shown net of fees for all investments.
- The real estate portfolio ended the quarter ahead of its benchmark and peer group. Outside of the quarter and fiscal year, real estate continued to lag and rank below the peer group median.

Performance vs Public Fund - Real Estate (Gross)



|                      |       |       |       |       |       |       |       |
|----------------------|-------|-------|-------|-------|-------|-------|-------|
| 10th Percentile      | 10.19 | 23.67 | 28.10 | 13.90 | 11.15 | 11.29 | 11.72 |
| 25th Percentile      | 9.74  | 20.57 | 23.79 | 9.89  | 9.68  | 10.05 | 11.18 |
| Median               | 8.12  | 19.24 | 21.57 | 9.19  | 8.68  | 9.48  | 10.48 |
| 75th Percentile      | 6.18  | 15.12 | 17.82 | 8.34  | 7.90  | 8.46  | 9.05  |
| 90th Percentile      | 4.27  | 12.52 | 15.49 | 6.42  | 6.92  | 6.83  | 7.83  |
| <b>Real Estate</b> ● | 9.31  | 19.32 | 21.24 | 6.58  | 5.01  | 6.53  | 7.89  |
| Real Estate Target ▲ | 7.67  | 18.10 | 21.36 | 10.78 | 9.19  | 9.53  | 10.17 |

# Real Estate Performance (1Q LAG)

Periods Ended December 31, 2021

|                              | Quarter       | Last Year     | Last 3 Years  | Last 5 Years  | Last 10 Years |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>RE Equity Investments</b> | <b>8.12%</b>  | <b>16.38%</b> | -             | -             | -             |
| RE Separate Accts & Direct   | 7.60%         | 14.42%        | 1.75%         | 2.13%         | 6.41%         |
| RE EQ Funds & Co-Invest      | 11.31%        | 28.46%        | 14.43%        | -             | -             |
| <b>RE Debt Investments</b>   | <b>3.02%</b>  | <b>13.51%</b> | <b>12.04%</b> | -             | -             |
| <i>NCREIF Total Index</i>    | 6.15%         | 17.70%        | 8.37%         | 7.75%         | 9.32%         |
| <b>REITS</b>                 | <b>16.30%</b> | <b>49.88%</b> | <b>18.80%</b> | <b>11.78%</b> | <b>11.27%</b> |
| <i>MSCI US REIT Index</i>    | 16.32%        | 43.06%        | 18.50%        | 10.78%        | 11.32%        |
| <b>Real Estate Composite</b> | <b>9.31%</b>  | <b>21.24%</b> | <b>6.58%</b>  | <b>5.01%</b>  | <b>7.89%</b>  |
| <i>Real Estate Custom</i>    | 7.67%         | 21.36%        | 10.78%        | 9.19%         | 10.05%        |

- APFC's Real Estate Equity outperformed the NCREIF benchmark for the quarter while Real Estate Debt underperformed. REITS fell short of its benchmark by 2 bps for the quarter.
- Overall, the Real Estate Composite outperformed its custom benchmark over the quarter and continued to lagged over all other periods.

# Private Credit Market Environment: 1Q22

## Muted volumes during the pandemic

### Fundraising in 2022 seasonally slow

- PC fundraising tapered off in 3Q20 due to COVID-related disruption; significantly rebounded in 4Q20 and 1H21; 1Q22 has been seasonally slow with fewer funds in the market but with larger fundraise targets

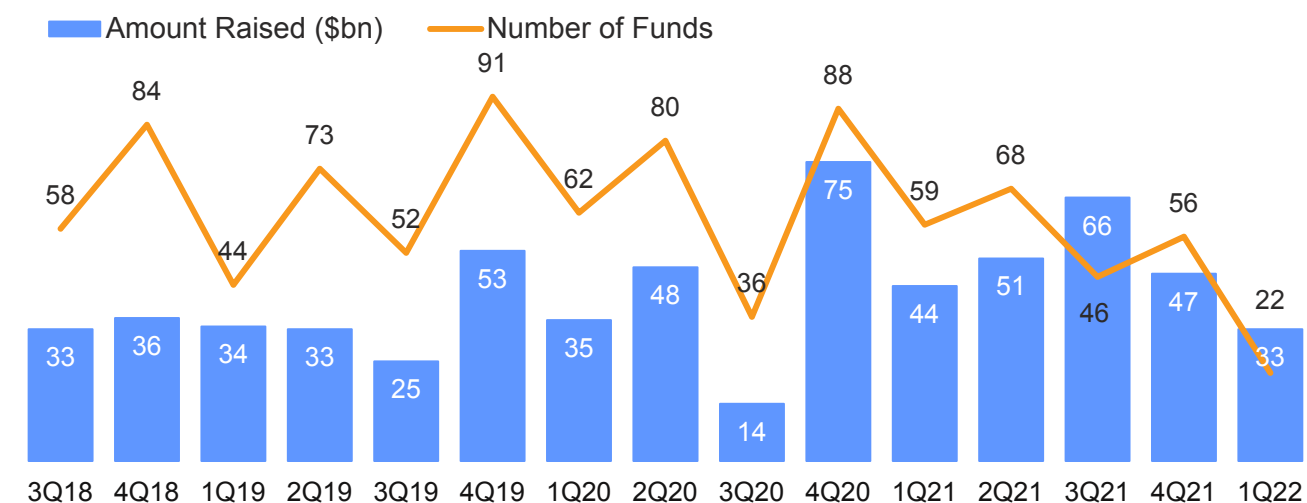
### Focus on more diversifying sectors

- Fundraise in the first part of 2022 focused on diversifying strategies such as specialty finance, specialized industry lending, and non-sponsor/opportunistic lending.
- Traditional sponsor-backed strategies coming to market with evergreen structures for which there is growing demand

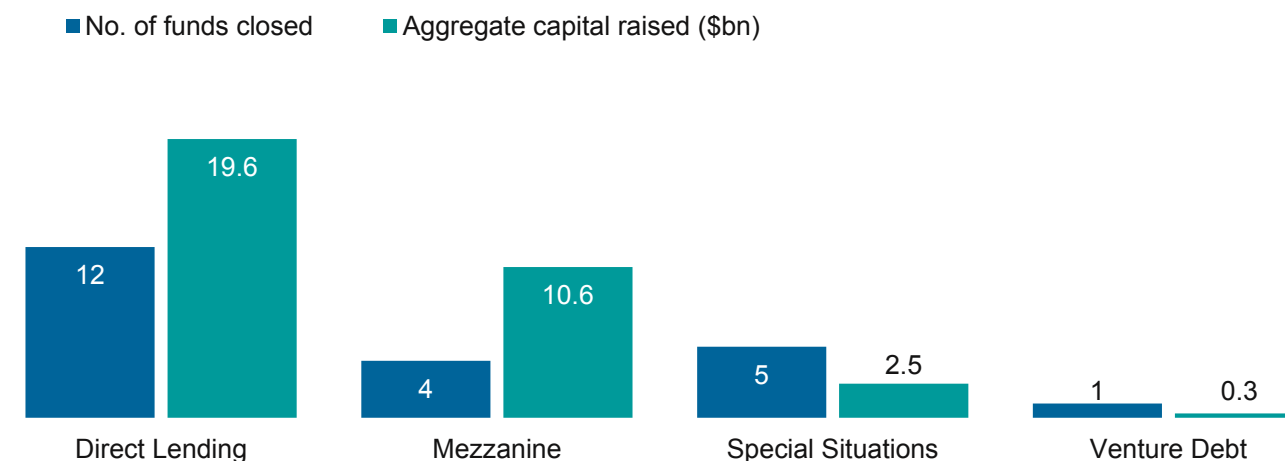
### Big get bigger

- Continued strong PC fundraise activity from large credit shops as well as new offerings from traditional fixed income managers
- Industry consolidation is in full swing with large traditional firms acquiring alternative credit managers, such as T. Rowe Price acquiring Oak Hill Advisors and Alliance Bernstein's acquisition of CarVal.

Private Debt Funds Raised 2018 to 2022 YTD



Private Debt Fundraising in 1Q22 by Fund Type

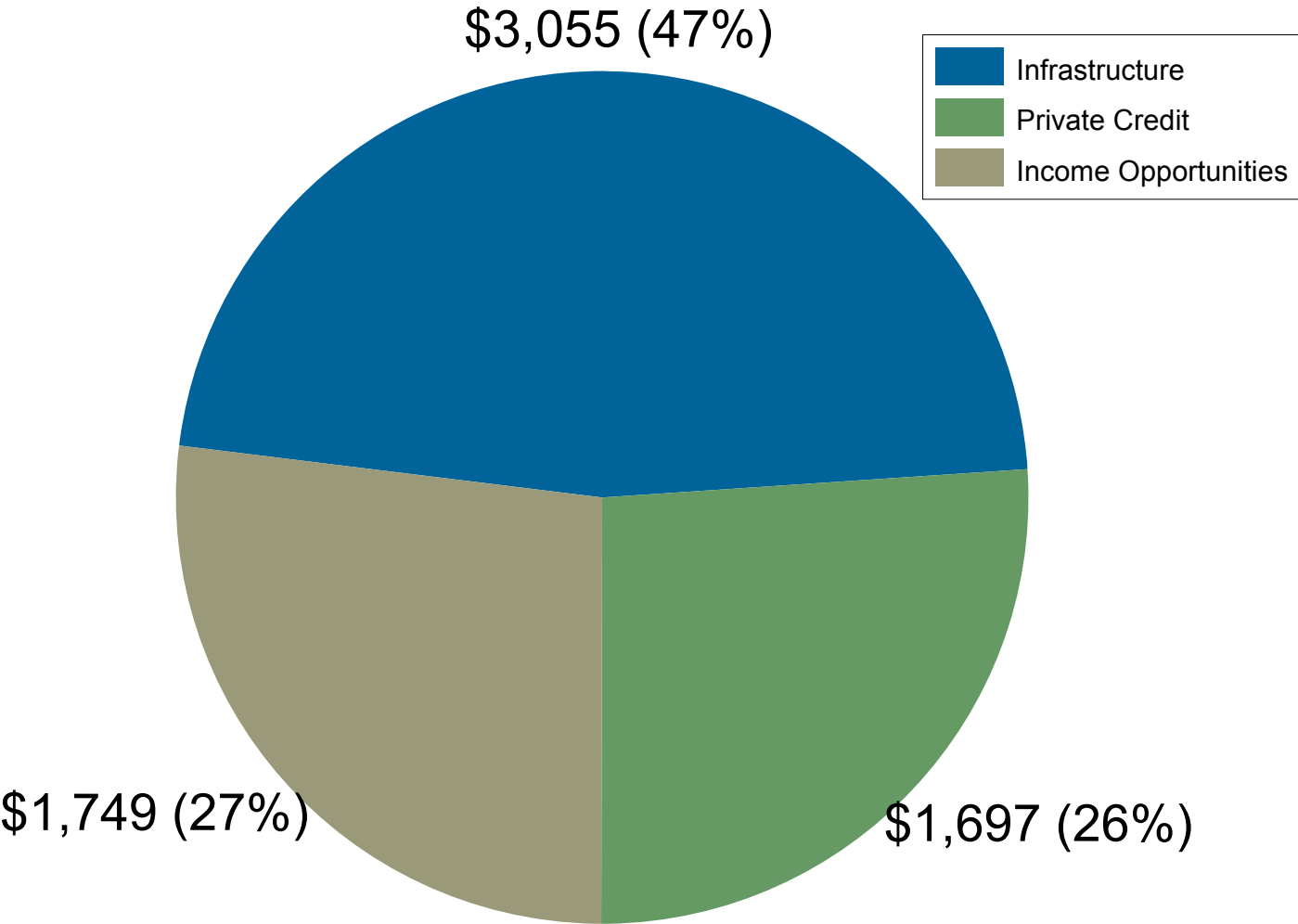


Source: Callan

# APFC Private Income Structure (1Q LAG)

As of December 31, 2021

- 47% of the structure is invested in infrastructure funds, which includes a diversified portfolio of infrastructure, energy, and generation assets. Listed Infrastructure was moved into this category from Fixed Income Plus.
- 26% of the structure was invested in private credit mandates including mezzanine debt, opportunistic credit, and direct lending strategies.
- 27% of the structure was invested in income opportunities including structured credit, alternative credit, AH4R2, and timber.



# Private Income Performance (1Q LAG)

As of December 31, 2021

|   | Quarter       | Last Year     | Last 3 Years  | Last 5 Years  |
|---|---------------|---------------|---------------|---------------|
| <b>Infrastructure</b>                   | <b>10.09%</b> | <b>24.72%</b> | <b>13.02%</b> | <b>15.22%</b> |
| Cambridge Global Private Infrastructure | 6.48%         | 15.81%        | 12.15%        | 10.27%        |
| <b>Income Opportunities</b>             | <b>1.44%</b>  | <b>11.05%</b> | <b>11.10%</b> | <b>7.19%</b>  |
| Private Income Custom                   | 4.73%         | 15.95%        | 11.58%        | 9.13%         |
| <b>Private Credit</b>                   | <b>2.11%</b>  | <b>15.82%</b> | <b>9.30%</b>  | <b>8.43%</b>  |
| Cambridge Private Credit                | 2.11%         | 16.04%        | 10.61%        | 7.33%         |
| <b>Private Income Composite</b>         | <b>5.56%</b>  | <b>18.42%</b> | <b>11.43%</b> | <b>12.06%</b> |
| Private Income Custom                   | 4.73%         | 15.95%        | 11.58%        | 9.13%         |

- APFC's Private Income composite outperformed the benchmark (60% Cambridge Global Private Infra and 40% Cambridge Private Credit) in the quarter and trailing year.
- Private Income strategies had mixed results in the quarter: Infrastructure outperformed, Income Opportunities underperformed and Private Credit was inline with its benchmark.

# Hedge Fund and MAC Industry Trends

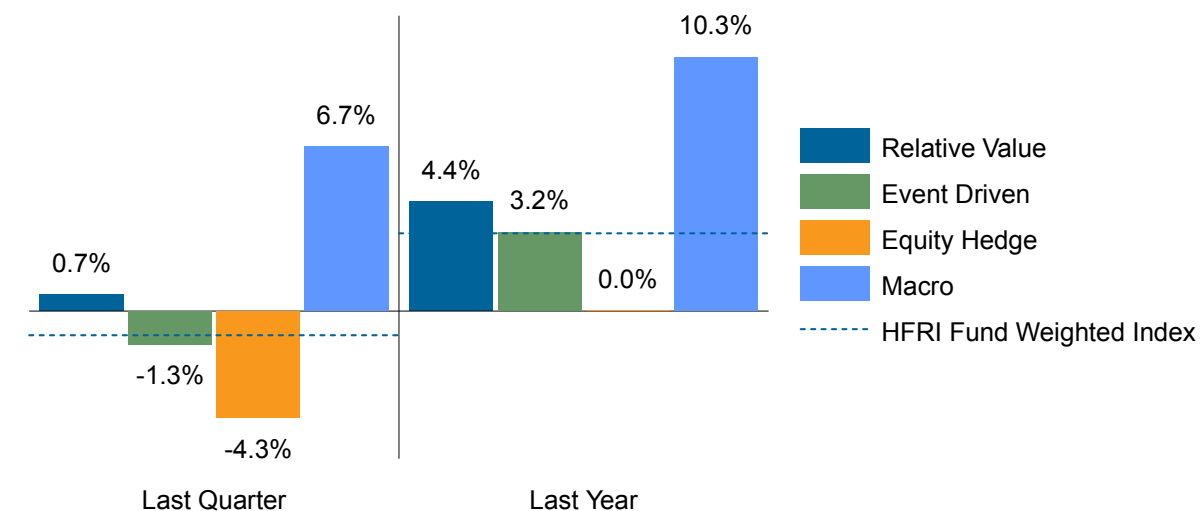
## Inflation and geopolitical risks grew

- Macro strategies soared during the quarter, as exposure to commodities spiked on inflation fears and supply issues tied to the Russian invasion of Ukraine.
- Relative value managers ended slightly higher, as they were able to profit off an increase in rate volatility throughout the quarter.
- Equity hedge had a difficult quarter, as net long exposure to tech, media, and telecom was a drag on performance. Managers that focused on energy and utilities had a solid quarter.
- Event-driven strategies ended lower, due to a higher weight to equities vs. credit to start off the year.

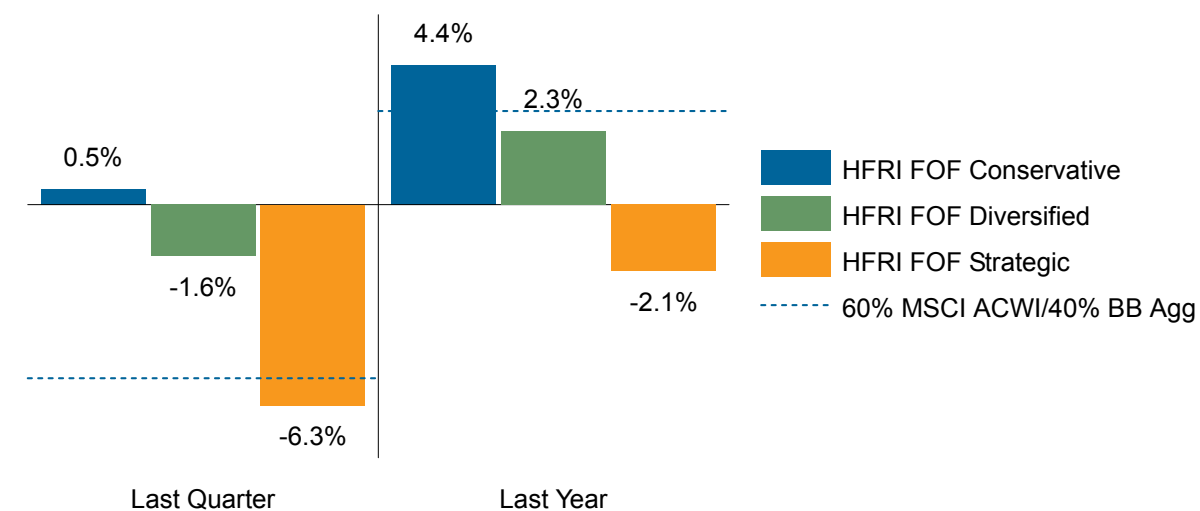
## FOFs with another positive quarter

- Those with a tilt toward more growth equity managers had a difficult first quarter.
- Those tilted more toward relative value managers held up much better.

HFRI Strategy Index Returns vs. Broad Hedge Fund Universe



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



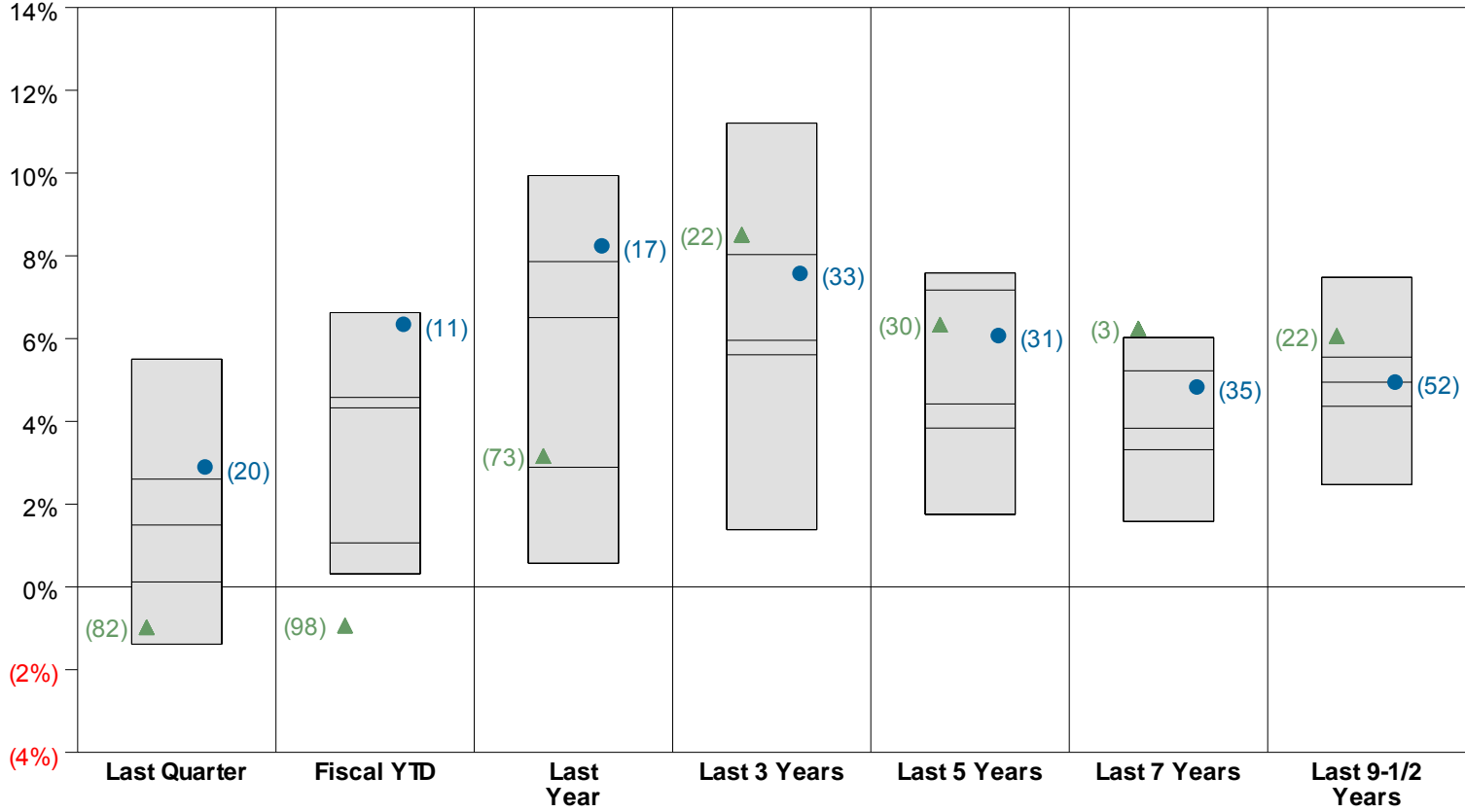
Source: Hedge Fund Research ([www.hedgefundresearch.com](http://www.hedgefundresearch.com))

# Absolute Return Portfolio Relative to HFOF Universe

Periods Ended March 31, 2022

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

- In the first quarter, the Absolute Return portfolio exceeded its custom benchmark.
- The portfolio ranked above median for the quarter, 1-, 3-, 5-, and 7-year periods.



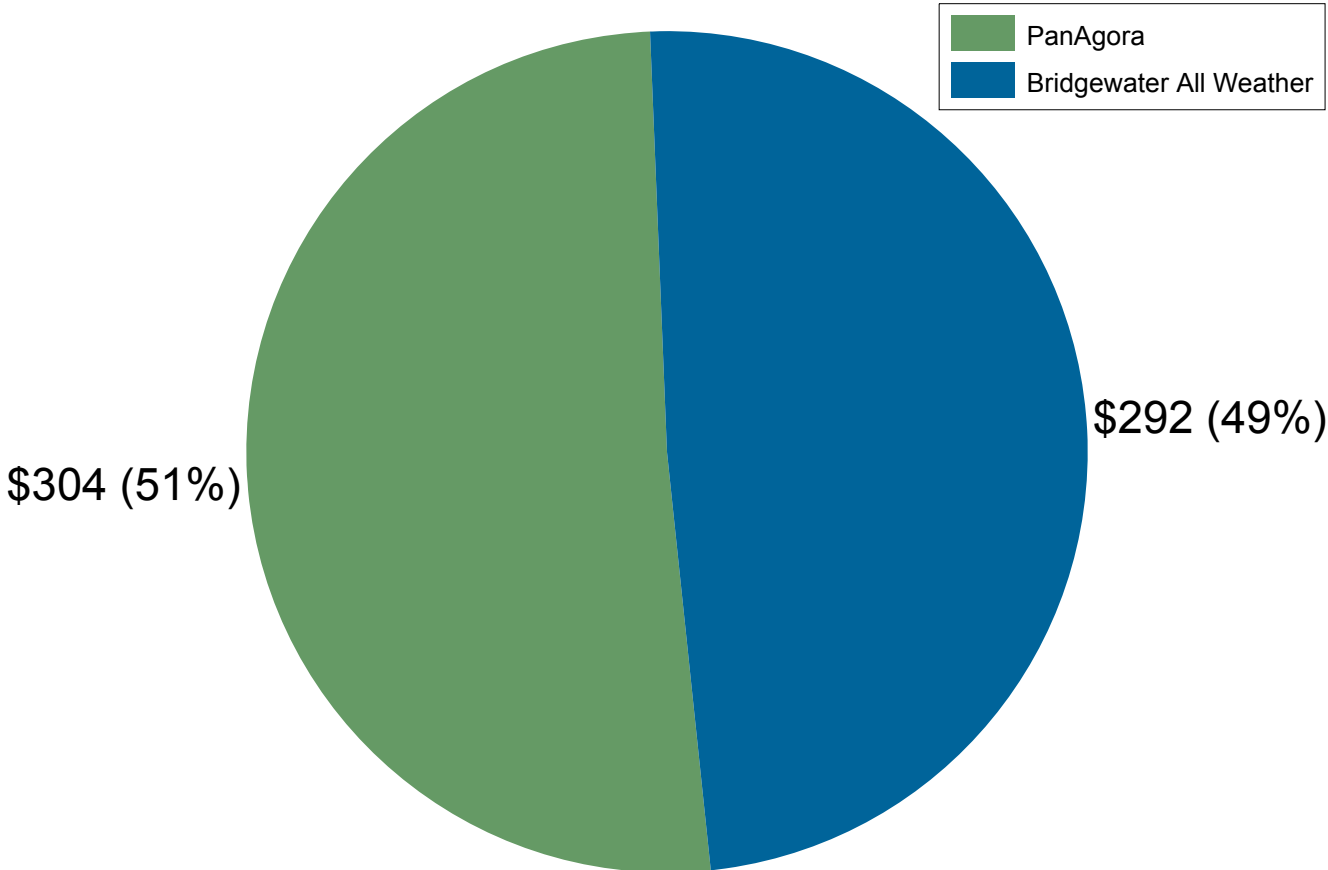
|                             | Last Quarter | Fiscal YTD | Last Year | Last 3 Years | Last 5 Years | Last 7 Years | Last 9-1/2 Years |
|-----------------------------|--------------|------------|-----------|--------------|--------------|--------------|------------------|
| 10th Percentile             | 5.50         | 6.63       | 9.94      | 11.21        | 7.59         | 6.03         | 7.48             |
| 25th Percentile             | 2.61         | 4.58       | 7.86      | 8.03         | 7.17         | 5.22         | 5.55             |
| Median                      | 1.49         | 4.33       | 6.51      | 5.96         | 4.42         | 3.83         | 4.95             |
| 75th Percentile             | 0.12         | 1.06       | 2.89      | 5.61         | 3.84         | 3.32         | 4.36             |
| 90th Percentile             | (1.38)       | 0.32       | 0.57      | 1.38         | 1.75         | 1.58         | 2.47             |
| <b>Absolute Return</b> ●    | 2.85         | 6.30       | 8.19      | 7.53         | 6.03         | 4.79         | 4.90             |
| Absolute Return Benchmark ▲ | (0.97)       | (0.93)     | 3.17      | 8.51         | 6.34         | 6.24         | 6.07             |

Absolute Return Benchmark is LIBOR + 4% through 6/30/13, LIBOR + 6% through 6/30/15, LIBOR + 5% through 9/30/16, and HFRI Total HFOF Universe thereafter.

# APFC Risk Parity Structure and Performance

As of March 31, 2022

- Roughly \$596 million distributed across two 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 underperformed in the first quarter and over the one year period; Bridgewater outperformed in the quarter and over the one year.
- BlackRock was liquidated and reallocated to the remaining managers earlier in the year.

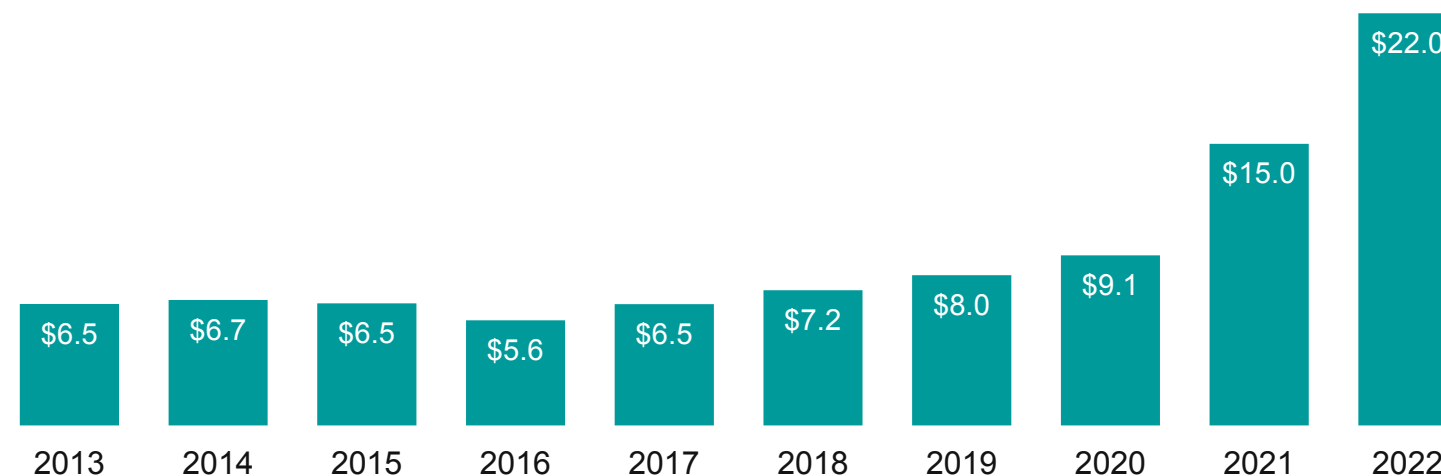


|                                   | Last Quarter | Last Year |
|-----------------------------------|--------------|-----------|
| PanAgora                          | -6.25        | 4.44      |
| Bridgewater All Weather           | -4.80        | 12.38     |
| HFR Risk Parity Vol 12 Inst'l Idx | -4.92        | 6.70      |

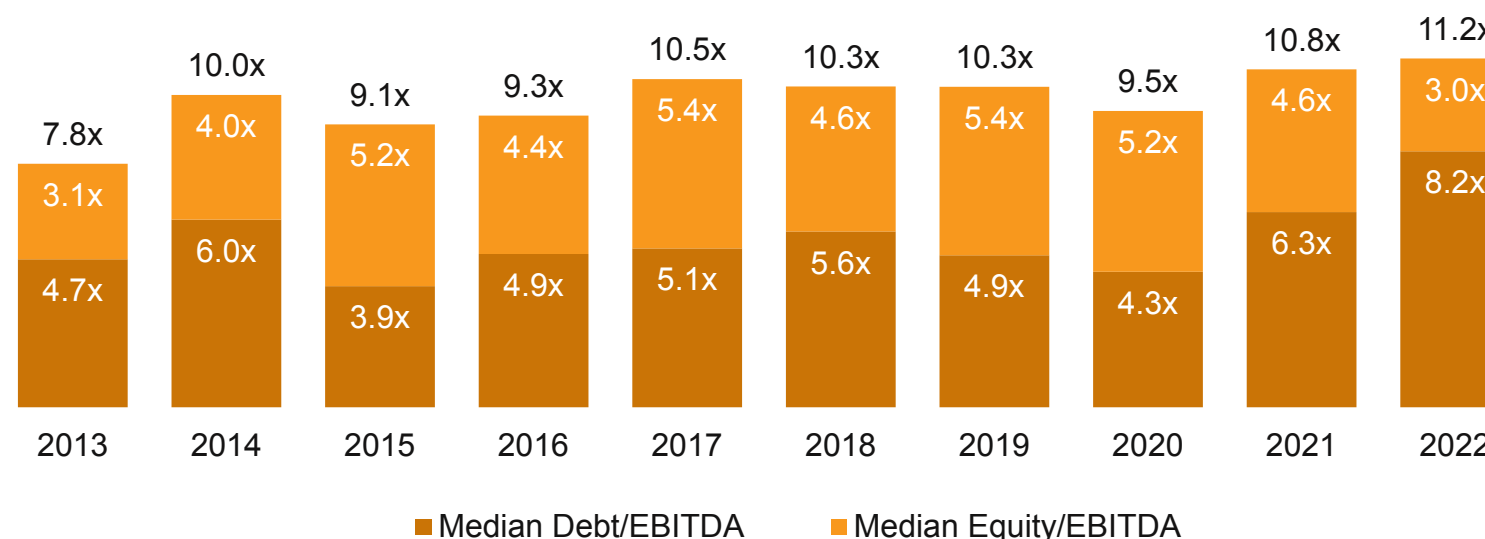
# Private Equity Company Valuations and Leverage

- Buyout valuations continued to tick up to a median of 11.2x EBITDA. This rise was driven by several large take-private transactions, including Datto, Ideagen, and Citrix Systems.
- Venture capital and growth equity surged in 2022, driven by large investments in SheIn (China), Checkout.com, and FTX. 171 financing rounds occurred at >\$1 billion valuations so far in 2022.

Median Pre-Money Valuation – Global Venture Capital/Growth Equity (\$mm)



Median EV/EBITDA – Global Buyouts

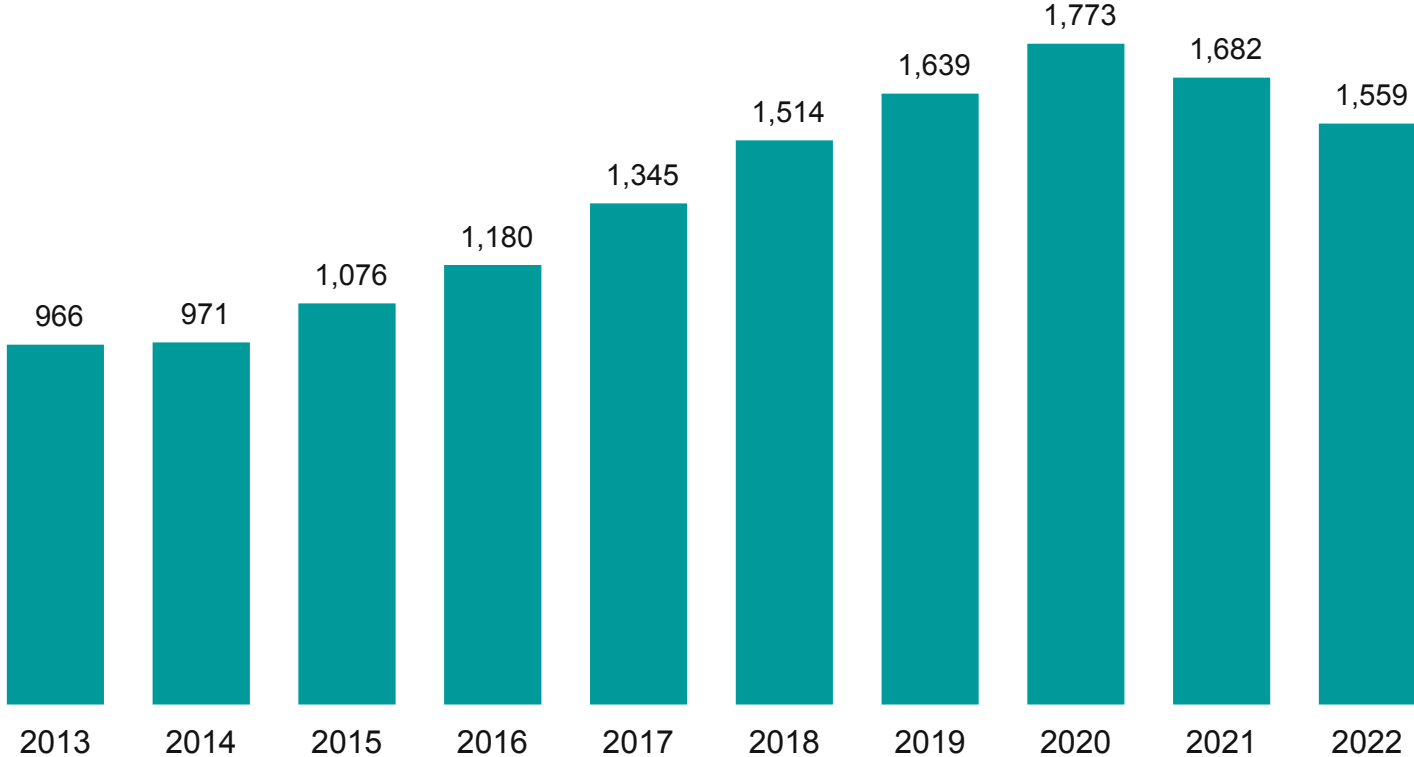


Source: PitchBook, data as of 12/31/21

# Private Equity Dry Powder Falls

- 2020 reached new high in terms of dry powder, exceeding the prior year by \$138 billion.
- Dry powder in 2021 has yet to surpass 2020 (although additional data may come in over the next few months) due to the slowdown in 2021 fundraising numbers.

**Dry Powder (\$bn)**  
Cumulative as of Year-end



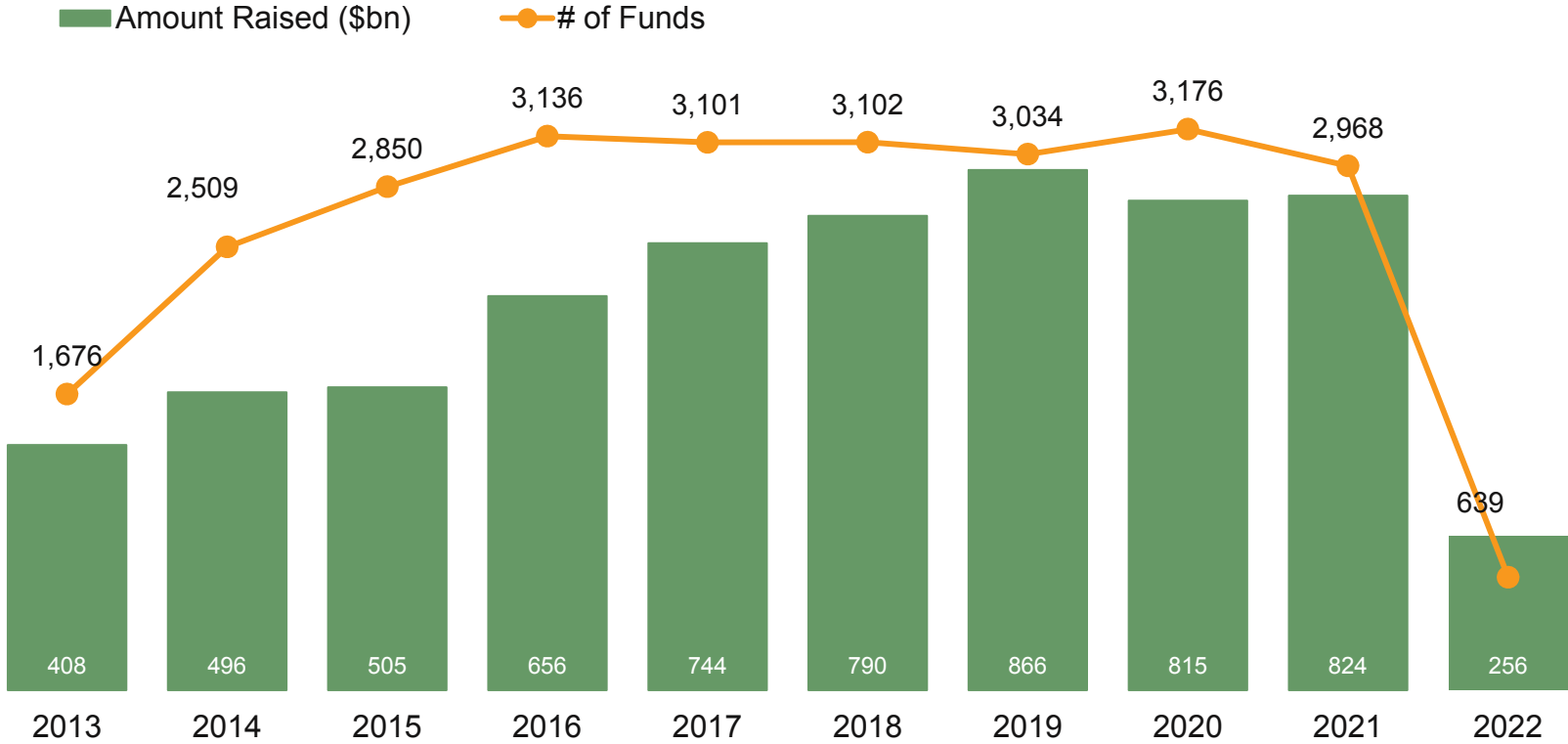
Source: PitchBook, data as of April 2022; global, includes private equity and private credit

# Global Fundraising

## 2021 fundraising holds steady

- 2021 fundraising lagging 2019's peak by 5%, but remains consistent with 2020 fundraising
- While a large number of funds were raising in 2021, many did not hold final closes until 2022 due to LP capital budgeting constraints. Fundraising timelines have consequently become extended.
- As a result, a surge in fundraising stats is expected in 2022.

Annual Fundraising

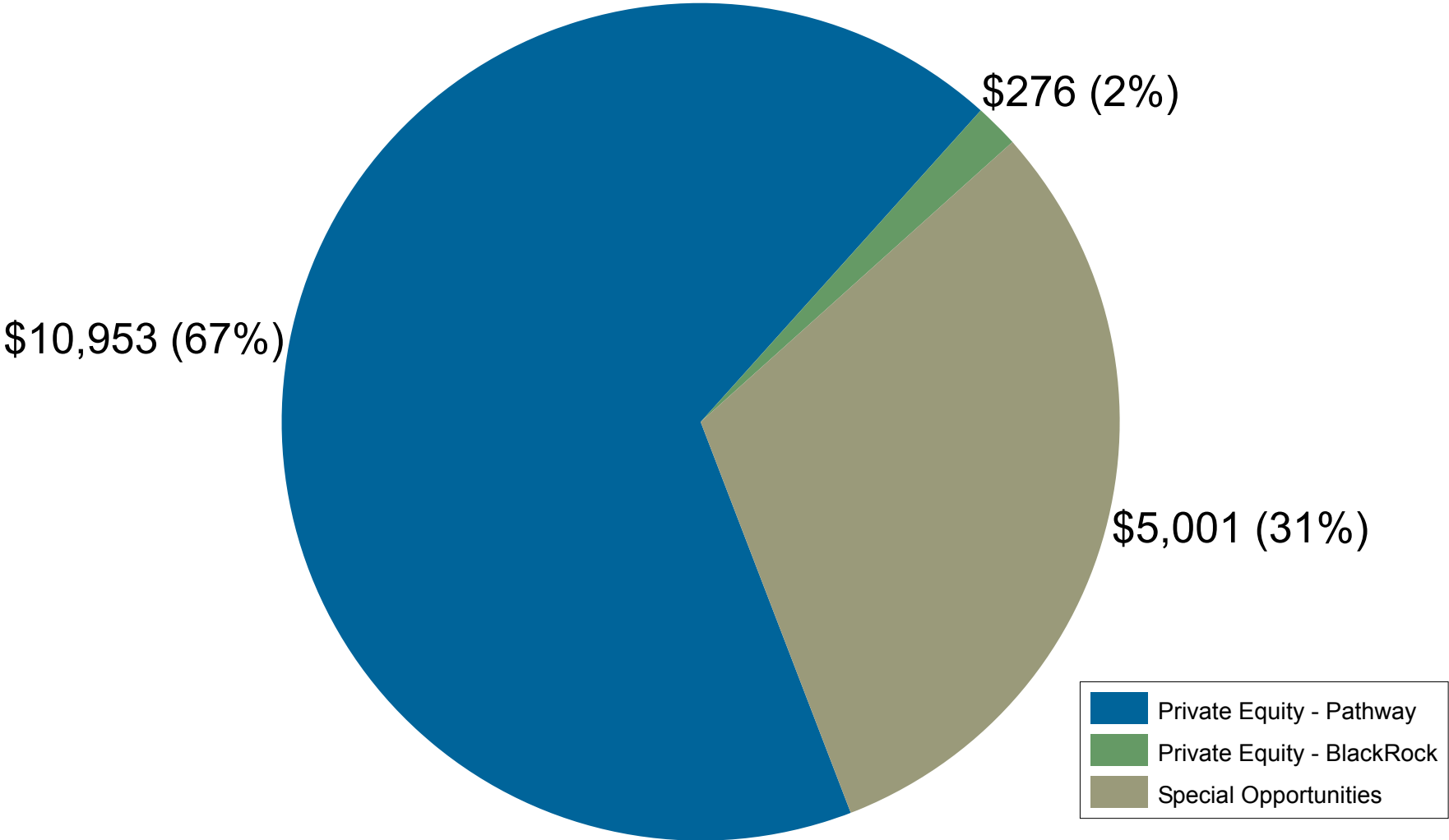


Source: Pitchbook

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

As of December 31, 2021

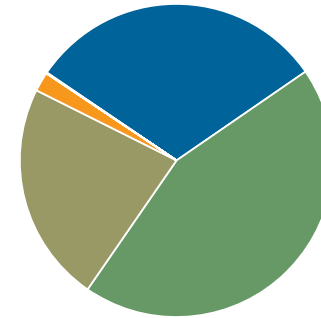
- 69% of the structure was invested in private equity.
- The legacy HarbourVest investments were transferred to Pathway for oversight management.
- The Pathway portfolio also includes direct investments overseen by Pathway.
- 31% of the structure was invested in special opportunities.



# Private Equity Portfolio Positioning (1Q LAG)

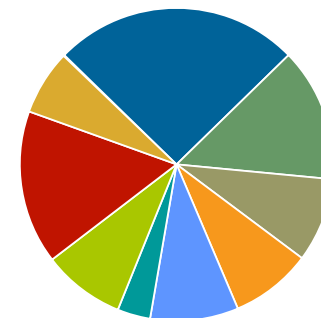
As of September 30, 2021 (Not yet updated for December 31, 2021)

- 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.



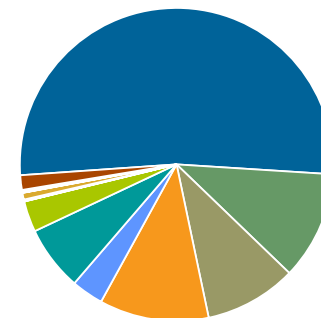
## Strategy Mix by Net Asset Value

|                        |        |
|------------------------|--------|
| Venture Capital        | 30.92% |
| Buyout                 | 44.22% |
| Special Situations     | 22.80% |
| Distressed for Control | 1.98%  |
| Secondary Interest     | 0.04%  |
| Mezzanine              | 0.05%  |



## Geographic Mix by Net Asset Value

|                        |        |
|------------------------|--------|
| West/Pacific Northwest | 25.37% |
| North Atlantic         | 13.82% |
| Mid-West               | 8.72%  |
| Southeast              | 8.42%  |
| Southwest/Rockies      | 9.13%  |
| Mid-Atlantic           | 3.39%  |
| Asia/Pacific           | 8.50%  |
| Europe                 | 15.93% |
| Other                  | 6.71%  |



## Industry Mix by Net Asset Value

|                        |        |
|------------------------|--------|
| Technology             | 52.06% |
| Health Care            | 11.19% |
| Financial              | 9.47%  |
| Consumer Discretionary | 11.32% |
| Energy                 | 3.32%  |
| Industrials            | 6.71%  |
| Communication Services | 3.22%  |
| Utilities              | 0.23%  |
| Materials              | 0.66%  |
| Consumer Staples       | 0.29%  |
| Other/Misc             | 1.52%  |

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

As of December 31, 2021

|  | Last Quarter | FYTD  | Last Year | Last 3 Years | Last 5 Years |
|--|--------------|-------|-----------|--------------|--------------|
| Private Equity and Special Opportunities | 2.59         | 19.01 | 31.52     | 27.50        | 26.44        |
| Cambridge Private Equity                 | 5.14         | 23.49 | 36.86     | 27.97        | 22.64        |

- APFC's Private Equity and Special Opportunities composite underperformed the Cambridge Private Equity benchmark in the quarter, 1-, and 3-year periods. The portfolio outperformed over the trailing 5-year.
- In the last reported quarter, Private Equity was up 4.6% and Special Opportunities was down 1.6%.

# Closing Remarks

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- Total Fund ended the first quarter of 2022 with \$83.4 billion in assets, decreasing 1.4% for the quarter. Compared with the prior year ended March 31, the Fund increased by 7.5%. The trailing quarter performance placed the Total Fund in the top quartile relative to other large public funds and above median relative to a large endowments/foundations peer group.
- For the quarter, the Total Fund outperformed the Performance and Passive Index benchmarks and underperformed the CPI + 5% benchmark. Over the 3-, 5-, 10-, and 20-year periods, the Fund outperformed and was ahead of all three targets.
- The Public Equity portfolio outperformed its benchmark for the first quarter but underperformed over the trailing one-year period. Domestic, International, Global Equity composites ended ahead of their respective benchmarks in the latest quarter. Over the trailing year, Global Equity outperformed while Domestic and International Equity underperformed.
- The Fixed Income portfolio outperformed its benchmark in the latest quarter; Non-US Fixed Income, Global High Yield, Emerging Market Debt, and TIPS sub strategies outperformed.
- In the Alternatives portfolio, Private Equity & Special Opportunities underperformed in the quarter; Real Estate, Private Income and Absolute Return outperformed.
- Prudent asset allocation with appropriate levels of diversification and a long-term perspective remain Callan's recommended course.



# Published Research Highlights from 1Q22

*Alternatives Focus*, a new quarterly publication



Callan 2022-2031 Capital Markets Assumptions



2022 Defined Contribution Trends Survey



Periodic Table Collection: Year-End 2021

| 2017               | 2018              | 2019               | 2020                 | 2021               |
|--------------------|-------------------|--------------------|----------------------|--------------------|
| Emerging Markets   | Real Estate Funds | Large Cap          | Small Cap            | Large Cap          |
| 37.28%             | 7.36%             | 31.49%             | 19.96%               | 28.71%             |
| Dev ex-U.S. Equity | Cash Equivalent   | Small Cap          | Large Cap            | Real Estate Funds  |
| 24.21%             | 1.87%             | 25.52%             | 18.40%               | 21.02%             |
| Large Cap          | U.S. Fixed        | Dev ex-U.S. Equity | Emerging Markets     | Small Cap          |
| 21.83%             | 0.01%             | 22.49%             | 18.31%               | 14.82%             |
| Small Cap          | High Yield        | Emerging Markets   | Global ex-U.S. Fixed | Dev ex-U.S. Equity |
| 14.65%             | -2.08%            | 18.44%             | 10.11%               | 12.62%             |

## Recent Blog Posts

**Hedge Funds and Ukraine: A Guide for Institutional Investors**

Joe McGuane

**Why It Was a Tough 4Q21 for Large Cap Growth Managers**

David Wang

**DOL Shifts Tone on Private Equity in DC Plans**

Patrick Wisdom

## Additional Reading

*Private Equity Trends quarterly newsletter*

*Active vs. Passive quarterly charts*

*Capital Markets Review quarterly newsletter*

*Monthly Updates to the Periodic Table*

*Market Pulse Flipbook quarterly markets update*

*Real Estate Indicators market outlook*

# Callan Institute Events

## Upcoming Conferences, Workshops, and Webinars

### Callan College

#### Intro to Investments – Learn the Fundamentals

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with basic investment theory, terminology, and practices.

**Join our next LIVE session in San Francisco** (1½-day session):  
July 26–27, 2022

**Join our next VIRTUAL session via Zoom** (3 sessions, 2–3 hours each):  
September 20–22, 2022

### Webinars

#### Research Café: Private Equity Fee Study

May 11, 2022 – 9:30am (PT)

#### Webinar: Pension Risk Transfer

May 18, 2022 – 9:30am (PT)

#### Market Intelligence

July 15, 2022 – 9:30am (PT)

### Mark Your Calendar

#### 2022 June Regional Workshops

June 7, 2022 – Atlanta

June 9, 2022 – Portland

#### 2022 October Regional Workshops

October 18, 2022 – Denver

October 20, 2022 – San Francisco

*Watch your email for further details and an invitation.*

# Disclaimers

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SUBJECT: APFC Fixed Income  
Asset Class Update

ACTION: \_\_\_\_\_

DATE: May 18, 2022

INFORMATION:     X    

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**BACKGROUND:**

The Fixed Income presentation provides information on the APFC Fixed Income Portfolio.

**STATUS:**

At this meeting, Director of Investments, Fixed Income, Jim Parise, will present key elements of APFC Fixed Income allocation and performance, including Internal and External management. Additionally, Senior Portfolio Managers Matt Olmsted and Masha Skuratovskaya will also present a new initiative to bring externally managed assets in-house.



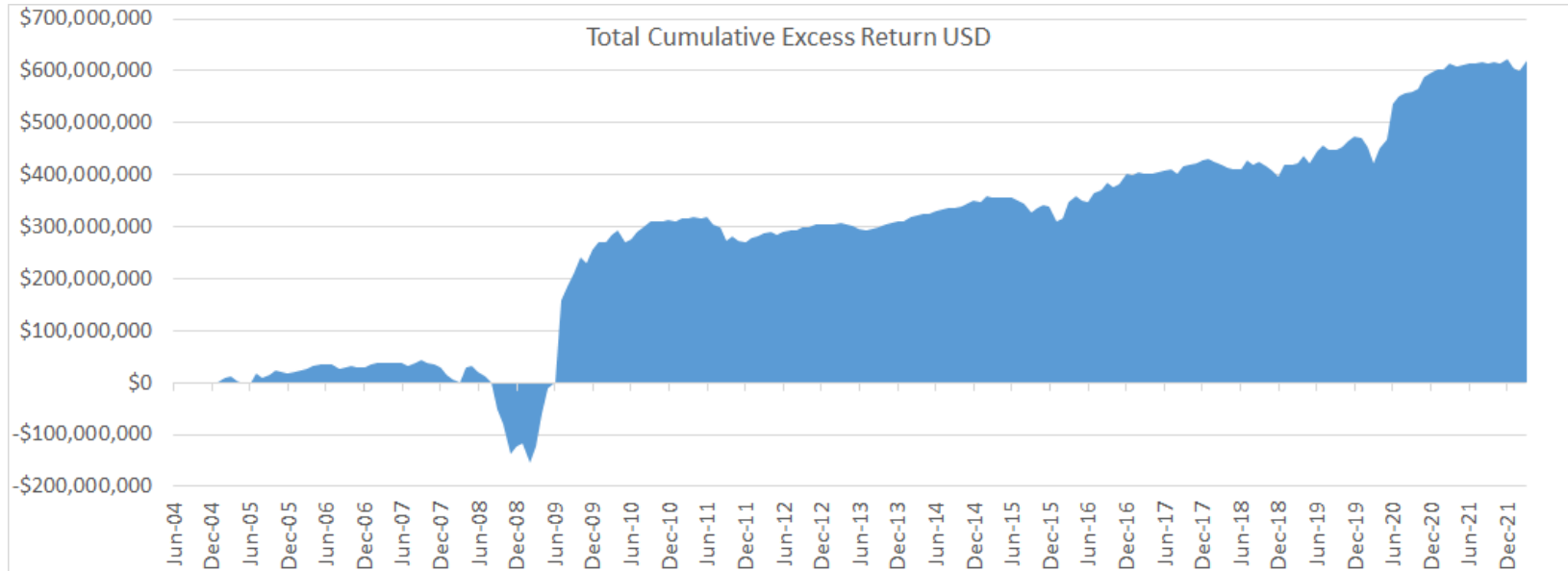
APFC

ALASKA PERMANENT  
FUND CORPORATION

# APFC Internal Fixed Income Portfolio

May 18-19, 2022

# Internally Managed Portfolio Excess Returns



# Fixed Income + Allocation

|                 | Fixed Income + Allocation (ooo's) |           |           |           | QTD Excess Return Contribution |                          |                     |
|-----------------|-----------------------------------|-----------|-----------|-----------|--------------------------------|--------------------------|---------------------|
|                 | Benchmark                         |           | Portfolio |           | Sector Allocation              | Within Sector Allocation | Total Excess Return |
| US Aggregate    | 27.5%                             | 4,327,000 | 29.8%     | 4,684,000 | -0.08%                         | -0.01%                   | -0.09%              |
| US Corporates   | 27.5%                             | 4,327,000 | 27.1%     | 4,264,000 | 0.02%                          | -0.01%                   | 0.02%               |
| High Yield      | 10.0%                             | 1,573,000 | 10.4%     | 1,640,000 | -0.01%                         | 0.11%                    | 0.10%               |
| Emerging Market | 5.0%                              | 787,000   | 5.3%      | 831,000   | -0.02%                         | 0.12%                    | 0.11%               |
| Non-US Rates    | 10.0%                             | 1,573,000 | 8.4%      | 1,321,000 | 0.03%                          | 0.04%                    | 0.07%               |
| TIPS            | 5.0%                              | 787,000   | 5.2%      | 818,000   | 0.00%                          | 0.01%                    | 0.00%               |
| Securitized     | 10.0%                             | 1,573,000 | 7.7%      | 1,215,000 | 0.06%                          | -0.01%                   | 0.06%               |
| Total Cash      | 5.0%                              | 787,000   | 6.1%      | 961,000   | 0.03%                          | 0.00%                    | 0.03%               |
|                 |                                   |           |           |           |                                |                          |                     |
| Total Cash      | 100%                              |           | 100%      |           | 0.02%                          | 0.27%                    | 0.29%               |

\* These are average market value for the quarter

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ALASKA PERMANENT FUND CORPORATION

As of quarter end 3/31/2022

# Fixed Income Plus Performance

## Fixed Income Plus (\$15,734mm)

- Overweight US Agg and underweight Global Rates
- Neutral Corporates, Emerging Markets and TIPS

## U.S. Aggregate Portfolio (\$4,670mm)

- Neutral duration and long spread product vs Treasuries
- Overweight to Corporates, and underweight to Structured product, contribute to outperformance this quarter

## U.S. Corporate Bond Portfolio (\$4,252mm)

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

### Internal Portfolios

|          | QTD (%) | 1Yr (%) | 3Yr (%) | 5Yr(%) |
|----------|---------|---------|---------|--------|
| Strategy | -5.43%  | -3.04%  | 1.95%   | 2.87%  |
| Index    | -5.69%  | -3.39%  | 1.19%   | 2.29%  |

|           | QTD (%) | 1Yr (%) | 3Yr (%) | 5Yr(%) |
|-----------|---------|---------|---------|--------|
| Portfolio | -5.96%  | -4.06%  | 2.26%   | 2.52%  |
| Index     | -5.93%  | -4.15%  | 1.69%   | 2.14%  |

|           | QTD (%) | 1Yr (%) | 3Yr (%) | 5Yr(%) |
|-----------|---------|---------|---------|--------|
| Portfolio | -7.70%  | -4.21%  | 3.73%   | 3.85%  |
| Index     | -7.69%  | -4.20%  | 3.02%   | 3.34%  |

# Fixed Income Plus Performance

## Global Rates (\$1,332mm)

- Losses from a slight overweight to Russia, were offset by gains from underweight to EU and overweight to Asia

## Securitized (\$1,210mm)

- Security selection was a detractor from relative performance
- Underweight to MBS was a positive contributor to relative performance

## TIPS (\$821mm)

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

## Fixed Income Plus Cash (\$974 mm)

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

### Internal Portfolios

|           | QTD (%) | 1Yr (%) | 3Yr (%) | 5Yr(%) |
|-----------|---------|---------|---------|--------|
| Portfolio | -3.43%  | -3.37%  | 0.80%   | 2.11%  |
| Index     | -3.94%  | -3.58%  | 0.75%   | 2.17%  |

|           | QTD (%) | 1Yr (%) | 3Yr (%) | 5Yr(%) |
|-----------|---------|---------|---------|--------|
| Portfolio | -5.08%  | -4.66%  | n/a     | n/a    |
| Index     | -4.99%  | -4.86%  | n/a     | n/a    |

|           | QTD (%) | 1Yr (%) | 3Yr (%) | 5Yr(%) |
|-----------|---------|---------|---------|--------|
| Portfolio | -2.92%  | 4.80%   | 6.28%   | 4.49%  |
| Index     | -3.02%  | 4.29%   | 6.22%   | 4.43%  |

|           | QTD (%) | 1Yr (%) | 3Yr (%) | 5Yr(%) |
|-----------|---------|---------|---------|--------|
| Portfolio | 0.04%   | 0.10%   | 1.00%   | 1.29%  |
| Index     | 0.04%   | 0.06%   | 0.81%   | 1.13%  |

# Fixed Income Transition Initiative

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- Terminate all existing external fixed income managers
- Bring all assets in-house
- Change our custom benchmark to a more conservative mandate to be consistent with the purpose of the fixed income asset class in an overall portfolio
- Hire additional analysts near-term and portfolio managers long-term

# Fixed Income Transition Initiative

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- Fee savings of \$7,800,000
- More control over the fixed income portfolio
- Increased transparency and accountability of performance attribution
- Outside manager performance is mixed, net of fees
- FX complexity is reduced without EM managers and eliminates FX risk
- Fixed Income returns to the bedrock of the overall APFC portfolio
  - Riskier asset classes (EM debt, private credit, low-grade High Yield) can be managed in the Private Markets group.

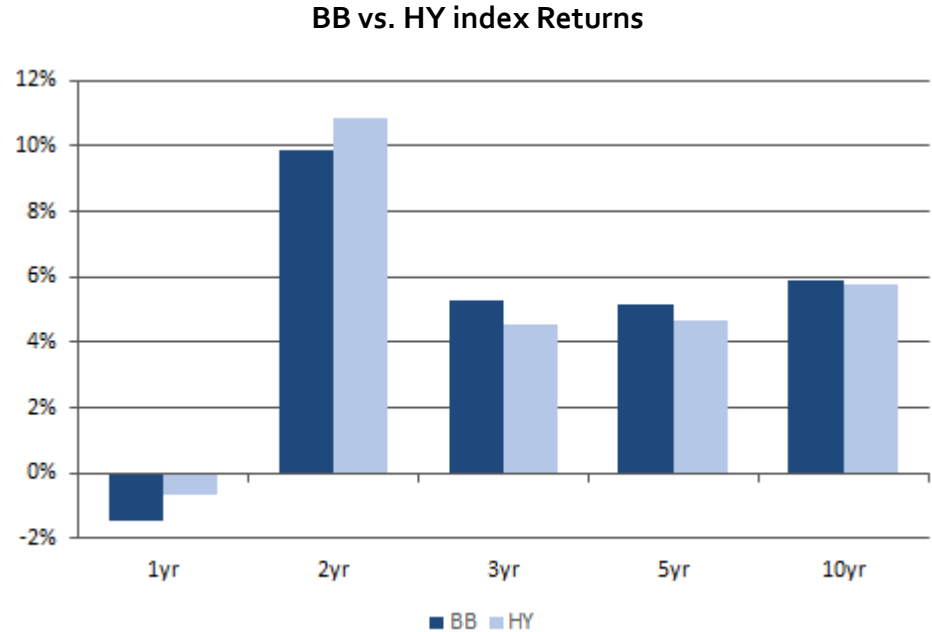
# Fixed Income Transition Initiative

The overall Fixed Income Benchmark will change to reflect the more conservative mandate. The weightings and index are proposed as follows:

| Current Fixed Income + Allocation                        |        | Proposed Fixed Income + Allocation |        |
|--|--------|------------------------------------|--------|
| Index  | Weight | Index                              | Weight |
| Bloomberg Aggregate                                      | 27.5%  | Unchanged                          | 27.5%  |
| Bloomberg Corporates Index                               | 27.5%  | Unchanged                          | 27.5%  |
| Bloomberg US Hi Yld 2% Issuer Cap                        | 10.0%  | Bloomberg US BB HY 2% issuer Cap   | 10.0%  |
| Emerging Market  | 5.0%   | Eliminate                          | 0.0%   |
| Bloomberg Capital Global Treasury ex-U.S. Index (Hedged) | 10.0%  | Unchanged                          | 15.0%  |
| Bloomberg US Treasury TIPS Index                         | 5.0%   | Unchanged                          | 5.0%   |
| Bloomberg US Securitized Index                           | 10.0%  | Unchanged                          | 10.0%  |
| 90 Day T-Bill Index                                      | 5.0%   | Unchanged                          | 5.0%   |
| Total  | 100%   |                                    | 100%   |

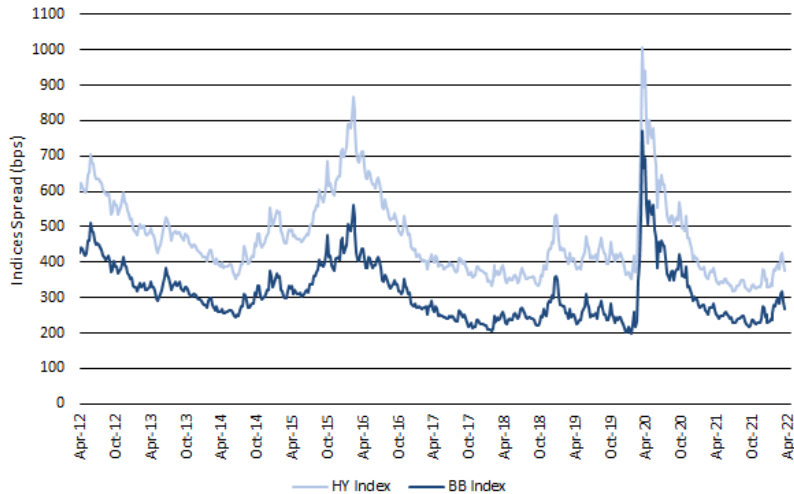
# High Yield -> Managed internally by APFC

- Potential for better returns with lower risk (BB leads overall High Yield over 3, 5, 10yr periods with superior sharpe ratios over those periods)
- Leverage existing in-house capabilities recognizing that the vast majority (75-80%) of high yield managers fail to beat the benchmark

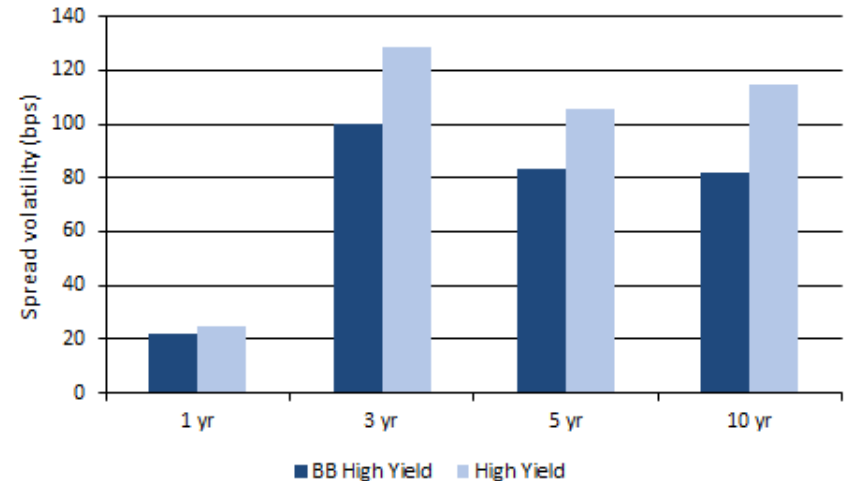


# High Yield -> Internally managed by APFC

### BB vs. HY Spreads



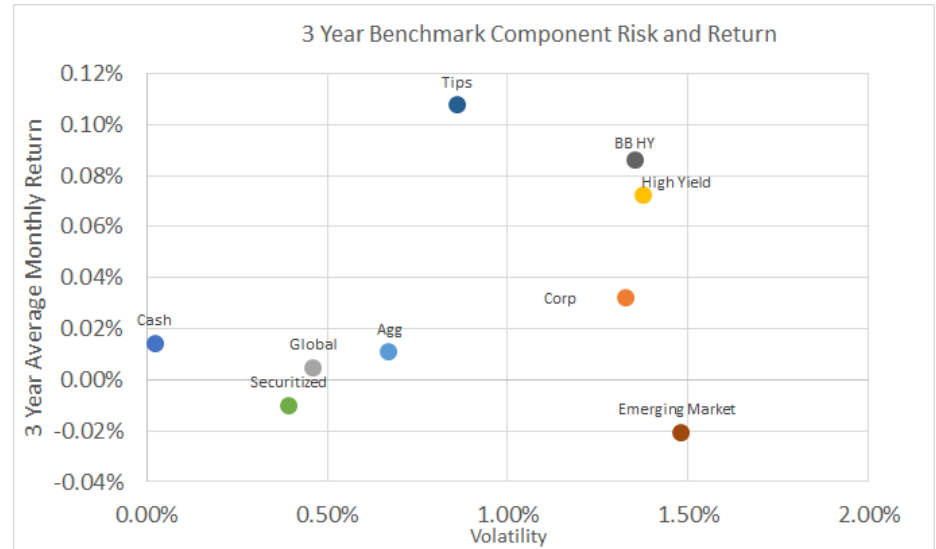
### Spread Risk



# High Yield -> Internally managed by APFC

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- Reduce risk – lower spread volatility and superior long-term returns provide better risk/reward

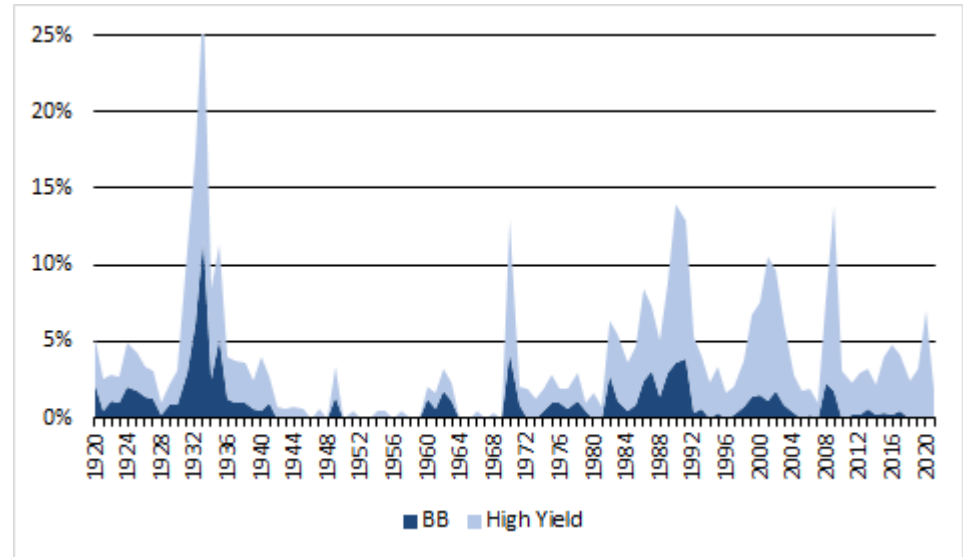


# High Yield -> Internally managed by APFC

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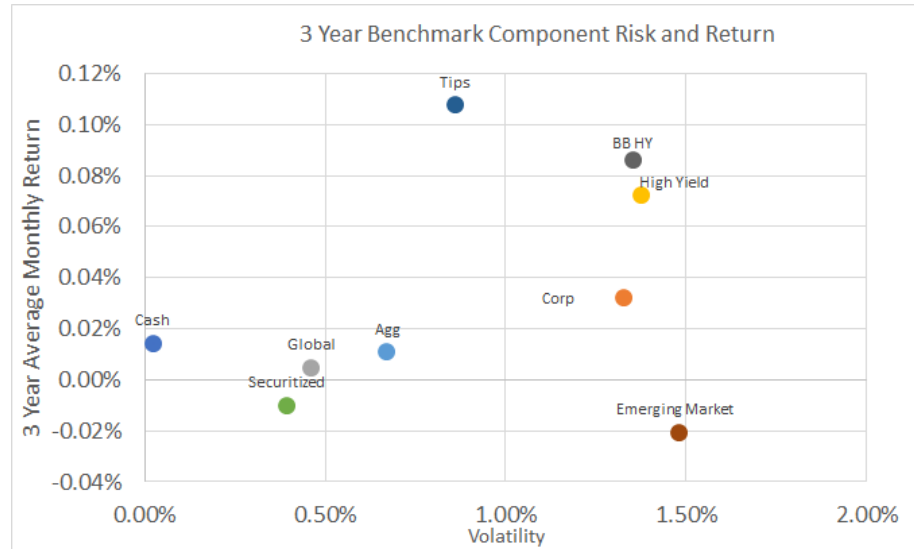
- Default rates materially lower for BBs vs High Yield
- Fee savings of approximately \$3.8 million per year that currently go to outside managers plus approximately \$750k for ETF fees

Annual Default Rates



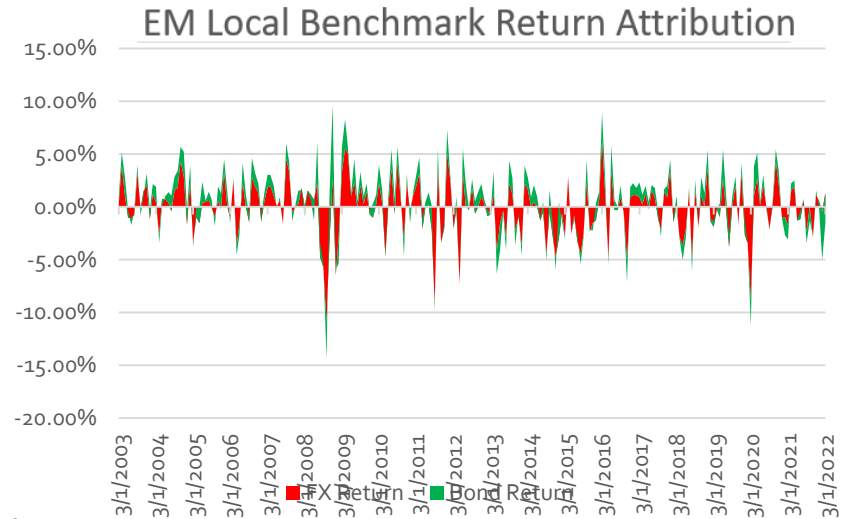
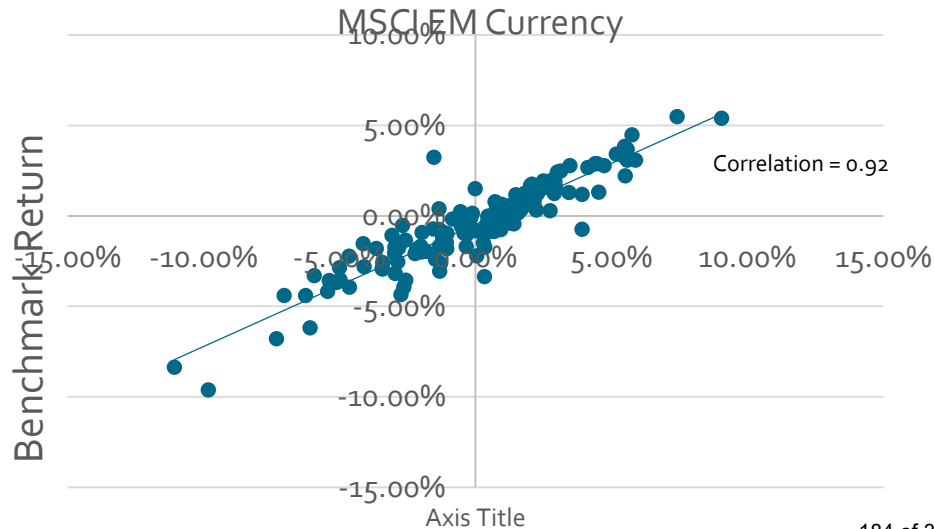
# EM Debt Mandate Dissolution

- We are not getting paid to for the volatility of Emerging Market Debt and can save \$4 million in fees by divesting from our global managers



# EM Debt Mandate Dissolution

- The Emerging Market Debt Local index has significant currency risk. We do not expect to earn a meaningful return from FX in our portfolio and therefore the volatility that these exposures add is detrimental



# EM Debt Mandate Dissolution

- A majority of the countries in the Emerging Markets benchmarks can already be accessed through other Fixed Income portfolios.
- APFC will still be able to access most of the EM Debt universe if a market dislocation occurs without a dedicated strategy.
- Following the disbanding of dedicated EM allocation and subsequent rebalancing, the benchmark weight of EM Local Debt within the Fixed Income portfolio will go from 2.5% to 2.3% and from 2.5% to 0.25% for the EM Hard Currency Debt.

| Hard Currency Investment Grade Bonds |        |              |             |
|--------------------------------------|--------|--------------|-------------|
| Country                              | Rating | MV %         | Yield       |
| Saudi Arabia                         | A      | 5.4%         | 3.45        |
| Mexico                               | BBB-   | 5.2%         | 5.65        |
| Indonesia                            | BBB    | 4.9%         | 3.78        |
| China                                | A+     | 4.5%         | 2.87        |
| Qatar                                | AA-    | 3.9%         | 3.28        |
| UAE                                  | AA-    | 3.5%         | 3.43        |
| Philippines                          | BBB    | 3.3%         | 3.46        |
| Chile                                | A-     | 3.2%         | 3.96        |
| Brazil                               | BB-    | 3.2%         | 4.51        |
| Panama                               | BBB    | 3.0%         | 4.13        |
| Peru                                 | BBB    | 3.0%         | 3.99        |
| Malaysia                             | A-     | 2.8%         | 3.47        |
| Kazakhstan                           | BBB    | 2.5%         | 5.49        |
| Uruguay                              | BBB    | 2.4%         | 3.57        |
| Hungary                              | BBB    | 1.6%         | 3.25        |
| Romania                              | BBB-   | 1.4%         | 4.11        |
| Poland                               | A-     | 0.8%         | 2.69        |
| India                                | BBB-   | 0.7%         | 3.88        |
| Kuwait                               | A+     | 0.7%         | 2.61        |
| Croatia                              | BBB-   | 0.5%         | 2.47        |
| <b>Total</b>                         |        | <b>56.5%</b> | <b>3.86</b> |

| Local Currency Investment Grade Bonds |        |               |             |
|---------------------------------------|--------|---------------|-------------|
| Country                               | Rating | MV %          | Yield       |
| Mexico                                | BBB    | 10.0%         | 8.33        |
| Thailand                              | BBB+   | 10.0%         | 1.90        |
| China                                 | A+     | 10.0%         | 2.66        |
| Indonesia                             | BBB    | 10.0%         | 6.11        |
| Malaysia                              | A-     | 9.9%          | 3.53        |
| Poland                                | A-     | 6.9%          | 5.37        |
| Czech Republic                        | AA-    | 4.7%          | 4.04        |
| Romania                               | BBB-   | 3.4%          | 5.59        |
| Hungary                               | BBB    | 3.3%          | 6.26        |
| Peru                                  | BBB    | 2.4%          | 6.55        |
| Chile                                 | A      | 2.2%          | 6.44        |
| Colombia                              | BBB-   | 0.3%          | 9.61        |
| Uruguay                               | BBB    | 0.1%          | 8.87        |
| Philippines                           | BBB    | 0.1%          | 5.46        |
| <b>Total</b>                          |        | <b>73.30%</b> | <b>3.55</b> |

# Internal U.S. Aggregate Portfolio

## Performance

|           | Latest Quarter | FYTD   | One Year | Three Year | Five Year |
|-----------|----------------|--------|----------|------------|-----------|
| Portfolio | -5.96%         | -5.84% | -4.06%   | 2.26%      | 2.52%     |
| Index     | -5.93%         | -5.87% | -4.15%   | 1.69%      | 2.14%     |

## Quarterly Attribution

|           | Duration/<br>Curve | Asset<br>Allocation | Security<br>Selection | Other  |
|-----------|--------------------|---------------------|-----------------------|--------|
| Portfolio | 0.04%              | -0.05%              | -0.07%                | -0.02% |

## Predicted Tracking Error

| Total Tracking Error | Curve | Sector Spread | Inflation | Other |
|----------------------|-------|---------------|-----------|-------|
| 33 bps               | 2%    | 97%           | 0%        | 1%    |

## Index Comparison

|          | Portfolio | Index |
|----------|-----------|-------|
| Duration | 6.7       | 6.8   |
| Yield    | 2.9       | 2.9   |
| Spread   | 49        | 35    |
| Rating   | Aa2       | Aa2   |

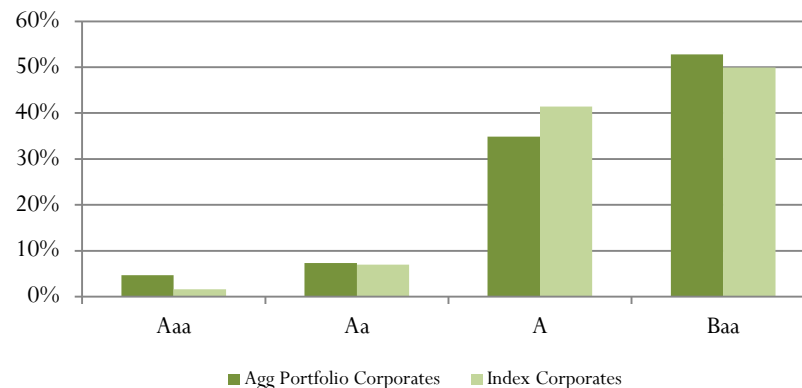
## Composition

- \$4.7 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

# Internal U.S. Aggregate Portfolio

| Sector             | MV (\$mil) | % of Portfolio | % of Index |
|--------------------|------------|----------------|------------|
| Total Portfolio    | \$4,952    | 100%           | 100%       |
| Treasury           | \$1,524    | 31%            | 40%        |
| Government-Related | \$302      | 6%             | 5%         |
| Corporate          | \$1,476    | 30%            | 25%        |
| MBS                | \$1,216    | 23%            | 28%        |
| ABS                | \$204      | 5%             | 0%         |
| CMBS               | \$160      | 3%             | 2%         |
| Cash               | \$72       | 2%             | 0%         |

## Portfolio Credit Quality vs. Index



|          | Portfolio | Index | Over/Under Weight |
|----------|-----------|-------|-------------------|
| Duration | 8.5       | 8.6   | -0.1              |

# Internal Corporate Bonds

## Performance

|           | Latest Quarter | FYTD   | One Year | Three Year | Five Year |
|-----------|----------------|--------|----------|------------|-----------|
| Portfolio | -7.70%         | -7.43% | -4.21%   | 3.73%      | 3.85%     |
| Index     | -7.69%         | -7.48% | -4.20%   | 3.02%      | 3.34%     |

## Quarterly Attribution

|           | Duration/<br>Curve | Asset<br>Allocation | Security<br>Selection | Other  |
|-----------|--------------------|---------------------|-----------------------|--------|
| Portfolio | 0.13%              | -0.25%              | 0.11%                 | -0.02% |

## Predicted Tracking Error

| Total Tracking Error | Curve | Sector Spread | Idiosyncratic | Other |
|----------------------|-------|---------------|---------------|-------|
| 50 bps               | 5%    | 83%           | 12%           | 0%    |

## Index Comparison

|          | Portfolio | Index |
|----------|-----------|-------|
| Duration | 8.1       | 8.1   |
| Yield    | 3.5       | 3.6   |
| Spread   | 120       | 111   |
| Rating   | A3        | A3    |

## Composition

- \$4.25 Billion
- Investment Grade Corporate Bonds
- 300+ positions with 200+ issuers
- Bloomberg U.S. Corporate Bond Index
- Futures used to control curve and duration exposure
- Primary PM: Jim Parise, Matt Olmsted

# Internal Tips Portfolio

## Performance

|           | Latest Quarter | FYTD  | One Year | Three Year | Five Year |
|-----------|----------------|-------|----------|------------|-----------|
| Portfolio | -2.92%         | 1.44% | 4.80%    | 6.28%      | 4.49%     |
| Index     | -3.02%         | 1.01% | 4.29%    | 6.22%      | 4.43%     |

## Quarterly Attribution

|           | Duration/<br>Curve | Asset<br>Allocation | Security<br>Selection | Other  |
|-----------|--------------------|---------------------|-----------------------|--------|
| Portfolio | 0.11%              | 0.03%               | 0.01%                 | -0.04% |

## Predicted Tracking Error

| Total Tracking Error | Curve | Sector Spread | Inflation | Other |
|----------------------|-------|---------------|-----------|-------|
| 29 bps               | 2.2%  | 0.0%          | 97.8%     | 0.0%  |

## Index Comparison

|          | Portfolio | Index |
|----------|-----------|-------|
| Duration | 7.5       | 7.5   |
| Yield    | 2.5       | 2.4   |

## Composition

- \$821 Million
- US Treasury Inflation Protected Securities
- 20+ positions
- Barclays' U.S. TIPS Index
- Portfolio duration and curve position reflects views on rates and inflation valuation
- Primary PM: Masha Skuratovskaya

# Internal Global Government Bonds

## Performance

|           | Latest Quarter | FYTD   | One Year | Three Year | Five Year |
|-----------|----------------|--------|----------|------------|-----------|
| Portfolio | -3.27%         | -3.51% | -3.20%   | 0.74%      | 2.13%     |
| Index     | -3.94%         | -3.82% | -3.58%   | 0.75%      | 2.17%     |

## Quarterly Attribution

|           | FX Hedging | Country Allocation | Duration / Curve | Asset Allocation | Security Selection |
|-----------|------------|--------------------|------------------|------------------|--------------------|
| Portfolio | 6.8        | -2.6               | 10.0             | -0.7             | 53.5               |

## Predicted Tracking Error

| Total Tracking Error | Duration/ Curve | Sector Spread | FX    | Other |
|----------------------|-----------------|---------------|-------|-------|
| 42 bps               | 64.3%           | 14.3%         | 21.4% | 0%    |

## Index Comparison

|          | Portfolio | Index |
|----------|-----------|-------|
| Duration | 8.3       | 9.1   |
| Yield    | 0.79      | 0.60  |
| Rating   | A1        | A1    |

## Composition

- \$1.0 Billion
- Investment Grade Sovereign and Agency bonds
- 60+ positions in 28+ currencies
- Barclays' Global Treasury Ex-U.S. Index Hedged
- Cross country allocation is driven by expectation for relative performance.
- Primary PM: Masha Skuratovskaya

# Fixed Income Plus Performance

## Fixed Income Plus (\$15,734mm)

- Overweight US Agg, Corporates and Emerging Markets
- Overweight TIPS and underweight Global Rates

## Barclays U.S. Aggregate Portfolio (\$4,670mm)

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

## Corporate Bond Portfolio (\$4,252mm)

- Security selection contributed to long-term outperformance
- Modest up in quality late 2021

## Global Rates (\$1,332mm)

### Internal (\$1,039mm)

- Losses from a slight overweight to Russia, were offset by gains from underweight to EU and overweight to Asia. QE performance reflects pricing noise in Russian bonds.

### Allianz (\$292mm)

- Overweight to Mexico and Canada detracted, but was offset by gains from underweight to Australia and Russia. QE performance reflects pricing noise in Russian bonds.

|           | QTD (%) | 1Yr (%) | 3Yr (%) | 5Yr(%) |
|-----------|---------|---------|---------|--------|
| Aggregate | -5.43%  | -3.04%  | 1.95%   | 2.87%  |
| Index     | -5.69%  | -3.39%  | 1.19%   | 2.29%  |
| Strategy  | -5.96%  | -4.06%  | 2.26%   | 2.52%  |
| Index     | -5.93%  | -4.15%  | 1.69%   | 2.14%  |
| Strategy  | -7.70%  | -4.21%  | 3.73%   | 3.85%  |
| Index     | -7.69%  | -4.20%  | 3.02%   | 3.34%  |
| Strategy  | -3.43%  | -3.37%  | 0.80%   | 2.11%  |
| Index     | -3.94%  | -3.58%  | 0.75%   | 2.17%  |
| In House  | -3.27%  | -3.20%  | 0.74%   | 2.13%  |
| Index     | -3.94%  | -3.58%  | 0.75%   | 2.17%  |
| Allianz   | -3.99%  | -3.98%  | 0.88%   | 2.21%  |
| Index     | -3.94%  | -3.58%  | 0.75%   | 2.17%  |

# Fixed Income Plus Performance

## Global High Yield (\$1,657mm)

- Predominantly managed externally with ETFs used to fill allocation

## High Yield ETF (\$468mm)

- Both ETFs in portfolio beat the index for the quarter and 1yr, and securities lending provided approximately 100bp of additional revenue

## Oaktree High Yield (\$709mm)

- Recent outperformance brings long-term performance in line with index

## Capital Guardian High Yield (\$480mm)

- Recent outperformance not yet bringing long-term performance up to index

## TIPS (\$821mm)

## Internal TIPS (\$821mm)

- Neutral duration with focus on pure, mean-reverting relative value plays

|           | QTD (%) | 1Yr (%) | 3Yr (%) | 5Yr(%) |
|-----------|---------|---------|---------|--------|
| Strategy  | -3.76%  | 0.21%   | 4.33%   | 4.47%  |
| Index     | -4.82%  | -0.66%  | 4.56%   | 4.68%  |
| ETF       | -4.51%  | -0.37%  | 3.21%   | 3.90%  |
| Index     | -4.82%  | -0.66%  | 4.56%   | 4.68%  |
| OakTree   | -3.31%  | 0.52%   | 4.98%   | 4.68%  |
| Index     | -4.82%  | -0.66%  | 4.56%   | 4.68%  |
| Cap Guard | -3.67%  | 0.32%   | 3.95%   | 4.41%  |
| Index     | -4.82%  | -0.66%  | 4.56%   | 4.68%  |
| Strategy  | -2.92%  | 4.80%   | 6.28%   | 4.49%  |
| Index     | -3.02%  | 4.29%   | 6.22%   | 4.43%  |
| In House  | -2.92%  | 4.83%   | 6.53%   | 4.66%  |
| Index     | -3.02%  | 4.29%   | 6.22%   | 4.43%  |

# Fixed Income Plus Performance

## Emerging Market Debt (\$817mm)

All performance reflects some noise from pricing of Russian bonds

## PGIM (\$318mm)

- HC positioning was awash, while LC outperformance was driven by underweight in Eastern Europe and Asia, which was somewhat limited by underperformance of Russia and South America

## Ninety One (formerly Investec) (\$164mm)

- Gained from underweight to Russia and Hungary, while overweights to HC Ukraine and Brazil detracted.

## Payden (\$169 mm)

- Underweight in Russia and overweights in Angola, Ecuador, and Sri Lanka added to performance. Overweight positioning in Ukraine detracted, as did underweights in Saudi Arabia and Qatar.

## Colchester (\$176mm)

- Underweight to Eastern Europe was somewhat offset by overweight to South America. Gains from a long BRL position were offset by losses from ZAR short.

|          | QTD (%) | 1Yr (%) | 3Yr (%) | 5Yr(%) |
|----------|---------|---------|---------|--------|
| Strategy | -5.89%  | -5.28%  | 0.20%   | 1.34%  |
| Index    | -8.25%  | -7.96%  | -0.52%  | 0.99%  |
| Strategy | -6.24%  | -5.44%  | n/a     | n/a    |
| Index    | -8.25%  | -7.96%  | n/a     | n/a    |
| Strategy | -6.04%  | -6.12%  | n/a     | n/a    |
| Index    | -8.25%  | -7.96%  | n/a     | n/a    |
| Strategy | -9.12%  | -6.74%  | n/a     | n/a    |
| Index    | -10.02% | -7.44%  | n/a     | n/a    |
| Strategy | -1.60%  | -2.56%  | n/a     | n/a    |
| Index    | -6.46%  | -8.53%  | n/a     | n/a    |

# Fixed Income Plus Performance

QTD (%)    1Yr (%)    3Yr (%)    5Yr(%)

## Securitized (\$1,210m)

- Security selection was a detractor from relative performance
- Underweight to MBS was a positive contributor to relative performance

|          |        |        |     |     |
|----------|--------|--------|-----|-----|
| Strategy | -5.08% | -4.66% | n/a | n/a |
| Index    | -4.99% | -4.86% | n/a | n/a |

## Fixed Income Plus Cash(\$975mm)

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

|          |       |       |       |       |
|----------|-------|-------|-------|-------|
| Strategy | 0.04% | 0.10% | 1.00% | 1.29% |
| Index    | 0.04% | 0.06% | 0.81% | 1.13% |

SUBJECT: Legislative Communications

ACTION:

DATE: May 18, 2022

INFORMATION: X

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The Director of Communication's Legislative Communications Presentation compliments the standard Legislative Update report in the front of the meeting packet.

This presentation provides an overview of APFC's legislative objectives, a review of legislation relating to APFC and the Fund, and a summary of legislative appropriations related to the Principal and ERA.



APFC

ALASKA PERMANENT  
FUND CORPORATION

# Legislative Update

## Board of Trustees Meeting

### May 2022

## 32<sup>nd</sup> Alaska State Legislature

Second regular session –  
Constitutional adjournment  
the 121st day, May 18

### Appropriations

- Corporation – FY 23 Operating Budget
- The Fund – Structured Deposits/Draws

### Legislation

- POMV and Draw Distribution
- Divestment
- Board Appointment



# Legislative Communications

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Affirm

Educate

Review - Monitor

Secure Resources

The Alaska Permanent Fund continues to be managed

- professionally and competently
- in accordance with Fiduciary Standards, the Prudent Investment Rule, and the Governance Structure
  
- the importance of adhering to established methodologies for deposits into the Principal and withdrawals from the Earnings Reserve Account
- the Fund's ability to generate a long-term risk adjusted returns and provide predictable, stable, annual revenues for the State of Alaska
  
- legislation as it pertains to the Corporation and the Fund
- the alignment of proposed policies with Trustees' Resolutions
  
- budgetary support to manage and invest the Fund as directed by the Board of Trustees' in their FY23 proposed budget

# Legislation: POMV & Draw Distribution

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**9** Resolutions proposing to place a Constitutional Amendment related to the Alaska Permanent Fund before voters at the next general election were introduced. *None slated for passage, at this time.*

**10** Bills proposing statutory changes related to the distribution of the Fund's income from the Earnings Reserve Account were introduced. *None slated for passage, at this time.*

## Proposed Amendment Provisions:

- Classic endowment structure – single account
- Percent of Market Value draw methodology
- Various distributions to dividend fund and general fund

## Proposed Statutory Provisions include:

- Deletion of the statutory net income calculation
- Maintaining 5% POMV draw methodology
- Various distributions of the draw to dividend fund and general fund
- Provision for inflation proofing of the Principal via annual appropriation

# Legislation: Divestment

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**HB 396** passed out of HSTA to HFIN (on 4/27), it:

- Calls for divestment from Russian entities within 180 days of the effective date
- The CS includes a provision that divestment is not required if it is not consistent with fiduciary responsibilities.
- Specifies that divestment does not apply to comingled funds
- Defines Russian entity as
  - Debt instrument issued by the government of Russia
  - Identified by the Office of Foreign Assets Control of US Treasury acting on behalf of the Russian government
- Requires the Revenue Commissioner to create a list of Russian entities as specified by this Act
- Immediate effective date
- Repealed on January 1, 2024

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**HB 396** - House State Affairs Committee  
*"An Act restricting certain investments of state funds in certain Russian entities; and providing for an effective date."*

# Legislation: Board of Trustees

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**HB 251** – Representative Josephson  
*"An Act relating to the Board of Trustees of the Alaska Permanent Fund Corporation; and providing for an effective date."*

**HB 251** passed out of HSTA to HFIN (on 4/20), it:

- Creates a nine-member appointment committee entrusted with the power to select the Board of Trustees
- Increases the Board from six to seven members, maintains the Commissioner of Revenue seat
- Increased terms from four to six years for public seats
- Adds a mandate that one seat be reserved for a member with experience in socially responsible investing
- Maintains removal for cause of public members and gives that power to the appointment committee

**HB 412** – House State Affairs Committee

*"An Act relating to the confirmation of appointees to the Board of Trustees of the Alaska Permanent Fund Corporation; relating to the appointment of public members of the Alaska Industrial Development and Export Authority; and providing for an effective date."*

**HB 412** passed out of HSTA to HFIN (on 4/20), it:

- Requires legislative confirmation of the public members of the Board of Trustees. Effective September 1, 2022 (does not apply to members currently serving – does apply to reappointments)

**HB 213** – Representative Eastman

*"An Act relating to the confirmation of appointees to the Board of Trustees of the Alaska Permanent Fund Corporation; and providing for an effective date."*

**HB 213** is in HSTA, it:

- Requires legislative confirmation of the public members of the Board of Trustees effective January 1, 2023

## AS 37.13.010 Alaska Permanent Fund

(a) Under art. IX, sec. 15, of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980; ...



# FY 23 Appropriations to Principal

## Royalties to Principal

- FY 23 Constitutional ~\$359,100,000
- FY 23 Statutory ~\$74,800,000
- FY 18 Statutory ~\$99,800,000 \*
- FY 19 Statutory ~\$99,200,000 \*
- Trigger provision providing additional revenues to the Principal if ANS exceeds \$100 a barrel Fyend 2023 \*

## Inflation Proofing to Principal from the ERA

- FY 23 Inflation Proofing ~ \$1,039,000,000

estimate based on Callan's 2.00% rate – actual rate will be calculated at the end of the fiscal year in accordance with AS 37.13.145 (c)

Royalty  
Appropriations to  
Principal  
\$632,900,000

TOTAL FUND VALUE **\$81,387,500,000**  
Unaudited as of March 31, 2022

PRINCIPAL **\$64.1 B**



- Permanent Savings: Royalty Deposits & Other Appropriations
- Unrealized Gains

EARNINGS RESERVE ACCOUNT **\$17.3 B**



- Uncommitted Realized Earnings
- POMV Commitment FY23
- Unrealized Gains

FY23 Inflation  
Proofing to Principal  
from the ERA  
\$1,039,000,000

FY 23 Percent of Market Value 5% Draw  
to General Fund \$3,360,567,100

# 5% Percent of Market Value

AS 37.13.140 (b) - Average market value of the Fund for the first five of the preceding six fiscal years

Historically, the Alaska Permanent Fund has been used as a savings device to generate revenues and pay dividends to eligible Alaskans.

Today, the Fund is used to support the State's General Fund through the POMV Draw for statewide services and programs, including the dividend.

\$3.36 B

FY23 POMV \$3.36 billion  
Effective Rate ~3.98%

~\$3.60 B

FY24 POMV ~ \$3.60 billion  
Effective Rate ~4.17%

~ \$3.80 B

FY25 POMV \$3.80 billion  
Effective Rate ~4.32%

- Based on market value, rather than realized income
- Subject to annual appropriation
- Predictable – Stable



**APFC**

ALASKA PERMANENT  
FUND CORPORATION

SUBJECT: General Investment Consultant Procurement      ACTION: X

DATE: May 19, 2022

INFORMATION:

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BACKGROUND:

In July of 2017, APFC entered into a contract with Callan for general investment consulting services to the Board. The five-year contract is nearing its expiration on June 30, 2022. In preparation for the contract's end, a formal procurement was issued on February 8, 2022, through a Request for Proposal (RFP).

In response to the solicitation, three proposals were received. The Procurement Evaluation Committee (PEC) thoroughly reviewed and evaluated the proposals based on the scope of work, formatting requirements, and evaluation criteria. PEC members included Trustee Mahoney, Trustee Moran, Valerie Mertz, Marcus Frampton, and Sebastian Vadakumcherry.

At the time of the evaluation, cost proposals were not revealed to the PEC members as standard procedure. Once scores were finalized, the procurement officer compiled the scores based on the scoring method and calculation outlined in the RFP. Twenty percent of the total evaluation points were assigned to cost. The offeror with the lowest cost received the maximum number of points allocated to cost.

With total proposal points awarded, including technical and cost, the PEC determined that presentations were unnecessary. The information and work samples included in the proposals provided a well-rounded view of the offerors and their service capabilities.

STATUS:

Callan was awarded the greatest number of total points and was therefore the successful proposer. A Notice of Intent to Award (NOIA) was issued to Callan on May 4<sup>th</sup>. The 10-day protest period ends on May 13<sup>th</sup>.

RECOMMENDATION:

Staff is requesting Board approval of the following motion:

*To approve the appointment of Callan as the Alaska Permanent Fund Corporation's general investment consultant and authorize staff to enter into an eight-year contract with a three-year initial term and five one-year renewal options, subject to satisfactory negotiation of terms.*



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# General Investment Consultant

# Current Contract

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- APFC entered into a contract with Callan for general investment consulting services in July of 2017.
- The five year contract expires on June 30, 2022.
- A formal procurement was issued on February 8, 2022.

# Procurement Process

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## Request for Proposal (RFP)

A solicitation outlining the scope of work and expected deliverables is publicly noticed for 21 days.

## Receive and Evaluate Proposals

A committee is selected to evaluate all responsive proposals received.

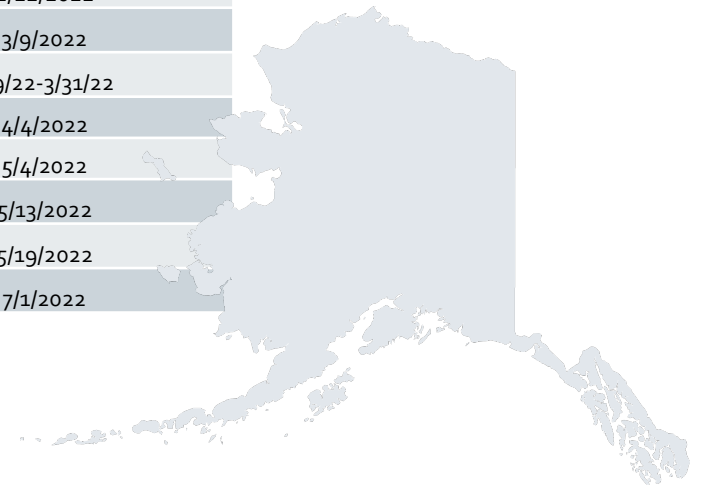
## Award a Contract

A Notice of Intent to Award (NOIA) is issued to the offeror's proposal awarded the highest points based on the scoring method and calculations outlined in the RFP.

# Timeline

---

| Solicitation Event                                 | Date           |
|--|----------------|
| RFP Posted to OPN                                  | 2/8/2022       |
| Pre-proposal meeting                               | 2/22/2022      |
| RFP proposal deadline                              | 3/9/2022       |
| PEC proposal evaluation                            | 3/9/22-3/31/22 |
| PEC evaluation meeting to finalize proposal scores | 4/4/2022       |
| Notice of Intent to Award posted to OPN            | 5/4/2022       |
| Protest period end                                 | 5/13/2022      |
| BOT approval                                       | 5/19/2022      |
| Contract start date                                | 7/1/2022       |



# Proposals Received

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Callan

RVK

Meketa

## Procurement Evaluation Committee (PEC)

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### Responsibilities:

- Evaluate and award points to establish a ranking between all offerors
- Apply judgement to award points to the proposals, only considering the evaluation criteria outlined in the RFP
- Exercise independent judgment

### Members:

Trustee Mahoney, Trustee Moran, Valerie Mertz, Marcus Frampton, and Sebastian Vadakumcherry

# Results

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- Callan was awarded the greatest number of total points and was therefore the successful proposer.
- A Notice of Intent to Award (NOIA) was issued to Callan on May 4th.
- The 10-day protest period ended on May 13th.

| Qualifications Criteria                    | Weight       |
|--|--------------|
| Cover Letter & Executive Summary           | 50           |
| Stability & Experience of Firm             | 50           |
| Breadth & Depth of Experience of Personnel | 50           |
| Research Capabilities                      | 50           |
| Consulting Performance Track Record        | 50           |
| General Consulting Services                | 100          |
| Client Coverage and References             | 50           |
| Sample Reports                             | 300          |
| <b>Cost and Preference Criteria</b>        |              |
| Fee Proposal                               | 200          |
| Alaska Offeror Preference (if applicable)  | 100          |
| <b>Total Evaluation Points</b>             | <b>1,000</b> |



# Motion to Approve the Appointment of Callan and Enter into a Contract

**Integrity • Stewardship • Passion**

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SUBJECT: Investment Policy Review & Adoption ACTION:     X    

DATE: May 19, 2022 INFORMATION:                     

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BACKGROUND:

A new Investment Policy Statement was approved by the Board during their May 2020 meeting, along with the 5-year strategic asset allocation plan. Various changes to the policy were subsequently approved by the Board at the May 2021 meeting.

STATUS:

During the past year, with the aim of enhancing the applicability and effectiveness of the Investment Policy, staff proposes some edits. The following slides list out the proposed changes, and seeks Board approval.

The logo for the Alaska Permanent Fund Corporation (APFC) features the letters 'APFC' in a white, serif font, centered within a dark teal rectangular box. The background of the slide is a dark teal gradient with a faint image of a modern building on the left side.

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# Investment Policy Changes and Adoption

*Marcus Frampton, Chief Investment Officer*

*Sebastian Vadakumcherry, Chief Risk Officer*

# Proposed Investment Policy Changes

## Investment Guidelines and Portfolio Limits

- **Real Estate:**
  - Portfolio-wide leverage limit increased from 40% to 50%.
- **Infrastructure, Private Credit, and Income Opportunities:**
  - Removed portfolio restriction limiting APFC's invested assets to no more than 30% of any manager's AUM.
- **Private Equity:**
  - Limit on unfunded commitments as a percent of the PESO portfolio decreased to 7% from 10%.
- **Alaska Direct Alternative Credit (ADAC):**
  - Strategy discontinued and guidelines removed.
- **US Russell 1000 low volatility strategies:**
  - Proposed guidelines added for the two new internally managed strategies in the Public Equity portfolio.

# Proposed Investment Policy Changes

## Delegation of investment authority

- **Investment Committee**
  - In instances where investment authority is not delegated from the ED and CIO to APFC Staff, the CIO will convene an Investment Committee.
  - Make up of committee and voting members will be reported quarterly by the CIO to the ED and the Board.
  - Investment Committee makes investment recommendations, in writing, to the ED who must take input from non-investment staff into consideration. ED must provide approval/disapproval in writing.
    - Any recommendations disapproved by the ED must be reported to the Board within 10 days.
- **Public markets (Public Equity and Fixed Income) manager hiring & termination**
  - CIO approval required; ED approval no longer required.
- **Alternative asset classes**
  - In all instances where previous authority was given to “Deputy CIO Private Markets & Alternatives”, the authority is replaced with “CIO, or their delegee”.
  - Written approval to continue holding public securities in the PESO portfolio longer than 18 months after initial listing must be received from the CIO and reported to the Board quarterly (previously needed only ED approval).

# Updated Benchmark Table (IPS: Table 2)

|   |          | Public Equity                   | Fixed Income   | Private Equity | Real Estate    | Private Income | Absolute Return | Risk Parity    | Fund Cash      | Total Fund FY 2023 | Total Fund FY 2024 | Total Fund FY 2025 |  |
|---|----------|---------------------------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|--------------------|--------------------|--------------------|--|
| <b>Asset Allocation (AA): Target Levels-FY 2023</b> |          | <b>36.0%</b>                    | <b>20.0%</b>   | <b>17.0%</b>   | <b>9.0%</b>    | <b>9.0%</b>    | <b>6.0%</b>     | <b>1.0%</b>    | <b>2.0%</b>    | <b>100.0%</b>      |                    |                    |  |
| <b>Minimum Long-Term Return Target</b>              |          | 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                                      | G001     | -                               | 5.00%          | -              | -              | -              | -               | -              | 100.00%        | 3.00%              | 2.95%              | 2.90%              |  |
| BB US Corporate                                     | LUACTRUU | -                               | 27.50%         | -              | -              | -              | -               | -              | -              | 5.50%              | 5.23%              | 4.95%              |  |
| BB Gbl. Treasury ex-US Hedged                       | LGT1TRUH | -                               | 15.00%         | -              | -              | -              | -               | -              | -              | 3.00%              | 2.85%              | 2.70%              |  |
| BB US Agg   | LBUSTRUU | -                               | 27.50%         | -              | -              | -              | -               | -              | -              | 5.50%              | 5.23%              | 4.95%              |  |
| BB US BB HY   | BCBATRUU | -                               | 10.00%         | -              | -              | -              | -               | -              | -              | 2.00%              | 1.90%              | 1.80%              |  |
| Cliffwater Direct Lending (Lagged)                  | CDLI     | -                               | -              | -              | -              | 40.00%         | -               | -              | -              | 3.60%              | 3.60%              | 3.60%              |  |
| Barclays US Securitized Index                       | LD19TRUU | -                               | 10.00%         | -              | -              | -              | -               | -              | -              | 2.00%              | 1.90%              | 1.80%              |  |
| BB US TIPS  | LBUTTRUU | -                               | 5.00%          | -              | -              | -              | -               | -              | -              | 1.00%              | 0.95%              | 0.90%              |  |
| Cambridge Pvt. Equity (Lagged)                      | n/a      | -                               | -              | 100.00%        | -              | -              | -               | -              | -              | 17.00%             | 18.00%             | 19.00%             |  |
| Cambridge Gbl. Pvt. Infra. (Lagged)                 | n/a      | -                               | -              | -              | -              | 60.00%         | -               | -              | -              | 5.40%              | 5.40%              | 5.40%              |  |
| HFRI EH Equity Market Neutral                       | HFRIEMNI | -                               | -              | -              | -              | -              | 50.00%          | -              | -              | 3.00%              | 3.00%              | 3.00%              |  |
| HFRI Macro  | HFRIIMI  | -                               | -              | -              | -              | -              | 50.00%          | -              | -              | 3.00%              | 3.00%              | 3.00%              |  |
| MSCI ACWI IMI                                       | M1WDIM   | 100.00%                         | -              | -              | -              | -              | -               | -              | -              | 36.00%             | 35.00%             | 33.00%             |  |
| NCREIF Property (Lagged)                            | NPPITR   | -                               | -              | -              | 85.00%         | -              | -               | -              | -              | 7.65%              | 8.50%              | 10.20%             |  |
| MSCI US REIT (Lagged)                               | RMS G    | -                               | -              | -              | 15.00%         | -              | -               | -              | -              | 1.35%              | 1.50%              | 1.80%              |  |
| HFRI Risk Parity Vol 12                             | HFPRV12I | -                               | -              | -              | -              | -              | -               | 100.00%        | -              | 1.00%              | 1.00%              | 1.00%              |  |
| <b>Total</b>  |          | <b>100.00%</b>                  | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b>  | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b>     | <b>100.00%</b>     | <b>100.00%</b>     |  |

## Benchmark Changes

- Fixed Income\*
- Private Credit
- Absolute Return

\*Emerging market indexes removed from the Fixed Income benchmark.

# Appendix A

## Investment Policy Statement Red-line with proposed changes

# APFC Investment Policy

Adopted May 21, 2020, last amended on May ~~2018~~, 202~~1~~2

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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 D 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, which can be found in Appendix C.

### 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 |
|--------------------|---------------|--------------|----------------|-------------|----------------|-----------------|-------------|--------|------------|
| <b>Green Zone</b>  | +/- 5%        | +/- 5%       | +/- 5%         | +/- 3%      | +/- 5%         | +/- 3%          | +/- 1%      | +/- 2% |            |
| <b>Yellow Zone</b> | 0 - 5%        | 0 - 5%       | 0 - 5%         | 0 - 3%      | 0 - 5%         | 0 - 3%          | 0 - 1%      | 0 - 2% |            |
| <b>FY2021</b>      | 39%           | 21%          | 15%            | 7%          | 9%             | 6%              | 1%          | 2%     | 100%       |
| <b>FY2022</b>      | 38%           | 20%          | 16%            | 8%          | 9%             | 6%              | 1%          | 2%     | 100%       |
| <b>FY2023</b>      | 36%           | 20%          | 17%            | 9%          | 9%             | 6%              | 1%          | 2%     | 100%       |
| <b>FY2024</b>      | 35%           | 19%          | 18%            | 10%         | 9%             | 6%              | 1%          | 2%     | 100%       |
| <b>FY2025</b>      | 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%                |                    |                    |                    |                    |
| <b>Benchmark Index Weights</b>               | <b>BB ID</b>  | <b>Asset Class / Portfolio Weights</b> |                |             |                |                 |             |           | <b>Total Fund Weights</b> |                    |                    |                    |                    |
| 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                | LGT1TRUH      | -                                      | 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                     | JGENVUUG      | -                                      | 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%              |
| <b>Total</b>                                 |               | 100.00%                                | 100.00%        | 100.00%     | 100.00%        | 100.00%         | 100.00%     | 100.00%   | 100.00%                   | 100.00%            | 100.00%            | 100.00%            | 100.00%            |

|   |           | Public Equity                   | Fixed Income   | Private Equity | Real Estate    | Private Income | Absolute Return | Risk Parity    | Fund Cash      | Total Fund FY 2023 | Total Fund FY 2024 | Total Fund FY 2025 |
|---|-----------|---------------------------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|--------------------|--------------------|--------------------|
| <b>Asset Allocation (AA): Target Levels-FY 2023</b> |           | <b>36.0%</b>                    | <b>20.0%</b>   | <b>17.0%</b>   | <b>9.0%</b>    | <b>9.0%</b>    | <b>6.0%</b>     | <b>1.0%</b>    | <b>2.0%</b>    | <b>100.0%</b>      |                    |                    |
| <b>Minimum Long-Term Return Target</b>              |           | 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                                      | G001      | -                               | 5.00%          | -              | -              | -              | -               | -              | 100.00%        | <b>3.00%</b>       | 2.95%              | 2.90%              |
| BB US Corporate                                     | LUACTRUU  | -                               | 27.50%         | -              | -              | -              | -               | -              | -              | <b>5.50%</b>       | 5.23%              | 4.95%              |
| BB Gbl. Treasury ex-US Hedged                       | LGT1TRUH  | -                               | 15.00%         | -              | -              | -              | -               | -              | -              | <b>3.00%</b>       | 2.85%              | 2.70%              |
| BB US Agg   | LBUSTRUU  | -                               | 27.50%         | -              | -              | -              | -               | -              | -              | <b>5.50%</b>       | 5.23%              | 4.95%              |
| BB US BB HY   | BCBATRUU  | -                               | 10.00%         | -              | -              | -              | -               | -              | -              | <b>2.00%</b>       | 1.90%              | 1.80%              |
| Cliffwater Direct Lending (Lagged)                  | CDLI      | -                               | -              | -              | -              | 40.00%         | -               | -              | -              | <b>3.60%</b>       | 3.60%              | 3.60%              |
| Barclays US Securitized Index                       | LD19TRUU  | -                               | 10.00%         | -              | -              | -              | -               | -              | -              | <b>2.00%</b>       | 1.90%              | 1.80%              |
| BB US TIPS  | LBUTRUU   | -                               | 5.00%          | -              | -              | -              | -               | -              | -              | <b>1.00%</b>       | 0.95%              | 0.90%              |
| Cambridge Pvt. Equity (Lagged)                      | n/a       | -                               | -              | 100.00%        | -              | -              | -               | -              | -              | <b>17.00%</b>      | 18.00%             | 19.00%             |
| Cambridge Gbl. Pvt. Infra. (Lagged)                 | n/a       | -                               | -              | -              | -              | 60.00%         | -               | -              | -              | <b>5.40%</b>       | 5.40%              | 5.40%              |
| HFRI EH Equity Market Neutral                       | HFRIEMNI  | -                               | -              | -              | -              | -              | 50.00%          | -              | -              | <b>3.00%</b>       | 3.00%              | 3.00%              |
| HFRI Macro  | HFRIIM    | -                               | -              | -              | -              | -              | 50.00%          | -              | -              | <b>3.00%</b>       | 3.00%              | 3.00%              |
| MSCI ACWI IMI                                       | M1WDIM    | 100.00%                         | -              | -              | -              | -              | -               | -              | -              | <b>36.00%</b>      | 35.00%             | 33.00%             |
| NCREIF Property (Lagged)                            | NPPITR    | -                               | -              | -              | 85.00%         | -              | -               | -              | -              | <b>7.65%</b>       | 8.50%              | 10.20%             |
| MSCI US REIT (Lagged)                               | RMSG      | -                               | -              | -              | 15.00%         | -              | -               | -              | -              | <b>1.35%</b>       | 1.50%              | 1.80%              |
| HFRI Risk Parity Vol 12                             | HFRRPV12I | -                               | -              | -              | -              | -              | -               | 100.00%        | -              | <b>1.00%</b>       | 1.00%              | 1.00%              |
| <b>Total</b>  |           | <b>100.00%</b>                  | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b>  | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b>     | <b>100.00%</b>     | <b>100.00%</b>     |

## 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% Barday 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 and CIO. ~~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. For all remaining investment decisions not delegated from the ED and CIO to specific APFC Staff, the CIO will also convene an investment department investment committee (“Investment Department Investment Committee”). The make-up and voting members of the CIO’s Investment Committee will be determined by the CIO and reported to the ED and Board annually.~~ -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 and execution by the ED ~~during the APFC Investment Committee~~.

Approval of any Investment Recommendation~~s~~ referred ~~by the Investment Department Investment Committee~~ to the ~~ED APFC Investment Committee~~ requires the ~~affirmative approval of the ED to take i~~nto consideration; ~~in a collaborative manner, any relevant~~ input from various non-investment functions at APFC (e.g. Legal, Finance, Operations, Admin, IT, and Risk) before making a final decision. Investment Recommendations from the ~~Investment Department Investment Committee~~ to the ~~APFC Investment Committee~~ ED shall be in writing and the ED shall be required to create a written record that approves or disapproves all Investment Recommendations ~~investment Decisions approved by the APFC Investment Committee shall also be in writing.~~ Any Investment Recommendations disapproved by the ED shall be reported to the Board within ten calendar days. If deemed appropriate by the Board Chair, as outlined in the APFC By Laws, the Board may hold a special meeting to consider any Investment Recommendation disapproved by the ED. ~~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~~ CIO, or their delegee, will have primary responsibility in executing the PESO portfolio's investment strategy.

#### 3. Diversification and Portfolio Restrictions

The ~~Deputy CIO Private Markets & Alternatives~~ CIO, or their delegee, 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/CIO and reported to the Board on a quarterly basis.
  - g. Without the written approval of the ED and CIO, the PESO Portfolio will not directly acquire a controlling interest in a portfolio company.

## 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 (e) 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 65% of the gross asset value of the investment at the time of debt placement; however, this limit can be increased to 67.5% 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 540% 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, or their delegee, 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, or their delegee, 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:

- Risk Limits as detailed in Table 3, Section VII.
- All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- 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.
- ~~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) Cliffwater Direct Lending 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, or their delegee, Private Markets & Alternatives~~ will have primary responsibility in executing the portfolio's investment strategy.

## 3. Risk Limits and Portfolio Restrictions

The ~~Deputy CIO, or their delegee, 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:

1. Risk Limits as detailed in Table 3, Section VII.
2. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
3. 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.
- ~~4. 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~~ **50% HFRI Equity Market Neutral and 50% HFRI Macro**, 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 following the 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, or their delegee 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, or their delegee, 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 with offices outside of Alaska makes an investment in Alaska, such as an investment in a portfolio company or investment project located in Alaska.

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 |
|---|---------------|--------------|----------------|-------------|----------------|-----------------|-------------|-----------|------------|-----|------|-----|------|
| <b>Future Outstanding Commitments<sup>1</sup></b> | 0.0%          | 0.0%         | 10.0%          | 3.0%        | 5.0%           | 2.0%            | 0.0%        | 0.0%      | 20.0%      | 0%  | 115% | 0%  | 125% |
| <b>Benchmark</b>                                  | M664204USN    | BBGEMBUSD    | CAMB_PE        | RE_2021     | CAM_PI         | HFRIPROXY       | HFRI_RP     | LEH3MO_TB | LHJPMSUSD  |     |      |     |      |
| <b>Tracking Error</b>                             | 3.5%          | 2.5%         |                |             |                |                 |             |           | 4.0%       | n/a | 115% | n/a | 125% |
| <b>Relative VaR<sup>2</sup></b>                   | 100.0%        | 100.0%       |                |             |                |                 |             |           | 100.0%     | 0%  | 125% | 0%  | 140% |
| <b>% of Asset Allocation</b>                      |               |              |                |             |                |                 |             |           |            |     |      |     |      |
| <b>Single Name / Issuer<sup>3</sup></b>           | 4%            | 4%           | 2%             | 10%         | 2%             | n/a             | n/a         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Single Sub-Industry<sup>4</sup></b>            | 20%           | 20%          | 30%            | n/a         | 30%            | n/a             | n/a         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Single Country - EX US</b>                     | 10%           | 10%          | 20%            | 20%         | 20%            | n/a             | n/a         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Total EX US</b>                                | 50%           | 30%          | 50%            | 50%         | 50%            | n/a             | n/a         | n/a       |            |     |      |     |      |
| <b>Single Fund Investment<sup>5</sup></b>         | 5%            | 10%          | 10%            | 10%         | 10%            | 15%             | 50%         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Proportion of Ownership<sup>6</sup></b>        | 5%            | n/a          | n/a            | 5%          | 5%             | n/a             | n/a         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Rating - Below Inv Grade</b>                   | n/a           | 25%          | n/a            | n/a         | n/a            | n/a             | n/a         | 0%        |            | 0%  | 115% | 0%  | 125% |
| <b>Rating - Below A- &amp; Unrated</b>            | n/a           | 50%          | n/a            | n/a         | n/a            | n/a             | n/a         | 0%        |            | 0%  | 115% | 0%  | 125% |
| <b>Rating - Unrated</b>                           | n/a           | 5%           | n/a            | n/a         | n/a            | n/a             | n/a         | 0%        |            | 0%  | 115% | 0%  | 125% |
| <b>FX - Proportion Unhedged</b>                   | 50%           | 30%          | 50%            | 50%         | 50%            | n/a             | n/a         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Liquidity - Proportion w/o Weekly Liq</b>      | 10%           | 10%          | 100%           | 100%        | 100%           | 100%            | 100%        | 5%        |            | 0%  | 115% | 0%  | 125% |
| <b>Liquidity - Proportion w/o Monthly Liq</b>     | 2%            | 2%           | 100%           | 100%        | 100%           | 100%            | 70%         | 0%        |            | 0%  | 115% | 0%  | 125% |
| <b>Liquidity - Proportion w/o Quarterly Liq</b>   | 0%            | 0%           | 100%           | 100%        | 100%           | 40%             | 30%         | 0%        |            | 0%  | 115% | 0%  | 125% |
| <b>Cash &amp; Equivalents</b>                     | 2%            | 10%          | 5%             | 5%          | 5%             | n/a             | n/a         | 100%      |            | 0%  | 115% | 0%  | 125% |
| <b>MINIMUM Cash &amp; Equivalents</b>             | 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 as a percent of the portfolio 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 Sub-Industry
- 5 Single Fund Investment: represents exposure to an external fund or externally managed strategy based vehicle.
- 6 Proportion Ownership: For Real Estate and Private Income, the limit is only applicable to the REIT and listed infrastructure portfolios.



|  | Public Equity | Fixed Income | Private Equity | Real Estate | Private Income | Absolute Return | Risk Parity | Cash      | Total Fund | Low | High | Low | High |
|--|---------------|--------------|----------------|-------------|----------------|-----------------|-------------|-----------|------------|-----|------|-----|------|
| <b>Future Outstanding Commitments</b> <sup>1</sup> | 0.0%          | 0.0%         | 7.0%           | 3.0%        | 5.0%           | 2.0%            | 0.0%        | 0.0%      | 17.0%      | 0%  | 115% | 0%  | 125% |
| <b>Benchmark</b>                                   | M664204USN    | BBGEMBUSD    | CAMB_PE        | RE_2021     | CAM_PI         | HFRIPROXY       | HFRI_RP     | LEH3MO_TB | LHJPMSUSD  |     |      |     |      |
| <b>Tracking Error</b>                              | 3.5%          | 2.5%         |                |             |                |                 |             |           | 4.0%       | n/a | 115% | n/a | 125% |
| <b>Relative VaR</b> <sup>2</sup>                   | 100.0%        | 100.0%       |                |             |                |                 |             |           | 100.0%     | 0%  | 125% | 0%  | 140% |
| <b>% of Asset Allocation</b>                       |               |              |                |             |                |                 |             |           |            |     |      |     |      |
| <b>Single Name / Issuer</b> <sup>3</sup>           | 4%            | 4%           | 2%             | 10%         | 2%             | n/a             | n/a         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Single Sub- Industry</b> <sup>4</sup>           | 20%           | 20%          | 30%            | n/a         | 30%            | n/a             | n/a         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Single Country - EX US</b>                      | 10%           | 10%          | 20%            | 20%         | 20%            | n/a             | n/a         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Total EX US</b>                                 | 50%           | 30%          | 50%            | 50%         | 50%            | n/a             | n/a         | n/a       |            |     |      |     |      |
| <b>Single Fund Investment</b> <sup>5</sup>         | 5%            | 10%          | 10%            | 10%         | 10%            | 15%             | 50%         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Proportion of Ownership</b> <sup>6</sup>        | 5%            | n/a          | n/a            | 5%          | 5%             | n/a             | n/a         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Rating - Below Inv Grade</b>                    | n/a           | 25%          | n/a            | n/a         | n/a            | n/a             | n/a         | 0%        |            | 0%  | 115% | 0%  | 125% |
| <b>Rating - Below A- &amp; Unrated</b>             | n/a           | 50%          | n/a            | n/a         | n/a            | n/a             | n/a         | 0%        |            | 0%  | 115% | 0%  | 125% |
| <b>Rating - Unrated</b>                            | n/a           | 5%           | n/a            | n/a         | n/a            | n/a             | n/a         | 0%        |            | 0%  | 115% | 0%  | 125% |
| <b>FX - Proportion Unhedged</b>                    | 50%           | 30%          | 50%            | 50%         | 50%            | n/a             | n/a         | n/a       |            | 0%  | 115% | 0%  | 125% |
| <b>Liquidity - Proportion w/o Weekly Liq</b>       | 10%           | 10%          | 100%           | 100%        | 100%           | 100%            | 100%        | 5%        |            | 0%  | 115% | 0%  | 125% |
| <b>Liquidity - Proportion w/o Monthly Liq</b>      | 2%            | 2%           | 100%           | 100%        | 100%           | 100%            | 70%         | 0%        |            | 0%  | 115% | 0%  | 125% |
| <b>Liquidity - Proportion w/o Quarterly Liq</b>    | 0%            | 0%           | 100%           | 100%        | 100%           | 40%             | 30%         | 0%        |            | 0%  | 115% | 0%  | 125% |
| <b>Cash &amp; Equivalents</b>                      | 2%            | 10%          | 5%             | 5%          | 5%             | n/a             | n/a         | 100%      |            | 0%  | 115% | 0%  | 125% |
| <b>MINIMUM Cash &amp; Equivalents</b>              | 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 Sub-Industry

5 Single Fund Investment: represents exposure to an external fund or external strategy based vehicle.

6 Proportion of Ownership: For Real Estate and Private Income, the limit is only applicable to the REIT and listed infrastructure portfolios

## 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~~ is 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~~ terminates 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. Deviation from these guidelines requires CIO and ED approval.  
Overall compliance to IPS is required.

## **~~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:~~

~~e. ADAC shall be included in the Special Opportunities / Income Opportunities category.~~

### ~~d. Size and Funding Schedule~~

~~e. \$500 million funded at inception, initially invested in Liquid Portfolio.~~

~~f. 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.~~

~~g. 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.~~

~~h. Invested capital of \$1,000 million targeted to be funded within 24 months of inception.~~

### ~~e. Portfolio Control and Decision Making~~

~~e. 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.~~

### ~~f. Liquid Portfolio and Benchmark~~

~~e. Liquid Portfolio, initially 100% of ADAC, ultimately scaling down to less than 50%, will be managed by the APFC Fixed Income team at inception.~~

~~f. Targeted maximum allocation will be the greater of \$750 million and 75% of ADAC NAV.~~

~~g. Targeted minimum allocation will be 25% of ADAC NAV.~~

~~h. ETF Account within Liquid Portfolio benchmarked to Barclays US High Yield Index (after July 1, 2018 to allow for an initial ramp-up).~~

~~i. 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.~~

### ~~g. Private Portfolio and Benchmark~~

~~e. Private Portfolio, initially 0% of ADAC, ultimately scaling to greater than 50%, will be managed by the Private Income team.~~

~~f. Targeted maximum allocation will be 75% of ADAC NAV.~~

- ~~g. Targeted minimum allocation will be 25% of ADAC NAV (after initial, 24-month ramp-up).~~
- ~~h. 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.~~
- ~~i. Co-investment opportunities will be primarily sourced through existing managers.~~
- ~~j. Maximum commitment per co-investment of \$75 million without ED written approval.~~
- ~~k. Private Portfolio will be benchmarked to CPI + 500 bps.~~

~~**h. Overall ADAC Portfolio Benchmarks**~~

- ~~b. 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).~~
- ~~c. A long term target of CPI + 400 bps.~~

~~**i. Tenor and Termination**~~

- ~~f. 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.~~
- ~~g. The CIO, with ED consent, may choose to invest additional capital at any time.~~
- ~~h. 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.~~

**BA. 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**

The portfolio size shall be limited to a maximum of 1% of APFC's total fund NAV.

### **CB. Gold Exchange Traded Fund Strategy**

In the fall of 2020, APFC Absolute Return Staff established the APF Real Overlay account for the implementation of the Gold ETF strategy.

#### **1. Allocation Size**

The size of the Gold Exchange Traded Fund strategy will range between 0% and 50% of the size of the Absolute Return portfolio.

At the security level, APFC's position in any given ETF will not exceed 10% of the ETF's Total Assets, without separate CIO approval.

#### **2. Eligible Securities**

U.S. listed ETF products issued by a major ETF sponsor such as iShares, State Street, VanEck, etc. The program will invest in ETFs backed by physical gold on an unlevered basis, e.g. will not invest in derivatives-based ETFs. Currently identified examples of ETFs that fit these criteria are IAU US, GLDM US, OUNZ US.

#### **3. Benchmark**

The performance benchmark is the LBMA Gold Price (BB - GOLDLNPM Index).

### **DC. Internally Managed Tactical Tilt Portfolio Investment Strategy and Guidelines**

APF Tactical Tilt was started in 2015 within the Public Equity portfolio with the objective to implement “our own” insights gained from possessing a historical market perspective and with exposure to lots of data and information. It was an attempt to add value in ways the Fund’s external public equity managers are either not set up for or not able to. The Strategy was also thought to be complementary to the bottom up stock selection strategies employed by our external managers.

**1. Benchmark**

The benchmark is MSCI ACWI IMI net (BB ID: M1WDIM)

**2. Primary Objective**

Achieve excess returns from top down selection decisions emphasizing sectors/industries, countries/regions, and style factors that represent greater appreciation potential relative to the broad market represented by the benchmark.

**3. Secondary Objectives**

Control risk in Public Equity portfolio - as market conditions warrant.

Implement same day rebalancing with little cost or friction – with respect to maintaining Fund’s target policy weights and cash flow needs

**4. Investment Philosophy & Process**

The foundation of this Strategy rests on successful top down allocation decisions across broad segments of public equity markets. The strategy is based on the belief that we can identify segments of the market which are either mispriced or attractively priced, trading at or near the low end with respect to their respective historic cycle, and/or are likely to benefit from a favorable turn in economic and market conditions.

**5. Portfolio Manager:** Director of Public Equity

**6. Portfolio Size:** Maximum 15% of overall Public Equity

**7. Tracking Error:** Maximum contribution to overall Public Equity Tracking Error (TE) of 100 bps (subject to Public Equity being within its TE limits)

**8. Allowable Investments**

Public equity ETFs, other externally managed public equity funds. Single stock holdings are not permitted.

**9. Derivatives**

Use of derivatives will require approval of CIO (except when derivatives are part of ETFs or other funds)

**D. Internally Managed U.S. Russell 1000 low volatility Investment Strategy and Guidelines**

### 1. Benchmark

The performance benchmark is the Russell 1000 Index.

### 2. Risk Limit

The portfolio will be included within the Total Public Equities' (PUEQ) Tracking Error and Relative VaR limits.

The portfolio, being part of the overall PUEQ, will be governed by the aggregate limits of PUEQ and by the APFC's Investment Policy Statement in general

### 3. Concentration Risk

In addition to point 2 above, during rebalances, the maximum absolute weight of a single security is limited to 4%, and the maximum active weight relative to BM weight is limited to 1.5%. Some weights could drift above these limits between rebalances. Since we are running 6 portfolios, and only one portfolio is rebalanced each month, overall weights are expected to drift, and absolute weights above 4% and active weights above 1.5% are possible. Overall portfolio is designed to hold more than 100 stocks to prevent concentration. One exception is when there is no solution to satisfy these constraints. Maximum weight constraints could be increased to find a solution. We will consult with Risk if the increase is required to be more than 0.5%.

### Allowable Investments

The strategy will invest in U.S. listed equity securities from the Russell 1000 Index.

### 4. Shorting, Leverage, and Derivatives

Not applicable at this time.

### 5. Liquidity Risk

The strategy is expected to be fairly liquid. For example, at \$500 mm in AUM the portfolio is estimated to trade 95% by day 5 and 99% by day 10 with 10-20% volume participation, under normal market conditions.

### 6. Portfolio Size limit

Without prior approval of the CEO and CIO, the market value of the portfolio may not exceed 1% of the market value of the total Fund.

## **E. Internally Managed U.S. Russell 1000 value low volatility Investment Strategy and Guidelines**

### 1. Benchmark

The performance benchmark is the Russell 1000 Value Index.

### 2. Risk Limit

The portfolio will be included within the Total Public Equities' (PUEQ) Tracking Error and Relative VaR limits.

The portfolio, being part of the overall PUEQ, will be governed by the aggregate limits of PUEQ and by the APFC's Investment Policy Statement in general

### 3. Concentration Risk

In addition to point 2 above, during rebalances, the maximum absolute weight of a single security is limited to 4%, and the maximum active weight relative to BM weight is limited to 1.5%. Some weights could drift above these limits between rebalances. Since we are running 6 portfolios, and only one portfolio is rebalanced each month, overall weights are expected to drift, and absolute weights above 4% and active weights above 1.5% are possible. Overall portfolio is designed to hold more than 100 stocks to prevent concentration. One exception is when there is no solution to satisfy these constraints. Maximum weight constraints could be increased to find a solution. We will consult with Risk if the increase is required to be more than 0.5%.

### 4. Allowable Investments

The strategy will invest in U.S. listed equity securities from the Russell 1000 Value 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 \$500 mm in AUM the portfolio is estimated to trade 95% by day 5 and 99% by day 10 with 10-20% volume participation, under normal market conditions.

### 7. Portfolio Size limit

Without prior approval of the CEO and CIO, the market value of the portfolio may not exceed 1% of the market value of the total Fund.

~~Deviation from these guidelines would require CIO and CEO approval. Overall compliance to IPS is required.~~

## Appendix B: Limit Ranges & Compliance Cure Periods

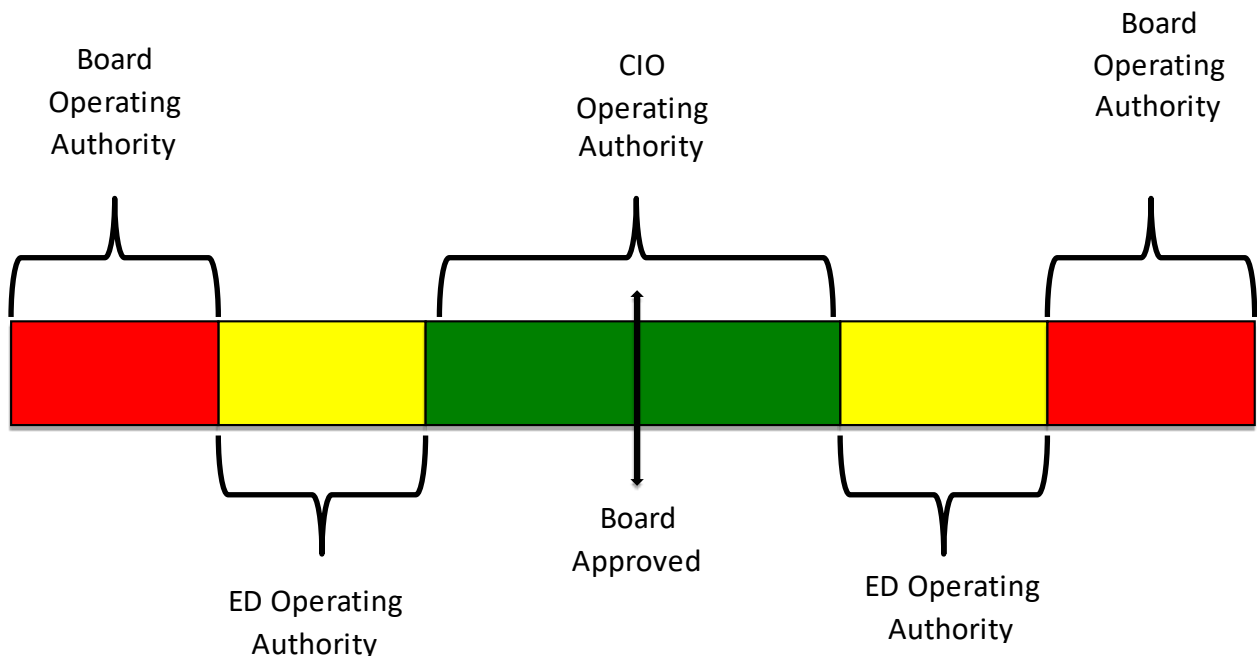
The Green Zone Operating Range ("Green Zone") concept is designed to indicate the Board approved operating risk limits.

- 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: Risk Appetite

The risk appetite approved by Board on December 2, 2020 is defined in terms of (a) a Risk Tolerance Portfolio and (b) Liquidity level.

- a. Risk Tolerance Portfolio (RTP)
  - i. The RTP is comprised of an 80% equity, 20% bond reference portfolio with the following constituents: 80% MSCI ACWI IMI, 8% BB US AGG, 8% BB US CORP, 4% BB GBL TRS ex-US.
  - ii. The maximum risk of the APFC portfolio shall not exceed that of the RTP based on two parameters:
    - 1. Value at Risk (VaR): 1-year time horizon, 1 standard deviation, using 10 year constant-weighted historical monthly data.
    - 2. Drawdown: Recession Global Financial Crisis from Dec 2007 to Mar 2009
  - iii. The private equity risk estimate computed by Aladdin will be adjusted downward (reduced) by adjusting the private equity exposure to 75% of actual exposure when comparing to RTP.
- b. Liquidity level
  - i. The combined allocated to public equities, fixed income, and cash will not be lower than 40%.

## Appendix D: 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 E: 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 changes effective July 1, 2020

Amended: September 24, 2020 Amended § III D total fund cash and § IV E absolute return to authorize investment in gold ETFs.

Amended: May 20, 2021 amended: (1) § II A to include reference to Risk Appetite approved by the Board on December 9, 2020; (2) § IV A 3 to include a new subsection (g), which is a control restriction in place of existing 10% ownership restriction; (3) § IV B 3 G to increase authorized leverage on core real estate; (4) § VII G update table 3 risk parameters to include clarifications and changes to existing limits; (5) Appendix A to include most recent Investment guidelines approved by the ED; and (6) add Appendix C to include Risk Appetite parameters approved by the Board on December 9, 2020.

Amended: May 18, 2022 amended: (1) § II C modify benchmarks for fixed income, private credit and income opportunities and absolute return; (2) § II E modify investment committee process to provide for single investment committee held by CIO; (3) in numerous places in the Policy make clear that decision to hire or terminate an external public markets manager only needs the consent of the CIO; (4) in the following assets classes identify the CIO or their delegee as the person responsible for the investment strategy, instead of the Deputy CIO of private markets: (i) private equity; (ii) infrastructure and private credit; and (iii) absolute return; (5) § IV A (3) only require the consent of the CIO to hold APFC controlled public securities longer than 18 months after the company has gone public; (6) § IV B(g)(ii) increase the real estate portfolio wide leverage from 40% to 50%; (7) § IV C & D eliminate the restriction on APFC's investment with an Infrastructure or private credit manager representing more than 30% of that manager's AUM; and (8) provide Board with copy of the investment guidelines that have changed since the last Board Meeting.

SUBJECT: Governance

ACTION:     X    

DATE: May 19, 2022

INFORMATION:           

The Governance Committee met on May 2<sup>nd</sup>, 2022 to discuss the following possible changes to the Board of Trustees Charter and Governance Policies (“Governance Manual”):

1. Annual Fiduciary Training

Under the current Trustee Education Policy, newly appointed Board members receive an orientation program that informs them of their fiduciary duties as an APFC Board Member. Proposed for consideration is a change to this board policy that would also provide the Board with an annual refresher on their fiduciary duties that would take place at the Board’s Annual Meeting in September.

2. Code of Conduct

The current Board Standards Policy seeks to provide Board members with guidance in conducting the affairs and activities of the APFC Board. Currently, this policy requires Board members to, “conduct themselves with honesty, integrity, decorum, and professionalism in all aspects of their duties.” (See attached Board of Trustees Charters and Governance Policies, page 34). Proposed for consideration is a change to this board policy that would provide further guidance on this board standard through the adoption of a Code of Conduct that each Board member would be required to review and execute during the Trustee Orientation Program.

A copy of the proposed changes that were discussed at May 2<sup>nd</sup>, 2022 meeting are included in the Board packet. By the time the Board meets on this agenda item on May 19<sup>th</sup>, 2022, it is likely that an edited version of the proposed Code of Conduct will have been circulated to reflect some comments that were made during the May 2<sup>nd</sup>, 2022 meeting.

Trustees Moran and Rieger also attended the Governance Committee meeting. Trustee Rieger discussed with the Governance Committee his recommendation for adoption of a Board resolution that supports the following six governance items, all of which require Legislative action:

1. Increase the number of board members from six to seven;
2. Increase the term of office for public members to six-year staggered terms;
3. Nationally recruit two of the public members in order to obtain members with significant institutional investing experience and compensate them according to industry standards;
4. Introduce more transparency into the board appointment process by establishing an independent panel to vet and recommend members for appointment;
5. Seek annual budget authorization in terms of basis points of the value of the Fund rather than a sum certain; and
6. Include language requiring the prudent investor rule apply in Constitutional amendments regarding the Fund that are considered by the Legislature.

Before the Board today for discussion and consideration are the proposed changes to the Governance Manual and the concept of a Board resolution that supports legislation to make some or all of the proposed governance changes outlined above.

# ALASKA PERMANENT FUND CORPORATION

## BOARD OF TRUSTEES CHARTERS AND GOVERNANCE POLICIES

ADOPTED SEPTEMBER 24TH, 2020,  
AMENDED ON MAY 18, 2022.

## **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 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 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 over time while

**Alaska Permanent Fund Corporation  
Charter of the Board of Trustees**

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. 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-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.

### **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.

### **REVIEW AND AMENDMENT OF THE CHARTER**

**Alaska Permanent Fund Corporation  
Charter of the Board of Trustees**

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.
25. The Board of Trustees adopted this Charter on September 24<sup>th</sup>, 24th 2020.

## **ALASKA PERMANENT FUND CORPORATION**

### **Charter of the Audit Committee of the Board**

#### **INTRODUCTION**

1. The Board 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 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 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 24th, 2020.

## **ALASKA PERMANENT FUND CORPORATION**

### **Charter of the Governance Committee of the Board**

#### **INTRODUCTION**

1. The Board 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 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 four years, and supervise the preparation of a new Strategic Plan.

##### **Monitoring and Reporting**

**Alaska Permanent Fund Corporation  
Charter of the Governance Committee of the Board**

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 24th, 2020.

## **ALASKA PERMANENT FUND CORPORATION**

### **Charter of the Chair of the Board**

#### **INTRODUCTION**

1. Alaska Statute 37.13.050 requires the Board 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 24th, 2020.

**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 24th, 2020.

## **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.
8. Any special topics that are to be discussed at the upcoming Board meeting.
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**

- 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.
- 11. The Board of Trustees adopted this Charter on September 24th, 2020.

# **ALASKA PERMANENT FUND CORPORATION**

## **Charter of the Executive Director**

### **INTRODUCTION**

1. Alaska Statute 37.13.100 states that the Board 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. 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 24th, 2020.

## **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.

**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 September 24th, 2020.

## ALASKA PERMANENT FUND CORPORATION

### Strategic Planning and Budgeting Policy

#### OBJECTIVES OF THE POLICY

1. The Board 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 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 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 four years.

### **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.
11. The Board of Trustees adopted this Policy on September 24th, 2020.

## **ALASKA PERMANENT FUND CORPORATION**

### **Monitoring and Reporting Policy**

#### **OBJECTIVES OF THE POLICY**

1. The Board 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 24th, 2020.

## Monitoring and Reporting Policy

### APPENDIX

#### Governance Reports

| <b>Name of Report</b>                               | <b>Frequency</b> | <b>Prepared By</b>         | <b>Description of Report</b>  |
|---|------------------|----------------------------|---|
| 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. Board Education Report                           | Annual           | Staff                      | Report on the activities of the Board and its members with respect to education.  |
| 5. IAG Report                                       | Quarterly        | Staff                      | Report on compliance with IAG requirements  |

#### Investment Reports

| <b>Name of Report</b>                        | <b>Frequency</b>       | <b>Prepared By</b>                 | <b>Description of Report</b>   |
|--|------------------------|------------------------------------|--|
| 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                          |
| 7. Risk Management Report                    | Quarterly              | Staff and/or Investment Consultant | Report on the investment risk of the Fund, its asset classes and investment portfolios.  |
| 8. Asset Allocation Study                    | At least every 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.                     |
| 9. Review of the Fund's Investment Policies  | At least every 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. |
| 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**

| <b>Name of Report</b>   | <b>Frequency</b> | <b>Prepared By</b>         | <b>Description of Report</b>                                 |
|---|------------------|----------------------------|--|
| 11. Annual Financial Report, including: <ul style="list-style-type: none"> <li>▪ Audited Financial Statements</li> <li>▪ Management's Discussion and Analysis</li> <li>▪ Auditor's Opinion</li> </ul> | Annual           | Staff and External Auditor | Report on the financial position and activities of the Fund. |
| 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**

| <b>Name of Report</b>      | <b>Frequency</b> | <b>Prepared By</b> | <b>Description of Report</b>  |
|----------------------------|------------------|--------------------|---|
| 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. |
| 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 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 Fund.

#### 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 fiduciary duty education session;
    - ii) Seminars and briefings from time to time;
    - iii) Selected reading material provided by staff; and
  - (d) External conferences and seminars.

## **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;

- (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. Each year at the annual meeting, the Board will receive a presentation on the fiduciary duties that Board members are required to follow in the investment and management of Fund assets. In addition, Tthe 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.

**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~~amended this Policy on ~~September 24th, 2020~~May 18, 2022.

## **ALASKA PERMANENT FUND CORPORATION**

### **Board Communications Policy**

#### **OBJECTIVES OF THE POLICY**

1. The Board 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.

16. The Board of Trustees adopted this Policy on September 24th, 2020.

## **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 24th, 2020.

## 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, including the APFC Code of Conduct. Trustees will required to review and execute the APFC Code of Conduct during the Trustee Orientation Program.

#### 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.

**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~~mended this Policy on May 18, 2022~~September 24th, 2020~~.

## Code of Conduct For the Board of Trustees

### Purpose

The sustainable investment returns of the Alaska Permanent Fund (“Fund”) impact the lives of all current and future generations of Alaskans. Consequently, it is crucial that the Fund is invested, managed, and overseen by a strong, well-functioning governing body, in accordance with applicable laws and policies and with integrity, independence, transparency and competence.

The purpose of this code of conduct is to set out the ethical values that should guide the behavior of individual trustees in making decisions regarding: (1) the investment and management of the Alaska Permanent Fund (“Fund”); and (2) oversight of the Alaska Permanent Fund Corporation (“Corporation”).

### Code of Conduct

The members of the Board of Trustees (“Trustees” or “Board”) shall:

1. Act in good faith and in the best interest of the Fund.
2. Act with prudence and reasonable care.
3. Maintain independence and objectivity by avoiding or publicly disclosing all conflicts of interest, refraining from self-dealing, and refusing any gift that could be reasonably inferred is intended to influence performance of Board duties.
4. Abide by all applicable laws and Board policies.
5. Communicate with Alaskans, including the members of Legislature and Governor’s Office in a timely, accurate, and transparent manner, either directly or through staff.

### Code of Conduct Guidance

1. Act in good faith and in the best interest of the Fund.

The overriding objective of the Fund is to prudently invest and manage the assets of the Fund for the benefit of current and future generations of Alaskans. Trustees have a fiduciary duty to act in the best interest of the Fund and all generations of Alaskans that will benefit from the investment returns generated by the Fund. Trustees must put the interests of the Fund above their own and above the interest of any other party.

2. Act with Prudence and Reasonable care.

Trustees must act with due care, skill and prudence when making decisions that impact the Fund or the Corporation. Trustees must gather the required and relevant information in making and monitoring investments on behalf of the Fund. If additional expertise is required by the Trustees when making a decision, the Trustees shall first seek and obtain such expertise. When delegating authority to employees of the Corporation or external parties, Trustees shall exercise reasonable care and skill in selecting, instructing, and overseeing such delegated authority. Trustees are also obligated to exercise the caution that a prudent investor would exercise in managing a fund of similar size and characteristics. To be clear, the duty of caution and reasonable care do not require the avoidance of risk, but rather the prudent management of risk, including the understanding and management of the benefits of diversification. Finally, in investing and managing the Fund, Trustees may only incur costs that are reasonable and appropriate under the circumstances.

3. Maintain independence and objectivity by avoiding or publicly disclosing all conflicts of interest, refraining from self-dealing, and refusing any gift that could be reasonably inferred is intended to influence performance of Board duties.

Trustees' duty of loyalty is owed to the Fund and not to the Governor who appointed them to the Board or to the Legislature. Should a Trustee ever experience political pressure from a third-party, including the executive and legislative branches, to take an action on behalf of the Fund that is not in the best interests of the Fund, that Trustee shall report this matter to: (1) their designated ethics supervisor and to the Attorney General consistent with the requirements of AS 39.52.220; and, (2) if appropriate, to the Legislative Auditor.

Furthermore, to maintain and preserve the independence and objectivity that is required of each Trustee, Trustees should not put themselves in a position where their personal or other professional interests and the interests of the Fund or Corporation conflict. To the extent such a conflict does arise, the conflicted Trustee shall bring this matter to the attention of their designated ethics supervisor and the Attorney General as required by the Alaska Executive Branch Ethics Act ("Ethics Act"). Similarly, as prohibited by the Ethics Act, Trustees may not use their board position for personal gain. And, although the Ethics Act allows for the receipt and disclosure of gifts with a value in excess of \$150, Trustees should refuse any gift that can reasonably be inferred as intended to influence Board duties.

4. Abide by all applicable laws and Board policies.

Trustees are obligated to become familiar with and adhere to all relevant state and federal laws and all policies and resolutions adopted by the Board. Trustees are provided with an introduction to all such applicable laws, policies, and resolutions during their orientation process following appointment. Trustees will also receive an annual presentation on their fiduciary duties. Should a Trustee require a refresher on any of these laws and policies or

have a specific question about them, it is incumbent on the Trustee to initiate contact with the Corporation's Executive Director and/or General Counsel to seek guidance.

5. Communicate with Alaskans, including the members of Legislature and Governor's Office in a timely, accurate, and transparent manner, either directly or through staff.

Full and fair disclosure of relevant information and records is a fundamental ethical principle of open and transparent government, including the Corporation's investment and management of the assets of the Fund. Consequently, developing and maintaining clear, timely, and thorough communication practices is critical to maintaining the trust and confidence of all Alaskans, including members of both the legislative and executive branches of state government. If, however, public records held by the Corporation contain information confidential under applicable law (e.g., Alaska Statute 37.13.200), the Trustees and Corporation will endeavor to find a level of disclosable information that will provide Alaskans with a fair description of all of the Fund's investment activity, including areas that include significant proprietary information.

### **Code of Conduct Enforcement**

Each Board member is required to be familiar with and comply with the terms of this Code of Conduct, including the applicable laws and policies that it covers. In addition, if a Board member witnesses or becomes aware of a potential violation of any provision of the Code of Conduct, the Board member shall meet with the Corporation's General Counsel and discuss the facts surrounding the possible violation of the Code of Conduct. If it is determined that it is more likely than not that a violation of the Code of Conduct occurred, the violation and the facts surrounding it will be brought to the attention of the full Board. The Board may then take action to report the violation to the Governor's Office, the Legislative Auditor, or the Attorney General, depending on the facts and circumstances surrounding the violation.

### **Code of Conduct Acknowledgement**

I have read the above APFC Code of Conduct and understand that when taking any action as a trustee of the Alaska Permanent Fund Corporation, I am obligated to abide by the requirements of this APFC Code of Conduct to the best of my ability.

\_\_\_\_\_  
Trustee \_\_\_\_\_

\_\_\_\_\_  
Date \_\_\_\_\_

SUBJECT: FY 2023 Private Equity and Special Opportunities, Private Income, and Real Estate Investment Pacing

ACTION:  X

DATE: May 19, 2022

INFORMATION: \_\_\_\_\_

BACKGROUND:

Each May, APFC Staff provide updates to the Board of Trustees on current portfolio exposure, targets, and projections for the next fiscal year’s activity in the Private Equity and Special Opportunities, Private Income, and Real Estate portfolios.

STATUS:

At this meeting Staff will provide an update to the Board of Trustees that includes:

- Current NAVs relative to target with a snapshot of FY 2022 commitment activity;
- Projection models with recommended pacing for FY 2023 and beyond necessary to achieve targeted exposures; and
- A sensitivity analysis showing the probabilistic range of outcomes in various hypothetical scenarios.

This update will cover the Private Equity and Special Opportunities Portfolio, the Private Income Portfolio, and the Real Estate Portfolio.

Staff will summarize a plan to invest or commit approximately \$1.2 billion under the Private Equity and Special Opportunities Portfolio to a combination of funds, co-investments, and direct investments in FY 2023. Staff seeks to maintain flexibility to adjust pacing amounts up to an additional \$550 million above the target based on market conditions, opportunistic deal flow, and transaction timing. No minimum pacing amount is being proposed. The FY 2023 target represents a 25% decrease in pacing (in absolute dollar terms though not as a percentage of the overall fund) from the FY 2022 target of \$1.6 billion.

Additionally, Staff will summarize a plan to invest or commit approximately \$1.1 billion under the Private Income Portfolio to a combination of funds, co-investments, and direct investments in FY 2023. Staff will recommend maintaining flexibility to increase pacing amounts up to an additional \$400 million above the target with no minimum

pacing amount being proposed for FY 2023. The FY 2023 proposed deployment target represents a steady pace in line with FY 2022.

Finally, Staff will summarize a plan to deploy \$700 million annually in the Real Estate Portfolio assumed to be comprised of \$100 million to multi-family, \$300 million to industrial, \$300 million to office, and \$0 to the retail sector on average. Staff seeks to maintain flexibility to increase pacing amounts up to an additional \$500 million beyond the target based on market conditions, opportunistic deal flow, and transaction timing. No minimum pacing amount is being proposed.

The following slides summarize the proposed pacing plans for the Private Equity and Special Opportunities, Private Income, and Real Estate portfolios, and seek Board approval.



APFC

ALASKA PERMANENT  
FUND CORPORATION

# Real Estate

FY 2023 Proposed Pacing Plan | May 19, 2022

# Real Estate Portfolio Strategy

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- 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.
  - 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 REIT portfolio was moved from Fixed Income back to Real Estate. Staff have continued to use the REIT portfolio to manage Real Estate exposures closer to the target allocations of the benchmark (85% NCREIF / 15% MSCI US REIT index).
- Following years of minimal capital deployment to the Real Estate asset class and a portfolio materially underweighted to Industrial and Multi-family, in the past two years, the team has re-invigorated Real Estate new investment activities.
- Summary of primary investment approaches to gain Real Estate exposure for APFC going forward:
  - New joint venture Multi-family developments
  - Open-ended Multi-family and Industrial focused Real Estate funds
  - Adding to REITs when pricing is attractive

# Investment Actions Taken Since February 2020

- Following extensive discussions around Real Estate at the December 2019 and February 2020 Board of Trustees meetings, APFC staff have made the following investments:

*(\$ in millions)*

| Manager / Asset                       | Strategy   | Commitment Date | Commitment or Initial Investment | Current NAV <sup>(1)</sup> |
|---------------------------------------|--|-----------------|----------------------------------|----------------------------|
| Kayne Anderson (KAROD)                | Closed End Fund - Real Estate Debt               | Mar-20          | \$200                            | \$88                       |
| AEW                                   | Public REIT's (70% Multi-family, 30% Industrial) | Jul-20          | \$690                            | \$1,161                    |
| Mesa West Capital                     | Separate Account - Real Estate Debt              | Jul-20          | \$250                            | \$124                      |
| RealTerm Logistics                    | Open End Fund - Industrial / Logistics           | Aug-20 / Dec-21 | \$350                            | \$269                      |
| Clarion Gables                        | Open End Fund - Multi-family                     | Jan-21          | \$300                            | \$394                      |
| Clarion Gables (Co-Investment)        | Co-Investment Vehicle - Multi-family             | Jan-21          | \$250                            | \$51                       |
| Gateway - White Plains                | Direct JV - Build-to-Core Multi-family           | Feb-21          | \$100                            | \$42                       |
| The Bowery                            | Direct JV - Build-to-Core Multi-family           | Mar-21          | \$186                            | \$81                       |
| Heitman Expansion                     | Separate Account - Real Estate Debt              | Apr-21          | \$300                            | \$67                       |
| Mellon                                | Public REIT's (MSCI US REIT Index Fund)          | Jul-21          | \$100                            | \$113                      |
| L&B Advisors                          | The Christopher (Direct - Multifamily Property)  | Aug-21          | \$171                            | \$171                      |
| Pending - Downtown Denver development | Direct JV - Build-to-Core Multi-family           | Pending         | \$100                            | NA                         |
| Pending - Affordable housing manager  | Open End Fund - Multi-family                     | Pending         | \$300                            | NA                         |
| <b>Total</b>                          |  |                 | <b>\$3,297</b>                   | <b>\$2,561</b>             |
| <b>Total (ex REITS)</b>               | 308 of 358                                       |                 | <b>\$2,507</b>                   | <b>\$1,287</b>             |

(1) NAVs as of 12/31/21

# Real Estate IRRs of Investments Made Since 2018

(\$ in millions)

| Investment Name                | Investment Type                                | Commitment or      |                 |          | Net Returns |             |        |      |  |
|--------------------------------|--|--------------------|-----------------|----------|-------------|-------------|--------|------|--|
|                                |  | Initial Investment | Investment Date | Invested | Distributed | Current NAV | IRR    | MOIC |  |
| HIG Europe RE II               | Comingled Opportunistic Fund                   | \$100              | Jul-18          | \$67     | \$19        | \$72        | 26.24% | 1.4x |  |
| Harbert Europe RE V            | Comingled Opportunistic Fund                   | \$100              | Sep-18          | \$59     | \$2         | \$72        | 14.70% | 1.3x |  |
| Heitman Debt                   | Debt - Separate Account                        | \$300              | Sep-18          | \$66     | \$13        | \$67        | 8.87%  | 1.2x |  |
| Brookfield RE II               | Comingled Opportunistic Fund                   | \$300              | Apr-19          | \$217    | \$10        | \$258       | 13.52% | 1.2x |  |
| Lincoln Inland Empire          | Industrial Separate Account                    | \$105              | May-19          | \$105    | \$60        | \$109       | 36.20% | 1.6x |  |
| KAROD                          | Closed End Debt Fund                           | \$200              | Apr-20          | \$212    | \$175       | \$88        | 18.38% | 1.2x |  |
| REITs (Mellon)                 | Public REITs (MSCI US REIT Index)              | \$100              | Sep-21          | \$100    | \$0         | \$113       | 8.70%  | 1.1x |  |
| REITs (AEW)                    | Public REITs (70% Multifamily, 30% Industrial) | \$690              | Jul-20          | \$691    | \$0         | \$1,161     | 41.91% | 1.7x |  |
| Realterm                       | Open End Industrial Fund                       | \$350              | Dec-20          | \$236    | \$3         | \$269       | 48.89% | 1.2x |  |
| Clarion Gables                 | Open End Multifamily Fund                      | \$300              | Jan-21          | \$300    | \$6         | \$394       | 34.26% | 1.3x |  |
| Mesa West                      | Debt - Separate Account                        | \$250              | Feb-21          | \$119    | \$2         | \$124       | 11.99% | 1.1x |  |
| GS White Plains                | Direct JV - Build-to-Core Multifamily          | \$100              | Feb-21          | \$42     | \$0         | \$42        | 0.00%  | 1.0x |  |
| GS Bowery                      | Direct JV - Build-to-Core Multifamily          | \$186              | Mar-21          | \$81     | \$0         | \$81        | 0.00%  | 1.0x |  |
| The Christopher                | Direct - Multifamily                           | \$172              | Aug-21          | \$171    | \$2         | \$171       | 2.50%  | 1.0x |  |
| CG Riverwalk                   | Direct JV - Build-to-Core Multifamily          | \$25               | Dec-21          | \$25     | \$0         | \$25        | 0.00%  | 1.0x |  |
| CG Union Market                | Direct JV - Build-to-Core Multifamily          | \$26               | Dec-21          | \$26     | \$0         | \$26        | 0.00%  | 1.0x |  |
| <b>Total</b>                   |  | \$3,305            |                 | \$2,517  | \$291       | \$3,073     | 27.85% | 1.3x |  |
| <b>Total (ex REITs)</b>        |  | \$2,515            |                 | \$1,726  | \$291       | \$1,800     | 20.85% | 1.2x |  |
| <b>Total (ex developments)</b> |  | \$2,967            |                 | \$2,342  | \$291       | \$2,898     | 28.35% | 1.4x |  |

\*All data as of 12/31/21

# Commitment Pacing for Real Estate

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- Real Estate is a long-term illiquid asset class that requires long-term planning.
- As of March 31, 2022, \$620 million has been deployed to the Real Estate asset class in FY 2022 (versus the annual target of \$800 million +/- \$500 mm approved by the Board in May 2021).
- Staff proposes a target FY 2023 deployment for Real Estate of \$700 million.
- Given the significant headroom between current allocation (~8.5%) and ultimate target allocation (12%), Staff believes that there is flexibility to adjust pacing amounts up to an additional \$500 million above the target depending on the opportunity set. No minimum pacing amount is being proposed. Therefore, a \$700 million target is proposed with a pacing range of \$0 to \$1.2 billion.

# Pacing Methodology

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- Simpler modeling exercise than for Private Equity and Private Income, which rely more extensively on draw-down private equity-style funds (capital called over ~3 years, exited over subsequent ~5 years).
- While the Real Estate portfolio has several commitments to private equity-style funds, the bulk of assets are in separate accounts and open-ended funds, which require less estimation on exit timing.
- Key variables include: NAV growth assumptions, annual deployment by sector, and APFC total fund growth.

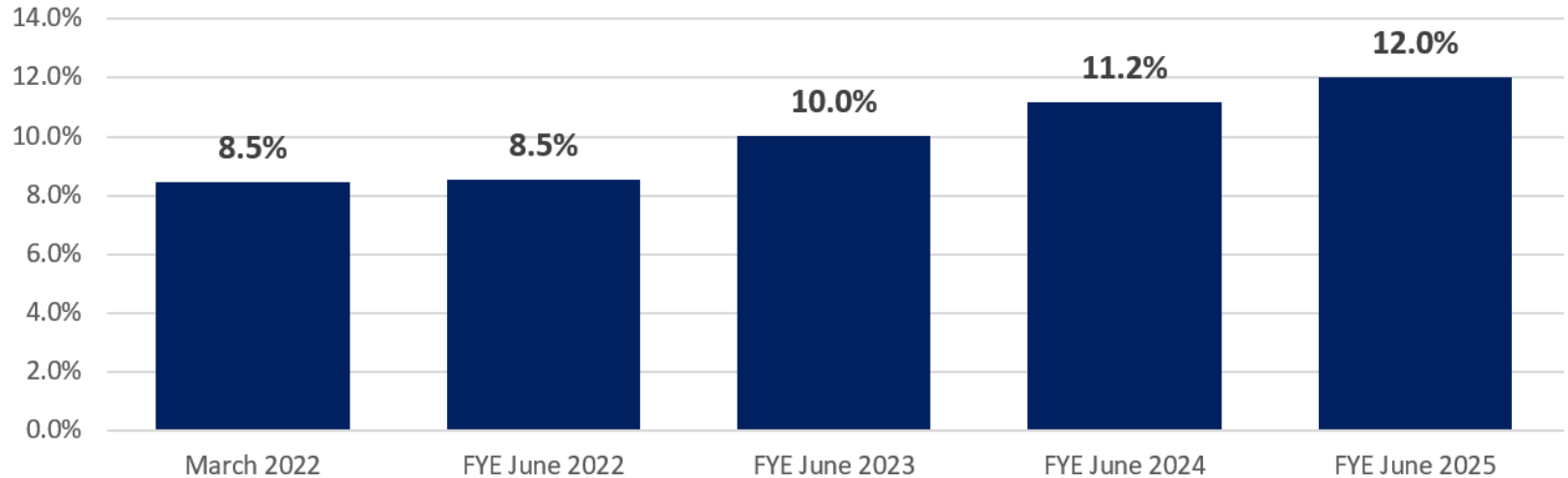
| Metric                         | Real Estate Pacing Model        |
|--------------------------------|---------------------------------|
| APFC Net Fund                  | 2.25%                           |
| Investment Pace (FY '23 – '25) | \$700 million per year          |
| NAV Growth                     | 0% - 3% depending on asset type |
| % of Portfolio in REITs        | 15% constant over forecast      |

# Projected Sector Mix

- Model assumes that existing REIT exposure is maintained at 15% of the Total Real Estate portfolio. The model also assumes that AEW REITs switch from a 70% multi-family/ 30% industrial to a 60% industrial/40% multi-family allocation on June 30, 2022 in order maintain alignment with the increased weight of the industrial sector in the benchmark. New capital added to the REIT portfolio (to maintain 15% of total) is done so at the same weights as the MSCI US REIT Index.
- Mix of \$700 million of deployment going forward assumed to be comprised of \$100 million to multi-family, \$300 million to industrial, \$300 million to office, and \$0 to retail and hotel annually on average.
- Assumes APFC ends FY 2025 with overweight to multi-family and industrial and underweight to office; views on this tactical positioning likely will evolve over time and can be further adjusted with liquid REIT exposures.

|              | Mar-22        | Jun-22        | Jun-23                      | Jun-24        | Jun-25        | NCREIF        | Benchmark     |
|--------------|---------------|---------------|-----------------------------|---------------|---------------|---------------|---------------|
| Multi-family | 29.9%         | 26.9%         | 29.5%                       | 30.3%         | 29.9%         | 26.5%         | 26.7%         |
| Industrial   | 20.3%         | 24.2%         | 25.6%                       | 27.0%         | 28.4%         | 27.7%         | 26.8%         |
| Office       | 21.7%         | 21.2%         | 22.0%                       | 22.8%         | 23.8%         | 30.1%         | 29.6%         |
| Retail       | 26.2%         | 26.0%         | 21.6%                       | 18.8%         | 16.9%         | 15.3%         | 15.9%         |
| Hotel        | 1.8%          | 1.6%          | 1.3%                        | 1.1%          | 0.9%          | 0.3%          | 1.0%          |
| <b>Total</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b><br>312 of 358 | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

# Projected Path to 12% Real Estate Allocation



|                              |       |       |       |       |        |
|------------------------------|-------|-------|-------|-------|--------|
| <b>Projected NAV (\$ mm)</b> | \$6.9 | \$7.0 | \$8.5 | \$9.6 | \$10.6 |
| <b>Target Allocation</b>     | 8.0%  | 8.0%  | 9.0%  | 10.0% | 12.0%  |

# Sensitivity Analysis

- FY '25 Target Allocation = 12.0%
- FY '25 Green Zone = 9-15%
- FY '25 Yellow Zone = 6-9% and 15-18%

Annual Net Fund Growth and Total Fund Value - FY '25

|                                    |         | \$63,990 | \$69,761 | \$76,526 | \$82,396 | \$88,579 | \$96,576 | \$104,280 | \$112,411 |
|------------------------------------|---------|----------|----------|----------|----------|----------|----------|-----------|-----------|
|                                    |         | -7.50%   | -5.00%   | -2.25%   | 0.00%    | 2.25%    | 5.00%    | 7.50%     | 10.00%    |
| Annual Deployment<br>(\$ millions) | \$1,000 | 18.4%    | 16.8%    | 15.4%    | 14.3%    | 13.3%    | 12.2%    | 11.3%     | 10.5%     |
|                                    | \$900   | 17.8%    | 16.3%    | 14.9%    | 13.8%    | 12.9%    | 11.8%    | 10.9%     | 10.1%     |
|                                    | \$800   | 17.2%    | 15.8%    | 14.4%    | 13.4%    | 12.4%    | 11.4%    | 10.6%     | 9.8%      |
|                                    | \$700   | 16.7%    | 15.3%    | 13.9%    | 12.9%    | 12.0%    | 11.0%    | 10.2%     | 9.5%      |
|                                    | \$600   | 16.1%    | 14.8%    | 13.5%    | 12.5%    | 11.6%    | 10.7%    | 9.9%      | 9.2%      |
|                                    | \$500   | 15.5%    | 14.2%    | 13.0%    | 12.1%    | 11.2%    | 10.3%    | 9.5%      | 8.8%      |
|                                    | \$400   | 15.0%    | 13.7%    | 12.5%    | 11.6%    | 10.8%    | 9.9%     | 9.2%      | 8.5%      |
|                                    | \$300   | 14.4%    | 13.2%    | 12.0%    | 11.2%    | 10.4%    | 9.5%     | 8.8%      | 8.2%      |

The logo for the Alaska Permanent Fund Corporation (APFC) features the letters 'APFC' in a white, serif font, centered within a dark blue rectangular box. The background of the slide is a dark teal color with a faint, semi-transparent image of a large, multi-story building with many windows.

APFC

ALASKA PERMANENT  
FUND CORPORATION

# Private Equity and Private Income

FY 2023 Proposed Pacing Plan

May 18-19, 2022

# Commitment Pacing for Alternative Assets

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- Private Equity and Private Income are long-term, illiquid asset classes that require long-term planning
- APFC has been navigating towards **long-term allocation targets**
  - **9%** for Infrastructure, Private Credit, and Income Opportunities (together, "Private Income")
  - **19%** for Private Equity, Venture Capital, and Special Opportunities (together, "PESO")
- APFC revisits and refreshes commitment pacing plan annually in May
  - Small course corrections are sometimes appropriate
- Staff proposes FY 2023 pacing for **Private Income** that is in line with FY 2022
  - **\$1.1 billion** proposed target deployment, with a band of \$0 to \$1.5 billion depending on opportunity set
- Staff proposes FY 2023 pacing for **PESO** that is 25% lower than FY 2022
  - **\$1.2 billion** proposed target deployment, with a band of \$0 to \$1.75 billion depending on opportunity set

# Pacing Methodology

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- Top-down and bottom-up approach to projected capital calls, distributions, NAV, unfunded, and total exposure
- Call and distribution curves are strategy-specific, based on historical cash flow data and negotiated legal terms
- Sub-asset class allocation targets based on historical averages and staff targets
- No exits assumed via secondary sales
- Partnership life reflects term of investment period, fund life, and contractual extensions

## Key Elements of Model

|   | PE + SpecOpps | Private Income |
|---|---------------|----------------|
| APFC Net Fund Growth <sup>1</sup>                 | 2.25%         | 2.25%          |
| Proposed Target FY2023 Investment Pace            | \$1.2 billion | \$1.1 billion  |
| Long-term Expected Annual Net Return <sup>2</sup> | 12.3%         | 7.25%          |

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<sup>1</sup>Nominal growth net of all income, gains, and distributions.

<sup>2</sup>Expected annual net return unchanged from prior year. Callan's PE capital market assumption of 8%.

The background of the slide is a solid teal color with a faint, close-up image of pine needles and a pine cone. The text is centered in a light blue, sans-serif font.

# Private Equity + Special Opportunities

# Private Equity & Special Opportunities Snapshot

Distributions have been robust but current NAV still exceeds target

## PESO Performance & Liquidity

|                                      | 1 Year       | 3 Year       | 5 Year       | 10 Year      |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Investment Gains                     | \$4,225      | \$9,325      | \$12,410     | \$15,418     |
| Distributions to APFC                | \$3,826      | \$6,786      | \$10,948     | \$14,756     |
| <b>Net IRR (Annualized)</b>          | <b>31.8%</b> | <b>28.0%</b> | <b>26.0%</b> | <b>22.4%</b> |
| Public Market Index <sup>a</sup>     | 20.4%        | 21.7%        | 15.6%        | 13.2%        |
| Private Market Estimate <sup>b</sup> | 37.9%        | 27.6%        | 22.4%        | 17.1%        |

Direct investments have enhanced returns, improved liquidity, and reduced operating costs

## PESO Net Annualized Returns Since Inception

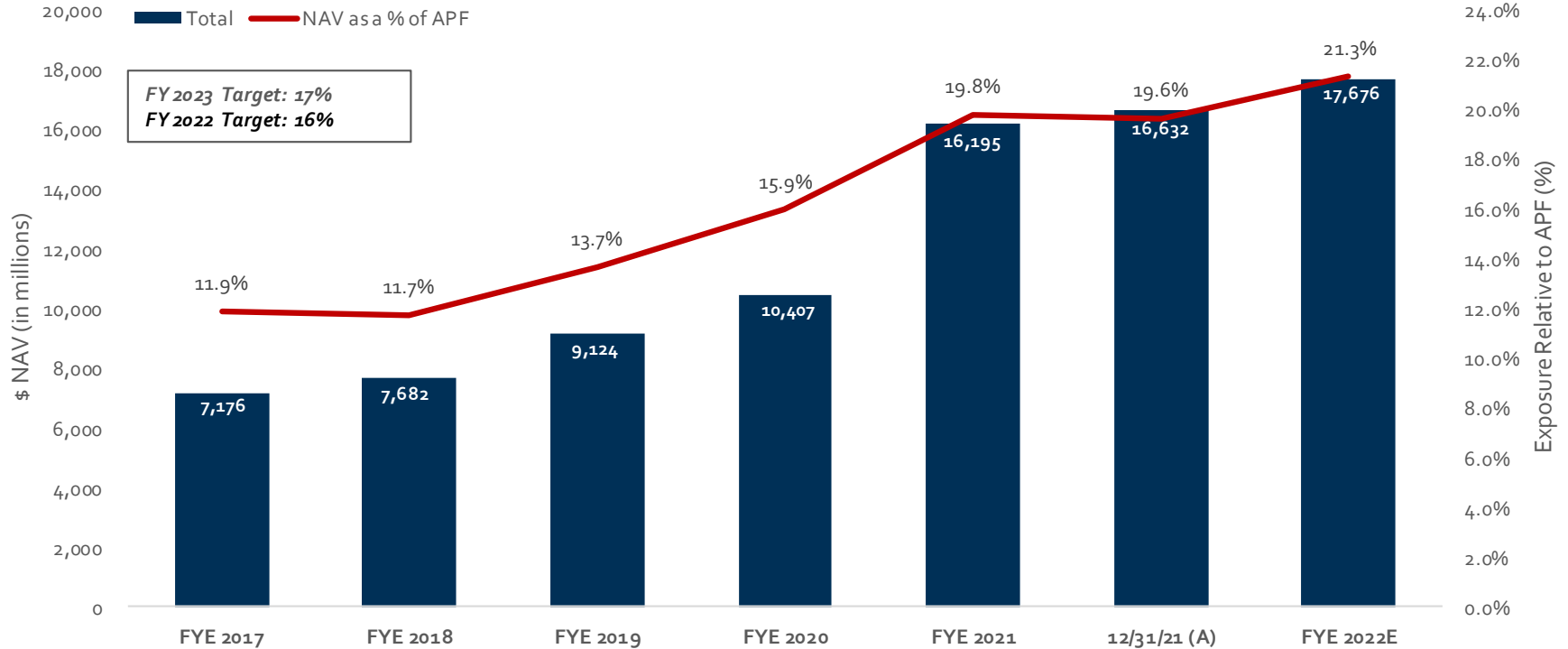
|                           | Commit.         | IRR          | Invested     | IRR                   |
|---------------------------|-----------------|--------------|--------------|-----------------------|
| Gatekeepers Discretionary | \$7,604         | 16.2%        | Funds        | \$14,365 17.1%        |
| APFC Staff PE             | \$6,313         | 28.2%        | Direct/Coinv | \$1,885 47.3%         |
| APFC Staff Spec Opps      | \$6,182         | 24.5%        |              |                       |
| <b>Total</b>              | <b>\$20,099</b> | <b>18.8%</b> | <b>Total</b> | <b>\$16,250 18.8%</b> |

Notes: \$ = millions of US Dollars, as of 12/31/21. Program launched in 2004; directs/ co-investments launched in 2013.

<sup>a</sup>Public Market Index is weighted 60% Russell 3000 and 40% MSCI EAFE.

<sup>b</sup>Cambridge PE preliminary benchmarks, 12/31/21.

# Private Equity Exposure

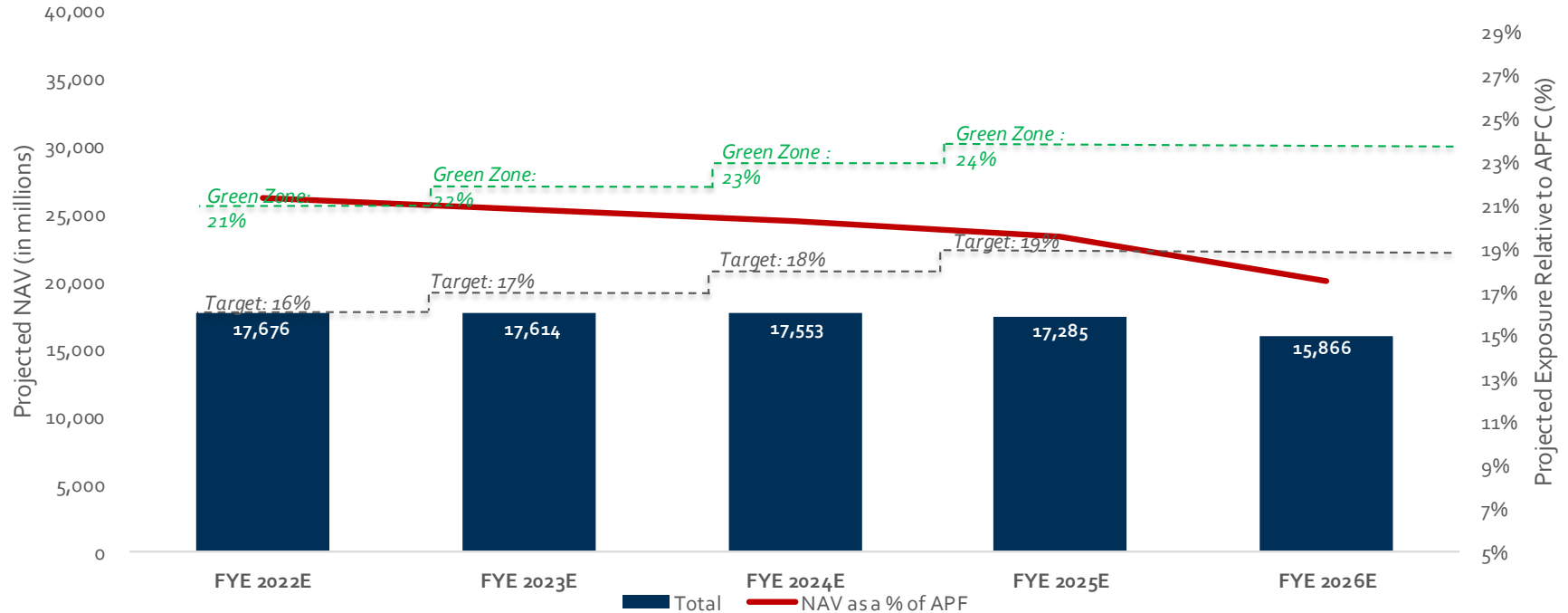


Source: Pathway & APFC. APFC Fiscal Year ends on June 30.

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# Proposed Pacing and Projected Exposures

APFC Staff has modeled pacing at **\$1.2 billion** in commitments starting in FY 2023



Source: Pathway & APFC

Note: APFC Fiscal Year ends on June 30. Target increases by 1% each fiscal year until FYE 2024.

# Investment Pacing Through FYE 2024

- Base case scenario of 2.25% net growth in APFC, annual commitments of \$1.2bn, and 12.3% PE+SO annualized returns
- Broad range of potential outcomes that would not result in a breach of green zone limits
- Annual pacing study allows APFC to course correct any potential deviations early
- Sensitivity table includes Callan’s private equity capital markets assumption of 8% net annualized returns
- PESO Target FY 2024 – 18%

## Projected Exposure as a % of Total Fund at FYE 2024

|   |         | APFC Net Fund Growth |       |       |       |       |       |       |       |
|---|---------|----------------------|-------|-------|-------|-------|-------|-------|-------|
|   |         | -7.5%                | -5.0% | -2.5% | 0.0%  | 2.3%  | 5.0%  | 7.5%  | 10.0% |
| Annual<br>Investment<br>Pace<br>(in millions) | \$600   | 24.9%                | 23.4% | 22.1% | 20.9% | 19.9% | 18.7% | 17.8% | 16.9% |
|   | \$800   | 25.0%                | 23.6% | 22.2% | 21.0% | 20.0% | 18.9% | 17.9% | 17.0% |
|   | \$1,000 | 25.1%                | 23.7% | 22.4% | 21.2% | 20.1% | 19.0% | 18.0% | 17.1% |
|   | \$1,200 | 25.3%                | 23.8% | 22.5% | 21.3% | 20.2% | 19.1% | 18.1% | 17.2% |
|   | \$1,400 | 25.4%                | 24.0% | 22.6% | 21.4% | 20.4% | 19.2% | 18.2% | 17.3% |
|   | \$1,600 | 25.6%                | 24.1% | 22.8% | 21.5% | 20.5% | 19.3% | 18.3% | 17.4% |
|   | \$1,800 | 25.7%                | 24.3% | 22.9% | 21.6% | 20.6% | 19.4% | 18.4% | 17.5% |

Assumes: 12.3% PE+SO annualized return

|                                       |       | APFC Net Fund Growth |       |       |       |       |       |       |       |
|---------------------------------------|-------|----------------------|-------|-------|-------|-------|-------|-------|-------|
|                                       |       | -7.5%                | -5.0% | -2.5% | 0.0%  | 2.3%  | 5.0%  | 7.5%  | 10.0% |
| PE+SO<br>Expected<br>Annual<br>Return | 20.3% |                      |       |       |       |       |       |       |       |
|                                       | 0.0%  | 19.7%                | 19.2% | 18.7% | 18.2% | 17.8% | 17.3% | 16.9% | 16.6% |
|                                       | 4.0%  | 20.6%                | 20.0% | 19.5% | 19.0% | 18.6% | 18.1% | 17.7% | 17.3% |
|                                       | 8.0%  | 21.4%                | 20.9% | 20.3% | 19.8% | 19.4% | 18.9% | 18.4% | 18.0% |
|                                       | 12.3% | 22.4%                | 21.8% | 21.2% | 20.7% | 20.2% | 19.7% | 19.3% | 18.8% |
|                                       | 16.0% | 23.2%                | 22.6% | 22.0% | 21.4% | 21.0% | 20.4% | 19.9% | 19.5% |
|                                       | 20.0% | 24.1%                | 23.4% | 22.8% | 22.3% | 21.8% | 21.2% | 20.7% | 20.2% |
| 24.0%                                 | 24.9% | 24.3%                | 23.7% | 23.1% | 22.6% | 22.0% | 21.5% | 21.0% |       |

Assumes: \$1.2bn annual commitment pace

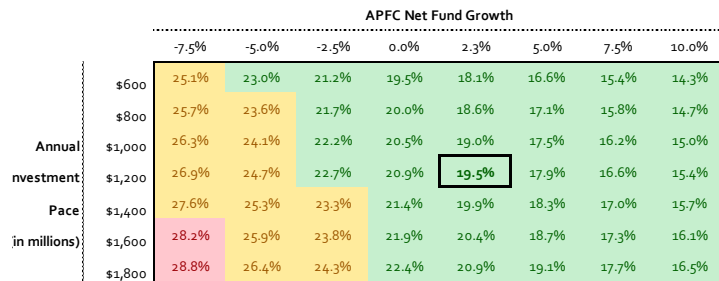
Source: Pathway & APFC

Note: Green zone (+/- 5% of 18% target); Yellow Zone (0-5% beyond Green Zone); Red Zone (>5% beyond Green Zone)

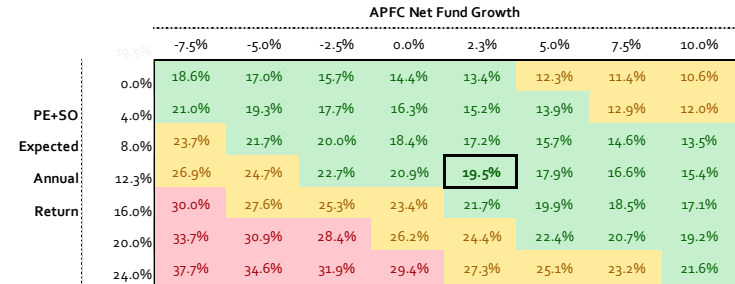
# Investment Pacing Through FYE 2025

- Base case scenario of 2.25% net growth in APFC, annual commitments of \$1.2bn, and 12.3% PE+SO annualized returns
- Broad range of potential outcomes that would not result in a breach of green zone limits
- Annual pacing study allows APFC to course correct any potential deviations early
- Sensitivity table includes Callan's 8% private equity capital market assumption of 8% net annualized returns
- PESO Target FY 2025 – 19%

## Projected Exposure as a % of Total Fund at FYE 2025



Assumes: 12.3% PE+SO annualized return



Assumes: \$1.2bn annual commitment pace

Source: Pathway & APFC

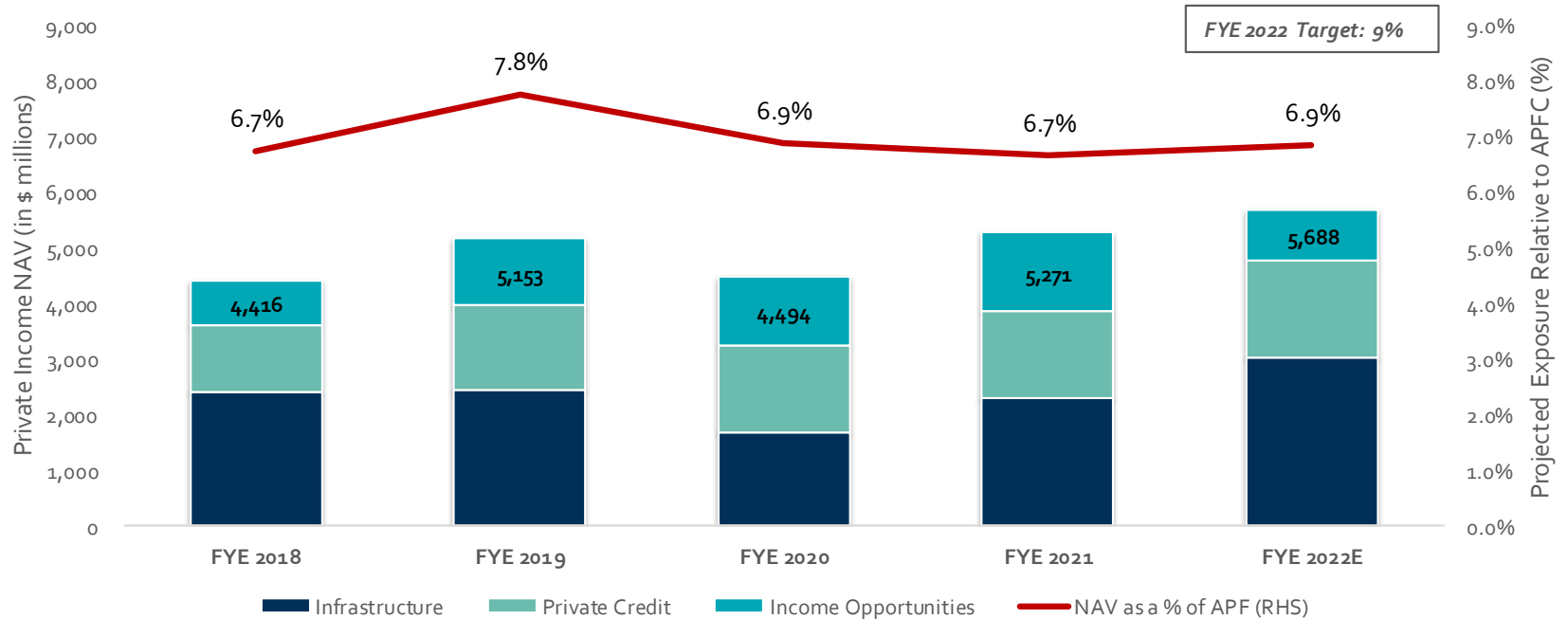
Note: Green zone (+/- 5% of 19% target); Yellow Zone (0-5% beyond Green Zone); Red Zone (>5% beyond Green Zone)

The background of the slide is a solid teal color with a faint, high-resolution image of pine needles and a pine cone, centered and slightly blurred. The text is overlaid on this background.

# Private Income

Infrastructure, Private Credit, Income Opportunities

# Private Income Historical Exposure

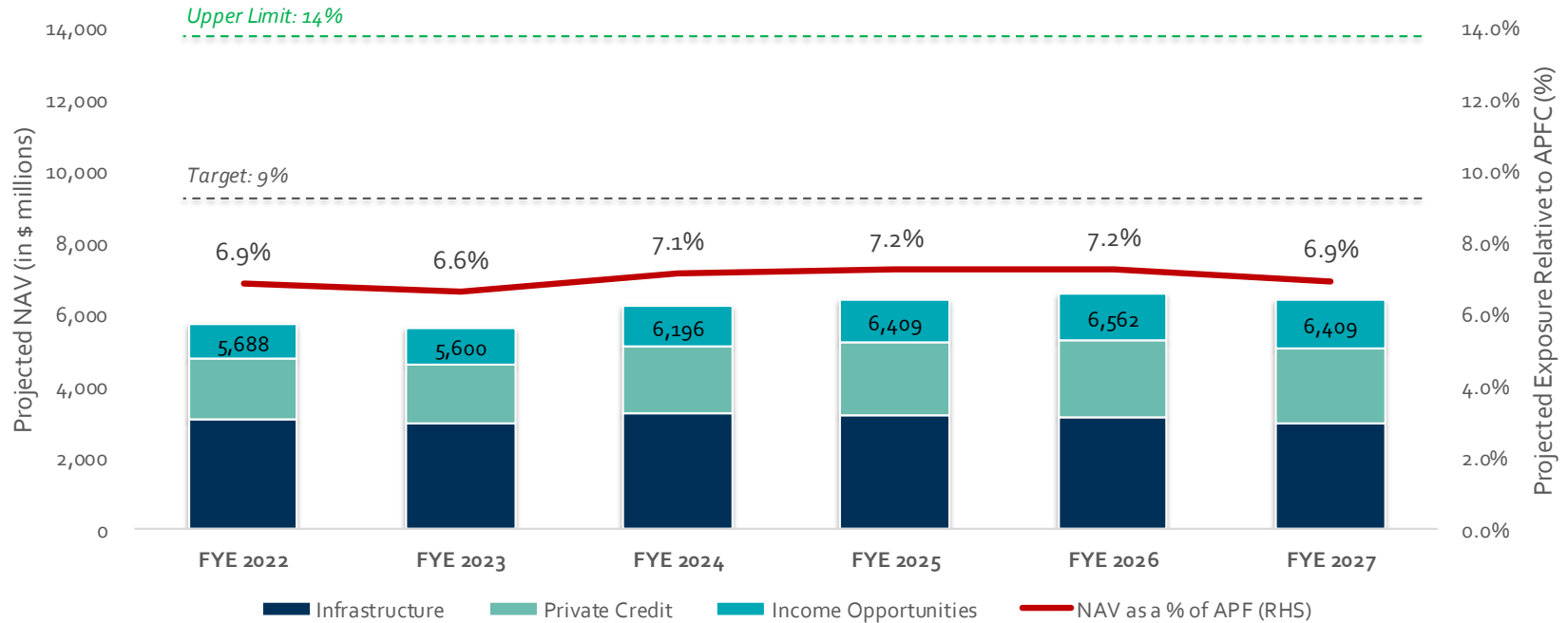


Note: APFC Fiscal Year ends on June 30.

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# Private Income Projected Exposure

APFC Staff recommends a **\$1.1 billion** commitment target for FY 2023



Note: APFC Fiscal Year ends on June 30. Assumes a steady \$1.1 billion pace.

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# Private Income Investment Pacing

## Sensitivity Analysis by FYE 2024

- Base case scenario of 2.25% net growth in APFC, annual pacing of \$1.1 billion, and 7.25% annualized returns
- Broad range of possible outcomes that would still keep the PI portfolio within green zone limits
- Annual pacing study allows APFC Staff to course correct any potential deviations early

### Projected Exposure as a % of Total Fund at FYE 2024

|   |         | APFC Net Fund Growth |       |       |      |             |      |      |       |
|---|---------|----------------------|-------|-------|------|-------------|------|------|-------|
|   |         | -7.5%                | -5.0% | -2.5% | 0.0% | 2.3%        | 5.0% | 7.5% | 10.0% |
| Annual<br>Investment<br>Pace<br>(in millions) | \$200   | 8.0%                 | 7.6%  | 7.2%  | 6.8% | 6.5%        | 6.1% | 5.8% | 5.5%  |
|   | \$500   | 8.3%                 | 7.9%  | 7.4%  | 7.0% | 6.7%        | 6.3% | 6.0% | 5.7%  |
|   | \$800   | 8.6%                 | 8.1%  | 7.7%  | 7.3% | 6.9%        | 6.5% | 6.2% | 5.9%  |
|   | \$1,100 | 8.9%                 | 8.4%  | 7.9%  | 7.5% | <b>7.1%</b> | 6.7% | 6.4% | 6.1%  |
|   | \$1,400 | 9.2%                 | 8.7%  | 8.2%  | 7.7% | 7.4%        | 7.0% | 6.6% | 6.3%  |
|   | \$1,700 | 9.5%                 | 8.9%  | 8.4%  | 8.0% | 7.6%        | 7.2% | 6.8% | 6.5%  |
|   | \$2,000 | 9.7%                 | 9.2%  | 8.7%  | 8.2% | 7.8%        | 7.4% | 7.0% | 6.7%  |

Assumes: 7.25% Private Income annualized return

|   |        | APFC Net Fund Growth |       |       |       |             |      |      |       |
|---|--------|----------------------|-------|-------|-------|-------------|------|------|-------|
|   |        | -7.5%                | -5.0% | -2.5% | 0.0%  | 2.3%        | 5.0% | 7.5% | 10.0% |
| Private<br>Income<br>Expected<br>Annual<br>Return | -13.8% | 6.3%                 | 6.0%  | 5.6%  | 5.3%  | 5.1%        | 4.8% | 4.6% | 4.3%  |
|   | -6.8%  | 7.1%                 | 6.7%  | 6.3%  | 6.0%  | 5.7%        | 5.4% | 5.1% | 4.9%  |
|   | 0.2%   | 8.0%                 | 7.5%  | 7.1%  | 6.7%  | 6.4%        | 6.0% | 5.7% | 5.5%  |
|   | 7.25%  | 8.9%                 | 8.4%  | 7.9%  | 7.5%  | <b>7.1%</b> | 6.7% | 6.4% | 6.1%  |
|   | 14.3%  | 9.9%                 | 9.3%  | 8.8%  | 8.3%  | 7.9%        | 7.5% | 7.1% | 6.8%  |
|   | 21.3%  | 10.9%                | 10.3% | 9.7%  | 9.2%  | 8.8%        | 8.3% | 7.9% | 7.5%  |
|   | 28.3%  | 12.1%                | 11.4% | 10.7% | 10.2% | 9.7%        | 9.1% | 8.7% | 8.2%  |

Assumes: \$1.1 billion annual commitment pace

Note: Green zone (+/- 5% of 9% target); Yellow Zone (0-5% beyond Green Zone); Red Zone (>5% beyond Green Zone)

# Private Income Investment Pacing

## Sensitivity Analysis by FYE 2025

- Base case scenario of 2.25% net growth in APFC, annual pacing of \$1.1 billion, and 7.25% annualized returns
- Large range of possible outcomes that would still keep the PI portfolio within green zone limits
- Annual pacing study allows APFC Staff to course correct any potential deviations early

### Projected Exposure as a % of Total Fund at FYE 2025

|   |         | APFC Net Fund Growth |       |       |      |      |      |      |       |
|---|---------|----------------------|-------|-------|------|------|------|------|-------|
|   |         | -7.5%                | -5.0% | -2.5% | 0.0% | 2.3% | 5.0% | 7.5% | 10.0% |
| Annual<br>Investment<br>Pace<br>(in millions) | \$200   | 7.7%                 | 7.1%  | 6.5%  | 6.0% | 5.6% | 5.2% | 4.8% | 4.5%  |
|   | \$500   | 8.5%                 | 7.8%  | 7.2%  | 6.6% | 6.2% | 5.7% | 5.3% | 4.9%  |
|   | \$800   | 9.2%                 | 8.5%  | 7.8%  | 7.2% | 6.7% | 6.2% | 5.7% | 5.3%  |
|   | \$1,100 | 9.9%                 | 9.1%  | 8.4%  | 7.8% | 7.2% | 6.6% | 6.2% | 5.7%  |
|   | \$1,400 | 10.7%                | 9.8%  | 9.0%  | 8.3% | 7.8% | 7.1% | 6.6% | 6.2%  |
|   | \$1,700 | 11.4%                | 10.5% | 9.7%  | 8.9% | 8.3% | 7.6% | 7.1% | 6.6%  |
|   | \$2,000 | 12.1%                | 11.2% | 10.3% | 9.5% | 8.8% | 8.1% | 7.5% | 7.0%  |
|   |         |                      |       |       |      | 7.2% |      |      |       |

Assumes: 7.25% Private Income annualized return

|   |        | APFC Net Fund Growth |       |       |       |       |       |      |       |
|---|--------|----------------------|-------|-------|-------|-------|-------|------|-------|
|   |        | -7.5%                | -5.0% | -2.5% | 0.0%  | 2.3%  | 5.0%  | 7.5% | 10.0% |
| Private<br>Income<br>Expected<br>Annual<br>Return | -13.8% | 6.3%                 | 5.7%  | 5.3%  | 4.9%  | 4.6%  | 4.2%  | 3.9% | 3.6%  |
|   | -6.8%  | 7.3%                 | 6.7%  | 6.2%  | 5.7%  | 5.3%  | 4.9%  | 4.5% | 4.2%  |
|   | 0.2%   | 8.5%                 | 7.8%  | 7.2%  | 6.7%  | 6.2%  | 5.7%  | 5.3% | 4.9%  |
|   | 7.25%  | 9.9%                 | 9.1%  | 8.4%  | 7.8%  | 7.2%  | 6.6%  | 6.2% | 5.7%  |
|   | 14.3%  | 11.5%                | 10.6% | 9.8%  | 9.0%  | 8.4%  | 7.7%  | 7.2% | 6.6%  |
|   | 21.3%  | 13.4%                | 12.3% | 11.3% | 10.4% | 9.7%  | 8.9%  | 8.3% | 7.7%  |
|   | 28.3%  | 15.4%                | 14.1% | 13.0% | 12.0% | 11.2% | 10.3% | 9.5% | 8.8%  |
|   |        |                      |       |       |       | 7.2%  |       |      |       |

Assumes: \$1.1 billion annual commitment pace

Note: Green zone (+/- 5% of 9% target); Yellow Zone (0-5% beyond Green Zone); Red Zone (>5% beyond Green Zone)

# Summary

## FY2023 Pacing Proposal

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### Private Equity and Special Opportunities

- **APFC staff recommends targeting a \$1.2 billion deployment pace for FY 2023**
  - Investments to be allocated across strategies (e.g., venture, buyouts, distressed) and tactics (funds, co-investments, directs) subject to market opportunities and investment policy.
  - Flexibility to increase or decrease pacing from \$0 to \$1.75 billion

### Private Income

- **APFC staff recommends targeting a \$1.1 billion deployment pace for FY 2023**
  - Investments to be allocated across strategies (e.g., infrastructure, private credit, income opportunities) and tactics (funds, co-investments, directs) subject to market opportunities and investment policy.
  - Flexibility to increase or decrease pacing from \$0 to \$1.5 billion

SUBJECT: FY22 Budget Projections

ACTION:

DATE: May 19, 2022

INFORMATION: X

**BACKGROUND:**

Per Board Resolution 98-4 – Pertaining to The Operating Budget of The Corporation:

*APFC staff shall, prior to the last meeting of the Board of Trustees of each fiscal year, prepare an analysis of expenditures to date and status of programs, identify projected shortfalls and surpluses by the objects of expenditures set out herein, and recommend transfers to the Board of Trustees.*

*The Board of Trustees may, following discussion and due consideration of staff recommendations, authorize the transfer of budgeted funds between the objects of expenditure set out herein pursuant to such recommendations as may be amended by the Board of Trustees.*

**STATUS:**

The attached report shows the projected fiscal year-end status of the Corporation's two Fiscal Year 2022 budget components. The estimates are based on actual expenditures through April 30, 2022, and expenditure projections for May, and June 2022.

**OPERATIONS COMPONENT**

| Total Corporate Operations | FY22 Budget  | FY22 Actuals & Projected | Projected Surplus |
|----------------------------|--------------|--------------------------|-------------------|
|                            | \$19,536,000 | \$ 18,398,601            | \$ 1,137,399      |

Total expenditures, actual plus projected, for corporate operations are expected to be well within this year's budget. An analysis of the projected activity for each object of expenditure is provided below, along with budget detail highlights and factors contributing to the operational surplus.

All funds not expended will lapse at the close of the fiscal year, remaining in the Earnings Reserve Account (ERA).

| Personal Services | FY22 Budget  | FY22 Actuals & Projected | Projected Surplus |
|-------------------|--------------|--------------------------|-------------------|
|                   | \$14,771,300 | \$14,119,752             | \$651,548         |

We entered this fiscal year with a much better understanding of navigating the ever-changing mandates the pandemic required us to be prepared to implement. Although we learned to work remotely successfully, we were able to return to the office fully and encourage new talented individuals to join our team.

This fiscal year, the Corporation experienced a lot of employee movement. We brought on five new staff members, had four individuals transition within the organization, and hired two corporate interns. In fulfilling our philosophy of hiring the right people for the job, we were fortunate to find new talent to bring to Juneau. We already had one new member relocated from the lower 48, and we are anticipating another in June.

Amongst the great new additions to our team, we also recognize the team members we lost to other opportunities, in and out of the state. We currently have 11 vacancies. Two are filled - pending a start date, five are actively being recruited, and four are pending recruitment.

For the first year in APFC's history, an incentive compensation program was distributed to investment staff - taking a significant step toward the industry standard. Since 2017, implementing a program to attract and retain talent and deliver best-in-class results has been discussed. With the Board adopting Resolution 18-02 to establish the parameters of the incentive compensation policy and the support of the Legislature and the Governor, the guidelines and funding for the program became a reality.

After delivering record Total Fund and asset class benchmark outperformance, investment staff received a pro-rated incentive payment based on FY21 performance in accordance with the policy.

| Travel | FY22 Budget | FY22 Actuals & Projected | Projected Surplus |
|--------|-------------|--------------------------|-------------------|
|        | \$800,000   | \$517,027                | \$282,973         |

With travel restrictions subsiding, travel has begun to resume to pre-pandemic levels. Over the past two years, we have been able to connect with our partners virtually, but as many organizations return to the office, more manager and due diligence meetings are occurring in person. Additionally, with our Real Estate team growing the portfolio and internally managing more, they have made on-site visits to new and existing investments, which were limited during the pandemic.

Now the impact of the pandemic is being felt differently. Travel-related expenses have increased substantially, and costs associated with canceled or delayed flights are becoming more common. If similar trends continue into the next fiscal year, we can expect to expend our travel budget fully.

|                   | FY20 Actuals | FY21 Actuals | FY22 Projected |
|-------------------|--------------|--------------|----------------|
| Total Expenditure | \$381,037    | \$71,405     | \$436,148      |
| Total Trips       | 166*         | 88**         | 224***         |
| Staff             | 140          | 69           | 203            |
| Trustee           | 26           | 19           | 21             |

\*FY20 booked trips totaled 205. However, 39 trips were canceled due to COVID-19.  
 \*\*FY21 booked trips totaled 96. However, 8 trips were canceled due to COVID-19.  
 \*\*\*FY22 booked trips totaled 233. However, 9 trips were canceled due to COVID-19.  
 The total expenditure in the chart does not include \$80,879 related to the shipment of personal property and non-employee travel related to the recruitment process, which is included in the total shown above.

| Contractual Services | FY22 Budget | FY22 Actual & Projected | Projected Surplus |
|----------------------|-------------|-------------------------|-------------------|
|                      | \$3,213,600 | \$3,036,028             | \$177,572         |

The Contractual Services item of expenditure encompasses all services provided to the Corporation by non-employees such as contractors, consultants, auditors, and attorneys.

| Contractual Services     | FY22 Budget        | FY22 Actuals & Projected | Surplus          |
|--------------------------|--------------------|--------------------------|------------------|
| Audit, Legal, Consulting | 625,475            | 572,635                  | 52,840           |
| Public Communications    | 283,150            | 285,961                  | (2,811)          |
| Board Support/Meetings   | 71,800             | 80,176                   | (8,376)          |
| Information Technology   | 1,147,500          | 1,252,106                | (104,606)        |
| HR and Recruitment       | 63,710             | 57,053                   | 6,657            |
| Training/Education       | 199,600            | 83,609                   | 115,992          |
| Office Support           | 822,365            | 704,489                  | 117,876          |
| <b>Total</b>             | <b>\$3,213,600</b> | <b>\$3,036,028</b>       | <b>\$177,572</b> |

\*Contractual Services for Investment Management Fees are included in the Investment Management section.

**Audit, Legal, Consulting** – This line of expenditure includes contracting services to perform our annual audit, advisory consulting, and our Reimbursable Service Agreements (RSA) with the Department of Law (DOL). The RSAs include services from the AAG to assist with APFC matters and DOL's assistance with procurement, securities litigation, public records, and compliance. In addition to fully expending both RSA balances this fiscal year, the Corporation anticipates legal fees acquired through obtaining outside council.

Each year an amount for unanticipated consulting services is included in this line of expenditure. This fiscal year, no additional consulting services were necessary, resulting in the \$52,840 surplus.

**Public Communications** – The year-end expenditure on this line will be expended. It has been a busy year for communications. In fulfilling the strategic communications goal for youth outreach, we are now working with a third-party, non-profit group to include educational materials on APFC and the Fund as part of a statewide, resource-based K-12 curriculum starting with high-school level development. Because statutory disclosures have always been a central element of our stakeholder outreach, to reach a broader audience base, the Annual Report and the Mid-Year Review publications are now delivered via web-based and e-platforms, along with a limited print run.

**Board Support and Meetings** – This expenditure line includes meeting room expenses, audio support, catering, and transcription services. The expected shortfall for this line is roughly \$8,400.

The shortfall is attributed to meeting in larger spaces to comply with COVID mitigation measures and hosting more meetings outside Juneau. Typically, meetings hosted in Juneau and Anchorage can be held at state-owned venues at no cost. To comply with ongoing social distancing mandates, we were required to rent larger spaces that required audio support and venue-approved catering services. Keeping all of our participants safely distanced was a priority.

Additionally, the Board hosted two meetings in communities outside Juneau and Anchorage. The Annual Meeting was held in Kodiak in September and the May Quarterly Meeting, in Ketchikan. These great opportunities to interact with members of the public also necessitate the costs associated with hosting a public meeting.

**Information Technology (IT)** – This line of expenditure includes system and consulting services, software licensing and maintenance, and IT equipment repair.

The shortfall of \$104,606 is not ideal. However, what was accomplished technologically for the Corporation this year has been substantial. APFC's transition to Office 365 Modern Workplace Cloud is 83% complete in terms of project deliverables, placing us several months ahead of schedule. Since the project is billed by deliverable completion, more funds were required than expected in this fiscal year.

The IT Security Management System has and will continue to be a primary focus for APFC. Several audits were performed over the fiscal year to evaluate our current security

posture from a standardized benchmark and identify a road map to achieve optimal industry-standard security maturity ratings. In addition to these internal evaluations, audits, and penetration testing, the Corporation implemented an incident response retainer through an industry-leading managed detection and response service to provide a remotely-delivered security operations center.

**HR and Recruitment** – This line of expenditure includes recruitment notices and Department of Revenue inter-agency expenses. Although we continue to maximize the use of free online platforms and social media to promote our active recruitments, these methods have not proven to be as successful as they have in the past. With a changing labor market, high inflation, remote work, and candidates' priorities changing, we will continue to need to use often expensive fee-based niche sites that have limited but very targeted reach. As a result, our expected lapse for this line is minimal, \$6,657.

**Training and Education** – This line is projected to have a \$115,992 surplus. At the beginning of the fiscal year, many organizations were still not hosting trainings or conferences in person, waving registration fees, or offering significant discounts. As the year progressed, more opportunities have become available.

Teams experiencing high vacancy rates have struggled to find the time to focus on training. As positions are filled, we can regain focus on continued education in FY23.

**Office Support** –This expenditure line is expected to have a surplus of \$117,876. This category includes inter-agency agreements, office and equipment leases, delivery services, and all communications necessary for day-to-day operations such as videoconferencing, telecommunications, mobile devices, etc. The surplus is primarily due to the RSA structure with the Department of Revenue changing to no longer include an allocation for APFC to support the Commissioner's Office. This expense was removed from the FY23 budget request. The remaining surplus is spread across the services that support office functionality.

| Commodities | FY22 Budget | FY22 Actuals & Projected | Projected Surplus |
|-------------|-------------|--------------------------|-------------------|
|             | \$201,100   | \$183,904                | \$17,196          |

The Commodities line includes subscriptions, reference materials, office supplies, furniture, and IT equipment that cost less than \$5,000 per item. The expenditure in this line is under budget by \$17,196.

The anticipated budget for the commodities to support the organization this fiscal year has been sufficient. It has allowed for computer equipment to be replaced when necessary and new printers to be purchased to replace those at the end of their life cycle.

The surplus for this line of expenditure is directly related to subscriptions. The budgetary decision was made to move all investment subscriptions to Research and Memberships in the Investment Allocation. Future budget requests will reflect this change.

| Equipment | FY22 Budget | FY22 Actuals & Projected | Projected Surplus |
|-----------|-------------|--------------------------|-------------------|
|           | \$550,000   | \$541,890                | \$8,110           |

The Equipment line includes furniture and IT equipment that cost more than \$5,000 per item. This line is expected to have a de minimis surplus. We were able to replace our core building network switch, increasing our end computing capabilities to align with newer operating systems and increased loads caused by added security scans. This was achieved by replacing server hardware nearing its end of life or approaching expiring support in the data center.

**INVESTMENT MANAGEMENT COMPONENT**

| Investment Management          | FY22 Budget          | FY22 Actuals & Projected | Surplus             |
|--------------------------------|----------------------|--------------------------|---------------------|
| <b>Investment Manager Fees</b> | <b>\$177,221,500</b> | <b>\$117,448,500</b>     | <b>\$59,773,000</b> |
| Public Equities                | 131,895,672          | 79,995,399               | 51,900,273          |
| Fixed Income                   | 9,755,847            | 7,546,471                | 2,209,376           |
| Real Estate                    | 3,114,387            | 3,665,525                | (551,138)           |
| Alternative Assets             | 32,455,594           | 26,241,105               | 6,214,489           |
| Investment Systems             | \$8,080,900          | \$6,987,402              | \$1,093,498         |
| Investment Due Diligence       | 6,136,700            | 3,179,020                | 2,957,680           |
| Custody Fees                   | 1,600,000            | 1,276,087                | 323,913             |
| <b>Total</b>                   | <b>\$193,039,100</b> | <b>\$128,891,008</b>     | <b>\$64,148,092</b> |

Note: This analysis includes a projection for investment management fees paid directly with corporate receipts. APFC has agreements in place in which management fees are netted directly from assets under management. This analysis and projection do not address these net fee arrangements. A report of fees paid to managers with net fee arrangements is included in each quarterly Board meeting packet.

Management fees depend primarily on investment performance, which is difficult to predict, particularly as far in advance as the budget process requires. The budget is built based on projected growth, Callan's market assumptions for each asset class, combined with actual fee structures for external management. Because of the unpredictability of these inputs and the nature of the budget approval process, a conservative buffer is built

in to ensure that the Corporation can honor the terms of the contracts with its investment partners.

Even with taking a conservative approach, for FY22, we decided to request an additional \$60 million through a Governor Amendment during last year's budget process in preparation for the possibility that market conditions and associated performance could continue to be strong through calendar year 2021, thus mitigating the need for a supplemental request. The Amendment was approved and ultimately included in the enacted FY22 Operating Budget, increasing the Investment Management Fee Allocation from \$133,039,100 to \$193,039,100.

As we approach the fiscal year's end and actual fees are known through March, the surplus is projected to be \$59,773,000. It is important to note that any APFC operating budget funds that are appropriated and not expended lapse at the close of each fiscal year and remain in the Earnings Reserve Account.

**Public Equity** – The contractual fees for Public Equities include two fee structures; base and incentive. Base fees are forecasted using contract terms in conjunction with Callan's market assumptions. The performance of the public equity portfolio in FY22 has been relatively flat, returning -0.20% through March. Therefore, the projected base fees for FY22 are expected to be slightly less than the actuals, \$58 million, for FY21 at \$57.7 million.

Incentive fees are contracted and paid based on managers outperforming their relative benchmark on a calendar year basis. They are not directly related to market performance, making them nearly impossible to forecast. In calendar year 2020, fiscal year 2021, a handful of managers with this fee arrangement significantly outperformed their relative benchmark. This fiscal year, the same outperformance has not been achieved, reducing incentive fees by nearly half.

The surplus for all Public Equity fees is forecasted to be \$51.9 million.

**Fixed Income** – Fees paid for the external management of these portfolios are likely to result in a surplus of \$2.2 million. Fixed Income management fees are directly related to the value of assets managed. Specifically, this fiscal year, fees paid to high yield and emerging market managers were lower than initially projected due to negative performance through March.

**Real Estate** – Real Estate fees for the fiscal year are expected to be approximately \$3.7 million, producing a shortfall of \$551,138. The REITs portfolio has returned 38% through the end of March. The increase in assets under management has directly impacted fees paid.

**Alternatives** – It is anticipated that there will be a surplus authorization, \$6.2 million, in this line. The first six months of the year are actuals, whereas the last six months are estimates since invoices for the quarter ending December 31st have not been distributed. The estimate includes the projected growth of the private equity portfolio based on

historical averages. As investment activity tends to slow at the end of the year, projections are conservatively made so they may be overstated.

Pathway Capital continues to account for the majority of fees paid for Alternative Investments through the budget allocation, roughly 94 percent.

**Investment Systems** – There is a projected surplus of \$1.1 million on this line for the year. Expenditures on this line include consulting related to systems that support investment activity, such as Bloomberg and BlackRock, data feeds for investment systems that facilitate analytics and trading, and internet access fees.

Improving portfolio and risk analytics for private assets has been an initiative that the Corporation has been working on for over a year. Since procuring eFront in October, implementation has progressed as planned, with the first quarterly data set uploaded for most of the private assets. Along with vetting of uploaded data, the process of uploading the subsequent quarterly data set has commenced. As the system gets populated with good data, the private asset teams will be able to leverage the tool for enhanced portfolio analytics and reporting. Additionally, as the interface into Aladdin is built, aggregate fund level risk and portfolio analytics will also be enabled.

**Investment Due Diligence** – The projection indicates that expenditures in this category will be about \$3.2 million, roughly half of the budget authorization of \$6.1 million. A significant portion of this surplus authorization, approximately \$2.8 million, resides in the budget to secure third-party fiduciary advice, subject matter experts, and legal services when considering and acquiring investment opportunities. Budgetary depth will continue to be requested for this discretionary work to avoid restricting the required due diligence of investment opportunities.

**Custody Fees** – Bank of New York Mellon is the custodian of the Fund's assets. Additional expenditures on the contract include collateral management and tax advisory services. Tax structures within emerging markets evolve. For example, this fiscal year, a change made in India modified the tax structure to make dividends from an investment taxable, requiring the assistance of the custodian.



ALASKA PERMANENT  
FUND CORPORATION

# FY2022 Budget Projections

# Corporate Operations Allocation

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| FY22 Budget  | FY22 Actuals & Projected | Projected Surplus |
|--------------|--------------------------|-------------------|
| \$19,536,000 | \$18,398,601             | \$1,137,399       |

Personal Services  
Travel  
Contractual Services  
Commodities  
Equipment

# Personal Services

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| FY22 Budget  | FY22 Actuals & Projected | Projected Surplus |
|--------------|--------------------------|-------------------|
| \$14,771,300 | \$14,119,752             | \$651,548         |



# Travel

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| FY22 Budget | FY22 Actuals & Projected | Projected Surplus |
|-------------|--------------------------|-------------------|
| \$800,000   | \$517,027                | \$282,973         |



# Contractual Services

|                            | FY22 Budget        | FY22 Actuals & Projected | Projected Surplus |
|----------------------------|--------------------|--------------------------|-------------------|
| Audit, Legal, Consulting   | 625,475            | 572,635                  | 52,840            |
| Public Communications      | 283,150            | 285,961                  | (2,811)           |
| Board Support and Meetings | 71,800             | 80,176                   | (8,376)           |
| Information Technology     | 1,147,500          | 1,252,106                | (104,606)         |
| HR and Recruitment         | 63,710             | 57,053                   | 6,657             |
| Training/Education         | 199,600            | 83,608                   | 115,992           |
| Office Support             | 822,365            | 704,489                  | 117,876           |
| <b>TOTAL</b>               | <b>\$3,213,600</b> | <b>\$3,036,028</b>       | <b>\$177,572</b>  |

# Commodities

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| FY22 Budget | FY22 Actuals & Projected | Projected Surplus |
|-------------|--------------------------|-------------------|
| \$201,100   | \$183,904                | \$17,196          |



# Total Equipment

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| FY22 Budget | FY22 Actuals & Projected | Projected Surplus |
|-------------|--------------------------|-------------------|
| \$550,000   | \$541,890                | \$8,110           |



# Operational Highlights

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- Developed a Corporate Data Strategy
- Began implementing a new Enterprise Resource Planning (ERP) system
- Improved our IT Security Management System
- Completed 83% of the Office 365 Modern Workplace Cloud implementation
- Established a partnership to revitalize the education youth outreach program

# Investment Management Allocation

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| FY22 Budget   | FY22 Actuals & Projected | Projected Surplus |
|---------------|--------------------------|-------------------|
| \$193,039,100 | \$128,891,008            | \$64,148,092      |

Investment Manager Fees  
Investment Systems  
Investment Due Diligence  
Custody Fees

# Investment Management Fees

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|                         | FY22 Budget          | FY22 Actuals & Projected | Projected Surplus   |
|-------------------------|----------------------|--------------------------|---------------------|
| Public Equity           | 131,895,672          | 79,995,399               | 51,900,273          |
| Fixed Income Plus       | 9,755,847            | 7,546,471                | 2,209,376           |
| Alternative Investments | 3,114,387            | 3,665,525                | (551,138)           |
| Real Estate             | 32,455,594           | 26,241,105               | 6,214,489           |
| <b>Total</b>            | <b>\$177,221,500</b> | <b>\$117,448,500</b>     | <b>\$59,773,000</b> |

# Investment Management

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|                          | FY22 Budget         | FY22 Actuals & Projected | Projected Surplus  |
|--------------------------|---------------------|--------------------------|--------------------|
| Investment Systems       | 8,080,900           | 6,987,402                | 1,093,498          |
| Investment Due Diligence | 6,136,700           | 3,179,020                | 2,957,680          |
| Custody Fees             | 1,600,000           | 1,276,087                | 323,913            |
| <b>Total</b>             | <b>\$15,817,600</b> | <b>\$11,442,509</b>      | <b>\$4,375,091</b> |

# Investment Highlights

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- FYTD – March 2022, the Fund has generated a 4.95% investment return, compared to 4.56% benchmark return and (1.18%) passive index return
  - Both public market assets have beaten their benchmarks FYTD. We are particularly pleased with the performance because the teams have now demonstrated an ability to beat the benchmark in a strong market as well as tougher declining markets.
  - Real Estate performance has improved under a new director and team with a FYTD return of 19.32% vs. the benchmark return of 18.10%.
  - The Absolute Return Program, which is designed to provide the potential for positive returns in a wide range of market environments, has generated a 6.30% FYTS return vs. (0.74%) decline on the asset class's benchmark.
  - Private equity generated \$4.2 billion in gains over the latest 12-month period.
- Procured and progressing with the implementation of eFront

A teal-colored background featuring a close-up, slightly blurred image of a pine branch with needles and a small, textured pine cone or bud. The text "Questions?" is centered in white.

# Questions?



ALASKA PERMANENT  
FUND CORPORATION

# FY2023 Budget Authorization

# FY2023 Board Approved – Governor Proposed

APFC brings forth an increment of \$5.2 million for the FY2023 Operating Budget, which reflects growing assets under management and the need to maintain and recruit talent to manage the Fund effectively.

|   | Authorized           | BOT Approved         | GOV Proposed         | FY2022 To GOV      |
|---|----------------------|----------------------|----------------------|--------------------|
|   | FY2022               | FY2023               | FY2023               | Variance           |
| <b>Operating Allocation</b>             | \$19,536,000         | \$22,396,000         | *\$21,934,000        | \$2,398,000        |
| <b>Investment Management Allocation</b> | \$193,039,100        | \$195,868,000        | \$195,868,000        | \$2,828,900        |
| <b>Total Appropriation</b>              | <b>\$212,575,100</b> | <b>\$218,264,000</b> | <b>\$217,802,000</b> | <b>\$5,226,900</b> |

\*Benefit rates for PERS, AlaskaCare, and Department Risk Management changed post APFC's Board approving a budget

# Change from FY2022

|  | Proposed Budget Increments |
|--|----------------------------|
| Personal Services                                  | \$ 2,327,000               |
| Merit and Retention Adjustments                    | 438,400                    |
| Incentive Compensation                             | 710,000                    |
| 7 New Positions                                    | 1,572,600                  |
| Board Honorarium                                   | 3,400                      |
| State-Wide Benefit Rate Adjustment                 | (397,400)                  |
| Operational  | 71,000                     |
| Investment Management Fees                         | 2,828,900                  |
| <b>Total Increment from FY22 Authorized Budget</b> | <b>\$ 5,226,900</b>        |

**Benefit rates for PERS, AlaskaCare, and Department of Risk Management changed after the Board approved the budget in September.**

**This is the only change between the Board Approved Budget and Governor Proposed.**

# FY2023 Proposed Budget

|                                   | Authorized           | BOT Proposed         | GOV Proposed         | House                | Senate*              |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                   | FY2022               | FY2023               | FY2023               | FY2023               | FY2023               |
| <b>Operating Allocation</b>       | \$19,536,000         | \$22,396,000         | \$21,934,000         | \$21,934,000         | \$21,153,000         |
| Personal Services                 | \$14,771,300         | \$17,560,270         | \$17,098,300         | <i>\$17,098,300</i>  | <i>\$16,388,300</i>  |
| Travel                            | \$800,000            | \$800,000            | \$800,000            | \$800,000            | \$800,000            |
| Services                          | \$3,213,600          | \$3,389,830          | \$3,389,800          | <i>\$3,389,800</i>   | <i>\$3,318,800</i>   |
| Commodities                       | \$201,100            | \$195,900            | \$195,900            | \$195,900            | \$195,900            |
| Equipment                         | \$550,000            | \$450,000            | \$450,000            | \$450,000            | \$450,000            |
| <b>Investment Mgmt Allocation</b> | \$193,039,100        | \$195,868,000        | \$195,868,000        | \$195,868,000        | \$195,868,000        |
| Investment Mgmt Fees              | \$177,221,500        | \$179,312,910        | \$177,221,500        | \$177,221,500        | \$177,221,500        |
| Investment Systems                | \$8,080,900          | \$8,891,700          | \$8,080,900          | \$8,080,900          | \$8,080,900          |
| Due Diligence                     | \$6,136,700          | \$5,763,390          | \$6,136,700          | \$6,136,700          | \$6,136,700          |
| Custody Fees                      | \$1,600,000          | \$1,900,000          | \$1,600,000          | \$1,600,000          | \$1,600,000          |
| <b>Total Appropriation</b>        | <b>\$212,575,100</b> | <b>\$218,264,000</b> | <b>\$217,802,000</b> | <b>\$217,802,000</b> | <b>\$217,021,000</b> |

The italics for the House and Senate numbers indicate pending items that will likely be part of the Conference Committee.

\*Pending further deliberation and passage<sup>354 of 358</sup>



# Motion to Authorize Expenditure

SUBJECT: FY23 Budget Approval

ACTION: X

DATE: May 19, 2022

INFORMATION:

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**BACKGROUND:**

Per Board Resolution, 98-6 Authorization to Expend Approved Funds:

*Before the end of the current fiscal year, APFC staff shall present to the Board of Trustees the final operating and capital budgets authorized by the Legislature for the succeeding fiscal year, and identify budget reductions by the Legislature, if any, along with an analysis of resulting corporate or program effect.*

*The Board of Trustees authorizes the Executive Director, following proper notification to the Trustees in accordance with the requirements of Resolution 98-6, to expend from appropriations as authorized by Trustee policy and the Legislature beginning July 1 of the fiscal year.*

In September 2021, the Board approved a detailed budget for presentation to the Legislature through the Office of Management and Budget (OMB).

**STATUS:**

The Board of Trustees' proposed FY2023 Budget was presented for legislative consideration in the Governor's Operating Budget, HB 281/SB 162, with a minor reduction to personal services due to benefit rate adjustments. On April 9, 2021, the House passed the Operating Budget and transmitted it to the Senate for further consideration. The House version of the budget includes full funding for the Corporation's Operating Budget in its entirety. The FY2023 Operating Budget currently resides with the Senate Finance Committee. Although they are still deliberating, they have indicated they intend to pass the Corporation's Budget less the increment of \$710,000 for the Incentive Compensation program and the \$71,000 increment for operational Contractual Services. Depending on the final decision of the Senate, the Corporation's Budget is likely to be part of the Conference Committee for the two increments that vary in the House and Senate versions of the budget. When preparing this report, there are still several stages in the Legislative and the Governor's approval process that must occur before the outcome of our FY2023 Budget will be known.

**BOARD PROPOSED BUDGET:**

Annually the Budget is developed utilizing a zero-based budgeting approach. In the summer of 2021, all department heads thoroughly reviewed prior-year expenditures to compile and project FY2023 expenses. This process resulted in reductions to four lines of expenditure: Contractual Services, Commodities, Investment Due Diligence, and Custody Fees; and increases to Personal Services, Travel, Equipment, Investment Management Fees, and Investment Systems.

The overall variance compared to the FY2022 authorized budget resulted in an increase of \$2.4 million in the Operating Allocation and a \$2.8 million increase in the Investment Management Allocation, totaling an increase of \$5.2 million.

The increase is primarily attributed to Personal and Contractual Services within the Operating Allocation. The request for Personal Services includes an increase (\$710,000) to the incentive compensation plan to fund a portion (\$1,600,000) of the estimated maximum distribution (\$3.2 million), seven new positions- five investment and two operational (\$1.6 million), merit adjustments for all staff (\$438,400), a state-wide benefit rate adjustment (-\$397,400), Board honorarium (\$3,400), and includes a three percent vacancy factor.

The increase for Contractual Services is \$176,000. However, the total increase was offset by a decrement in Commodities (-\$5,200) and (-\$100,000) in Equipment, resulting in a total increment of \$71,000. The additional funds requested are to support the initiative to continue exploring the Corporation's future data needs and reestablish the youth education outreach to engage and inform Alaska's future leaders.

A reduction was taken in Investment Due Diligence in the Investment Management Allocation. The decrement is based on FY2021 actuals for legal fees specific to investments.

Increases to the allocation included funds for Investment Management Fees (\$2.1 million), Investment Systems (\$810,800), and Custody Fees (\$300,000). The methodology for forecasting the FY2023 fees was modified due to FY2021 performance. Base fees were still calculated based on Callan's growth assumptions by asset class, the Fund's asset allocation, and contractual fee terms. Incentive fees were based on basis points (BPS) paid by a manager in FY2021 unless the historical average were still an accurate representation. The additional funds requested for Investment Systems are for data feeds and platforms to broaden the Corporation's analytical capabilities for investment decisions and risk management. The increase in custody fees is in anticipation of outsourcing new collateral margining requirements.

In summary, the Board Proposed FY2023 Operating Budget contains an increase of 5.2 million across both the Operating and Investment Management allocations. As the Legislative process continues, the outcome of APFC's Operating Budget will be determined.

|  | Proposed Increments |
|--|---------------------|
| Personal Services                                  | \$2,327,000         |
| Merit and Retention Adjustments                    | 438,400             |
| Incentive Compensation*                            | 710,000             |
| 7 New Positions                                    | 1,572,600           |
| Board Honorarium                                   | 3,400               |
| State-Wide Benefit Rate Adjustment                 | (397,400)           |
| Contractual Services                               | \$71,000            |
| Investment Management Fees                         | \$2,828,900         |
| <b>Total Increment from FY22 Authorized Budget</b> | <b>\$5,226,900</b>  |

\* In accordance with the policy passed by the Board, the maximum distribution of the Incentive Compensation plan is estimated to be \$3,183,013.

A comparison of the Board's Authorized FY2022 and Proposed FY2023 request, the Governor's Proposed Operating Budget, and the House and Senate version are outlined below. The italics for the House and Senate numbers indicate pending Conference Committee deliberations to reconcile the difference:

|                                   | Authorized           | BOT Proposed         | GOV Proposed         | House                | Senate*              |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                   | FY2022               | FY2023               | FY2023               | FY2023               | FY2023               |
| <b>Operating Allocation</b>       | \$19,536,000         | \$22,396,000         | \$21,934,000         | \$21,934,000         | \$21,153,000         |
| Personal Services                 | \$14,771,300         | \$17,560,270         | \$17,098,300         | <i>\$17,098,300</i>  | <i>\$16,388,300</i>  |
| Travel                            | \$800,000            | \$800,000            | \$800,000            | \$800,000            | \$800,000            |
| Services                          | \$3,213,600          | \$3,389,830          | \$3,389,800          | <i>\$3,389,800</i>   | <i>\$3,318,800</i>   |
| Commodities                       | \$201,100            | \$195,900            | \$195,900            | \$195,900            | \$195,900            |
| Equipment                         | \$550,000            | \$450,000            | \$450,000            | \$450,000            | \$450,000            |
| <b>Investment Mgmt Allocation</b> | \$193,039,100        | \$195,868,000        | \$195,868,000        | \$195,868,000        | \$195,868,000        |
| Investment Mgmt Fees              | \$177,221,500        | \$179,312,910        | \$177,221,500        | \$177,221,500        | \$177,221,500        |
| Investment Systems                | \$8,080,900          | \$8,891,700          | \$8,080,900          | \$8,080,900          | \$8,080,900          |
| Due Diligence                     | \$6,136,700          | \$5,763,390          | \$6,136,700          | \$6,136,700          | \$6,136,700          |
| Custody Fees                      | \$1,600,000          | \$1,900,000          | \$1,600,000          | \$1,600,000          | \$1,600,000          |
| <b>Total Appropriation</b>        | <b>\$212,575,100</b> | <b>\$218,264,000</b> | <b>\$217,802,000</b> | <b>\$217,802,000</b> | <b>\$217,021,000</b> |

\*Pending further deliberation and passage

**RECOMMENDATION:**

Proposed Board Motion:

"The Board moves to authorize the acting Chief Executive Officer to expend the APFC budget authorization as appropriated by the Legislature and enacted into law.

If final budget negotiations produce a different outcome than what was presented, the Board authorizes the acting CEO to expend the legislative authorizations in the bill signed by the Governor."

**ALASKA PERMANENT FUND CORPORATION  
QUARTERLY MEETING OF THE BOARD OF TRUSTEES**

**WEBEX/TELECONFERENCE**

February 16 and 17, 2022

8:30 a.m.

Originating at:

Alaska Permanent Fund Corporation

801 West 10<sup>th</sup> Avenue

Juneau, Alaska 99801

Trustees:

Craig Richards, Chair

Lucinda Mahoney

Steve Rieger

William Moran

Corri Feige

Ethan Schutt

APFC Staff :

Val Mertz, Acting CEO/CFO

Chris Poag, General Counsel

Valeria Martinez

Sebastian Vadakumcherry

Tim Andreyka

Chad Brown

Jennifer Thorsteinson

Paulyn Swanson

Nellie Metcalfe

Rachel Price

Lara Pollock

Scott Balovich

Sang Won Song

Joe Shinn

Adam Kane

Mark Hadfield

Sarah Struble

Sarah Clark

Norix Mangual

James Wilkey

Keira Kelly

Youlian Ninkov

Valeria Buschfort

Catherine Hatch

Marcus Frampton, CIO

Steve Moseley

Jim Parise

Sara Race

Tom O'Day

Danielle Graham

Cliff Sperry

Masha Skuratovskaya

Alexa Simpson

Julia Mesdag

Fawad Razzaque

Chirag Shah

Larissa Murray

Rafa Ramirez

Steve Adams

Ross Alexander

Rachel Price

Jacki Mallinger

Alexander Smith

Logan Rahn

Michael Prebeg

Chris Cummins

Chris Lavalee

Jon Strickler

Investment Advisers:

George Zinn

Kenneth Frier

John Skjervem

Participants:

|  |   |
|--|---|
| Greg Allen, Callan                         | Steve Center, Callan                          |
| Jay Koepfer, Callan                        | Jim Simard, Public Testimony                  |
| Bob Schroeder, Public Testimony            | John Hudson, Public Testimony                 |
| Doug Woodby, Public Testimony              | Richard Bernstein, Richard Bernstein Advisors |
| Lisa Kirschner, Richard Bernstein Advisors | Ben Hofmeister, Alaska Department of Law      |

Public:

|                    |                    |
|--------------------|--------------------|
| Rep. Bryce Edgmon  | John Kevin Baload  |
| Michael Barton     | Cecilia Galliani   |
| Karol Raszkievicz  | Preeti Singh       |
| Dillon Gravenstein | Larry Smith        |
| Lorilyn Swanson    | Robert Maynard     |
| Anne Rittgers      | Tom Gemmell        |
| Leighan Gonzales   | Gregory Samorajski |
| Kevin Allen        | Vince O'Shea       |

## PROCEEDINGS

### CALL TO ORDER

CHAIR RICHARDS called the meeting to order and asked for a roll call.

MS. THORSTEINSON stated that there was a quorum.

### APPROVAL OF AGENDA

CHAIR RICHARDS moved to the agenda and asked for any objection. There being none, the agenda was approved by consent.

### APPROVAL OF MINUTES

CHAIR RICHARDS moved to the minutes of November 9, 2021, special meeting, and December 8-9, 2021, regular meeting, and asked for any comments or objections. Hearing none, the minutes will be treated as approved.

### PUBLIC COMMENT

CHAIR RICHARDS asked if there was anyone signed up to testify on-line.

MS. THORSTEINSON replied that four people had signed up. She unmuted Bob Schroeder.

MR. SCHROEDER stated that he was a Juneau resident and a member of 350 Juneau Climate Action for Alaska. He continued that this group is affiliated with other watchdog groups across the nation that are concerned that public funds are being invested in a dying fossil-fuel industry. He added that fossil-fuel investments are bad bets in a world that must transition to a carbon-free energy economy. He moved to the second part of his testimony and highlighted concerns about APFC's increasing use of private equity, a very high-risk asset class. He urged APFC to have staff take a close look at private equity investments to see if this type of investment matches the transparency requirement, long-term investment strategy, and emerging climate-risk posture of the Alaska Permanent Fund Corporation. He thanked the trustees for their service on the Board.

CHAIR RICHARDS thanked Mr. Schroeder and moved to the next person.

MR. HUDSON stated that he also was a member of 350 Juneau. He continued that for several years, 350 Juneau members have testified on the financial risks associated with the fossil-fuel sector investments and provided examples of asset managers actively divesting from fossil fuels. He talked about the projected costs of repairing the damage to the permafrost thaw and how Alaska is warming faster than other parts of the world. He thanked all for their time and service.

CHAIR RICHARDS thanked Mr. Hudson and recognized the next speaker.

MR. SIMARD stated that he was a Juneau resident, and a retired librarian. He continued that he was a board member of 350 Juneau and a concerned grandfather. Some of his family members live in the town of Louisville, Colorado, and their house was one of 1,000 houses in Boulder County that burned to the ground. Due to advances in climate attribution science, the hot, dry weather conditions that made that fire possible are traceable to worldwide climate changes and fossil-fuel emission. The latest major development in Boulder County are the lawsuits of Suncor Energy over flood and erosion damage in 2017. He suggested reading the Bar Association's thoughts on these lawsuits and how litigation against fossil fuel may occur after the investment risk assessment. He thanked the trustees.

CHAIR RICHARDS thanked Mr. Simard and recognized the next speaker.

MR. WOODYBY stated that he lives in Juneau and was part of 350 Juneau. He continued that he was concerned with the risky investments the Permanent Fund has in fossil-fuel-related companies that were identified last fall by Third Rail Economics, a financial analytics firm specializing in the energy sector. Their analysis found that roughly 6 percent of the Fund's investments were fossil-fuel related, which is above the norm, and is a significant fiduciary risk. After explaining this finding, he requested taking climate risk seriously and decarbonizing the investments to protect the Fund. He thanked them all for everything done to protect and grow the Fund.

CHAIR RICHARDS thanked Mr. Woodby and appreciated the respect and timeliness of the 350 Juneau Group. He moved to the chief executive officer's report.

### **CHIEF EXECUTIVE OFFICER'S REPORT**

MS. MERTZ stated that it was good to see everyone in Juneau, and that staff buckled down and did a great job of doing the great work they have always done. She highlighted some of the things in the packet, and then moved to some updates not in the packet. She talked about some of the problems of recruitment on the intern program and was hopeful that the numbers will go up as the external program is rebuilt. She also talked about the breakdown of the current vacancies in the corporation and the status of the recruitment. She continued on to the communications update which was busy because of the start of the legislative session. The team pulled together and gave several presentations at the Capitol. She added that the FY22 midyear review was published in a digital format. The digital report replaces the newspaper insert, which allows it to reach a wider audience, and is more cost effective. Also included is a summary from the Department of Law of the securities litigation currently going on on behalf of the Fund. She

went through a few financial highlights and a few updates on some projects that are going on within the corporation. Finance and investment staff have collaborated on implementing an analytics tool for the private markets team which will provide greater insight into the exposures in the portfolio and better analytics for potential new investments. She then explained the contract with Callan, which expires on June 30<sup>th</sup>. She added that Trustees Moran and Mahoney would serve on that selection committee with several team members, with a plan to bring the recommendation to the Full Board at the May meeting. She concluded her report.

CHAIR RICHARDS commented on no inflation-proofing for fiscal years '20 and '21, and encouraged staff to have conversations with everyone on that.

### **CIO REPORT**

CIO FRAMPTON began his report with personnel and noted that three remaining positions to be filled were fixed-income analysts and two real estate positions. He added that it has been a tough hiring environment. He continued on about performance, but did not have any conclusion. He also talked about real estate and how the benchmark was beat for the first time in years. He continued on to the limit of no more than 5 percent of the public equity portfolio for an individual manager. The limit works with the strategies in public equities because there is a very active public equity portfolio.

MR. CENTER noted specified benchmarks were permissible as passive. Broad-based benchmarks eligible should be clearly defined as “passive” is a recommendation to avoid confusion.

CIO FRAMPTON moved to the long-standing limit of 40 percent leveraged limit on the real estate portfolio. The recommendation was to increase that to 50.

### **INVESTMENT ADVISOR COMMENTS**

MR. FRIER stated that his main topic would be that the risk to the downside of Callan's equity return projection is larger than the risk to the upside. He continued that an example is Callan's projection of the price-to-earnings ratio. Predicting the return of the equity market requires getting three things right: First is dividend yield; second is earnings growth; and third is the need to predict price/earnings ratio, which is impossible. But when price/earnings ratios are very high as they are now they tend to correct downward more than Callan is predicting. He explained Callan's process.

~~MR. FRIER stated that his main topic would be that the risk to the downside of the projection is larger than the risk to the upside. He continued that an example that comes about is to look at what happened with the price-to-earnings ratio. Predicting the return of the equity market requires getting three things right: First is dividend yield; second is earnings growth; and third is the need to predict price/earnings ratio, which is impossible. He explained Callan's process.~~

MR. ZINN stated that it was great to be back in Alaska, and enjoyed seeing the renovation in the office and the tour. He continued that he selected two different topics to focus his comments on. First was the governance topic where the noise versus signal in the investment policies is trying to be sorted out. The green zones are not limits, but were used as a way to inform about escalating levels of management. He added that if green zones are interpreted as limits, behavior

will change. He stated the belief of having a strong executive director that looks out for the whole team. There is also an incremental dimension of someone with a Street background, because that is what the CIO has. He added that, from an organizational perspective, the executive director should be looking across the whole organization, and should not be limited to the investment operations.

MR. SKJERVEM began with some comments on some of the earlier points and stated that the team had demonstrated extraordinary results in its management and realization of value within the private equity portfolio, in general, and also in the distributions. He also commented on the change in the hedge fund benchmark from a high-level fund to funds down to the subindices.

CHAIR RICHARDS thanked the advisors and called a break.

(Break.)

CHAIR RICHARDS moved into the risk overview and recognized Mr. Vadakumcherry.

### **RISK OVERVIEW**

MR. VADAKUMCHERRY stated that there were three parts to the overview section and began with an action point. This is a request for an approval of a 12-month extension of the waiver, which was approved last year. This waiver is a requirement because it is a change in the investment policies. He continued that the guideline says no more than 20 percent of the private equity portfolio should be listed in publicly listed equities, and there is 27.6 percent. Approval is needed from the Board to continue with this excess over the limit for another period of 12 months.

**MOTION: A motion to exceed the 20 percent limit was made by TRUSTEE MORAN; seconded by TRUSTEE MAHONEY.**

*After the roll-call vote, the MOTION was APPROVED. (Trustee Rieger, yes; Trustee Feige, yes; Trustee Mahoney, yes; Trustee Schutt, yes; Trustee Moran, yes; Chair Richards, yes.)*

MR. VADAKUMCHERRY continued that at the last board meeting in Kodiak there was talk about the private equity asset allocation weights, and the Chair requested an elaboration on that and the PR process that would take place. He noted that a metric was provided of the different possible risk weights for the private equity portfolio, assuming changes in the valuations of the private equity portfolio and the rest of the Fund.

### **CAPITAL MARKET OVERVIEW/2022 FORECAST**

MR. ALLEN introduced Jay Koepfer, head of the capital markets research group, and he oversees the process of coming up with and explaining the capital market expectation.

MR. KOEPFER stated that Callan has investor clients across the spectrums, and we help them with their quarterly and annual strategic plannings. This is meant to be a reasonable set of return and risk expectations for a ten-year time horizon. It is a longer term than the 18 months heard from most of the investment managers.

CHAIR RICHARDS highlighted that the numbers were incredibly important in the context of long-term returns, and State-level policymakers making important decisions for the State of Alaska.

MR. KOEPFER continued that the definition of beta is used to limit stock, ownership, debt, and cash, and there are other terms like illiquidity or selling liquidity. He addressed some of those components. He stated that a process is built around models and building blocks with no substitute for informed judgment. He moved to market conditions and discussed the perspectives, demographics, productivity, and the global economy. He noted some key thoughts about inflation. He moved to equity, went through some summary slides, and concluded his presentation.

MR. ALLEN added that this toolbox helped people make long-term strategic decisions that are used to balance the 30-year time horizons.

CHAIR RICHARDS adjourned for lunch.

(Lunch break.)

CHAIR RICHARDS moved back on the record and stated that Callan and Steve Center will go over the Fund performance for the last quarter.

#### **FUND PERFORMANCE OVERVIEW**

MR. CENTER stated that he will focus mostly on performance for the Fund. He looked at the broad capital market performance through the end of 2021, with the understanding that things had changed quite a bit in the last six weeks. For calendar year 2021, U.S. equities and, in particular, large cap U.S. equities were the place to be, with the S&P returning 11 percent last quarter and 28.7 over the last 12 months. He continued that the equity market performance was strong over three-, five-, seven-, ten-year periods, and the S&P was north of 15 percent for most of those time periods. It was a very strong period for large cap U.S. stocks. He talked about the Total Fund, which ended 2021 with about \$84.5 billion in assets. He also talked about the Fund's performance relative to public pension plans, and then relative to large endowments and foundations. He added that the Permanent Fund is at the median relative to other endowments and foundations. Because the Permanent Fund has a slightly higher standard deviation than the benchmark, a slightly higher return versus the median is noticed. He reminded all that the U.S. equity market did extremely well. He moved on to the Permanent Fund's public equity structure, which is evenly split between U.S. equity managers, non-U.S. equity managers and global equity managers. He continued to a quick overview of the U.S. fixed income market.

#### **PUBLIC EQUITIES, ASSET CLASS UPDATE**

MR. RAZZAQUE was pleased to have a full-strength public equities team and noted that they did an exhaustive search to find a portfolio manager. After a year, Sang Won Song was hired. He continued that he had spent the same amount of time trying to find a public equity analyst, and Joe Shinn was also hired. He went through the public equities summary, and then the emerging markets.

(Break.)

CHAIR RICHARDS went back on the record and stated that the next presentation would be from Callan, with input from staff, at the request of the Board. He listed the hopes of the discussion as the recruitment process for an executive director began; the role of the governance structure, particularly around investments, in relationship to the executive director's job; the CIO's job; the investment committee; and looking for the most appropriate person for the executive director's role. The goal is to narrow; not to expand.

### **GOVERNANCE REVIEW**

MR. ALLEN stated that they were asked by the Board to take a look at governance structures, keeping in mind the way the Permanent Fund works now. He went over his understanding of how the Permanent Fund governance works, to frame how all of these others look. It was important to know from where he was starting. He continued that in the case of the Permanent Fund, the Board historically hired an executive director, and made a decision, based on recommendations of the executive director, for the CIO. He added that the focus was an understanding of how the decision-making process around investments worked, recognizing, particularly, in public pension funds, and with a lot of other decisions the Board gets involved with. He stated that, in a lot of the cases in the pension funds, the ED or the CEO spend more than half of the time worrying about benefits, administration, stakeholders, public employees' retirement system, managing the entire organization. He talked about some of the different models with the different positions of the ED and the CIO.

CHAIR RICHARDS stated that he had asked Ms. Mertz and CIO Frampton for any recommendations regarding the ED position.

MS. MERTZ was happy to give thoughts and perspective, but she added that governance was the purview of the Board, and she was looking for the Board to make a final decision.

CIO FRAMPTON stated that it was important to him to work well with whomever the next executive director is. He continued that, if he was accountable for the investment performance, that his preference is to report to the Board because of the shortcomings of reporting to the executive director position. He would have a budget that was established distinct for the investment department.

CHAIR RICHARDS asked for a motion for the Executive Session.

**MOTION: In accordance with Alaska's Open Meetings Act, a motion that the Board of Trustees convene in Executive Session for the purpose of receiving legal advice regarding the pending LB&A, including the request for interviews and production of documents was made by TRUSTEE MAHONEY; seconded by TRUSTEE FEIGE.**

*After the roll-call vote, the MOTION was APPROVED. (Trustee Feige, yes; Trustee Moran, yes; Trustee Schutt, yes; Trustee Rieger, yes; Trustee Mahoney, yes; Chair Richards, yes.)*

CHAIR RICHARDS called a break and stated that they would be coming back into Executive Session.

(Break.)

(Executive session from 5:00 p.m. until 7:14 p.m.)

CHAIR RICHARDS went back on the record and stated that the Board left the Executive Session. While in Executive Session, the trustees considered only the matters mentioned in the motion and took no action. He closed the meeting for the day, to rejoin tomorrow.

(Alaska Permanent Fund Corporation Quarterly Board of Trustees meeting recessed at 7:15 p.m.)

## **February 17, 2022**

### **CALL TO ORDER**

CHAIR RICHARDS stated that it was Thursday, February 17, 2022, and that the meeting was back on the record. He continued that the meeting will start with the annual asset allocation by Greg Allen.

### **ANNUAL ASSET ALLOCATION STUDY**

MR. ALLEN began with the projection process and highlighted a couple of points on some long-term charts. He summarized the 2022 capital market expectation with a bit more focus on some of the asset classes the Permanent Fund uses that were not discussed yesterday. He then went through what was projected for the Permanent Fund portfolio for the next ten years. He stated that their capital market projections were updated every year in January, and the same ones with all client accounts were used. He continued that the Permanent Fund's portfolio was near the top and is an actual reflection of the increasing amount of private equity in it. He went through his presentation and answered questions as he went along. In the five-year plan, he talked about sticking to the plan and having more private equity and private real estate at the end of it.

CHAIR RICHARDS stated that Mr. Frier was next.

### **INVESTMENT ADVISOR PRESENTATION**

MR. FRIER thanked all for the invitation and stated that he had been a risk guy his whole career. He added that he was a risk guy before he was an investment guy, and had generated some thoughts to share. He continued that he would talk about the crummy market and hoped it would be aspirational. He hoped that enhancements can be made in risk management, and that would help generate better returns than their peers. He stated that he had three goals to this conversation: One is to advocate for a more consistent way of conveying risk that helps in the job of overseeing the fund; second is to understand the current moment; and the third goal is to integrate risk and strategy. He clarified that the risk function should be not just measuring risk, but also navigation – steering away from hazards and toward opportunities. He began with the risk, return and continued through with his presentation. He then went on to identify the current hazards, and the implications of straying from the long-term plan to protect the portfolio at a time of higher risk. He stated that inflation is bad, and another danger is recession; but they are not simultaneous. There is inflation; the Fed acts; inflation goes down; the economy goes down;

and then there is recession. He concluded his slides and advocated for consistent communication and measurement risk for ongoing optimization of portfolio efficiency as the market changes.

~~MR. FRIER thanked all for the invitation and stated that he had been a risk guy his whole career. He added that he was a risk guy before he was an investment guy, and had generated some thoughts to share. He continued that he would talk about the crummy market and hoped it would be aspirational. He hoped that would be done in risk management, and that would help generate better returns than their peers. He stated that he had three goals to this conversation: One is to advocate for a more consistent way of conveying risk that helps in the job of overseeing the fund; second it to understand the current moment; and the third goal is to suggest to sort of integrate risk and strategy. He clarified that the risk function is not just measuring risk, but is also what we want the navigator to do. He began with the risk, return and continued through with his presentation. He talked about the process and that it just works better with return. He then went on to identify the hazards, and not straying from the long-term plan to protect the portfolio at a time of higher risk. He stated that inflation is bad, and another danger is recession; but they are not simultaneous. There is inflation; the Fed acts; inflation goes down; the economy goes down; and then there is recession. He concluded his slides and advocated for consistent communication and measurement risk for ongoing optimization of portfolio efficiency as the market changes during the year. He added implementation of strategies that respond to the strategic situation.~~

CHAIR RICHARDS called a break.

(Break.)

CHAIR RICHARDS called everyone back on the record, and stated that next there was an external manager presentation.

#### **EXTERNAL MANAGER PRESENTATION**

MR. RAZZAQUE introduced Richard Bernstein Advisors who have been part of the external management program since the end of 2017. They are one of the global equity managers and are unique in the sense that they look at things from the top down. Their investment approach is based on the top down, and on identifying profit cycles. There are times within the broader economic cycle, market cycle, that the earnings and profits tend to accelerate and decelerate. He stated that Richard Bernstein was the force behind the founding of his firm, and before that was the chief market strategist for Merrill Lynch. Lisa Kirschner also worked at Merrill Lynch and is the director of research for Richard Bernstein Advisors. He added that they manage multi-asset strategies, have a good view of the markets from the liquidity standpoint, and they have a good read on inflation.

MR. BERNSTEIN thanked all for investing with RBA and for the trust in the firm. He gave a short background on himself and Lisa, and added that their investment team is very experienced. He stated that they were a macro firm and explained that they try to drive performance of the portfolios through macro-economic considerations. He continued that if he could figure out what macro-economic caused the underperformance that it would be a big value. What was discovered was not economic cycles, but profit cycles that drove cycles of style. This was tested around the world, and was found to be consistent. He added that right now a lot of profit cycles around the world are very much aligned, which is not always true. He added that profit cycles

have a greater impact on the equity market, and they tend to boom and bust more than the economy. He broke it down into three different categories and stated that most of their research is home-grown. He first grouped sentiment and valuation together, because valuation tends to get viewed as a sentiment measure. He moved to places where fundamentals are improving, and profits look like they are decelerating. Inflation looks like a big item. He concluded his presentation and thanked everyone, and for investing with RBA.

CHAIR RICHARDS called for a lunch break.

(Lunch break.)

CHAIR RICHARDS was back on the record. He stated that, by consent, the two investment advisors would give their comments.

### **INVESTMENT ADVISOR COMMENTS**

MR. ZINN thanked all for being so welcoming for the first trip back to Juneau since pre-pandemic times. He touched on some of the themes that were consistently talked about. The consistency of the Fund reminded him of a quote “consistency over time is trust.” It was important for the Fund to have a rules-based framework that an asset allocation could be planned around for liquidity purposes. He stated that consistency of the Fund in terms of the organizational structure and the leadership will be rewarded with trust over time.

MR. FRIER stated that he was always impressed with the caliber of the people on the investment staff, and that we should treasure the kind of resource. What he talked about before was having a function that does not look at just one asset class, but across the entire portfolio. For the executive director, he advised just getting the person who wants the job for the right reasons and not being involved in the investment side. There is a need for someone with executive skills, wisdom, knows how to organize work, have a good process, how to build a good culture. He continued that the right kind of person would be able to identify that and just help the organization succeed.

### **PUBLIC EQUITIES - INTERNAL MANAGEMENT**

MR. RAZZAQUE stated that he was very happy to have someone like Mr. Sang with his background, quantitative skills, and sophistication.

MR. SANG stated that he joined APFC six months ago after working as a quantity researcher and quantity trader at a major fund. He was excited to have this opportunity to utilize all his past experiences.

MR. RAZZAQUE talked about internal management as a piece of the overall puzzle. He stated that when he joined the Fund in 2012 there was no internal management, and it was not until 2015 when it started. He continued that the relation of internal management was small; 15 percent of the public equities. He talked about the history of the global tactical tilt with some modest returns. After the pandemic, the picture looks different in looking at performance. Its tactical tilt had outperformed global equities and public equities and the benchmark by a big margin. He continued going through his presentation, explaining as he went along.

(Break.)

MR. SANG continued that the main concept of the low vol is being able to provide low volatility for the portfolio. When these portfolios are added to the portfolio, then the overall volatility of the public equities will be reduced. That is the whole purpose of designing these two portfolios. He continued that one difference is the value factor. Value was added in the second portfolio to take advantage of the values, risk and underperformance. This is done by buying single stocks. He added that one benefit of low volatility is that when the market experiences high volatility and high drawdown, they can outperform the index relatively.

MR. RAZZAQUE stated that Sang ran plenty of back-tests for these strategies, and they appeared to be very compelling.

CHAIR RICHARDS thanked both and moved to the Legislative update.

### **LEGISLATIVE UPDATE**

MS. SWANSON stated that her presentation would provide an overview of the main areas of the legislative communications. She shared some of the examples that are being presented with regard to some of the fundamental concepts with regard to the Fund. The second part of the presentation will focus on legislation, including bills that are related to the Board of Trustees. She added that the legislative communications objectives were based on the strategic communications plan discussed at the annual meeting; also, the budget proposal adopted by the Board of Trustees at that time; and policy guidance outlined in board resolutions. She stated that we continue to affirm that the Alaska Permanent Fund is managed professionally and competently in accordance with fiduciary stands and the prudent investment rule. She continued that HB 213 is a new bill that intends to add a layer of protection from political influence between the Permanent Fund Corporation and elected officials. She then moved to HB 251, which shifts the selection of the Board of Trustees to a nine-member appointment committee. She appreciated all of the feedback which was very helpful, and added that it would be very beneficial to work together.

MR. POAG stated that there was a special meeting in Anchorage for going over resolutions in November. Some of the resolutions that were no longer effective or useful were repealed. He said that four resolutions were brought forth for further discussion; and two of those four for action. Two of them will stay stagnant for now because further work has to be done on them. Resolution 1990-24 has to do with utilizing the APFC international context to help with the State of Alaska as it does business in those communities' environments. Trustee Feige and Valerie Mertz are working on that, and will bring it back to a future board meeting. The other one being tabled is the most recent, 20-21. That resolution has a concept of a statutory endowment and he and Chair Richards talked with the Department of Law on the need for that to begin with the Governor's Office. He moved to the two resolutions that were identified for minor amendments. He stated that the changes to the first resolution identified as 22-01 are simple. Securities litigation is a collaborative process between the Department of Law and APFC. The resolution proposed for change is that the current resolution requires the general counsel and the executive director to come before the Board on some level and consult before taking any active role. What changed in this resolution is the elimination of the need to come to the Board if taking an active role in a case. The second resolution, also a very minor change, has to do with the travel policy.

**MOTION: A motion for proposed Resolutions 22-01 and 22-02 as they appear in the Board packet with an immediate effective date was made by TRUSTEE SCHUTT; seconded by TRUSTEE FEIGE.**

*After the roll-call vote, the MOTION was APPROVED. (Trustee Feige, yes; Trustee Moran, yes; Trustee Schutt, yes; Trustee Rieger, yes; Trustee Mahoney, yes; Chair Richards, yes.)*

(Break.)

CHAIR RICHARDS called the meeting back on the record, and recognized John Skjervem.

MR. SKJERVEM stated that the guardian angel metaphor really resonated with him. He realized that he was only successful in large part was because he had a guardian angel and he wanted to reinforce that idea and how important it is for the CIO to be successful. He talked about the risk management as things get more challenging. He discussed the human-behavior element and how things could go wrong because of that behavior.

CHAIR RICHARDS thanked Mr. Skjervem, and asked for any other comments.

CIO FRAMPTON stated that the investment policy is usually open in May, and he asked for any feedback on whether amending or not amending should be considered.

TRUSTEE MORAN talked about extending the red zone for a year, and he had no problem with just leaving it the way it is.

TRUSTEE FEIGE stated that one thing that stuck with her was what are arbitrary or artificial limits that change behavior, and that all should be careful about unnecessarily changing behavior.

CHAIR RICHARDS asked about the 5 percent passive.

TRUSTEE RIEGER stated that the real driver is not whether it is passive or not, but that the real driver is whether 5 percent placed with a single manager is something that is enough to either wave a flag about or not. The passive distinction is a distraction that keeps from focusing on the main issue, which is when the portfolio exceeds X percent of a number with one manager.

CHAIR RICHARDS stated the next item is to finish the conversation on governance and to summarize where the conversation ended. It left off at having the CIO continue to have responsibility over the investments, and the executive director role to be more as it is currently reflected in the investment guidelines. He continued that the suggestion would be to ask that the investment guidelines be rewritten to have one committee, and to have the executive director be a nonvoting member of the committee.

TRUSTEE RIEGER stated that the only nuance he wants is the executive director to be able to have a constrained veto power that does not come from second-guessing the analysis the investment staff made.

TRUSTEE SCHUTT commented that this would not be an issue with the right executive director, and this is prematurely addressing an issue that may not even be an issue.

CHAIR RICHARDS asked staff to draft the change to the investment guideline to have a CIO committee structure, and to have the executive director be on the committee, nonvoting; and then have a second draft that has the executive director with veto authority. He requested that we take up which one makes the most sense at the next meeting.

MR. POAG stated, for the record, that this is talking about a practical issue which involves multiple documents, and he wanted to clarify. The Board has, through the bylaws, delegated investment authority to the executive director. He also heard delegating investment authority to the CIO. He asked if a change to the bylaws is being proposed. Second, the governance manual has a charter for the executive director where it identifies and outlines the investment functions. He also wanted to clarify if a charter was being added for the CIO to the governance manual.

CHAIR RICHARDS asked Mr. Poag what needs to be amended.

MR. POAG stated that he needed to be clear that the investment authority is being delegated to the CIO and taking it from the ED.

TRUSTEE MORAN stated that he did not think that the whole Board of Trustees is clear on who does what, when and how. It was put together that there was an executive director that was the boss. If that is to be done, then a lot of the other little areas will get in there.

MR. POAG stated that the change would add a section to the bylaw that included the CIO.

CHAIR RICHARDS stated that two options had been identified, and he asked for a summary of what they are. He also asked to have a discussion about this at the next meeting.

TRUSTEE FEIGE asked for a copy of the bylaws to read, to think about what is being proposed, and to look at the structural changes that are talked about in the summary.

MS. MERTZ asked if there could be some talk about the next step into the type of ED wanted.

TRUSTEE MAHONEY suggested a special meeting.

MS. MERTZ stated the need for an RPF on the type of candidate being looked for. It has to post for 21 days, and then an evaluation process is needed.

MS. RACE stated that a request for information is to see what vendor to use and the potential costs to spend for a search, which will determine a formal versus informal procurement process.

MS. MERTZ stated that the director of HR said that it would be three to six months to have a candidate in place, and it may even be longer.

CHAIR RICHARDS asked for Trustee Comments.

### **TRUSTEE COMMENTS**

TRUSTEE FEIGE thanked Ms. Swanson for the Patton quote. She viewed the role of the board, any board, as a structure which is the big arrow that keeps the course and trajectory of the organization moving in the right direction. She added that when a board tries to micromanage or over-insert themselves into the function of the organization, things go south in a big hurry. She stated that the level of delegation currently in place was hopefully taken as a demonstration of the level of trust that is inherent between this Board, the investment staff, the leadership and the staff at the corporation. It is also important to remember that this is a team and all focused on where that big arrow is going. She appreciated the due diligence work and Chair Richards' leadership, making sure we are all thinking long and hard about what we want in the next ED, and the characteristics of that person. She thanked the investment staff, the operations and admin folks, for putting the meeting on and for the continued diligence and commitment in seeing that the Permanent Fund grows and is managed successfully.

TRUSTEE RIEGER liked the collaborative nature of a lot of the discussions at this meeting. The interaction between the staff and Board was great. He pointed out some of the things he was seeing happening with the real estate, and he stated that he enjoyed Ken Frier's presentation. His concern level is about being prepared to address the markets and about the recruiting environment faced going up.

TRUSTEE SCHUTT appreciated the level of excellence and preparation by the internal staff, the external advisers, and the collaborative effort between staff and the Board. He observed staff joking and kidding with each other, which exhibits a team mentality and a collegiality that is very appropriate and very appreciated from his perspective; a very healthy environment.

TRUSTEE MAHONEY shared that she was frequently out in the community talking about the revenues for the State of Alaska, and more so because the session is going on. She wanted everyone to know that her No. 1 topic of conversation is investments. There are 53 people who work at the Fund that generates 65 percent of the revenues for the State. They all help with education, roads, infrastructure and the incredible amount of benefit delivered to Alaskans. She empowered each one of the leaders, the 53 people, to be proud and know that she brags about them all the time.

CHAIR RICHARDS thought about making sure there is a system in place that if any one or two or three people leave, the place will still function. That continuity will continue. He thanked all for the work they do.

TRUSTEE MORAN seconded everyone else's comments on thanking staff for another excellent meeting, and commented to the Board on the governance issue. It is useful to recognize that the Permanent Fund is a big sack of money which is very easy to mismanage.

**MOTION:** In accordance with Alaska’s Open Meetings Act, a motion that the Board of Trustees convene in Executive Session for the purpose of receiving legal advice regarding the pending LB&A investigation. This topic is appropriate for Executive Session to allow the board members to receive confidential legal advice on how to respond to the pending investigation by LB&A, including the request for interviews and production of documents, was made by TRUSTEE MAHONEY; seconded by TRUSTEE FEIGE.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Feige, yes; Trustee Moran, yes; Trustee Schutt, yes; Trustee Rieger, yes; Trustee Mahoney, yes; Chair Richards, yes.)*

(Executive Session from 4:00 p.m. until 6:27 p.m.)

CHAIR RICHARDS stated that the Board was back on the record after having come out of Executive Session. While in Executive Session, the trustees considered only matters mentioned in the motion and took no action except to provide direction to the attorneys. With that, the meeting was adjourned.

(Alaska Permanent Fund Corporation Quarterly Board of Trustees meeting adjourned at 6:30 p.m.)