



Board of Trustees

Quarterly Meeting

May 17-18, 2023

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**QUARTERLY MEETING OF THE BOARD OF TRUSTEES
May 17-18, 2023**

**Soldotna City Hall
177 N Birch St, Soldotna, AK 99669**

***Please sign-up for public testimony by
emailing jloesch@apfc.org by noon May 16***

Wednesday, May 17, 2023

10:15 a.m. – 4:15 p.m.

Day 1 Webinar Access:

<https://apfc.org/bot-meeting-day1>

Event Password: APFCDay1

Teleconference Option

Phone: 415-655-0003
Access Code: 2631 905 8102
Numeric Password: 27323291

Thursday, May 18, 2023

8:30 a.m. – 3:45 p.m.

Day 2 Webinar Access:

<https://apfc.org/bot-meeting-day2>

Event Password: APFCDay2

Teleconference Option

Phone: 415-655-0003
Access Code: 2634 253 9655
Numeric Password: 27323292

AGENDA

WEDNESDAY, MAY 17, 2023

8:15 a.m. Audit Committee (See Separate Agenda)

10:15 a.m. BOARD OF TRUSTEES QUARTERLY MEETING CONVENES

CALL TO ORDER

ROLL CALL (Action)

APPROVAL OF AGENDA (Action)

APPROVAL OF MINUTES (Action)

- February 15, 2023 – Quarterly Meeting

SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION

10:30 a.m. COMMITTEE REPORTS

- Audit Committee
- Governance Committee will report later in the agenda

- 10:35 a.m. CHIEF EXECUTIVE OFFICER'S REPORTS (Information/Standard Reports)
Pending Board Matters, Trustee Education Report, Disclosure Report, Staff Summary Report, Staff Education & Training Report, Human Resources Summary, Communications Report, Legislative Update, Financial Report, APFC Transfers, History & Projections, Investment Management Fee Report, FY23 Budget Update
- 10:45 a.m. CHIEF INVESTMENT OFFICER REPORT (Information)
Marcus Frampton, Chief Investment Officer
- 11:15 a.m. RISK OVERVIEW (Information)
Sebastian Vadakumcherry, Chief Risk Officer
- 12:00 p.m. *LUNCH*
- 12:30 p.m. CAPITAL MARKETS OVERVIEW & FUND PERFORMANCE (Information)
Greg Allen, Callan LLC
Steve Center, Callan LLC
- 2:00 p.m. INVESTMENT POLICY REVIEW & ADOPTION (Action)
Marcus Frampton, Chief Investment Officer
Sebastian Vadakumcherry, Chief Risk Officer
- 3:00 p.m. *BREAK*
- 3:15 p.m. ADOPTION OF GOVERNANCE COMMITTEE RECOMENDATIONS (Action)
Steve Rieger, Chair of Governance Committee
Chris Poag, General Counsel
- 4:15 p.m. *RECESS FOR THE DAY*
- 5:30 p.m. *Community Reception – Kenai River Lodge Lounge – Please join us!***

THURSDAY, MAY 18, 2023

- 8:30 a.m. MEETING RECONVENES
- 8:45 a.m. PRIVATE EQUITY – ASSET CLASS UPDATE (Information)
Allen Waldrop, Director of Private Equity
Lara Pollock, Private Equity Associate
- 9:30 a.m. KPS CAPITAL PARTNERS, LP PRESENTATION (Information)
Ryan Baker, Partner
- 10:15 a.m. *BREAK*
- 10:30 a.m. GTCR PRESENTATION (Information)
Jodi Rubenstein, Managing Director
Jim Bonetti, Managing Director
- 11:15 a.m. ANCHORAGE OFFICE PROPOSAL (Information)
Mike Barnhill, Chief Operating Officer
- 12:00 p.m. *LUNCH*

- 12:30 p.m. APFC BUDGET REVIEW (Action)
Mike Barnhill, Chief Operations Officer
Julia Mesdag, Administrative Officer
- FY23 BUDGET PROJECTIONS (Information)
 - FY24 BUDGET APPROVAL (Action)
- 1:30 p.m. LEGISLATIVE UPDATE (Information)
Pauly Swanson, Communications Director
- 2:00 p.m. PRIVATE MARKETS PACING APPROVAL (Action)
Marcus Frampton, Chief Investment Officer
Rachel Price, Investment Analyst
- 3:00 p.m. *BREAK*
- 3:15 p.m. OTHER MATTERS
Deven Mitchell, Chief Executive Officer
- 3:30 p.m. TRUSTEE COMMENTS
FUTURE AGENDA ITEMS
- 3:45 p.m. *ADJOURNMENT*

*NOTE: TIMES MAY VARY AND THE CHAIR MAY REORDER AGENDA ITEMS
(Please telephone Jennifer Loesch at 907-796-1519 with agenda questions)*



SUBJECT: Approval of Minutes

ACTION: X

DATE: May 17, 2023

INFORMATION:

BACKGROUND:

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

- February 15, 2023 Quarterly Meeting

RECOMMENDATION:

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

**ALASKA PERMANENT FUND CORPORATION
QUARTERLY MEETING OF THE BOARD OF TRUSTEES
WEBEX/TELECONFERENCE**

February 15, 2023

8:30 a.m.

Originating at:

Alaska Permanent Fund Corporation
David Rose Board Room (3rd Floor)
801 West 10th Street
Juneau, Alaska 99801

Trustees Present:

Ethan Schutt, Chair
Jason Brune
Craig Richards

Ellie Rubenstein
Steve Rieger
Adam Crum

Trust Staff Present:

Deven Mitchell, CEO
Marcus Frampton, CIO
Chad Brown
Jennifer Loesch
Rachel Price
Joe Shinn
Ross Alexander
Tom O'Day
Scott Balovich
Rafael Ramirez
Adam Kane
Lara Pollock
James Wilkey
Clifton Sperry
Jordyn Elie
Maria Skuratovskaya
Sebastian Vadakumcherry
Jim Parise
Jedediah Smith
Sarah Struble
Alex Smith

Val Mertz, Acting CFO
Chris Poag, General Counsel
Jim Parise
Paulyn Swanson
Catherine Hatch
Stephen Adams
Rachel Zepp
Jacki Mallinger
Fawad Razzaque
Norix Mangual
Tim Andreyka
Chirag Shah
Sarah Clark
Michael Prebeg
Julia Mesdag
Valeria Martinez
Valeria Buschfort
Ed Rime
Marisa McComas
Chad Brown
Allen Waldrop

Invest Advisors:

George Zinn
Ken Frier

John Skjervem

Other Participants:

Greg Allen, Callan
Lisa Fu
Elaine Schroeder

Steve Center, Callan
Sarah Rundell
Nikhil Balaraman

Ben Hofmeister
Addie Sparks
Shareen Crosby
Stacia Gillam
Cecilia Galliani
Steve Moseley
John Balaod
Roger Vincent
Lauren Albanese
Carol Howarth
John Springsteen
Rod James
Gregg Gethard
Senator Bert Stedman
Armory Lelake
Rob Gillam
Jim Simard
Rick Halford

Allen Ruiz
Kim Hutchinson
Jordan Shilling
Tom Gemmel
Terek Rutherford
Jacob Owens
Gerges Sudarskis
Jim Beecher
Larry Smith
Justine Mitchell
Michael McHargue
Mike Barnhill
Albert Hicks
Representative Bryce Edgmon
Pete Ecklund
Doug Woodby
Jim Gemmell
Laurie Berg

PROCEEDINGS

CALL TO ORDER

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

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

APPROVAL OF AGENDA

CHAIR SCHUTT stated that the first item of business was the approval of the agenda.

MOTION: A motion to approve the agenda was made by TRUSTEE RIEGER; seconded by TRUSTEE BRUNE.

There being no objection, the MOTION was APPROVED.

TRUSTEE BRUNE stated that he had a presentation with the Legislature at 3:30, and requested that actions be taken before he had to leave.

CHAIR SCHUTT replied that action items should be cleared by then.

APPROVAL OF MINUTES

CHAIR SCHUTT moved to the minutes of the December 7-8, 2022, meeting, and asked for a motion.

MOTION: A motion to approve the minutes of the December 7-8, 2022, meeting was made by TRUSTEE BRUNE; seconded by TRUSTEE CRUM.

CHAIR SCHUTT asked for any additions, deletions, or corrections.

There being no objection, the MOTION was APPROVED.

SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION

CHAIR SCHUTT moved to Scheduled Appearances and Public Participation and stated that there was a list of people who signed up to testify in person, and there were also a few online. He recognized Doug Woodby.

MR. WOODBY thanked the trustees for the opportunity to make comments and stated that he lived in Juneau and is with 350Juneau. He expressed his concerns with the private equity expenses of the Fund. According to the Permanent Fund's performance report for the period ending December 31st, private equity accounted for a fifth of all the assets. For the last six months of last year, private equity holdings were the biggest losers of all the asset classes. He talked about his fiduciary concerns and the warnings from reputable sources. He added that Mr. Frampton appeared to agree and pointed out, in the board packet, where the outlook for private equity was strongly negative. He also stated concern about the elevated climate risks of those assets. His point was with the accelerating transitions to renewables it seemed prudent for the APFC to move more rapidly out of private equity than projected in Mr. Frampton's packet presentations. He asked if the Permanent Fund could provide detailed listings of specific companies invested in that are held by the private equity firms. He added that he would

appreciate hearing the answer to that today, even if it was not definitive.

TRUSTEE BRUNE stated appreciation for the presentations the members of 350Juneau have made. He asked if 350Juneau supported transitioning to mining stocks that would be the foundation of the copper needed for renewables.

MR. WOODEY replied that they supported responsible mining and added that, to make the transition happen, a lot of metals will be needed.

CHAIR SCHUTT recognized Jim Simard.

MR. SIMARD stated that he lives in Juneau. He was the librarian retired from the State of Alaska. He is a member of 350Juneau and a concerned grandfather. He talked about the new Harvard study examining the research conducted by Exxon scientists beginning in 1970. The upshot of this new reporting is that the oil industry analysts projected and predicted the global effects of burning fossil fuels with impressive accuracy. The current disruption of global climate systems resulting from higher ocean, land, and air temperatures were described correctly by industry researchers 40 years ago. It was widely believed that the new information in the Harvard study would be influential in the arguments related to the crime of deceptive marketing, fraud, and related violations of state law, with dozens of lawsuits against those companies proceeding in the United States and worldwide. He encouraged the board to consider the investment risks posed by ongoing litigation against corporations. It is past time to prioritize investment in the rapid, and to just transition to a clean-energy economy.

CHAIR SCHUTT thanked Mr. Simard and recognized Elaine Schroeder who was online.

MS. SCHROEDER stated that she lives in Juneau, and is the co-chair of 350Juneau. She continued that, over the past ten years, the international fuel divestment movement has grown and has become a major global influence on energy policy. There are over 1,500 institutions publicly committed in some form of fossil fuel divestment, representing an enormous \$40.5 trillion of assets under management. She added that Oregon State Treasurer Tobias Read urged the Oregon Public Employees Retirement Fund, which is valued at about \$90 billion, to stop investing in companies that emit greenhouse gases by 2050. Read emphasized that the primary responsibility of the fund is to maximize financial returns. Read has taken the long view, as should the APFC. She continued that there is a strong movement among investors in government and beyond to drift away from polluting companies to curb climate change and maximize returns. She gave a few examples of this divesting. She added that we all want the same thing: A healthy climate and a healthy pension fund. There is no contradiction between those two goals. She asked the board to conduct a transparent climate risk assessment and to act on those findings.

CHAIR SCHUTT thanked Ms. Schroeder and asked for the next person online.

MS. LOESCH stated that Mike Filman signed up for public testimony, but is not showing up as online. She invited him to submit his public testimony in writing.

CHAIR SCHUTT asked for any other members of the public that would like to make a statement or ask a question. He recognized Trustee Brune.

TRUSTEE BRUNE asked about providing a detailed list of holdings of the funds. He stated that the stockholdings that the Permanent Fund owns are on the website. He asked if that included the funds invested in or just the individual holdings.

CIO FRAMPTON replied that the website has the individual stock holdings that are owned and the private equity funds in which we are invested. He continued that it did not drill down to the portfolio companies in those funds.

TRUSTEE BRUNE asked if those individual entities present in their reports the listing of stocks owned and if it would be difficult to do what Mr. Woodby asked for. He suggested that Mr. Woodby go to the individual funds, go to their websites, which will show the holdings.

TRUSTEE RUBENSTEIN stated that everything is public and can be searched. She added that, as a sovereign wealth fund, we are more transparent than any sovereign wealth fund in the entire world.

CHIEF EXECUTIVE OFFICER'S REPORTS

CEO MITCHELL stated there was a snafu with getting set up for the meeting and Trustee Richards was on the cell phone. He continued that the IT team will continue to try to figure out a solution to getting into the meeting online. He moved to his reports and began with pending board matters; the top one being the incentive compensation policy. This tied in to the follow-up on the board's request to discuss the incentive compensation policies' adjustment that was made in December with legislators that were involved in the finance committees and other key legislators. They had been able to describe the board's perspective and value brought to the Fund as a result of the positive performance in fiscal year 2022; and had universal support at the end of the discussion for distribution of the FY22 performance incentive comp and FY23. They will be working to implement that incentive comp distribution in the next few weeks. He added that there were a large number of legislators that also expressed appreciation for the awareness of the board to reach out and have the opportunity to provide their opinion. He stated that it was a valuable exercise and well worth the time. The outcome is the best for the organization, as well as staff. He continued that the other items were underway and related to a lot of the work going on around the McLagan Group's work with peer group definition and compensation structure, and then coordinating with the Governor's Office on essential staff. Next, is that the trustee training and travel for training is inadequately budgeted. Right now, one trustee attending one training opportunity would quickly burn through the budget. He added that there were other underutilized budgets, and we are working to ensure providing the opportunity for good trustee training in the current fiscal year. He moved to the human resources report. The good news is that four new employees were welcomed to staff, and he talked about them in greater detail. In the communications update, there had been active outreaching with the incentive comp issue and also on education on the Fund and current events with the Legislature. There is an interest in being partners, which is enheartening. He added that the Governor's amendments were coming out with the hope that at least some of the board's asks were returned to the Governor's budget through the amendment process.

TRUSTEE RUBENSTEIN asked how things stood with an Anchorage office.

CEO MITCHELL replied that, at this point, there had not been any initiative to open an

Anchorage office.

TRUSTEE CRUM suggested that it would be an interesting opportunity to do polling. There is still over a 20 percent vacancy for investment staff, and it would open up an opportunity for even a small office, just to see what it looks like.

TRUSTEE RUBENSTEIN asked to do a poll and figure out where things stood.

TRUSTEE CRUM thanked the Chair and the CEO for going around to the legislators and asking about the revised incentive comp policy. It was very good both from an integrity standpoint based on the dollars, as well as a good faith effort of staff.

CIO REPORT

CIO FRAMPTON began his report by reviewing all the investment actions in detail that were taken in the quarter. He explained that most of the private income managers were in private-equity-style funds which draw money for three or four years, invest it, and then exit over years five to ten. He stated that he had been surprised at how strong the market had been given continued inflation and rate hikes. He concluded with all the investment actions in the quarter. He moved to the asset allocations and added that Callan would be presenting the annual review.

MR. ALLEN commented on a previous five-year plan where the asset allocation was planned to change. He moved to the current five-year plan and stated that he was not proposing changing '23. The proposal was to change the path of that five-year plan because it could be executed better in the asset classes than what was done in the past. His other point was the increase in real estate that was being proposed which would get real estate back on track. He added that there was a lot less in real estate than there had been historically in the Permanent Fund. Those were two historical reference points.

CIO FRAMPTON pointed out that he thought that some excesses had developed in private equity and that there were some inherent optionalities from going towards the lower end of that range that we had been deploying over the last ten years. He added that there was a view that private equity needed to be re-marked down, and that evaluations were stale. He continued that, generally speaking, we are cautious, and we want to make sure that on the margin there was liquidity; and, given the choice, we are taking less risk versus more risk.

RISK OVERVIEW

CHAIR SCHUTT recognized Sebastian Vadakumcherry.

MR. VADAKUMCHERRY stated he had two parts to the presentation: covering the quarterly updates; and looking at risks of the Fund related to other select peers, and what drives the risk predominantly. He also looked at certain portfolio mixes because of the context of asset allocation. He began his presentation by going through and explaining the charts and what they depicted. He highlighted the assumptions because it was important to appreciate that. He noted three assumptions which were important: first was that the categories used are the same as the ones that we use; there is about the same level or riskiness; and that we use the same models to measure the liquidity risk. What he was highlighting were the assumptions were super important in the analyses. He summarized that the Fund is on the higher end volatility leaning toward the higher end of the spectrum in terms of riskiness. Most of the risk is driven by private assets, and

within that, private equity. Private equity had some potential for markdowns. He moved to asset allocation and talked about taking a pause in the five-year asset allocation done three years ago.

MR. ZINN stated that he would like to understand what the portfolio was relative to the model portfolios as they stand today. A diversification of asset classes was potentially less risky, and he asked where it would fall on the line relative to those.

MR. VADAKUMCHERRY stated that there is an 80/20 risk appetite; but the 80 is not all S&P. 80 has private equity, real estate, hedge funds.

MR. ALLEN commented on variance optimization and the notion of taking advantage of low correlations being the primary framework for making asset allocation decisions in this industry. He observed, over the years, a number of different asset classes that looked great because of their low correlations. He stated the need of having a long-term perspective, to be able to digest what was designed purely to reduce risk.

MR. VADAKUMCHERRY noted that gold was unique in that it has a commodity aspect, but it is more currency than a commodity, and is a store of value.

MR. FRIER shared his experience on an analysis of if it was better to own the commodity or own the producer of the commodity. The conclusion was that it was better to own the producer than the commodity. Own the gold miner, not the gold; own Exxon, not oil.

MR. VADAKUMCHERRY plotted the returns for the 53-year period; the 60/35/5 beat the other two. It was only 24 basis points' difference, but over a 50-year period, for an \$80 billion fund, it is pretty substantial. He summarized that there seemed to be a change in the operating environment in terms of interest rates and a number of other factors. It was probably a good time to pause and revisit the five-year asset allocation that was made. The portfolio was at the higher end of riskiness, and the recommendation of CIO Frampton would bring the Fund more in line with what was intended three years ago. He continued to the current risk level compared to the controlled approved risk appetite. All three factors, volatility, drawdown, and liquidity, were within limits. The last page of his presentation was a breakdown of currency and country, with not much to highlight.

TRUSTEE RUBENSTEIN asked for an elaboration on China.

MR. VADAKUMCHERRY replied that most of the exposure was in the public equities market. He stated that 3 or 4 percent of the private equity portfolio is in China, which would probably be less than half a percent on the overall front, and the rest would be in the public market space.

CIO FRAMPTON stated that the majority was liquid, and falls within the benchmark. He explained that the public equity benchmark was the All Country World Index, which is about 4 or 5 percent China. He continued that the Chinese market had been very strong in the last three or four months, and it worked out on that short-term basis.

CHAIR SCHUTT thanked Mr. Vadakumcherry and called a short break.

(Break.)

CHAIR SCHUTT called the meeting back on record and moved to the Fund performance overview with Mr. Allen and Mr. Center from Callan.

FUND PERFORMANCE OVERVIEW

MR. CENTER began with a talk about the economy and the markets through the year-end 2022. He stated that it was a pretty painful year, but things did recover a bit in the fourth quarter. Equity markets popped up, but not enough to create a positive return for 2022. He went through his presentation and pointed out that all of the public market areas in 2022 were negative. He continued that it was rare to see calendar years where both equities and bonds were negative. Over the past 100 years, it had happened twice, and it happened in 2022. He added that the bond market was greatly impacted by the move the Fed had made. It looked like the Fed was likely to move at least another quarter point at their next meeting. The economic data remained mixed, and employment was the bright spot. The employment market was very tight, and unemployment numbers were very low. He stated that positive returns were held by cash, the NCREIF property index and commodities. He then looked at performance and the COVID drawdown. He continued through his presentation and talked about the interest rates. He noted the yield curve inversions which could be a signal of a recession, but added that they do not always signal a recession. Over the course of 2022, the Fed continued increasing interest rates with the yield curve moving steadily up, and ultimately it inverted. He moved to the areas that drove an increase in inflation.

MR. ALLEN clarified that inflation is a measure of change in price and the fact that it slowed but was still positive meant that prices were still coming up.

MR. CENTER talked about the ten-year break-even rate which is the comparison of the ten-year Treasury yield versus the ten-year TIPS yield. This is a way to measure how the market is pricing prospective inflation and what that inflation is thought to look like over the next ten years. He stated that, historically, it was a pretty good predictor of inflation, but the market is not always the best at predicting inflation.

MR. FRIER observed that what was not often appreciated was that the Federal Reserve had their weight on the scales. He stated that, in the last three years, the Fed bought most of the TIPS that the government had issued. The Fed was trying to manage inflation expectations through the market price of inflation expectations by their participation in the market. He continued that there had been some manipulation going on by the Fed, and they were trying to manage the expectations of the market and of individuals.

MR. CENTER stated that was a valid point and moved to a snapshot of the Total Fund asset allocation at year-end; about \$76 billion in assets. He then talked about the performance for calendar year-end and the fiscal year-to-date. He continued that the Permanent Fund looked a bit more like a traditional endowment; not quite as aggressive. It is still more allocated to fixed income, but a bit more invested from a structural standpoint like a typical endowment fund. He moved to asset classes and began with public equities.

MR. ALLEN pointed out on the public equity performance that energy was the star of 2022.

TRUSTEE BRUNE asked, for the record, to expand what specifically went into those stocks for

that sector.

MR. CENTER pointed out that energy was the strongest performer for the quarter and was also the strongest performer for the year. He stated that it was primarily oil and gas. There is some renewable in there. He continued that, primarily, the public companies in the energy sector were oil and gas.

TRUSTEE BRUNE asked if there was a separation between how the renewables were doing versus the oil and gas.

MR. CENTER replied that data exists, but it is not in this package. He stated that they could follow up with that, if interested. He then talked about the difference between growth and value. He

moved to the public equity portfolio which was pretty evenly split between domestic, international and global strategies. He looked at some of the components of the public equity portfolio from a performance standpoint, and then at the structure of the U.S. equity portfolio. The small-cap performance did well over the last quarter. He continued through that part of his presentation and then looked at the global equity managers. He added that the fixed income portfolio migrated to being managed almost 100 percent internally and looked at performance as a whole. The non-U.S. fixed income portfolio was historically a volatile space and was able to add value over time being an internally managed strategy. He stated that the high-yield portfolio went through some substantial changes, especially with the termination of the external managers. Performance looked staggeringly well relative to peers. He moved to private markets and stated that real estate had been a move to appreciation turning negative. He explained the private credit landscape which had been hit hard in 2022 from a fundraising standpoint. A lot of that had to do with interest rates going up. He then went through the absolute return portfolio and looked at performance relative to the benchmark, not the peer group.

CHAIR SCHUTT moved to the Legislative Update and asked Pauly Swanson to do the introductions.

LEGISLATIVE UPDATE

MS. SWANSON stated that it was an honor to have the representatives here from the Capitol building. She continued that the co-chairs of both the House and Senate Finance Committees would give the legislative update. Senator Stedman has been with the Legislature since 2003 and was the current co-chair of Senate Finance. Representative Edgmon has been there since 2007, and prior to that was a legislative staffer. She added that they each had a depth of knowledge with regard to the policies related to the Fund and the Corporation, as well as the appropriations related to the Corporation. She thanked them for being there.

REP. EDGMON thanked the Board for the opportunity to have an informal conversation. He noted that they were not there to advocate specifically for anything other than for more relationship-building. He stated that in 2019 he and Senator Giessel came before the trustees and had a good exchange. The back and forth was helpful to see that all Alaskans were tasked with growing the Fund and making sure that it was there for future generations. It plays a big role in everything done in the Capital, and also respects the fact that there was a demarcation line between the status as an independent corporation and the legislators' role. There is a lot of interest in what happens at the trustee level, and he talked about the growing relationships with

different staffers. He continued that relationship-building was to understand liquidity and putting a budget together, and availing themselves to any questions or comments. There is a need to build greater understanding of what the Fund is about, what we want it to be, and how that interfaces with what is done in the Legislature.

SEN. STEDMAN stated that there is some baggage from the last few years to work through. He continued that one of the primary concerns was a lot of new members from year to year, with some having different or no financial interests. It is important that the Permanent Fund maintains its independence from the political whims of the Hill. That changes every four years with new administrations; every two years with different legislators; and there is a Budget Audit Committee that has a supervisory role of the Permanent Fund. He added that it is critical that total independence remains, and that the focus of the Permanent Fund is just on the Permanent Fund. Setting the value of the payout of the percent of market value is a big hurdle to get to. The main message he would like to see coming from the Permanent Fund Board is maintaining that independence. One of the roles was to remind whoever the Governor was that the Permanent Fund is independent regardless of the political objectives, and that it needs to operate that way. He stated that the oversight role would continue. The main concern is stability of the Permanent Fund and the ability to not cripple the earnings reserve.

CHAIR SCHUTT stated that the board is happy to provide information and education to legislative leadership, as well as staff. He had been anticipating the LB&A Committee asking for testimony at some level to give an oversight of where they were with the new executive director and with the normal operations and activities, which is entirely appropriate. He continued that stability helps, and it is an important aspect of the job of trying to figure out what risk tolerance and asset allocations to make.

REP. EDGMON stated that part of their role as legislators outside of the Capitol building was to work with their constituencies, the districts, to help the constituents, the voters to understand more about the Fund and the role that it plays. He continued that they were looking into a future that earnings from the Permanent Fund would be half of the unrestricted General Fund portion of the state budget, and maybe more depending on how oil dips up and down. He added that he thought that most Alaskans did not understand that the earnings from the Permanent Fund pay for about half of the State Government these days.

SEN. STEDMAN stated that he saw a difference with the intergenerational transfer of the resources given for the next generation. They were more interested that it was saved for them, and they would like to be involved in how to spend it.

TRUSTEE BRUNE thanked both for coming and reiterated the importance of the relationship of them being there. The communication is fantastic. He stated the importance of rewarding the Fund staff by providing incentive-based compensation in down years. He added that they were trying to be good fiduciary stewards of the Permanent Fund.

SEN. STEDMAN replied that it is good politics in bringing the issue of bonuses or compensation to their attention.

TRUSTEE CRUM stated that one of the goals with Ms. Swanson and communications was to do a broader public outreach on the educational aspect for constituents. He asked about polling

legislators on some of the aspects of helping folks and sharing the message about the Permanent Fund Corporation.

REP. EDGMON replied that was a good idea and stated that those are good relationships to build.

TRUSTEE RUBENSTEIN reaffirmed that the trustees' job is to sit and make sure staff is doing a good job, as well as voting on asset allocation, with recommendations from the consultants. She thanked them for coming and added the trustees try to do their best job, and we do not want to get in a political role.

TRUSTEE RICHARDS stated that he and Senator Stedman spoke about this a year ago and one of the things that came out of the LB&A stuff was a realization that exempt employee files were not confidential under state law. The Permanent Fund Board struggled with that and how to have a thorough, fair, well-vetted quantitative analysis of an employee year to year if a newspaper could simply ask for that data and it becomes public record. He encouraged the Legislature to exempt employees in total across State Government to create a system that allowed for meaningful review of personnel files that do not just become a matter of public record. He pointed out work that staff did in 2000 with the board on inflation-proofing. Mr. Frampton did a great financial model that showed that in periods of high inflation or in periods of multi-year flat markets the earning reserves got a lot of pressure on them. The result of that pressure was an incentive for people not to inflation-proof. The Board looked at a rule that said if the earnings reserve got to be less than four times the annual draw, inflation-proofing did not get done that year. Instead, it got delayed until the earning reserve balance rose again. It was a way to maintain a rules-based system where inflation-proofing could be delayed because of concern about the sustainability of the earnings reserve amount.

SEN. STEDMAN stated that the first issue brought up would probably take a statute.

TRUSTEE BRUNE gave a huge shout-out to Ms. Swanson for putting a keen emphasis with funding from the APFC for educating Alaskans about the Permanent Fund.

CHAIR SCHUTT stated that it was time to break for lunch.

(Lunch break.)

CHAIR SCHUTT stated that there was a request to swap the investment discussion with the asset allocation discussion that would naturally follow the study so that Trustee Brune can participate in the in-state investment discussion. He asked for any objection from the trustees. Hearing no objection, the two agenda items were swapped.

ANNUAL ASSET ALLOCATION STUDY

MR. ALLEN stated that when he was hired by Callan in 1988, asset allocation was the reason he was hired; capital market projections. He is still involved in it 35 years later. He talked about the whole process of looking out ten years and thinking about what the markets would do over the next ten years; the process to develop inputs that go into the asset allocation modeling. He gave a bit of a historical perspective on equities and fixed income markets, and looking at that from a long-term perspective. He revealed the 2023 capital market numbers and then integrated

them into the policy target for the Permanent Fund, and talked about the expected returns and risks. He talked about the Permanent Fund's asset allocation, compared it to peers, and then looked at the projected range of ten-year returns. He put the asset allocation in the perspective of both public funds and endowments and went through each of the asset classes. He summarized that inflation increased modestly; equity returns were increased; and fixed income was the big star of the show. He added that the APFC portfolio is well-diversified. He stated that the two-account system is not well designed for the modern Permanent Fund. He continued that they had already gone to an endowment model on the spending side. He suggested the need to adopt an endowment model on the accounting side, which would get rid of the two-account structure. This would give something that was compatible, sustainable and durable.

CHAIR SCHUTT thanked them for the overview which would be continued after the In-State discussion.

IN-STATE INVESTMENT UPDATE

CIO FRAMPTON stated that a brief memo was included in the packet and asked Mr. Waldrop to make a few remarks.

MR. WALDROP stated that the memo was self-explanatory and moved to clarify a few things in it. The program started in 2018 with \$200 million. An RFI process was run, and Barings and McKinley responded. Each were allocated \$100 million. Barings' fund closed in December 2019; and McKinley's closed in February of 2020. Given the opportunity set, the smaller set of private equity opportunities in the state, each manager was given significant flexibility on what they could and could not do investment-wise. He continued that the program was very new. Neither manager had generated any significant realizations to date. The valuations on investment were basically private market investments. There is a summary of the performance of each manager and their portfolio in the memo. Both of the funds were basically fully invested and that just finished committing capital to the underlying investments and/or sort of building their portfolio. They are at the point where they will work the companies to grow, and then eventually will harvest.

TRUSTEE BRUNE asked for any explanation of what was meant by the flexibility on the nexus to the State of Alaska.

MR. WALDROP replied that they can invest in a fund outside the state with the intention of investing in the state; or they can invest in a fund that was based in the state; or they could do co-investments with third-party managers that may have a transaction in the state.

TRUSTEE RIEGER stated that the memo pointed out that there was the opportunity to make a proposal, and they bowed out because it did not fit with the amount of money proposed for allocation.

CIO FRAMPTON explained that there were two firms that presented to the board on in-state investing. When the resolution passed, they declined; and then other firms wanted to participate. This was unique in that the two firms indicated interest in the program, and then they were not interested.

TRUSTEE RIEGER asked if this was a common problem or pretty rare.

CIO FRAMPTON replied that this was the one instance of an investment program that was not done at the recommendation of staff; it was done in response to a resolution of the board.

MR. WALDROP stated that the capital was committed to the managers. They each have the ability to select investments, and they have effectively utilized that capital.

TRUSTEE REIGER stated that he was worried about this program because we are trying to be the best money managers possible, and we are also trying to convey to the public, the Legislature, and to the Governor that we are being the best that we could be. He continued that a program like this works against that. Staff was aware that there were a range of opinions among the board, and he added that staff needed some direction from the board. He shared that the position at this point should be that we do not intend to put additional capital into the whole in-state program. Second, was having the direction while preparing for the May meeting that it was being dealt with appropriately. He added that he would like a discussion around the room about this. His view was to make it clear that the board does not intend to add money to the program.

TRUSTEE RICHARDS stated that this was put together in 2018 before the former CIO left. A big part of the return expectation was that this was benchmarked against private equity. At that time, the idea was not to benchmark it in the quartile of private equity performance. It was created for the reason that Alaska law requires, AS 37.13.120(c). He continued on the question of continuing what can be expected to be done and how can we expect to perform in the future if the program goes forward. In his point of view, the returns were not terrible and were not great. The question is what can be expected for performance in the future; not just how they performed. He added that it was premature and probably needs a little more time to see returns come in.

TRUSTEE CRUM stated that CIO Frampton phrased it as the maximum benefit of the use of funds in this direction. He asked if that had been weighed and discussed among the Investment Committee.

CIO FRAMPTON replied that he does not think it was discussed in the Investment Committee. One of the things that is difficult is the statute says if there is an Alaskan investment and nonAlaskan investment, everything being equal, you should favor the Alaskan one. He stated that it was early in the development of those track records.

TRUSTEE BRUNE stated that they had a fiduciary interest in ensuring that the investments made are the best returns for the benefit of the people; not the most politically favorable investments.

TRUSTEE RIEGER stated that this was not calendared for an action item, but it could be giving direction to staff, which is not beyond the realm of what is up for discussion.

MOTION: A motion to give direction to staff to proceed as if new money will not be allocated to the program, but we are not going to force any kind of distressed liquidation of the portfolio that is there; and that the investment policy statement draft appropriately reflects that when it comes up for discussion as a draft in May was made by TRUSTEE REIGER; seconded by TRUSTEE BRUNE.

CHAIR SCHUTT stated that there was a motion and second. As a point of order, he asked Mr. Poag if the motion was consistent with what should be done as a matter of good process, since this was not calendared on the agenda as an action item.

MR. POAG stated that the Open Meetings Act requires reasonable public notice so that the public knows what the board would be talking about. The board has a process that has been followed for a long period of time, not just identifying the agenda items, but identifying for the public on what it will be taking action on or just being heard as an update. He continued that this was scheduled as informational and was not the normal process. He thought that the board could probably do this, but the risk would be if the public was unhappy and came back as saying that the Open Meetings Act was violated.

TRUSTEE RIEGER stated that this was not taking an action, but signaling intent to not take an action, and giving the staff direction to prepare an action item for the May meeting.

MR. POAG described any motions that require a vote as actions of the board. He stated that if this was just directing staff to bring information to the May meeting, he was not sure if a motion was needed.

TRUSTEE BRUNE respectfully disagreed and stated that they were the trustees and could make a motion for whatever was wanted on the record at any point, and it was fully open to the public.

MR. POAG stated that it was not properly noticed, and suggested talking about the Open Meetings Act requirements off the record.

TRUSTEE RICHARDS stated that it should be done in an informed way and not in a meeting or format that was not noticed.

CHAIR SCHUTT called the question.

After the roll-call vote, the MOTION was APPROVED. (Trustee Brune, yes; Trustee Richards, no; Trustee Crum, yes; Trustee Rieger, yes; Trustee Rubenstein, abstained and recused; Chair Schutt, no.)

MS. LOESCH stated the vote was three for and two against.

CHAIR SCHUTT stated the 3/2 majority wins, and called a break.

(Break.)

CHAIR SCHUTT called the meeting back on the record. He clarified that he forgot about the special rules that technically the motion vote just taken failed because it required four affirmative votes to pass anything instead of three. The 3/2 vote was technically a failure. He moved on to the asset allocation discussion.

ASSET ALLOCATION DISCUSSION

MR. ALLEN stated that if the asset allocation was more conservative a much lower return would have been accepted, and the two-account system would work fine. He continued that the

combination of the volatility of the mix chosen, which was needed to be chosen in order to generate a 5 percent real, and the sensitivity of the earnings reserve account to market fluctuations. Last year, before the market went down, the earnings reserve account was larger with unrealized gains. The nice thing about unrealized gains was that they were waiting to be realized. Going into this year, there was much less in unrealized gains. He brought this up to get familiar with the mechanics of the two-account system and to highlight how asset allocation interacts with the spending rule and the two-account structure. The actions of the investment team interact with all of that.

CEO MITCHELL stated that the discussion is part and parcel of some of the recent conversations, and there was a real tension. The trustees' job does not say anywhere in statute that we should worry about managing to provide for POMV. The two-account system was a relic of the past that was set up as a means of transferring earnings out of the principal and then holding money, and then providing for it to either be appropriated or transferred back in. He continued that the tension referred to was in letting the earnings reserve account grow too large because it becomes tempting to politicians that have a very short field of vision. The board should just be focusing on keeping the principal safe, keeping the money safe, and ensuring that within the construct of keeping it safe, the return is maximized. The idea was to convey that message to the Legislature, and Callan could help insure that they understand that they were truthful when the situation we are in is described. Moving forward, there had been thoughts to put into the balance what the ERA may have as a target. There was \$13.5 billion in the earnings reserve account, and a few billion of that was unrealized gains. That was less secure as it was allocated proportionally between the principal and the ERA. As the ERA shrinks, the unrealized gain allocation shifts to the principal portion. He added that there was only \$3.8 billion unallocated at this point, which included the fiscal year-to-date statutory net income.

MR. ALLEN talked about the different factors in the business that were taken into account collectively: inflation expectations for the next ten years had gone up, which are more in the 2.5 percent range, which is where we are. He explained that inflation-proofing was the phrase used for basically appropriating money from the earnings reserve account into principal, and protecting it forever against legislators spending it on bridges.

CHAIR SCHUTT stated that there will be more discussion about this in upcoming meetings. It is the primary topic in May. He moved to the Investment Advisor Comments.

INVEST ADVISOR COMMENTS

CHAIR SCHUTT recognized John Skjervem.

MR. SKJERVEM stated that he had nothing thematic for today and moved to four observations based on some of today's discussions. He stated that he had been a CIO of an \$80 billion plan that had an annual pacing plan for private equity of \$3.5 billion. He continued that he had been a CIO of a \$40 billion plan with an annual packing plan for private equity of \$1 billion. Smaller is better, and large packs were overrated. Second was that the relative numbers for public equity, fixed income and absolute return were remarkable. Those were terrific results, and he zeroed in on absolute return, in particular. That combination of close to 7 percent with low correlation was powerful. He contrasted that with CIO Frampton's understatement of just executing. That is hard and takes skill, diligence, persistence and retaining talent. The work the board has done on comp is important. He commented that we should not take execution for granted. Finally, he

shared his experience on the in-state investment program which started out as an in-state program with poor results. The decision was made to expand the geography which became pretty tortured to justify.

MR. ZINN commented on the Rumsfeld metric: the unknown unknowns, the known unknowns, and the known knowns. This was referred to after the Iraq war started. The point was that there were a number of things in terms of the unknown knowns to talk about. He knows that the outperformance was stellar. He knows that the proposed budget for 2024 did not include merit increases for the staff. He went through the other things he knew. He stated that it had been a trying year and to not look past the merit increases and also the incentive comp being an important piece of keeping people, retaining people, and recruiting people.

MR. FRIER stated that he wholeheartedly agreed with his friends and colleagues that the Fund has a great team. It was heartbreaking that they have to live through the uncertainty about what rewards they would get for what they were able to achieve. Despite all of the potential handicaps, they are getting outstanding results. He talked about the Rule of 8 which was developed and was dependent on the assumptions. The was if there was a steady state goal for the amount of private equity that was wanted in the fund, then on average you would want to commit about 1/8th of that every year. He explained this more fully and then moved to the process for developing and implementing the asset strategy. He stated that he had a small staff as CIO at HP and used Callan as an extension of staff, especially on portfolio strategy questions. Callan published a paper about the dynamic process.

TRUSTEE RICHARDS stated that it would be interesting to highlight the assumptions that were part of the plan. The money is being applied based on the assumptions Callan was using. The U.S. number was real returns relative to inflation.

MR. FRIER suggested understanding how two people observing the same world could come up with such dramatically different results and what was behind those forecasts. He stated that the good process steps would be articulating the assumptions being used to deploy the \$75 billion. Assume a certain level of earnings growth; assume a certain landing of the price-to-earnings ratios; and assume inflation settles down. He suggested crunching the assumptions, thinking about alternative realities and urging the organization to consider doing it for itself. The organization is great at taking a plan and implementing the heck out of it.

CIO FRAMPTON replied that he has authority to build his own model, and he does build his own model. If it's wanted, he could present it in April. He assumed 7 percent return for hedge funds; they assume 4.8. They assume 80 percent correlation equities; he assumed no beta to the equities. That allocation decision was what was witnessed today. Callan made the presentation, and he made a presentation that was informed from some different views, and it recommended some tweaks. It did not recommend putting half the equity portfolio in emerging value like GMO might say. GMO does not have a very good track record. He added that, ultimately, asset allocation was the board's authority, and he had bands that he operated in.

MR. ALLEN stated that the dynamic at the Permanent Fund and the way the Permanent Fund uses Callan had shifted over the decades. He continued that it was a healthy process.

MR. FRIER apologized for his wrong impression and had the sense that Callan was doing the

work that resulted in the allocation.

MR. CENTER noted that it was more a checks-and-balance process.

TRUSTEE RIEGER commented that it did not bother him that the portfolio was optimized based on staff's recommendations in light of all the good advice they had received, plus their own judgment. It is just great.

TRUSTEE RUBENSTEIN stated that the thing that had changed the most had been the collaboration. She added that they did not want to be an investment board, but wanted to be a governance board.

CHAIR SCHUTT stated appreciation for the good discussion and moved to Other Matters.

OTHER MATTERS

CEO MITCHELL talked about a poll that took place in September, 2020. Another poll was suggested. He conveyed that there was already work done. Also thought about was the remote work policy that provided the opportunity for people that comply with the policy parameters to work in locations besides Juneau. The Legislature did not like the remote work policy and approved the budget. They have the ability to let their wishes be known. He moved to the current fiscal year's merit pay and stated that there would be a reconfirmation of the formulaic distribution of the \$1.6 million amongst the staff. He continued that the investment staff portion was funded, but not the operation staff in proposed amendments. The full incentive comp distribution would have been about \$1.7 million; so, an additional \$100,000 would have been distributed under the formulaic approach.

MR. ZINN stated that what he tried to say in his comments was relation. If it cannot be relied on, and year over year it requires unusual gymnastics to happen in a retroactive fashion, then it is not a recruiting tool or a retention tool.

TRUSTEE COMMENTS

CHAIR SCHUTT articulated Trustee Brune's comments that he left before he left for the day. He thanked staff for the work and was particularly thankful for getting the recycle bins he requested. He recognized Trustee Richards.

TRUSTEE RICHARDS stated that he, first, respectfully disagreed with Chad on his comment on the Anchorage office and what was gone over in 2020. Part of the strategic plan was to look at the Anchorage office. It took two years of the board getting the last executive director to get that done, and then the whole thing was sandbagged. That was when the remote work program was implemented, and we gave it a couple of years to see how it played out. He continued that he heard the internal results of polling a large number of potentially future recruits and of current staff members interested in moving to Anchorage. He added, that should continue being looked at, and it would be appropriate to continue discussing having a bit more flexibility in office locations. He commented on the compensation requests and recommended going back to a little more incremental approach that is a little more measured. His final comment was that he was strongly disappointed on the vote about the in-state investment program when it was not on the agenda. He was led to believe that it was just an information item. Trustees should be aware of it so they could prepare for it, and the public should be informed.

TRUSTEE CRUM stated that he was still here and had been as a commissioner for two board meetings in a row. On the APOC expansion, he would like interacting with staff to get a sense of where they were on that. He was also glad it worked out the way it did for the retro incentive comp plan. He thanked them for having the hard conversations with the Legislature and was glad to be at the point that the policy will be enacted. They did a good job, and Alaska should be proud.

TRUSTEE RUBENSTEIN echoed Trustee Richards' comments on the Anchorage office. She found it interesting and stated that all would be pulled in a lot of directions and we may have to make a choice about remote work or Alaska. Her second thing was collaboration and how it felt good to be working collectively in the decision-making. Her third thing was the good job of not taking big steps in the portfolio. Making little tweaks, and seeing some sort of a more marketing outreach approach. She asked if there were ways to use a digital approach to reach more members of the community to educate them. She added that she did not know how to do that, but it is her one ask to try to figure out, in a cost-effective manner.

TRUSTEE RIEGER stated that he was impressed with the level of restlessness that he saw in the CIO's report. Some small flows in some managers' approaches were enough to trim that manager out and get another one. He liked hearing that part of the report and it did tie in with all the discussion about how execution was such a big part of why we are doing as well as we are. Of all the debates today, the underlying theme through it all was how to make this the best fund for Alaska. He continued that it was important to do the things being done because it made the fund more successful or more likely to be the most successful it could be.

CHAIR SCHUTT stated that there were good materials and good preparation, and it was clear that the staff and advisers are really working hard to try to build the best portfolio and manage it the best they could. He heard multiple times about the importance of staff in executing on the strategies and allocations, and seeing that nexus with compensation and other employment matters in moving forward talking to the Legislature about the budget and other matters. He continued to take as a charge to the board to assist the leadership within the corporation for figuring out how to get and insure in five years there is still a robust staff. The message resonated with him, and they would figure out how to get it to resonate in other places. He asked for a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE CRUM; seconded by TRUSTEE RIEGER.

There being no objection, the MOTION was APPROVED.

(Alaska Permanent Fund Corporation Quarterly Board of Trustees meeting adjourned at 4:25 p.m.)

SUBJECT: Chief Executive Officer Report ACTION: _____

DATE: May 17, 2023 INFORMATION: X

BACKGROUND:

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

STATUS:

Executive Director, Deven Mitchell, 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
- Financial Update
- Financial Report
- APFC Transfers
- APFC History and Projections
- Investment Management Fee Report
- FY23 Budget Update

SUBJECT: Pending Board Matters

ACTION:

DATE: May 17, 2023

INFORMATION: X

BY	TASK	CAPTURED	TARGET	COMPLETED
Brown/Mitchell	Anchorage Office Survey	2/23	4/23	4/23
Brown/Mertz	Peer Group Definition	7/22	12/22	
Work Session on BCDR Sebastian	Coordinate with the Governor's office to establish essential employee status	9/22	5/23	
Brown/Mitchell	New Compensation Structure	12/22 4/23	7/23	
Barnhill/Mitchell	Anchorage Office Analysis	2/23	5/23	
Brown	PMP Overhaul		7/23	
Barnhill/Mitchell	Succession Planning	4/23	7/23	

SUBJECT: Trustee Education

ACTION: _____

DATE: May 17, 2023

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	Denver	June 27, 2023
	June Workshop	San Francisco	June 29, 2023
	Fall Conference	Monterey	September 10, 2023
	October Workshop	New York	October 24, 2023
	October Workshop	Chicago	October 26, 2023
	2024 National Conference	San Francisco	April 8, 2024
ILPA	Varies – please see website	https://ilpa.org/master-calendar/	See Website

Memo

To: Governance Committee

Through: Deven Mitchell
Executive Director

From: Chad Brown
Director of Human Resources

Date: May 5, 2023

Re: APFC Financial Disclosures

As required by AS 37.13.110(b) and Alaska Permanent Fund Corporation policy relating to personal investments conduct and reporting, trustees and staff must disclose certain financial interests. Below is a list of disclosures for transactions made by trustees and staff, covering initial, quarterly and annual disclosures for reportable holdings as of March 31, 2023

Disclosures			
Name	Position Title	Disclosure Type	Received
Terek Rutherford	Investment Analyst	Initial	3/13/2023
Michael Barnhill	Chief Operations Officer	Initial	3/3/2023
Simba Blackman	IT Specialist	FY23 Q2	1/12/2023
Adam Kane	Communications Officer	Annual	2/10/2023
Christopher LaVallee	Senior Portfolio Accountant	Annual	2/15/2023
Christopher LaVallee	Senior Portfolio Accountant	FY23 Q2	1/26/2023
Norix Mangual Arbelo	Portfolio Accountant	Annual	3/15/2023
Valerie Mertz	Chief Financial Officer	Annual	3/14/2023
Deven Mitchell	Executive Director	Annual	2/10/2023
Youlian Ninkov	Portfolio Manager	Annual	2/23/2023
Chris Poag	General Counsel	Annual	3/6/2023
Lara Pollock	Investment Associate	Annual	3/1/2023
Craig Richards	Trustee	Annual	3/15/2023
Craig Richards	Trustee	FY23 Q2	1/15/2023
Ed Rime	Portfolio Manager	FY23 Q2	2/7/2022
Alex Smith	Investment Operations Manager	Annual	2/17/2023
Jedediah Smith	Procurement Officer	FY23 Q2	1/19/2023
Allen Waldrop	Investment Director	Annual	2/26/2023

All disclosures have been reviewed by me or the 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 907-796-1501.

Memo

To: Board of Trustees
 From: Deven Mitchell
 Chief Executive Officer
 Date: May 17, 2023
 Re: Travel, Training, and Diligence Summary Report

Background:

This report includes APFC staff completed travel for the period January 1 – March 31, 2023. 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	6	25
Fixed Income	44	11
Public Equity	2	36
Private Income	54	127
Absolute Return	0	60
Real Estate	50	165
Private Equity & Special Opportunities	149	205
Risk Parity	0	5

Travel Summary:

Budget-to-Actual Report: January 1, 2023 through March 31, 2022

The following can be found in full in the FY23 Budget Update

CORPORATE OPERATIONS	BOARD-AUTHORIZED BUDGET	EXPENDITURES	BUDGET REMAINING
Travel	\$800,000	\$410,012	\$389,988
Staff	\$602,000	\$362,863	\$239,137
Trustees	\$18,000	\$22,990	-\$4,990
Moving/Non-Employee	\$180,000	\$24,159	\$155,841

Trip Summary – 3rd Quarter – January 1 through March 31, 2023

TRAVELER	PURPOSE	DATES OF TRAVEL		LOCATION
Rahn	Administrative Travel	January 4	January 7	Juneau
Waldrop	Juneau Office Visit	January 9	January 13	Juneau
Andreyka	Conference & Partner Meetings	January 16	January 20	Los Angeles
Waldrop	Due Diligence and Manager Meetings	January 17	January 19	San Francisco
Frampton	Hedge Fund Meetings & Conference	January 28	February 10	Miami
Parise	Manager Meetings	January 29	February 4	New York City

Rahn	Annual General Meeting & LPAC Meeting	February 4	February 12	Singapore
Hatch	Conference	February 7	February 10	San Francisco
Waldrop	Juneau Office Visit & BOT Meeting	February 13	February 17	Juneau
Schutt	BOT Meeting	February 14	February 16	Juneau
Rubenstein	BOT Meeting	February 14	February 15	Juneau
Rieger	BOT Meeting	February 14	February 15	Juneau
Crum	BOT Meeting	February 14	February 15	Juneau
Brune	BOT Meeting	February 14	February 15	Juneau
O'Day	Bank Meetings & Conference	February 21	March 1	New York City
Sperry	Manager Meetings	February 23	March 5	Chicago
Parise	Conference	February 25	March 1	Las Vegas
Balovich	Conference	February 26	March 1	Phoenix
Andreyka	Manager Meetings	February 27	March 3	Chicago
Zepp	UAF & UAA Career Fairs	February 27	March 8	Fairbanks and Anchorage
Elie	UAF and UAA Career Fairs	February 27	March 8	Fairbanks and Anchorage
Loesch	Callan Training	February 28	March 3	Chicago
Scrudder	NinetyOne Conference & Manager Meetings	March 3	March 9	London
Pollock	Private Equity Summit and DD Meetings	March 4	March 10	New York and San Diego
Olmsted	JP Morgan High Yield Conference	March 4	March 8	Fort Lauderdale and Miami
Wilkey	JP Morgan High Yield Conference	March 4	March 9	Fort Lauderdale and Miami
Alexander	LPAC and Manager Meetings	March 5	March 10	London
Ramirez	LPAC and Investor Meetings	March 6	March 7	Charlotte
Hatch	Women's Private Equity Summit	March 7	March 10	San Diego
Rahn	Juneau Office Visit	March 13	March 17	Juneau
Waldrop	Juneau Office Visit	March 13	March 17	Juneau
Shah	LPAC and GP meetings	March 14	March 18	New York
Sperry	Manager Meetings	March 14	March 16	Denver
Andreyka	Manager Meetings	March 14	March 18	Denver
Prebeg	Administrative Travel	March 19	March 25	Fairbanks
Calhoon	Administrative Travel	March 19	March 25	Fairbanks
Andreyka	PREA Conference	March 20	March 23	Seattle
Adams	PREA Conference	March 21	March 23	Seattle
Waldrop	Annual General Meeting	March 21	March 21	San Francisco
Alexander	AGM, LPAC and Manager Meetings	March 25	April 1	Mumbai and Indore India
Rahn	ALTSL Conference	March 27	March 28	Los Angeles
Ramirez	Manager Meetings	March 28	April 2	San Francisco



ALASKA PERMANENT
FUND CORPORATION

	EMPLOYEE	DEPT	TRAINING TYPE*	VENDOR	COURSE TITLE	CLASS HOURS	CITY	ST
1	Chad Brown	HR	OL	Korn Ferry	Pandemic Trends in Employee Experiences and Implications for Companies in 2023	1	Online	
2	Jacki Mallinger	Fin	OL	Sequoia CPE	Blockchain Basics	8	Online	
3	Jacki Mallinger	Fin	OL	Sequoia CPE	Transferring Wealth	2	Online	
4	Jacki Mallinger	Fin	OL	Sequoia CPE	Fraudulent Financial Reporting	2	Online	
5	Stephen Adams	RE	CS	PREA	Pension Real Estate Association Spring Conference		Seattle	
6	Jennifer Loesch	Exec	CS	Callan	Intro to Investments		Chicago	IL
7	Catherine Hatch	Inv	CS	With Intelligence	Women's VC Summit	12	Half Moon Bay	CA
8	Catherine Hatch	Inv	CS	With Intelligence	Women's PE Summit	15	San Diego	CA
9	Lara Pollock	Inv	CS	With Intelligence	Women's PE Summit	15	San Diego	CA

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

Memo

To: Board of Trustees

From: Chad A. Brown
Director of Human Resources

Date: May 5, 2023

Human Resources – FY 23 Q3

Welcome

- Mike Barnhill: Chief Operations Officer 02/27/2023
- Terek Rutherford: Private Income Associate 02/27/2023
- Luke Kirkham: Investment Operations Analyst 3/13/2023
- Eric Ritchie: Senior Investment Associate 5/10/2023
- Tatum Hines: Accounting Intern 5/22/2023
- Elizabeth (Ellie) Knapp: Investments Intern 5/31/2023

Congratulations

- Jacki Mallinger: Promotion to Senior Portfolio Manager - Private Markets
- Sarah Clark: Promoted to Investment Analyst – Real Estate

Separations

- Portfolio Manager – Real Estate
- Risk Analyst
- IT Specialist

Offers Pending

- Two additional positions are in the final stages pending offers

Highlights

- Premier Employer Designation – State of Alaska
- Intern Program – two (2) internals, two (2) external (McKinley & Crestline)

Challenges

- Positions with highly specialized skillsets continue to be the most challenging to fill.

Opportunities

- Continue to build upon One Team framework
- Change in employment market dynamics continue increased applicant flow
- Streamline recruiting process and expansion of College Recruiting efforts

Recruiting Update

VACANT POSITIONS (11)				
APFC Title	Division	Department	Incumbent	Status
Portfolio Accountant	Operations	Accounting	Retirement/Promotion	Final Candidate(s)
Investment Officer* Credit Analyst	Investments	Fixed Income	FY23 New	Final Candidate(s)
Investment Officer* Sr Investment Analyst	Investments	Private Equity	FY23 New	Final Candidate(s)
IT Specialist Azure Services	Operations	IT	Separation	Interviewing
Risk & Compliance Officer	Operations	Risk & Compliance	Promotion	Actively Recruiting
Risk & Compliance Analyst	Operations	Risk & Compliance	Separation	Interviewing
Portfolio Manager	Investments	Real Estate	Separation	Not Actively Recruiting
Investment Officer*	Investments	Real Estate	FY23 New	Not Actively Recruiting
Investment Officer*	Investments	TBD	FY23 New	Not Actively Recruiting
Project Manager*	Operations	Business Operations	FY23 New	Not Actively Recruiting
Admin Specialist	Operations	Business Operations	Promotion	Not Actively Recruiting

HEADCOUNT & VACANCIES AS OF 02/03/2023			
Division	Filled FTE	Vacant FTE	Vacancies at Previous Meeting
Investments (32)	27	5	6
Operations (35)	29	6	4
	56	11	10
Total Headcount	67		

Summer 2023 Internship Update		
Title	Hired	Status
APFC Corporate - Accounting	Tatum Hines	Filled
APFC Corporate - Investments	Elizabeth (Ellie) Knapp	Filled
External Partner - Crestline	Alden Butzke	Filled
External Partner - McKinley	Aulona Ljena	Filled
External Partner - Acadian	None Selected	None Selected

SUBJECT: Communications Update

ACTION:

DATE: 5/17/2023

INFORMATION: X

Communication to Educate and Inform

APFC remains committed to providing reliable and objective information to the Legislature, the Executive Branch, Alaskan stakeholders, and our global audience.

APFC 5-YEAR 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.

Communications Consultant

In our ongoing efforts to educate Alaskans, engage with our stakeholders, and provide the highest quality communications possible, APFC has contracted Yuit Communications as our communications services consultant and collaborator. Yuit was selected following a formal, competitive procurement process; the two-year contract began May 1st, 2023 with provisions for two renewals at the discretion of APFC.

Presentations, Interviews, Outreach**▪ January - April 2023**

- Legislative Presentations and Meetings
- Multiple Juneau Douglas High School Presentations and Tours
- Hoonah High School Presentations and Tour
- Fairbanks Chamber of Commerce Presentation
- UAF Rural Development Students Presentation
- UAF Investment Club Presentation
- UAA Accounting Club Presentation
- UAF Innovation Class Presentation
- UAF & UAA Career Fairs Booth
- Harvard-Yale-Princeton Clubs of Alaska Presentation
- ED Interview with Tim Bradner
- Interview with Infrastructure Investor
- Several investment staff participated in panel discussions

Outreach projects

▪ **Informing engaged audiences**

Through our **APFC Insights** email, we continue distributing clear and concise information about Fund values, Board meeting notices, and other historical and pertinent information. These messages are distributed to all Legislators, their staff, and self-enrolled recipients to ensure they have access to current information about APFC and the Fund.

▪ **Perspectives**

We continue to shine a light on our staff and programs through **APFC Perspectives** articles to better inform Alaskans, industry professionals and potential recruits about our work at APFC.

In February, we highlighted Sebastian Vadakumcherry and APFC's Risk Team, who explained the importance of Risk Management to the long-term sustainability of the Permanent Fund.

In March, we featured Masha Skuratovskaya and Colton Scudder with the Global Rates Fixed Income Team, who shared their ideas and concepts for prudently investing their portfolio.

▪ **APFC Ambassadors**

We are working to roll out a system to capture and highlight APFC's Ambassadors as they engage audiences as thought leaders in their fields.

▪ **AK Youth Education Program**

Progress continues on **The Permanent Fund: Alaska's Renewable Revenue**, APFC's Alaska youth education curriculum, developed in collaboration with Alaska Resource Education (ARE). The production of a curriculum/handbook with information, related educational games, and two short videos is nearly completed. The final materials will be available for teachers to use in the classroom and on the APFC website.

▪ **APFC Video Project**

To support Corporate outreach, educational, and recruitment initiatives, APFC has begun developing short videos highlighting individual staff and executives. The videos highlight their work and interesting perspectives on APFC.

▪ **APFC.ORG Website**

We continue to update and maintain the website with daily, monthly and annual information related to the performance and management activities of the Permanent Fund and the Corporation.

Analytics Highlights:

1. Out of the 26,000 visitors to the website between January and April 2023, 20,000 came from the United States, primarily Anchorage, New York, Juneau, and Seattle.
2. The most visited pages on the site during the period were News, Performance, In-State Investments, Real Estate, BOT Meetings, Reports, Leadership and Careers.

- **Social Media Outreach**

We continue to enhance our program by developing multimedia content and providing timely, helpful information. We use analytics and feedback to determine the most appropriate social media strategy to reach all Alaskans and our stakeholders effectively.

Between January and April 2023, there were 327 new Followers on LinkedIn – an increase of more than 10% in total Followers, with the majority coming from New York, Alaska, London, Los Angeles, and San Francisco. Cumulative Facebook reach increased significantly over the previous three months. Though there continue to be fewer overall visits and engagement on Facebook than on LinkedIn, most visitors are from across Alaska (Anchorage, Juneau, Fairbanks, Wasilla, Palmer, Barrow, Ketchikan, North Pole, Kenai, Kodiak).

Internal Communications

- **Intranet**

APFC Communications continues to collaborate on the IT-led project to update and maintain a page on the intranet to inform staff and provide quick access to the latest and most relevant information and content available.

- **Corporate Culture**

We have supported a Corporate-wide effort led by Human Resources by helping procure small promotional items for internal and external uses. We continue to appreciate APFC's HR for leading the effort in preparing and distributing a monthly internal newsletter with staff contributions, insights, recipes, and photos!

SUBJECT: Legislative Update

ACTION:

DATE: 5/18/2023

INFORMATION: X

The 33rd Alaska State Legislature's 1st regular session is slated for May 17, 2023 adjournment.

Legislative Objectives

- Affirm the integrity, independence, and success of the Corporation in stewardship of the Alaska Permanent Fund.
- Secure resources to ensure that APFC has the necessary support to optimize our ability to manage and invest the Fund.
- Educate stakeholders on the structure of the Fund to set the foundation for informed policy decisions.
- Monitor and respond to legislation that impacts the Fund and the Corporation.

Throughout the session, significant effort has been placed on establishing relationships, affirming the leadership role of the Corporation's Executive Director, and providing relevant information to support the policy decisions associated with the Permanent Fund and the Corporation. In addition to 'as needed' meetings with Legislators and staff to discuss budget items, distribution of Fund values and projections, fiscal notes, and policy proposals related to APFC and the Fund, we have participated in the following legislative presentations and requests for availability:

January – May 2023 Legislative Presentations & Availability

- Fundamentals - Deven
 - APFC In-House & Webinars - Legislative Learning Opportunities
- Alaska Permanent Fund Overview – Deven, Jim, Marcus
 - House and Senate Finance Committees
- Capital Markets Forecast and Fund Sustainability - Callan
 - House and Senate Finance Committees
- Fundamentals & Permanent Fund 101 - Deven
 - House and Senate Rules Committees Legislative Learning
- Budget Overview for Department of Revenue/APFC – Deven & Val
 - House Finance and Senate Finance Budget Subcommittees
- Budget Close-Out Department of Revenue/APFC – Deven
 - House Finance Budget Subcommittee
- Permanent Fund Overview – Deven
 - House Ways & Means Committee
- Realized and Unrealized Gains – Deven & Marcus
 - Senate Finance Committee
- Availability for ?s in HFIN, SFIN – Budget Items - Deven
- Availability for ?s in HW&M – HB 72, POMV Split - Deven
- Availability for ?s in HW&M – HJR 9, Const. Am POMV – Deven
- Availability for ?s in SFIN & HFIN – SB 98, PCE Management to APFC – Deven
- Availability for ?s in HW&M – HJR 7, Const. Am Dividend - Deven
- Availability for ?s in HW&M – HB 110, PFD Division to APFC – Deven

There are three areas of legislative policy debate that are/have been closely monitored:

- **Budget Resources and Appropriations**
 - **Legislative Proposals - Corporate Management**
 - **Fund Structure and ERA Draw Durability**
-

Budget Resources and Appropriations – APFC and the Permanent Fund

All in all, it has been a very productive session with the Legislature showing their support for the work that APFC does to manage and invest the Fund. The House has passed the budget, and the Senate is completing work on its version – ultimately headed to the budget conference committee at some point (*hopefully soon as I write this, but ...*).

The FY24 Operating Budget Conference Committee will include two items for which we are seeking Senate numbers: Annual Merit & Targeted Salary Adjustments for All Staff and FY24 Inflation Proofing for the Principal.

APFC Operating Budget appropriations are covered in more detail in the packet materials on the budget, and here is a short summary of the status of the Board’s Request.

Budget Resources & Appropriations for APFC and the Fund

FY24 Operating Budget Increments & Decrements

- + funding in the House and Senate Versions
- CC funding in the Senate Version - subject to the conference committee
- o not funded in any version

Operating Allocation

+ Incentive Compensation - Investment Staff	\$ 1,200,000
o Incentive Compensation - All Staff	\$ 500,000
CC Merit & Targeted Adjustments (salary & benefits)	\$ 1,410,520
+ Board Honorarium	\$ 6,857
+ PERS Adjustment - All Agencies	\$ 32,500
+ Health Insurance Adjustment – All Agencies	\$ 83,800
+ Contractual: Tri-Annual Workstation Replacement	\$ 239,670
+ Contractual: IT, Comms, HR, Training, Audit	\$ 251,006
o Travel	\$ 181,140

Investment Management Fees Allocation

+ Investment Management Fees	\$ (6,161,910)
+ Investment Systems – Data Analytics	\$ 2,757,500
+ Custody Fees	\$ 400,000

Appropriations To the Permanent Fund

+ Constitutional Royalties to Principal	\$ 430,383,300
+ Statutory Royalties to Principal	\$ 76,416,000
CC FY24 Inflation Proofing to Principal – capped at	\$1,413,000,000

Appropriations From the Permanent Fund

+ POMV 5% Draw from the ERA	\$3,526,087,852
+ Amerada Hess Earnings to Capital Income Fund	\$ ~29,283,600

Legislative Proposals - Corporate Management

An important aspect of our Legislative program includes monitoring and responding to proposed legislation. As the Legislature continues to debate elements of a comprehensive fiscal plan, including the annual draw from the earnings of the Fund and its further uses including distribution through dividends, there are numerous proposals that have been introduced and vetted through the legislative committee process.

This session, we have been monitoring and responding to the following:

Anticipated to Pass the Legislature -

SB 98 Power Cost Equalization Endowment Fund (PCE)

Definitely on the move and headed for passage

- This bill calls for APFC to manage the PCE fund as we currently do the Alaska Mental Health Trust Authority assets.
- The PCE fund consisting of ~\$1.0 billion of assets will be managed as part of the Permanent Fund's existing asset allocation.
- Provisions for quarterly and annual reporting, annual financial calculations based on market value and earnings, and an annual audit are included.
- The PCE program and distribution will continue to be managed by the Alaska Energy Authority.
- Effective Date: July 1, 2023

Bills on the Move -

SB 107 Permanent Fund Dividend POMV Split

Passed the Senate 12Y 7N 1E – scheduled for 1st House hearing in W&M on May 8

- This bill maintains the 5% POMV annual draw from the ERA to the General Fund and provides that the Legislature may appropriate 25% from the General Fund to the Dividend Fund.
- Provides a conditional effect to a 50/50 split should new revenue measures generate an additional amount of at least \$1.3 billion annually and the CBR exceeds an inflation adjusted \$3.5 billion.
- Effective Date: July 1, 2024

Those in Monitoring-Responding Status –

HB 110 Transfer PFD Division to APFC

Remains in House Ways & Means – 1st Committee of Referral

- Adopted CS keeps administration, eligibility and management functions within the PFD Division/DOR and transfers the payment portion to APFC – the remittance of funds/checks to all eligible Alaskans.
- Statute and appropriation will still dictate that amount/transfer absent a dedication of funds through a Constitutional Amendment – accompanied by HJR 7.

HJR 7 – Constitutional Amendment – Permanent Fund Dividend

Remains in House Ways & Means – 1st Committee of Referral

- Effectuates a transfer from ERA to dividend fund not based on an appropriation but based on a formula set out in statute – HB 110 accompanying legislation.

**HJR 2 – Constitutional Amendment – Appropriation Limit
Moved out of HW&M and being heard in HFIN.**

- Sets forth a spending cap that uses a factor based upon a five-year trailing average of our private sector economic performance.
- This proposal would set a spending cap roughly at current levels and would include a constitutional provision allowing flexibility in the case of unforeseen risks.
- Work with the sponsor continues to ensure that the costs for the management and investment of the Fund are included in the carve-out provisions.

Those in Monitoring Status –

HB 45 PFD Contributions to General Fund and Permanent Fund

Passed out of House Ways & Means and is now in House Finance

- This bill allows individuals to direct a portion (10% increments) of their dividend to the state general fund or the Principal of the Permanent Fund.
- To be managed through the Permanent Fund Dividend Division.

The following have not progressed from the first committee of referral, and are being monitored -

- 1 Constitutional Amendment that brings forth a classic single fund endowment with a 5% POMV. [HJR 9](#) .
- 2 Constitutional Amendments that include a 5% POMV and guaranteed dividends. [SJR 1](#), [HJR 7](#)
- 2 Constitutional Amendments guaranteed dividends w/Fund income. [HJR 8](#), [SJR 9](#)
- 2 Constitutional Amendments calling for appropriations limits [SJR 3](#), [SJR 4](#)
- 2 bills that maintain the statutory 5% annual POMV draw and provide for a further statutory distribution split to the general fund and dividend fund. [HB 72](#), [HB 90](#)
- 1 bill that changes the statutory POMV formula - an annual distribution from the Permanent Fund of 5% of the lagging five-year average market value to a static 5% distribution factor with a formula that calculates the distribution factor based on the lagging 20-year average real rate of return. [HB 160](#)
- 1 bill that adds a subsection to AS 37.13.120 to prohibit investment for the purpose of furthering social, political, or ideological interests with the sponsor's intent being to ensure investment decisions are focused on maximizing returns. [HB 174](#)

Fund Structure and Draw Durability

Based on the current two account structure of the Principal and Earnings Reserve Account, ERA durability continues to receive focused attention. Highlighting the structural characteristics associated with the annual POMV draw, inflation proofing to protect the intergenerational value and benefit of the Fund, and the volatility of statutory net income tracking lower than in past fiscal years and significantly lower than projected – have been highlighted in APFC's Legislative program.

SUBJECT: FY23 Year-to-Date Financial Update ACTION: _____

DATE: May 17, 2023 INFORMATION: X

KEY TAKEAWAYS:

- Total return year-to-date through March 31 of 3.12%, 2.59% for the third quarter
- Accounting net income year-to-date of \$2.8 billion, \$1.8 billion in the third quarter
- Realized (statutory) net income year-to-date of \$1.6 billion, significantly below Callan’s low forecast and nearly \$3 billion below the level at the same time in the prior year
- Net asset value as of March 31st of \$76.4 billion, marking a recovery to the level at the end of the prior year
- \$1.3 billion transferred to the General Fund in March in accordance with SB26
- \$150 million of mineral deposits transferred in during the quarter ended March 31st
- Committed Earnings Reserve balance of \$7.7 billion for FY24 General Fund transfers (\$3.53 billion), FY23 inflation proofing (\$4.17 billion), and the transfer to ACIF (\$9 million)

Financial results for the third quarter were reflective of the volatility experienced in the public markets. The fixed income and public equity portfolios experienced a combined increase in value of \$2.4 billion in January only to lose \$1.3 billion in February. Markets were fairly flat during March. Less notable movements were recorded in the other asset classes. Overall, the fund recorded unrealized gains of \$1.2 billion between the end of December and the end of March. This brought year-to-date total fund return up to 3.12% from 0.55% as of December 31.

Net assets increased by \$1.9 billion during the third quarter, bringing net asset value back to the ending value for FY22. This is the result of net income of \$1.8 billion and \$150 million received in mineral royalty deposits. Corporate operating expenses and other appropriations for the third quarter totaled \$69 million.

One transfer to the General Fund were made during the third quarter of FY23 totaling \$1.3 billion, bringing the total transfers for the year to \$3.0 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, 2023

Fiscal Year 2023 Net Assets

Balances through March 31, 2023

(in millions)

Total assets	\$ 77,644.2
Less liabilities	(1,263.3)
Net assets	<u>76,380.9</u>
Fund Balances:	
Non-spendable	
Permanent Fund corpus—contributions and appropriations	52,132.4
Not in spendable form—unrealized appreciation on invested assets	9,925.7
Total non-spendable fund balance	<u>62,058.1</u>
Committed	
General Fund Commitment	3,526.1
Current FY inflation proofing	4,170.6
Current FY AK Capital Income Fund	9.0
Committed fund balance	<u>7,705.7</u>
Assigned for future appropriations	
Realized earnings	4,326.3
Unrealized appreciation on invested assets	2,290.8
Total assigned fund balance	<u>6,617.1</u>
Total fund balances	<u>\$ 76,380.9</u>

Fiscal Year 2023 Income

For the nine months ending March 31, 2023

(in millions)

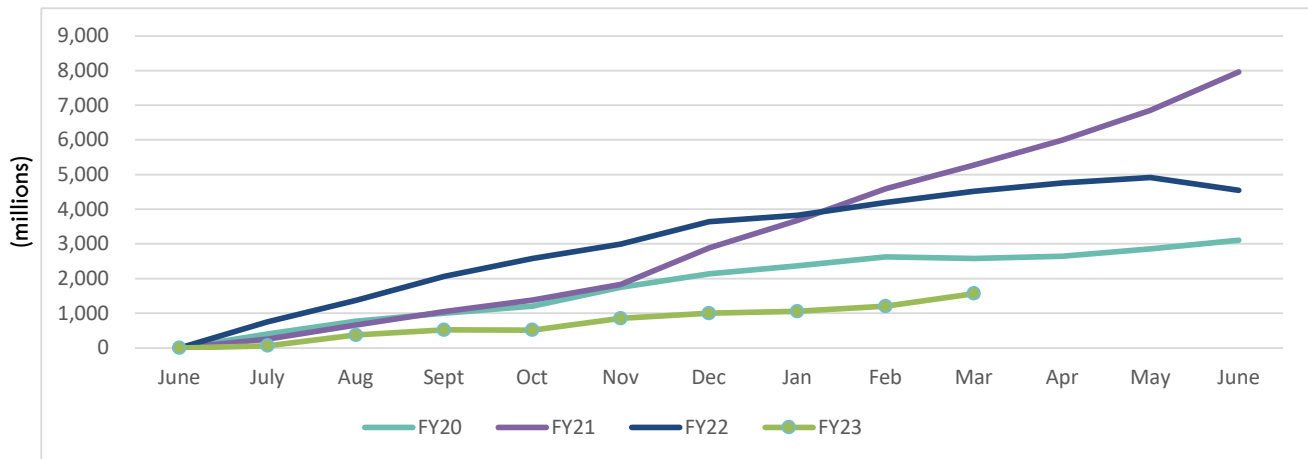
Statutory (Realized) Net Income

Interest, dividends, real estate, and other income	\$ 1,150.6
Realized gains on the sale of invested assets	556.8
Less operating expenses/legislative appropriations	(130.0)
Less Alaska Capital Income Fund committed realized earnings	(9.0)
Statutory net income	<u>1,568.4</u>

GAAP (Accounting) Net Income

Statutory net income	1,568.4
Unrealized gain on invested assets	1,181.8
Alaska Capital Income Fund committed realized earnings	9.0
Accounting net income	<u>\$ 2,759.2</u>

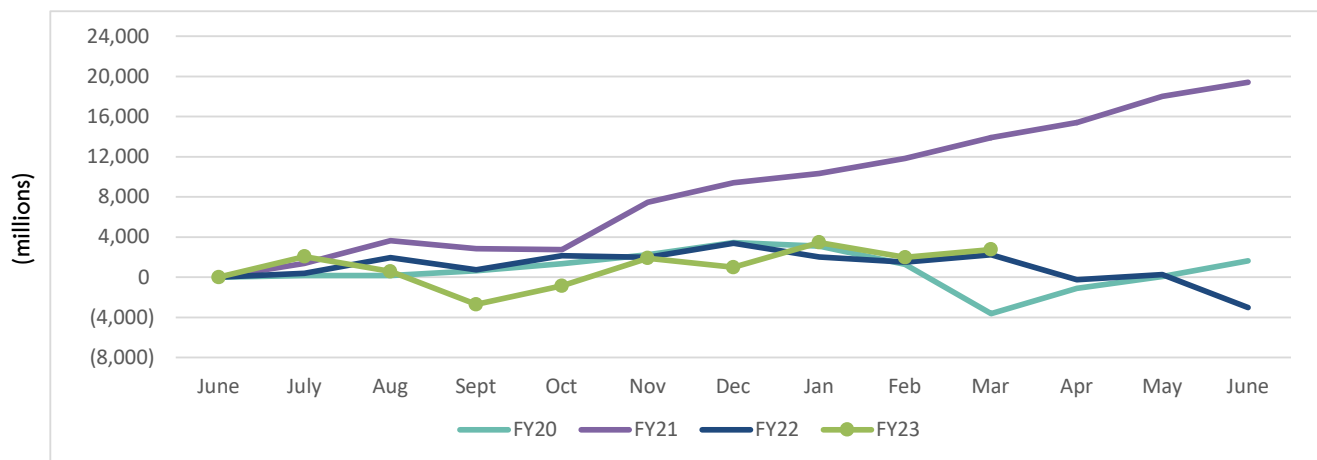
Statutory Net Income, Fiscal Years 2020 - 2023



- 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.

- FY20 statutory net income was \$3,106.0 million.
- FY21 statutory net income was \$7,962.4 million.
- FY22 statutory net income was \$4,543.6 million.
- FY23 statutory net income is \$1,568.4 million to date.

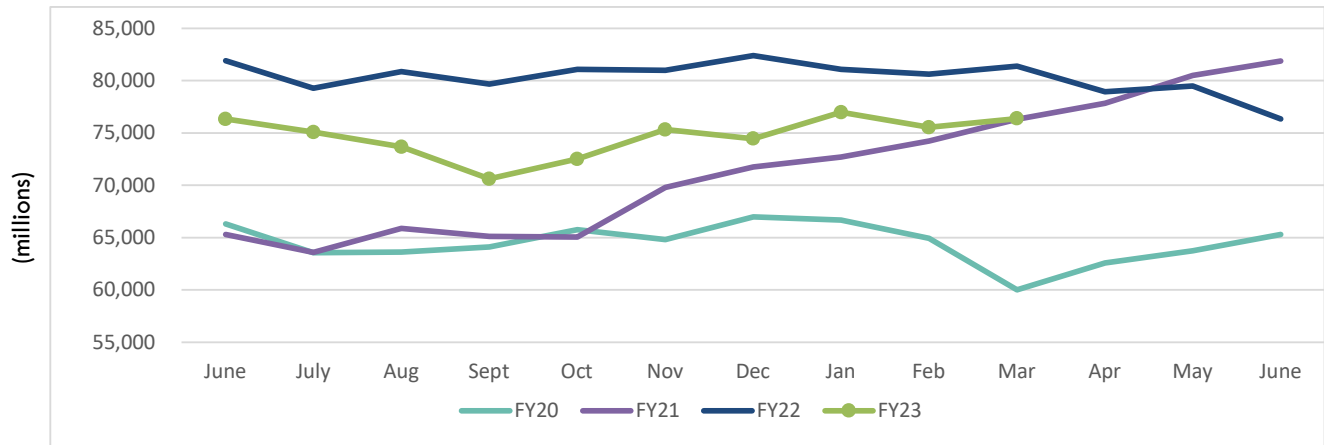
GAAP Accounting Net Income, Fiscal Years 2020 - 2023



- Accounting net income is the same as statutory net income, except it includes unrealized gains and losses.

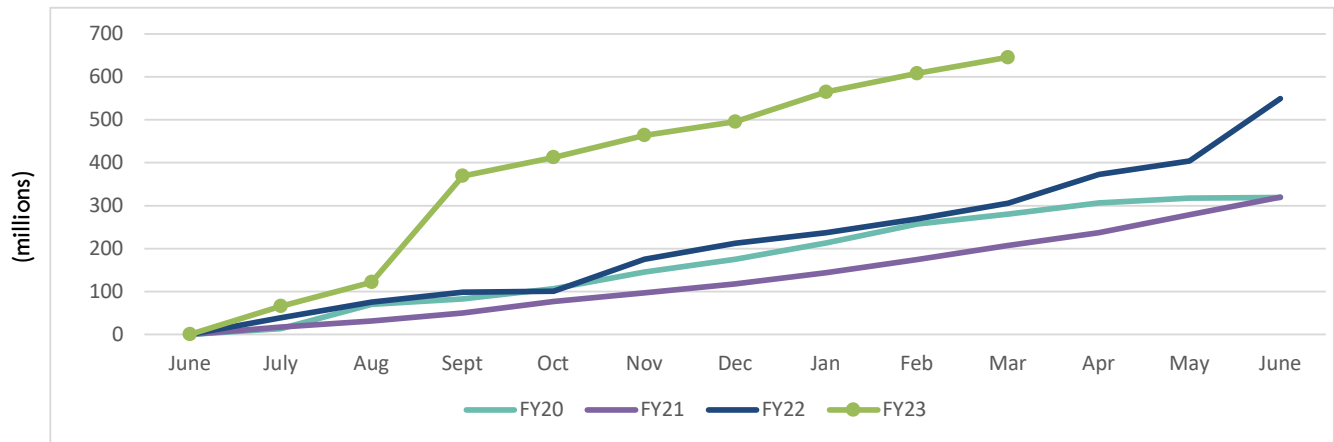
- Accounting net income for FY20 was \$1,636.5 million.
- Accounting net income for FY21 was \$19,416.6 million.
- Accounting net loss for FY22 was \$3,015.2 million.
- Accounting net income for FY23 is \$2,759.2 million to date.

Market Value of Fund Net Assets, Fiscal Years 2020 - 2023



- FY20 net assets as of June 2020 were \$65.3 billion, a decrease of \$1 billion over the FY19 ending balance.
- FY21 net assets as of June 2021 were \$81.9 billion, an increase of \$16.6 billion over the FY20 ending balance.
- FY22 net assets as of June 2022 were \$76.3 billion, a decrease of \$5.6 billion from the FY21 ending balance.
- FY23 net assets as of March 2023 were \$76.4 billion, an increase of \$0.1 billion from the FY22 ending balance.

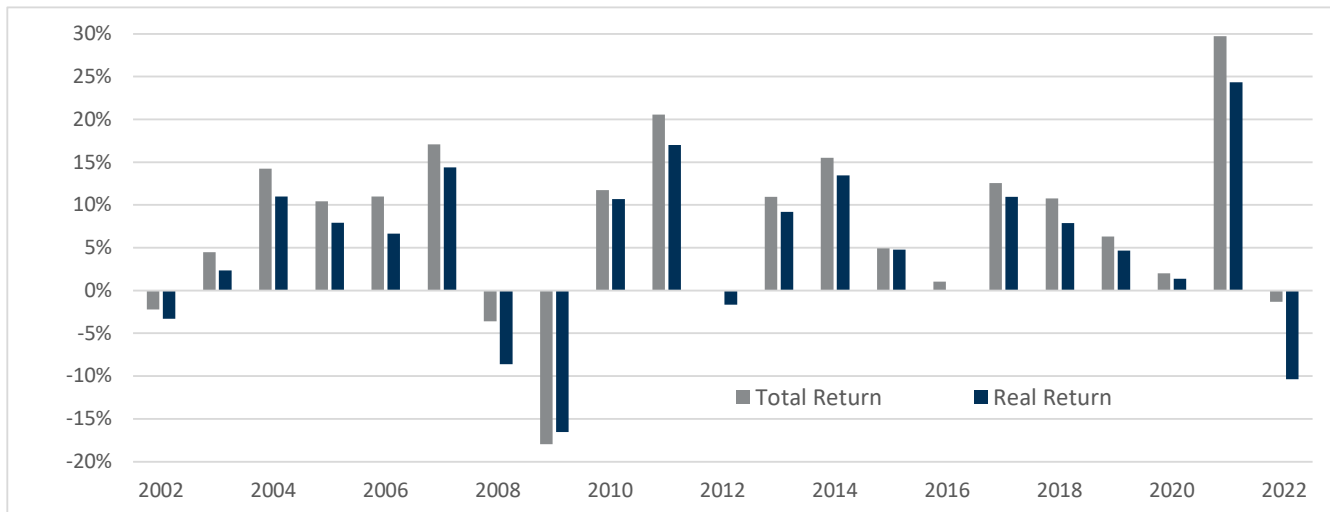
Dedicated Mineral Revenues, Fiscal Years 2020 - 2023



- FY20 mineral revenue was \$319.0 million.
- FY21 mineral revenue was \$319.6 million.
- FY22 mineral revenue was \$548.9 million.
- FY23 mineral revenue is \$645.1 million to date.

Alaska Permanent Fund Historical Returns, Fiscal Years 2002 - 2022

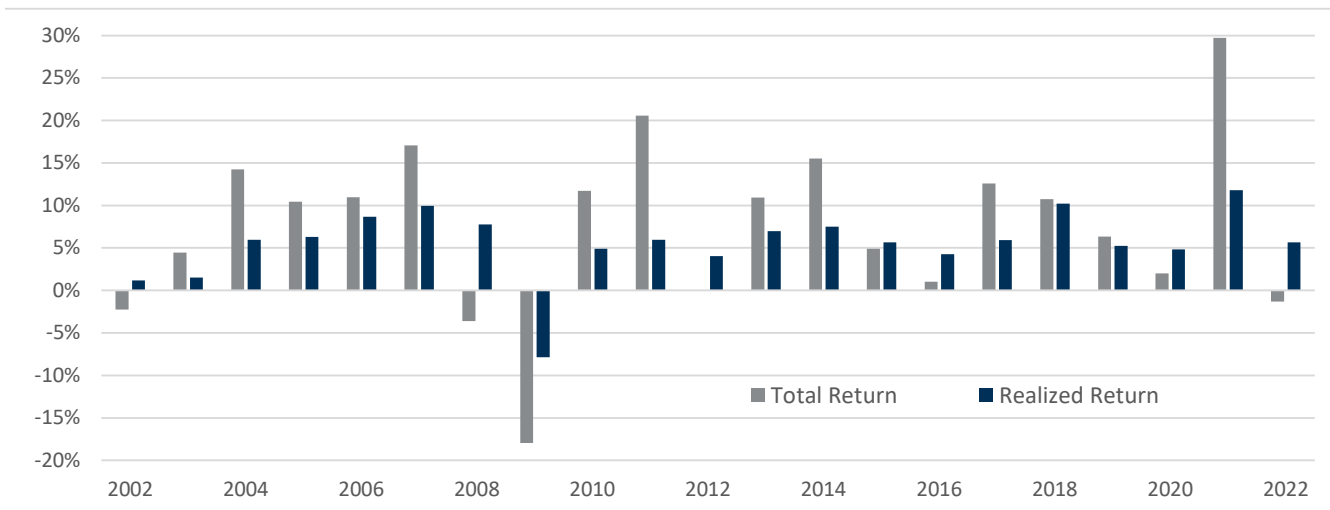
Total return minus inflation equals real return



- Total return annualized over 38 years is 8.91%
- Real return annualized over 38 years is 6.11%

Alaska Permanent Fund Historical Returns, Fiscal Years 2002 - 2022

Total return minus unrealized gains/losses equals realized return



- Total return annualized over 38 years is 8.91%
- Realized return annualized over 38 years is 7.5%

Board of Trustees - APFC Transfers - January 1, 2023 through March 31, 2023

<u>Type of Transfer</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>Total</u>
Public Equities	(401,063,090)	(890,016)	(600,688,220)	(1,002,641,325)
Fixed Income	(1,730,236)	7,889,373	(307,896,370)	(301,737,233)
Private Equity & Special Opportunities	47,493,908	(150,563)	(68,260,962)	(20,917,618)
Real Estate	281,725,934	(15,599,551)	332,883,262	599,009,645
Private Income	9,254,326	3,998,728	4,705,874	17,958,928
Absolute Return	(6,234,244)	(15,748,500)	(20,494,035)	(42,476,779)
Total Fund Cash	87,351,551	44,237,093	(593,868,431)	(462,279,787)
Net Transfers	16,798,150	23,736,563	(1,253,618,881)	(1,213,084,169)

Board of Trustees - APFC Transfers - January 2023

Description	Total Fund Cash	Public Equities	Fixed Income	Pvt. Equity & Spec. Opps.	Real Estate	Private Income	Absolute Return	Net
State of Alaska & Administrative								
Mineral revenue	49,366,327							49,366,327
AIM STIF interest	676,399							676,399
Commission recapture proceeds	21,674							21,674
Securities Lending income	14,560							14,560
Corporate expenses	(33,280,809)							(33,280,809)
Public Equities								
APF SPDR Yield	4,459,127	(4,459,127)						-
APF SPDR Momentum	2,559,540	(2,559,540)						-
APF SPDR Low Vol	2,736,579	(2,736,579)						-
APF US Tactical Tilt	15,244,755	(15,244,755)						-
APF Tactical Tilts	375,258,389	(375,258,389)						-
APF Tac Tilts Cash	(258,389)	258,389						-
APF Codiak	234,263	(234,263)						-
Public EQ Sec Lend	828,827	(828,827)						-
Fixed Income								
Oaktree High Yield	9,500,000		(9,500,000)					-
APF HY Corporate	(9,500,000)		9,500,000					-
APF FI Overlay	328,653		(328,653)					-
Rogge Global Partners	277		(277)					-
APF Global Rates Cash	4,000,000		(4,000,000)					-
APF Global Rates	197,743,645		(197,743,645)					-
APF China Bond Market	26,187,328		(26,187,328)					-
APF TBA Collateral	1,730,236		(1,730,236)					-
PGIM EMD BL	7,799		(7,799)					-
Payden EMD HC	135		(135)					-
Colchester EMD LC	999		(999)					-
APF EM Debt	112,869		(112,869)					-
APF TIPS	(54,000,000)		54,000,000					-
APF FI Cash	(174,381,705)		174,381,705					-
Private Equity & Special Opportunities								
Private Equity distributions	43,293,534			(43,293,534)				-
Private Equity capital calls	(98,322,187)			98,322,187				-
Special Opportunities distributions	16,411,253			(16,411,253)				-
Special Opportunities capital calls	(8,876,507)			8,876,507				-
Real Estate								
Direct Real Estate distributions	1,003,576				(1,003,576)			-
Direct Real Estate capital calls	(270,031,430)				270,031,430			-
Real Estate Funds distributions	15,863,220				(15,863,220)			-
Real Estate Funds capital calls	(28,561,300)				28,561,300			-
Private Income								
Infrastructure distributions	1,484,085					(1,484,085)		-
Infrastructure capital calls	(18,238,996)					18,238,996		-
Private Credit distributions	17,796,018					(17,796,018)		-
Private Credit capital calls	(8,325,765)					8,325,765		-
Private Income distributions	1,781,221					(1,781,221)		-
Private Income capital calls	(3,750,888)					3,750,888		-
Absolute Return								
Absolute Return distributions	6,234,244						(6,234,244)	-
Net Transfers	87,351,551	(401,063,090)	46 of 173,236	47,493,908	281,725,934	9,254,326	(6,234,244)	16,798,150

Board of Trustees - APFC Transfers - February 2023

Description	Total Fund Cash	Public Equities	Fixed Income	Pvt. Equity & Spec. Opps.	Real Estate	Private Income	Absolute Return	Net
State of Alaska & Administrative								
Mineral revenue	43,520,702							43,520,702
AIM STIF interest	556,839							556,839
Commission recapture proceeds	10,965							10,965
Securities Lending income	11,903							11,903
AMHT Transfer to APF	3,201,102							3,201,102
Corporate expenses	(23,564,949)							(23,564,949)
Public Equities								
APF SPDR Yield	25,000,000	(25,000,000)						-
APF SPDR Momentum	75,000,000	(75,000,000)						-
APF R1000 Low Vol	(100,000,000)	100,000,000						-
APF R1000V Low Vol	(75,000,000)	75,000,000						-
Mellon R3000	175,000,000	(175,000,000)						-
ACI US Value Yield	(100,000,000)	100,000,000						-
SSGA MSCI ACWI IMI	1,953	(1,953)						-
APF Tactical Tilts	287,070	(287,070)						-
APF Tac Tilts Cash	(287,070)	287,070						-
Mondrian EM	(2,975)	2,975						-
DFA Value EM	878	(878)						-
Public EQ Sec Lend	889,596	(889,596)						-
Domestic Transition	563	(563)						-
Fixed Income								
APF Dom Structured Prod	(242,202,000)		242,202,000					-
APF FI Overlay	(325,440)		325,440					-
APF Global Rates Cash	45,000,000		(45,000,000)					-
APF Global Rates	(67,123,970)		67,123,970					-
APF China Bond Market	30,123,970		(30,123,970)					-
APF TBA Collateral	(7,890,198)		7,890,198					-
Ninety One EMD BL	684		(684)					-
APF EM Debt	141		(141)					-
APF FI Cash	234,527,440		(234,527,440)					-
Private Equity & Special Opportunities								
Private Equity distributions	54,820,291			(54,820,291)				-
Private Equity capital calls	(68,569,905)			68,569,905				-
Special Opportunities distributions	13,900,177			(13,900,177)				-
Real Estate								
Direct Real Estate distributions	14,146,039				(14,146,039)			-
Direct Real Estate capital calls	(3,410,245)				3,410,245			-
Real Estate Funds distributions	4,863,757				(4,863,757)			-
Private Income								
Infrastructure distributions	5,291,221					(5,291,221)		-
Infrastructure capital calls	(7,066,089)					7,066,089		-
Private Credit distributions	15,632,002					(15,632,002)		-
Private Credit capital calls	(20,597,895)					20,597,895		-
Private Income distributions	5,572,288					(5,572,288)		-
Private Income capital calls	(2,830,255)					2,830,255		-
Absolute Return								
Absolute Return distributions	15,748,500						(15,748,500)	-
Net Transfers	44,237,093	(890,016)	7,889,373	(150,563)	(15,599,551)	3,998,728	(15,748,500)	23,736,563

Board of Trustees - APFC Transfers - March 2023

Description	Total Fund Cash	Public Equities	Fixed Income	Pvt. Equity & Spec. Opps.	Real Estate	Private Income	Absolute Return	Net
State of Alaska & Administrative								
Mineral revenue	50,404,647							50,404,647
AIM STIF interest	997,153							997,153
Commission recapture proceeds	13,942							13,942
Securities Lending income	10,031							10,031
Class action proceeds	641							641
General Fund Transfer	(1,300,000,000)							(1,300,000,000)
Corporate expenses	(5,045,295)							(5,045,295)
Public Equities								
APF SPDR Yield	53,000,000	(53,000,000)						-
APF SPDR Momentum	26,000,000	(26,000,000)						-
APF SPDR Low Vol	1,000,000	(1,000,000)						-
DSM - Growth LC	100,000,000	(100,000,000)						-
APF US Tactical Tilt	20,000,000	(20,000,000)						-
Voya Large Cap	75,000,000	(75,000,000)						-
GE Asset Management	75,000,000	(75,000,000)						-
APF Tactical Tilts	108,581,682	(108,581,682)						-
APF Tac Tilts Cash	91,418,318	(91,418,318)						-
WCM Global	50,000,000	(50,000,000)						-
Public EQ Sec Lend	688,220	(688,220)						-
Fixed Income								
APF IG Corporate Bonds	98,200,000		(98,200,000)					-
APF HY Corporate	25,000,000		(25,000,000)					-
APF US AGG	125,000,000		(125,000,000)					-
APF Dom Structured Prod	25,000,000		(25,000,000)					-
APF FI Overlay	193,780		(193,780)					-
APF Global Rates Cash	(25,000,000)		25,000,000					-
APF Global Rates	25,000,000		(25,000,000)					-
APF TBA Collateral	7,896,370		(7,896,370)					-
APF FI Cash	26,606,220		(26,606,220)					-
Private Equity & Special Opportunities								
Private Equity distributions	117,664,687			(117,664,687)				-
Private Equity capital calls	(62,793,789)			62,793,789				-
Special Opportunities distributions	33,741,034			(33,741,034)				-
Special Opportunities capital calls	(20,350,970)			20,350,970				-
Real Estate								
Direct Real Estate distributions	5,344,850				(5,344,850)			-
Direct Real Estate capital calls	(125,797,450)				125,797,450			-
Real Estate Funds capital calls	(212,430,663)				212,430,663			-
Private Income								
Infrastructure distributions	5,572,408					(5,572,408)		-
Infrastructure capital calls	(14,499,504)					14,499,504		-
Private Credit distributions	22,352,827					(22,352,827)		-
Private Credit capital calls	(10,974,211)					10,974,211		-
Private Income distributions	1,826,194					(1,826,194)		-
Private Income capital calls	(8,983,589)					8,983,589		-
Absolute Return								
Absolute Return distributions	20,494,035						(20,494,035)	-
Net Transfers	(593,868,431)	(600,688,220)	(307,896,370)	(68,260,962)	332,883,262	4,705,874	(20,494,035)	(1,253,618,881)



**ALASKA PERMANENT FUND
FUND FINANCIAL HISTORY & PROJECTIONS
as of March 31, 2023**

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

FY	Nonspendable Fund Balance - Principal							Assigned Fund Balance - Earnings Reserve										TOTAL FUND FY-End Balance
	FY-Begin Contrib. Balance	Dedicated State Revenues	Inflation Proofing & Special Approp.	FY-End Balance Contributions	Unrealized Gain (Loss) FY-End Balance	FY-End Nonspendable Balance	Acct. Net Income	Statutory Net Income	Distributions			FY-End Balance Realized	Unrealized Gain (Loss) FY-End Balance	FY-End Assigned Balance	FY			
									DivPOMV Transfer	Inflation Prfg & Spec Approp.	ACIF							
77-13	0	14,510	22,105	36,615	4,184	40,799	45,873	43,276	20,395	18,807	481	3,486	567	4,054	77-13	44,853		
14	36,615	779	546	37,940	7,062	45,002	6,848	3,531	1,235	546	32	5,236	975	6,212	14	51,214		
15	37,940	600	624	39,165	6,473	45,638	2,384	2,907	1,373	624	24	6,147	1,016	7,163	15	52,800		
16	39,165	284	0 ⁽⁶⁾	39,449	4,750	44,199	398	2,198	696 ⁽⁵⁾	0 ⁽⁶⁾	18	7,649	921	8,571	16	52,769		
17	39,449	365	0 ⁽⁶⁾	39,814	7,155	46,969	6,676	3,214	0	0 ⁽⁶⁾	25	10,862	1,952	12,816	17	59,785		
18	39,814	353	0 ⁽⁶⁾	40,167	5,863	46,030	5,526	6,324	726	0 ⁽⁶⁾	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 ⁽⁸⁾	46,619	5,789	52,408	1,637	3,106	2,933	4,758 ⁽⁸⁾	21	11,469	1,424	12,894	20	65,302		
21	46,619	320	0 ⁽⁶⁾	46,939	13,810	60,749	19,417	7,962	3,091	0 ⁽⁶⁾	50	16,341	4,807	21,148	21	81,897		
22	46,939	549	4,000 ⁽⁶⁾⁽⁸⁾	51,488	8,700	60,188	(3,015)	4,544	3,069	4,000 ⁽⁶⁾	24	13,816	2,334	16,150	22	76,337		
Lo 23	51,488	727	4,171	56,385	7,903	64,288	444	2,347	3,361	4,171 ⁽⁹⁾	22	8,632	1,210	9,841	23	74,129		
Mid 23	51,488	727	4,171	56,385	11,682	68,067	5,096	2,585	3,361	4,171 ⁽⁹⁾	27	8,870	1,838	10,707	23	78,775		
Hi 23	51,488	727	4,171	56,385	15,964	72,349	10,422	2,870	3,361	4,171 ⁽⁹⁾	34	9,154	2,592	11,746	23	84,095		
24	56,385	445	1,421	58,250	8,047	66,297	4,957	4,819	3,526	1,421	29	8,504	1,175	9,679	24	75,976		
25	58,250	429	1,467	60,146	8,194	68,340	5,079	4,938	3,618	1,467	29	8,357	1,139	9,495	25	77,836		
26	60,146	423	1,514	62,084	8,347	70,430	5,202	5,058	3,715	1,514	29	8,186	1,101	9,286	26	79,717		
27	62,084	438	1,563	64,084	8,507	72,592	5,326	5,180	3,841	1,563	29	7,962	1,057	9,019	27	81,610		
28	64,084	502	1,615	66,201	8,659	74,860	5,458	5,308	3,819	1,615	29	7,837	1,025	8,862	28	83,722		
29	66,201	499	1,668	68,368	8,809	77,177	5,599	5,447	3,871	1,668	29	7,745	998	8,743	29	85,920		
30	68,368	491	1,721	70,580	8,963	79,543	5,745	5,590	3,967	1,721	29	7,646	971	8,617	30	88,160		
31	70,580	502	1,777	72,859	9,120	81,979	5,895	5,736	4,067	1,777	29	7,538	944	8,481	31	90,460		
32	72,859	545	1,835	75,240	9,281	84,520	6,049	5,887	4,170	1,835	29	7,420	915	8,335	32	92,855		
Cumulative Totals																		
Proj. for FY23-FY32	5,000	18,752					54,406	50,549	37,955	18,752	291							

Assumptions:		Total Return - Inflation = Total Real Return			Statutory Return	
Lo	FY23	0.80%	8.00%	-7.20%	Lo	5.10%
Mid	FY23 ⁽³⁾	7.00%	8.00%	-1.00%	Mid	6.40%
Hi	FY23	14.10%	8.00%	6.10%	Hi	7.95%
	FY24-FY32 ⁽⁴⁾	7.05%	2.50%	4.55%		6.90%

Notes related to financial history and projections:

- ⁽¹⁾ Dedicated State Revenues in current and future fiscal years are based on the Spring 2023 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 2022 Callan capital market assumptions. Actual results will vary.
- ⁽⁴⁾ Future returns are based on 2022 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⁾ Due to significant increases in CPI, the inflation proofing estimate has been updated to reflect actual CPI through December.
- ⁽¹⁰⁾ All transfers out of the Earnings Reserve are subject to Legislative appropriation.
- ⁽¹¹⁾ FY23 statutory net income includes actual results through March and Callan's projected realized return for the remainder of the year.

Income Year-to-Date as of March 31, 2023

FY23 YTD Statutory Net Income	
Interest, dividends, real estate & other income	\$ 1,150.6
Realized gains (losses) on the sale of assets	556.8
Less operating expenses	(130.0)
Less AK Capital Income Fund realized earnings	(9.0)
	\$ 1,568.4

FY23 YTD Accounting (GAAP) Net Income	
Statutory net income (loss)	\$ 1,568.4
Unrealized gains (losses) on invested assets	1,181.8
AK Capital Income Fund realized earnings	9.0
Adjusted (GAAP) net income (loss)	\$ 2,759.2

FY23 POMV Distribution (actual) ⁽¹⁰⁾	FY23 Statutory Dividend Transfer (actual) ⁽¹⁰⁾
Ending Fund Value (ex Am Hess)	Statutory Net Income
FY21 \$ 81,472.1	FY22 \$ 4,544.0
FY20 64,877.1	FY21 7,962.0
FY19 65,876.4	FY20 3,106.0
FY18 64,469.5	FY19 3,305.0
FY17 59,360.4	FY18 6,324.4
Average Value \$ 67,211.1	Avail for
Statutory	Dist (21%) \$ 5,300.7
Distribution \$ 3,360.6	Statutory
	Trnsfr Amt \$ 2,650.3

FY24 POMV Distribution (actual) ⁽¹⁰⁾	FY24 Statutory Dividend Transfer (projected)
Ending Fund Value (ex Am Hess)	Statutory Net Income
FY22 \$ 75,912.1	FY23 \$ 2,347.1
FY21 81,472.1	FY22 4,544.0
FY20 64,877.1	FY21 7,962.0
FY19 65,876.4	FY20 3,106.0
FY18 64,469.5	FY19 3,305.0
Average Value \$ 70,521.5	Avail for
Statutory	Dist (21%) \$ 4,465.5
Distribution \$ 3,526.1	Statutory
	Trnsfr Amt \$ 2,232.7



FYTD 2023 Fees & Expenses by Funding Source*

Report Date	March 31, 2023
Total Fund Balance	77,097,064,000
FYTD Change in Total Fund Balance (Net of Transfers)	2,403,937,000

Investment Management Fees

	Paid from Investments	Paid from Investment Management Allocation	Paid from Operations Allocation	Total
Public Equity	1,370,000	39,774,000	1,661,000	42,805,000
Fixed Income	0	2,792,000	4,282,000	7,074,000
Absolute Return	69,552,000	197,000	561,000	70,310,000
Risk Parity	788,000	39,000	127,000	954,000
Total Fund Cash	0	118,000	380,000	498,000
Private Equity & Special Opps	97,970,000	20,137,000	2,574,000	120,681,000
Infrastructure & Private Income	47,562,000	2,576,000	1,401,000	51,539,000
Real Estate	31,062,000	3,932,000	2,903,000	37,897,000
Total Mgmt Fees by Source	248,304,000	69,565,000	13,889,000	331,758,000
Basis Points	32	9	2	43

Profit Sharing/Performance

	Paid from Investments	Paid from Investment Management Allocation	Paid from Operations Allocation	Total
Public Equity	0	38,244,000	0	38,244,000
Absolute Return	43,457,000	0	0	43,457,000
Private Equity & Special Opps	92,804,000	0	0	92,804,000
Infrastructure & Private Income	24,521,000	0	0	24,521,000
Real Estate	682,000	0	0	682,000
	161,464,000	38,244,000	0	199,708,000

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



FY2023 Budget-to-Actuals and Projected Expenditures

FY2023 BOY PF Balance		\$76,337,171,000						
Corporate Operations	F2023 Mgmt Plan	bps	Expenditures (as of 3/31)	Projected 4Q	Est. Total Expend.	Projected Unspent	% Expended	
Personal Services	\$ 17,813,700	2.33	\$ 11,027,697	\$ 5,040,062	\$ 16,067,759	\$ 1,745,941	90.20%	
Staff Salaries and Benefits	16,189,276	2.12	9,414,350	5,028,447	14,442,797	1,746,479	89.21%	
Incentive Compensation	1,600,000	0.21	1,600,000	-	1,600,000	(0)	100.00%	
Board: Honoraria	24,424	0.00	13,347	11,615	24,962	(538)	102.20%	
Travel	\$ 800,000	0.10	\$ 410,012	\$ 174,854	\$ 584,866	\$ 215,134	73.11%	
Staff	602,000	0.08	362,863	132,000	494,863	107,137	82.20%	
Trustees	18,000	0.00	22,990	7,720	30,710	(12,710)	170.61%	
Moving and Non-Employee	180,000	0.02	24,159	35,134	59,293	120,707	32.94%	
Contractual Services	\$ 3,389,800	0.44	\$ 2,188,728	\$ 826,286	\$ 3,015,014	\$ 374,786	88.94%	
Audit, Legal, Consulting	632,550	0.08	278,660	460,885	739,544	(106,994)	116.91%	
Public Communications	343,745	0.05	108,087	75,000	183,087	160,658	53.26%	
Board Support and Meetings	79,100	0.01	36,314	12,749	49,064	30,036	62.03%	
Information Technology	1,340,000	0.18	1,069,589	164,492	1,234,081	105,919	92.10%	
HR and Recruitment	63,000	0.01	18,318	34,032	52,350	10,650	83.10%	
Training and Education	150,250	0.02	45,195	14,844	60,039	90,211	39.96%	
Office Support	781,155	0.10	632,565	64,284	696,849	84,306	89.21%	
Office Lease	515,995	0.07	524,671	-	524,671	(8,676)	101.68%	
Commodities	\$ 195,900	0.03	\$ 125,438	\$ 59,266	\$ 184,704	\$ 11,196	94.28%	
Equipment	\$ 450,000	0.06	\$ 400,194	\$ 41,237	\$ 441,431	\$ 8,569	98.10%	
Corporate Operations Total	\$ 22,649,400	2.97	\$ 14,152,069	\$ 6,141,705	\$ 20,293,774	\$ 2,355,626	89.60%	
Investment Management								
Investment Systems	\$ 8,891,700	1.16	\$ 4,584,023	\$ 2,745,508	\$ 7,329,531	\$ 1,562,169	82.43%	
Investment Due Diligence	\$ 5,763,390	0.75	\$ 2,086,451	\$ 881,290	\$ 2,967,741	\$ 2,795,649	51.49%	
Custody Fees	\$ 1,900,000	0.25	\$ 947,331	\$ 414,000	\$ 1,361,331	\$ 538,669	71.65%	
Investment Manager Fees	\$ 179,312,910	23.49	\$ 100,447,706	\$ 32,429,208	\$ 132,876,914	\$ 46,435,996	74.10%	
Public Equities	137,457,595	18.01	77,363,494	24,433,719	101,797,213	35,660,382	74.06%	
Fixed Income	8,464,907	1.11	219,062	-	219,062	8,245,845	2.59%	
Real Estate	3,594,200	0.47	2,461,005	748,174	3,209,179	385,021	89.29%	
Alternative Markets	29,796,208	3.90	20,404,145	7,247,316	27,651,461	2,144,747	92.80%	
Investment Management Total	\$ 195,868,000	25.66	\$ 108,065,511	\$ 36,470,006	\$ 144,535,517	\$ 51,332,483	73.79%	
APFC Appropriation	\$ 218,517,400	28.63	\$ 122,217,580	\$ 42,611,711	\$ 164,829,291	\$ 53,688,109	75.43%	
Legislative Appropriation	\$ 9,365,200	1.23	\$ 9,365,200	\$ -	\$ 9,365,200	\$ -	100.00%	
AmHess Capital Inc. Acct.	\$ 9,000,000	1.18	\$ -	\$ 9,000,000.00	\$ 9,000,000	\$ -	100.00%	
POMV Distribution	\$ 3,360,567,100	440.23	\$ 2,980,267,100	\$ 380,300,000	\$ 3,360,567,100	\$ -	100.00%	
Total Appropriation	\$ 3,597,449,700	471.26	\$ 3,111,849,880	\$ 431,911,711	\$ 3,543,761,591	\$ 53,688,109	98.51%	
5 year real rate of return (FY18-FY22):		5.86%						



SUBJECT: Chief Investment Officer’s Report

ACTION: _____

DATE: May 17, 2023

INFORMATION: X

BACKGROUND:

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

STATUS:

Marcus Frampton, CIO, will present Fund positioning, asset class performance, and investment actions taken during April 2023.



ALASKA PERMANENT
FUND CORPORATION

CIO Report
Marcus Frampton, Chief Investment Officer
May 17, 2023

Investment Department Current Topics

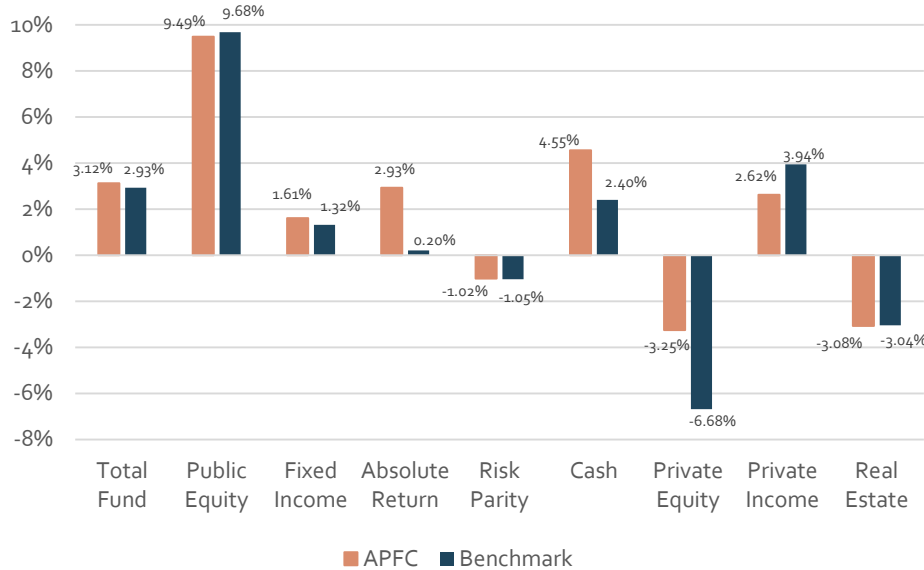
- Personnel
- Performance and positioning
- Investment Policy Statement updates
- Pacing plans for Fiscal Year 2024
- Investment actions taken during the quarter



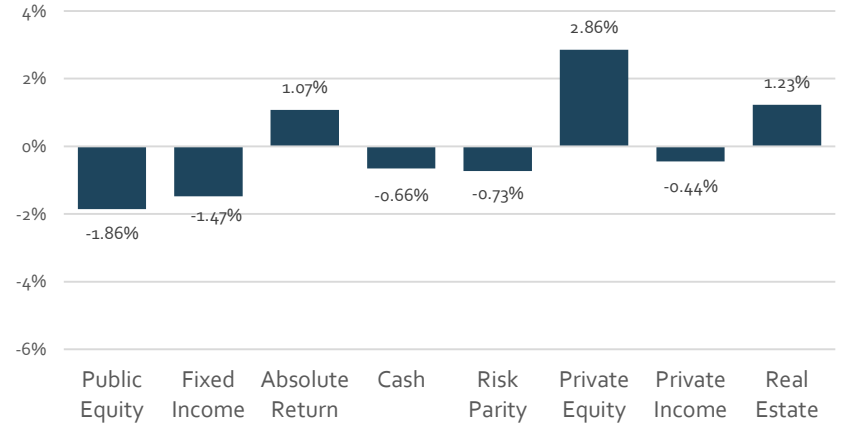
Part 1: Performance and Positioning

Total Fund Positioning and Performance

FY' 23 Performance as of 3/31/23 ⁽¹⁾



Positioning as of 3/31/23 ⁽¹⁾





Part 2: Investment Actions Taken during April 2023

Investment Actions (continued)

April 2023

Real Estate

During April, Staff took the following actions in the Real Estate portfolio:

- \$225 million redemption from AEW Domestic REITs account on 4/27/23

Private Equity

Fund commitments closed in April:

- \$55 million to Genstar XI

Public Equity

In April, Staff moved **\$150 million** between internal Public Equities accounts. Details are below:

• April 14 th	<u>Redemption from</u>	<u>Contribution to</u>	<u>Amount</u>
	APF SPDR Yield		-\$50 million
	APF SPDR Momentum		-\$50 million
	APF SPDR Low Vol		-\$50 million
		APF R1000 Low Vol	+\$75 million
		APF R1000V Low Vol	+\$75 million

SUBJECT: Risk Overview

ACTION: _____

DATE: May 17, 2023

INFORMATION: X

BACKGROUND:

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

STATUS:

The 'Risk Overview' has the following parts:

- **Part-1 [Information]:** is an overview of APFC's liquidity profile, covering asset liquidity and cashflow liquidity. This presentation aims to focus attention on potential cashflow risks including during assumed stress scenarios.
- **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.



ALASKA PERMANENT
FUND CORPORATION

Risk Overview

May 17, 2023

The background of the slide is a solid teal color with a faint, semi-transparent image of pine needles and a pine cone. The text is overlaid on the left side of the image.

Part 1: A Review of Cashflow Liquidity

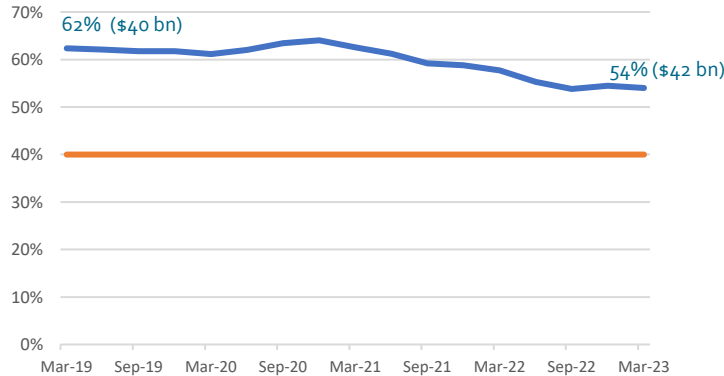
Liquidity risk: has two dimensions

Liquidity risk can be viewed as of two types:

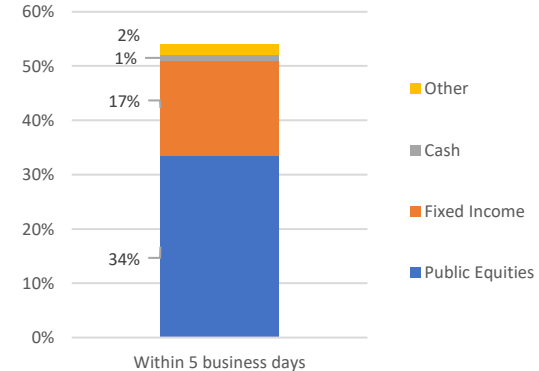
- **Asset illiquidity:** inability to liquidate assets in a timely manner at reasonable values
- **Cashflow illiquidity:** inability to support cashflow requirements at reasonable costs

Asset Liquidity: adequate level of liquid assets

Liquid Assets (public equities+fixed income+cash)
as a % of Total Fund



Assets Liquefiable within 5 business days
as a % of Total Fund



Q1-2019 to Q1-2023

- Although declining, the proportion of liquid assets continues to be strong– well above the risk appetite floor of 40%
- In \$ terms the level has not changed materially

As of end Q1-2023

- Based on Aladdin’s liquidity model, the *actual* liquidity also seems robust
- The model estimates that approximately 54% of the total fund (or ~\$42 billion) is liquefiable within a week

Cashflow Liquidity: key drivers

Sources of Cash

- Oil Royalties from State
- Private Asset Distributions
- Interest & Dividend Income
- Other

- Asset Sales

Uses of Cash

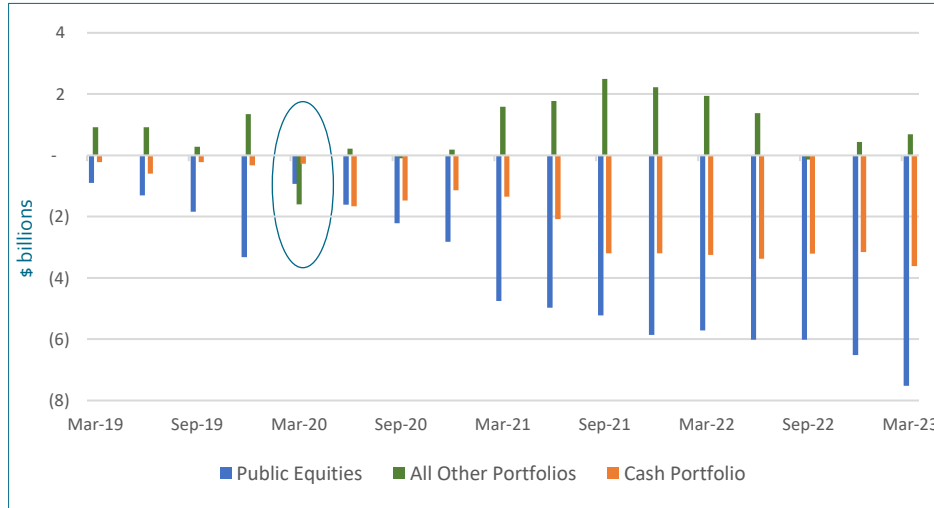
- Transfer to State
- Private Asset Contributions
- Expenses
- Other

- Opportunities

- Currently, APFC's strong asset liquidity can meet most cashflow requirements of the corporation from an ability-to-liquidate perspective
- However, such actions may result in material imbalances – in terms of asset allocation weights relative to targets
- The following slides aim to highlight the evolution of potential imbalances, including during assumed stressed environments
- While the possibility of an extreme and sudden liquidity crunch is low, there could be a gradual but sizeable deterioration in terms of optimal asset allocation

Cashflow Liquidity: public equities has been the predominant source of cash

Cumulative Cashflow-in/out by Asset Class - 4 years: Q1-2019 to Q1-2023



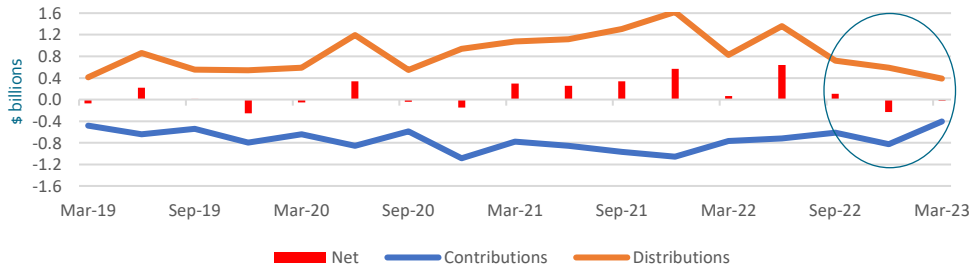
- Over the last 4 years, the public equities portfolio had cash outflows totaling over \$7.5 bn. Q1-2020 was the only quarter when funds transferred into public equities.
- With an additional \$3.6 bn withdrawn from the cash portfolio, a total of just over \$11 bn of cash was sourced for various uses.
- All other portfolios, in aggregate, were almost neutral (inflows = outflows) over the same period.
- Robust equity market returns until end-2021 facilitated this sizeable cash generation from public equities.
- However, the depressed equity market returns of the recent past has put pressure on the portfolio in terms of asset class underweight.
- Going forward...?

S&P cumulative returns



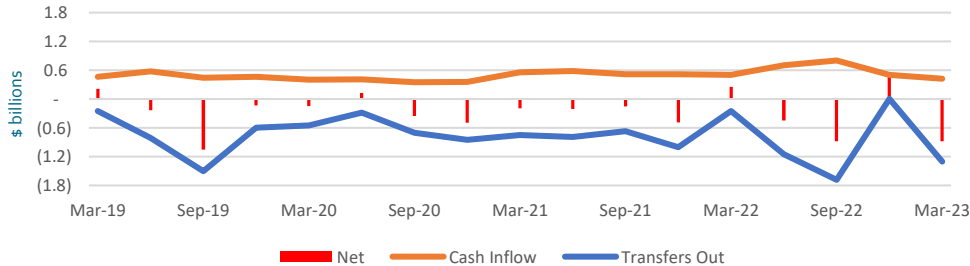
Key cashflows: some of which could come under pressure

Private (equity, infra and credit): Contributions & Distributions



- Over the last three quarters cash outflows have mostly matched inflows, resulting in a net neutral level
- Comparatively, the first half of 2022 and full CY 2021 generated net inflows of \$0.7bn and \$1.5bn respectively
- Essentially, assuming a net neutral level for the next 12 months would probably be realistic
- A net ~\$200/\$350 million outflow would probably be a conservative/stress scenario assumption

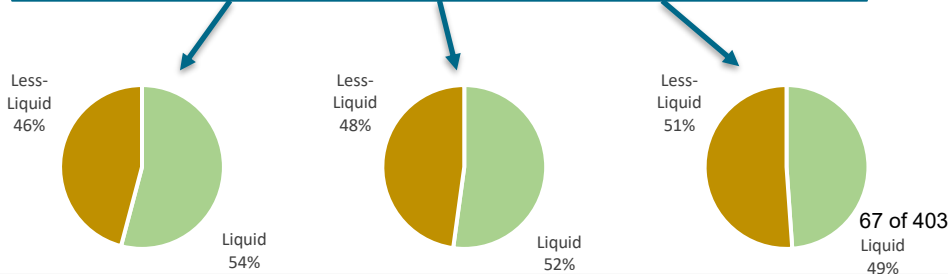
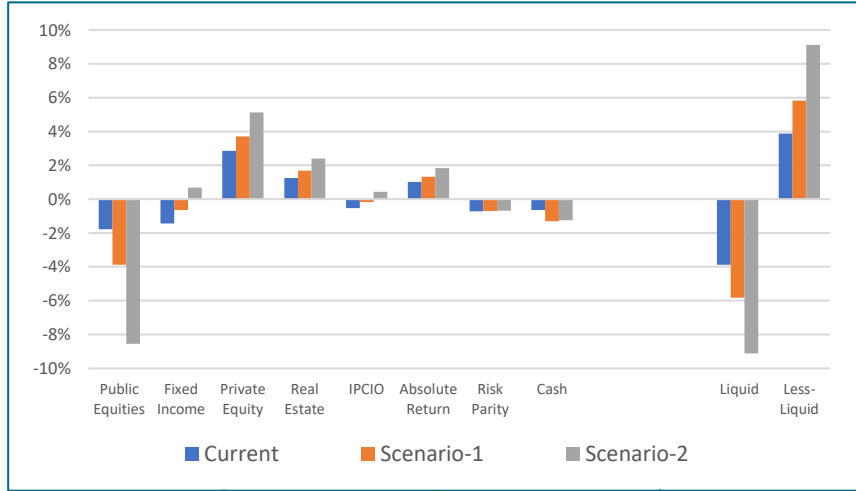
Other Key cashflows (interest & dividend, royalties, transfers out to State, etc.)



- 'Other' cash inflow levels have been mostly steady over the last several quarters
- These cashflows (in and out) are unlikely to change materially going forward

Liquid Assets: may get further penalized if cashflow liquidity worsens

Asset class over/under weight – relative to target asset allocation



Current: as of 3/31/2023

- The public equities, fixed income and cash portfolios (liquid assets) are under-weight their allocation targets by an aggregate ~4%

Scenario-1: a roughly \$3 bn cash outflow (private asset commitments, State transfer, etc. - sourced out of public equities and cash portfolios, ceteris paribus)

- This would result in the public equities under weight increasing to ~4% and aggregate liquid assets under weight reaching ~6%

Scenario-2: (a 20% drawdown in public equities on top of scenario-1)

- Public equities would be at just under 27.5% weight, i.e., an under weight of ~8.5%, and the aggregate liquid assets underweight would balloon to 9.1%

Asset Allocation: moderate stresses could magnify deviations

	Current: 3/31/2023			Scenario-1 <i>(Current + An assumed ~\$3 billion outflow, sourced from Public Equities and Cash)</i>			Scenario-2 <i>(Scenario1 + a 20% drawdown in Public equities)</i>		
	Portfolio	Target	Over/(Under)	Portfolio	Target	Over/(Under)	Portfolio	Target	Over/(Under)
Public Equities	34.2%	36.0%	(1.8%)	32.1%	36.0%	(3.9%)	27.5%	36.0%	(8.5%)
Fixed Income	18.6%	20.0%	(1.4%)	19.4%	20.0%	(0.6%)	20.7%	20.0%	0.7%
Private Equity	19.9%	17.0%	2.9%	20.7%	17.0%	3.7%	22.1%	17.0%	5.1%
Real Estate	10.2%	9.0%	1.2%	10.7%	9.0%	1.7%	11.4%	9.0%	2.4%
IPCIO	8.5%	9.0%	(0.5%)	8.8%	9.0%	(0.2%)	9.4%	9.0%	0.4%
Absolute Return	7.0%	6.0%	1.0%	7.3%	6.0%	1.3%	7.8%	6.0%	1.8%
Risk Parity	0.3%	1.0%	(0.7%)	0.3%	1.0%	(0.7%)	0.3%	1.0%	(0.7%)
Cash	1.3%	2.0%	(0.7%)	0.7%	2.0%	(1.3%)	0.8%	2.0%	(1.2%)

Cashflow (il)liquidity: is a risk that could have long term consequences

- Currently, APFC's **asset liquidity** levels are well within risk appetite thresholds and seem adequate.
- However, the **cashflow liquidity** profile is different and not as comfortable. Cashflows could come under more pressure in the event of adverse environments – most notably an equity market downturn.
- Meeting cash requirements via asset liquidation is not likely to be a problem, even under moderate market stress environments.
- However, this may lead to undesired and sub-optimal asset allocation deviations with potential longer-lasting adverse impacts on fund performance.

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Part 2:
Key Risk Metrics
As of March 31, 2023

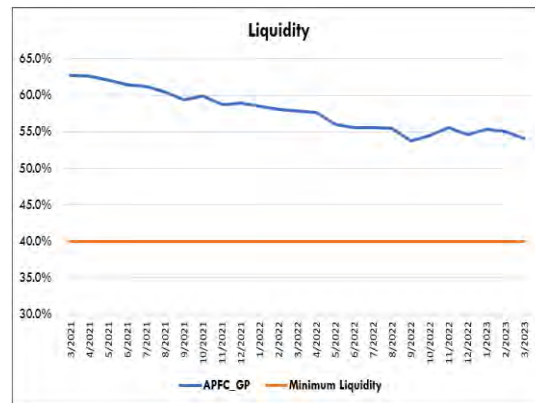
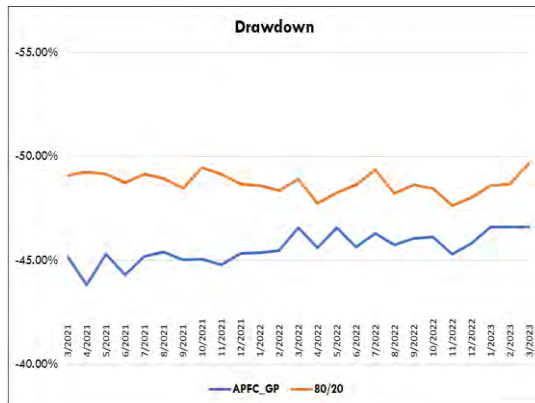
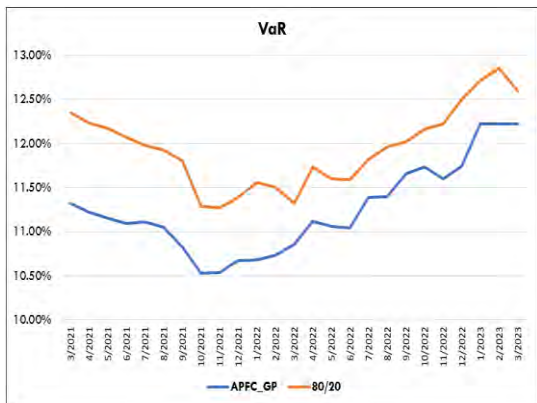
Fund Risk: level relative to appetite

Risk Appetite reflects the 80/20:equity/bond Risk Tolerance Portfolio (RTP)

Value at Risk (VaR): Max			
1 year, 1SD, 10-year monthly historical data equally weighted			
As of Date	Total Fund	Risk Appetite	
3/31/2023	12.22%	12.59%	✓

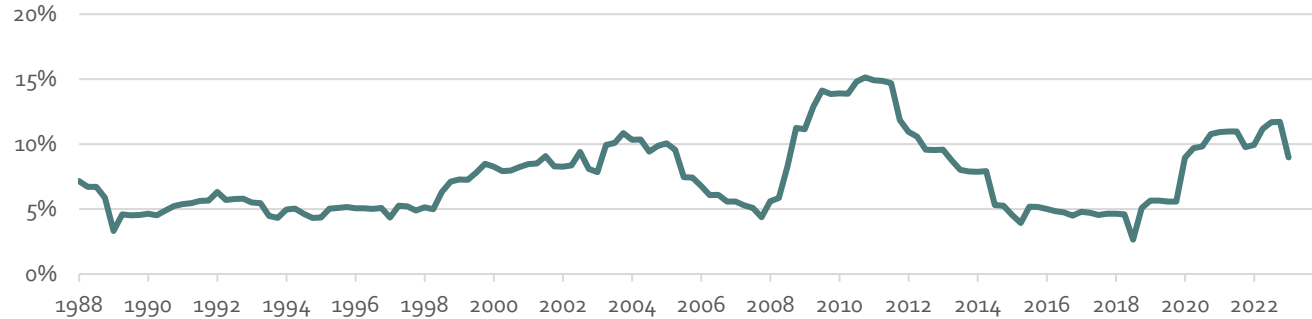
Drawdown Stress PnL: Max			
Stress scenario simulating the GFC – Dec 2007 to Mar 2009			
As of Date	Total Fund	Risk Appetite	
3/31/2023	(46.62%)	(49.66%)	✓

Liquidity Level: Min			
Public Equities, Fixed Income and Cash, as a % of total fund			
As of Date	Total Fund	Risk Appetite	
3/31/2023	54.1%	40%	✓

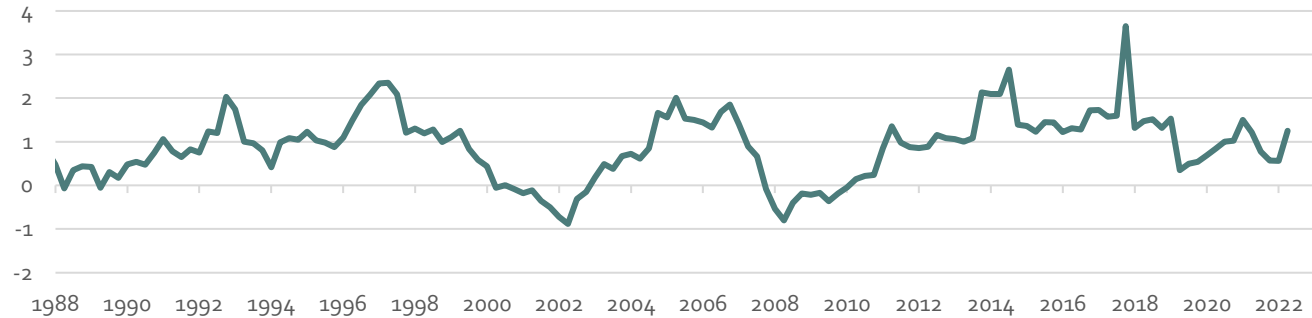


Total Fund: Realized Volatility & Sharpe Ratio

Realized Fund Volatility



Realized Fund Sharpe Ratio

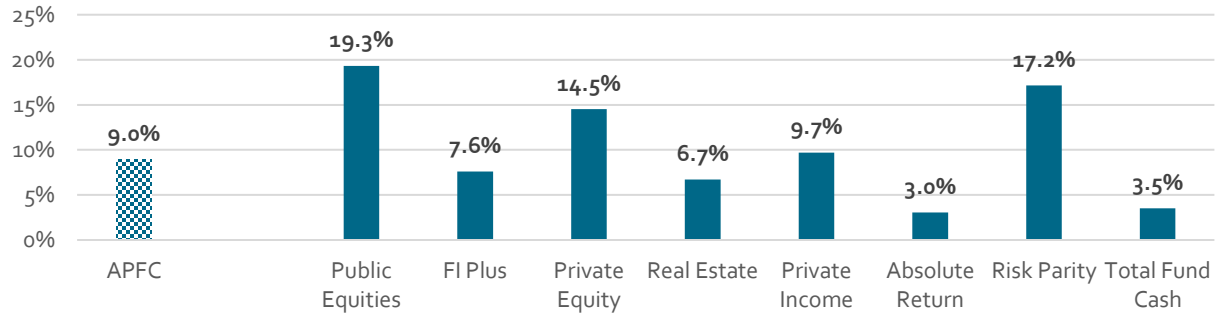


Volatility (standard deviation) and Sharpe ratio have been computed based on rolling 3 year quarterly returns for the Total Fund

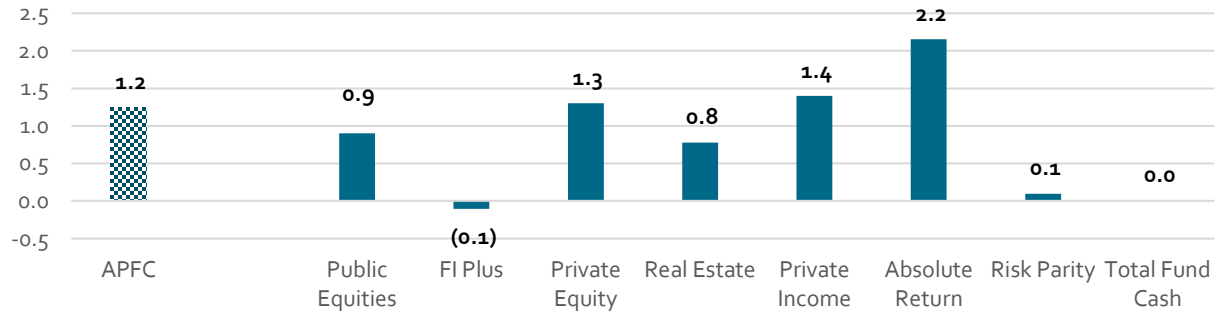
12 of 40

Fund & Constituents: Volatility and Sharpe Ratio as of March 31, 2023

Volatility

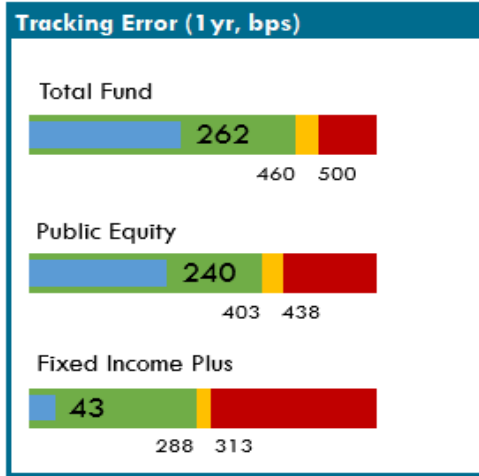


Sharpe Ratio

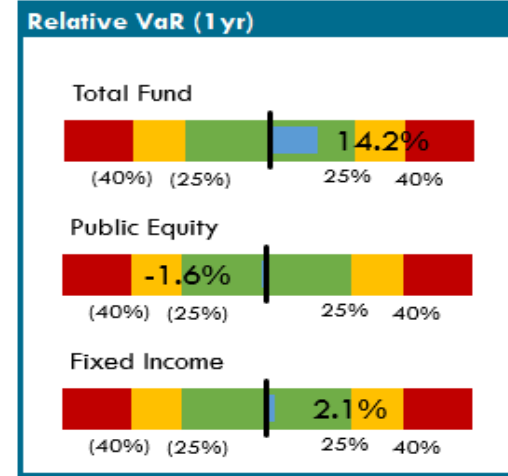


Volatility (standard deviation) and Sharpe ratio have been computed based on historical 3 year quarterly returns, as of March 31, 2023

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

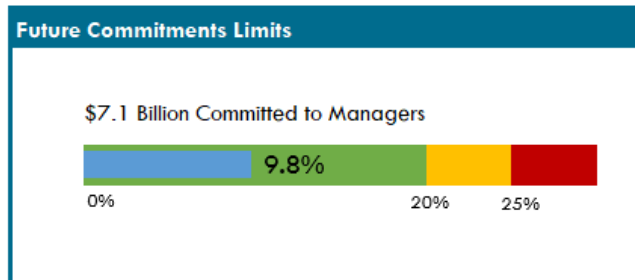
Liquidity Limits: Private Assets

Private Assets: Investments Vs Targets

	\$ Billion	% of Total Fund		
		Actual	Target	Actual (Vs) Target
Private Equity	15.3	19.9%	17.0%	2.9%
Private Income	6.5	8.5%	9.0%	-0.5%
Real Estate	7.9	10.2%	9.0%	1.2%
Total	29.8	38.6%	35.0%	

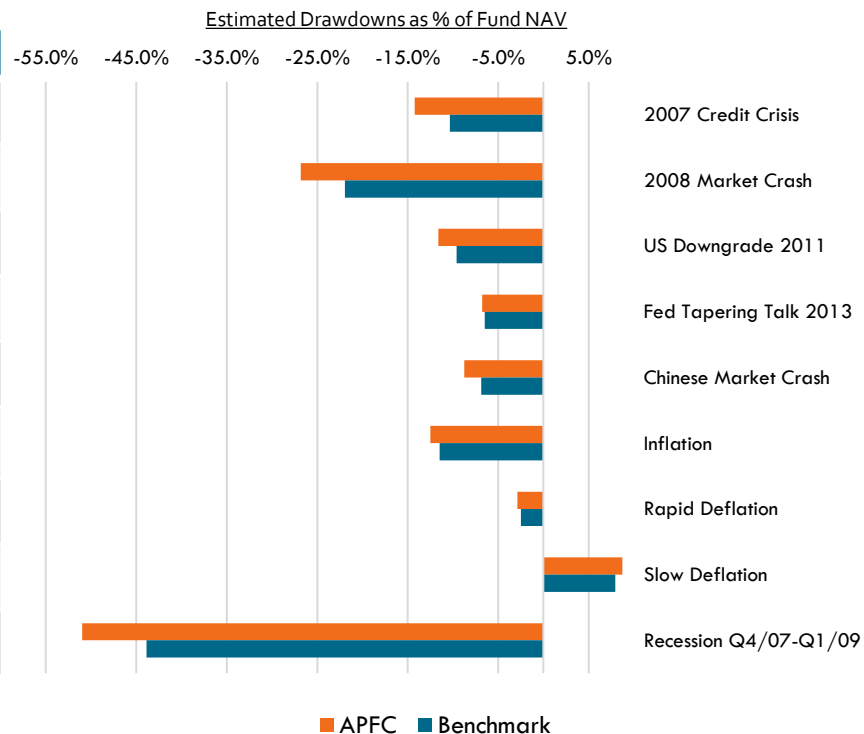
Private Assets: Future Commitments Vs Targets

	\$ Billion	% of Total Fund		
		Actual	Target	Actual (Vs) Target
Private Equity	3.8	5.2%	7.0%	-1.8%
Private Income	2.7	3.7%	5.0%	-1.3%
Real Estate	0.6	0.8%	3.0%	-2.2%
Total	7.1	9.8%	15.0%	



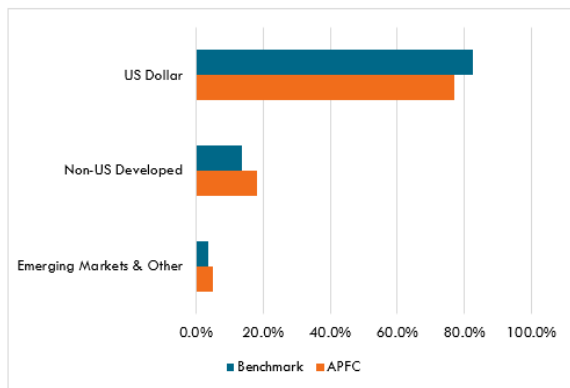
Tail Risk: Current portfolio during extreme events

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 Dec 3, 2007 and ending March 9, 2009.



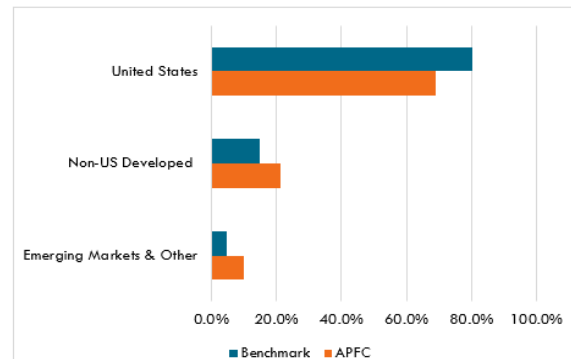
Currency & Geography: breakdowns

Currency breakdown



Currency Name	Exposure (\$ millions)
Euro	\$5,532,415
British Pound	\$2,126,552
Japanese Yen	\$2,048,800
Hong Kong Dollar	\$1,076,534
Canadian Dollar	\$949,212
Australian Dollar	\$649,335
Sub-Total	12,382,849 (16% of NAV)
Total Non-US DM Exposure	14,081,263 (18% of NAV)

Country breakdown

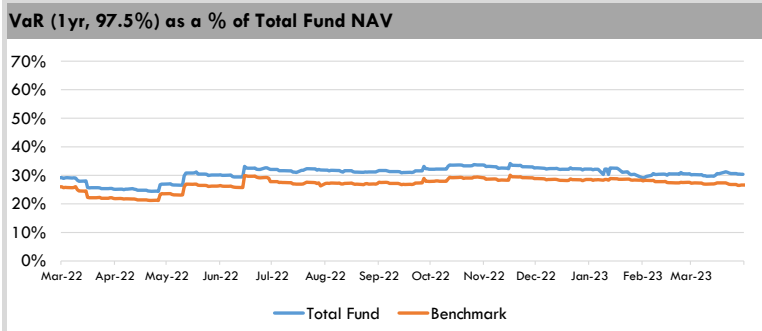
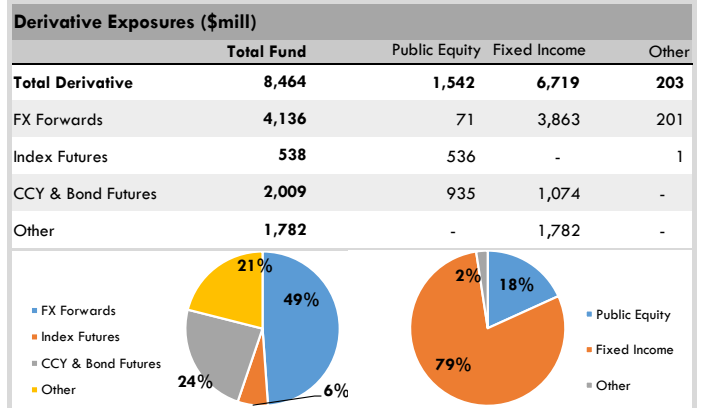
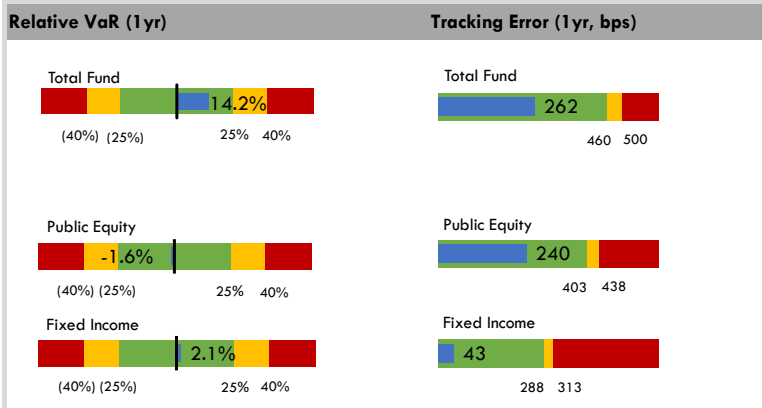


Country Name	Exposure (\$ millions)
China	1,986,537
India	664,557
Taiwan	542,613
Korea (South)	500,167
Brazil	344,975
Mexico	200,924
Sub-Total	4,239,772 (5.5% of NAV)
Total EM Exposure	5,190,047 (6.7% of NAV)

Daily Dashboard - March 31, 2023

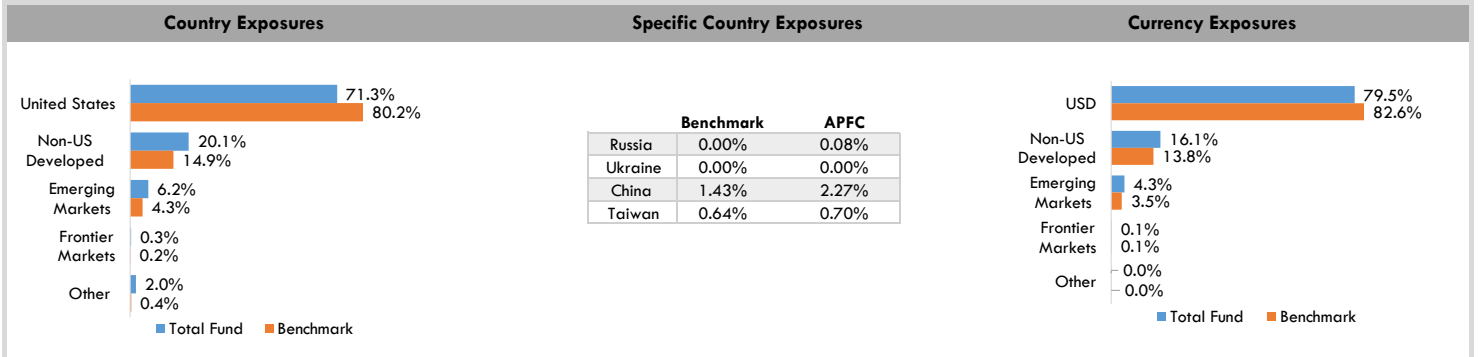
NAV : \$ 77,295,572,444

Risk	Performance (%)								Asset Allocation				
	1 SD	Rel VaR	TE	MTD	FYTD	CYTD	1 Year	NAV (\$mill)	NAV	Target	Compliance	Under/Over	
Total Fund	15%	14.2%	2.6%	0.9	3.2	2.3	-2.9	77,296					
Public Equity	18%	-1.6%	2.4%	0.6	9.8	5.3	-5.6	26,452	34.2%	36%	█	-1.8%	
Fixed Income	6%	2.1%	0.4%	2.3	1.6	3.1	-4.4	14,345	18.6%	20%	█	-1.4%	
Private Equity	28%	8.7%	7.9%	0.6	-2.9	-0.6	-4.9	15,349	19.9%	17%	█	2.9%	
Real Estate	14%	-9.8%	5.1%	0.0	-0.8	-3.0	2.6	7,915	10.2%	9%	█	1.2%	
Inf. & Private Income	24%	94.7%	14.7%	0.8	2.2	1.3	4.8	6,544	8.5%	9%	█	-0.5%	
Absolute Return	3%	-22.1%	4.4%	0.3	2.0	1.9	5.7	5,429	7.0%	6%	█	1.0%	
Risk Parity	17%	129.5%	17.5%	0.0	-0.4	1.7	-19.5	221	0.3%	1%	█	-0.7%	
Total Fund Cash	5%	2165.6%	4.7%	1.9	3.9	2.9	2.1	1,041	1.3%	2%	█	-0.7%	



Economic Indicators

	3/31/23	3/30/23	% Change
VIX	18.70	19.02	-1.7%
U.S. Dollar/Euro	1.08	1.09	-0.6%
Credit Index OAS	1.29	1.30	-0.8%
Crude Oil (WTI) (\$)	75.67	74.37	1.7%
10-Year Treasury Yield	3.47	3.55	-2.3%
30-Year Treasury Yield	3.65	3.73	-2.2%
S&P 500	4,109.31	4,050.83	1.4%
MSCI ACWI	2,226.34	2,202.47	1.1%





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

DATE: May 17, 2023 INFORMATION: _____X_____

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 17, 2023

**Alaska Permanent Fund
Corporation**

1st Quarter 2023
Capital Markets and Performance
Review

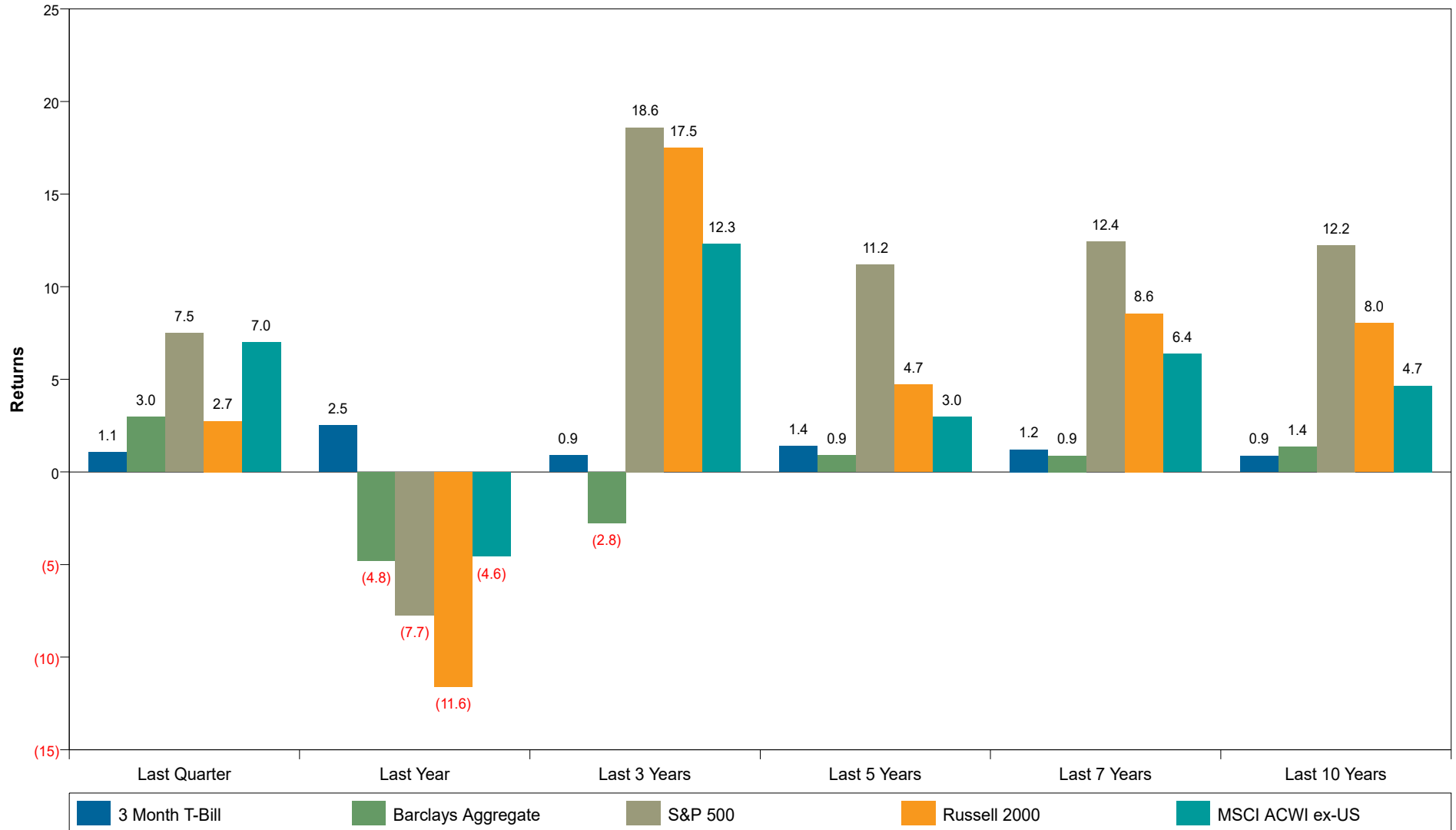
Greg Allen
CEO and Chief Research Officer

Steven Center, CFA
Senior Vice President

Chris Park, CFA
Vice President

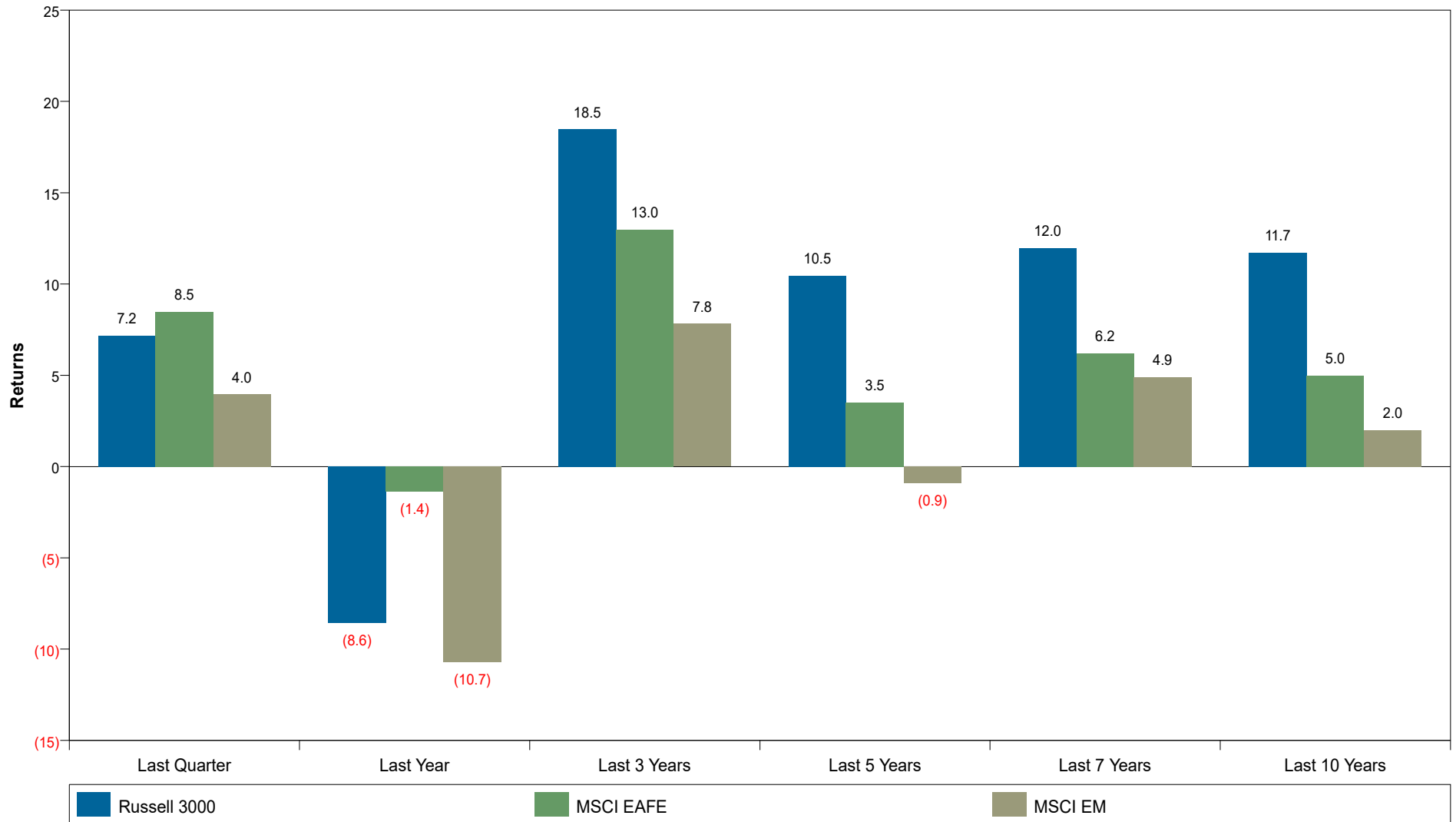
Broad Capital Market Performance

Periods Ended March 31, 2023



Public Equity Capital Market Performance

Periods Ended March 31, 2023



Callan Periodic Table of Investment Returns

Returns for Key Indices

2014	2015	2016	2017	2018	2019	2020	2021	2022	1 Qtr. 2023
S&P 500 13.69%	MSCI ACWI ex USA SC 2.60%	Russell 2000 21.31%	MSCI Emerging Markets 37.28%	Bloomberg Barclays Aggregate 0.01%	S&P 500 31.49%	Russell 2000 19.96%	S&P 500 28.71%	Bloomberg Barclays Corp High Yield -11.19%	MSCI World ex USA 8.02%
Bloomberg Barclays Aggregate 5.97%	S&P 500 1.38%	Bloomberg Barclays Corp High Yield 17.13%	MSCI ACWI ex USA SC 31.65%	Bloomberg Barclays Corp High Yield -2.08%	Russell 2000 25.52%	S&P 500 18.40%	Russell 2000 14.82%	Bloomberg Barclays Aggregate -13.01%	S&P 500 7.50%
Russell 2000 4.89%	Bloomberg Barclays Aggregate 0.55%	S&P 500 11.96%	MSCI World ex USA 24.21%	Bloomberg Barclays Global Agg ex US -2.15%	MSCI World ex USA 22.49%	MSCI Emerging Markets 18.31%	MSCI ACWI ex USA SC 12.93%	MSCI World ex USA -14.29%	MSCI ACWI ex USA SC 4.70%
Bloomberg Barclays Corp High Yield 2.45%	MSCI World ex USA -3.04%	MSCI Emerging Markets 11.19%	S&P 500 21.83%	S&P 500 -4.38%	MSCI ACWI ex USA SC 22.42%	MSCI ACWI ex USA SC 14.24%	MSCI World ex USA 12.62%	S&P 500 -18.11%	MSCI Emerging Markets 3.96%
MSCI Emerging Markets -2.19%	Russell 2000 -4.41%	MSCI ACWI ex USA SC 3.91%	Russell 2000 14.65%	Russell 2000 -11.01%	MSCI Emerging Markets 18.44%	Bloomberg Barclays Global Agg ex US 10.11%	Bloomberg Barclays Corp High Yield 5.28%	Bloomberg Barclays Global Agg ex US -18.70%	Bloomberg Barclays Corp High Yield 3.57%
Bloomberg Barclays Global Agg ex US -3.09%	Bloomberg Barclays Corp High Yield -4.47%	MSCI World ex USA 2.75%	Bloomberg Barclays Global Agg ex US 10.51%	MSCI World ex USA -14.09%	Bloomberg Barclays Corp High Yield 14.32%	MSCI World ex USA 7.59%	Bloomberg Barclays Aggregate -1.54%	MSCI ACWI ex USA SC -19.97%	Bloomberg Barclays Global Agg ex US 3.06%
MSCI ACWI ex USA SC -4.03%	Bloomberg Barclays Global Agg ex US -6.02%	Bloomberg Barclays Aggregate 2.65%	Bloomberg Barclays Corp High Yield 7.50%	MSCI Emerging Markets -14.57%	Bloomberg Barclays Aggregate 8.72%	Bloomberg Barclays Aggregate 7.51%	MSCI Emerging Markets -2.54%	MSCI Emerging Markets -20.09%	Bloomberg Barclays Aggregate 2.96%
MSCI World ex USA -4.32%	MSCI Emerging Markets -14.92%	Bloomberg Barclays Global Agg ex US 1.49%	Bloomberg Barclays Aggregate 3.54%	MSCI ACWI ex USA SC -18.20%	Bloomberg Barclays Global Agg ex US 5.09%	Bloomberg Barclays Corp High Yield 7.11%	Bloomberg Barclays Global Agg ex US -7.05%	Russell 2000 -20.44%	Russell 2000 2.74%

Source: Bloomberg, 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
MSCI World ex USA 8.02%	MSCI World ex USA -2.74%	S&P 500 18.60%	S&P 500 11.19%	S&P 500 12.42%	S&P 500 12.24%	S&P 500 10.37%
S&P 500 7.50%	Bloomberg Barclays Corp High Yield -3.34%	Russell 2000 17.51%	Russell 2000 4.71%	Russell 2000 8.55%	Russell 2000 8.04%	Russell 2000 9.76%
MSCI ACWI ex USA SC 4.70%	Bloomberg Barclays Aggregate -4.78%	MSCI ACWI ex USA SC 15.04%	MSCI World ex USA 3.80%	MSCI World ex USA 6.33%	MSCI ACWI ex USA SC 5.06%	MSCI ACWI ex USA SC 9.57%
MSCI Emerging Markets 3.96%	S&P 500 -7.73%	MSCI World ex USA 13.49%	Bloomberg Barclays Corp High Yield 3.21%	MSCI ACWI ex USA SC 5.66%	MSCI World ex USA 4.91%	MSCI Emerging Markets 9.27%
Bloomberg Barclays Corp High Yield 3.57%	MSCI ACWI ex USA SC -10.37%	MSCI Emerging Markets 7.83%	MSCI ACWI ex USA SC 1.67%	Bloomberg Barclays Corp High Yield 5.08%	Bloomberg Barclays Corp High Yield 4.10%	MSCI World ex USA 7.40%
Bloomberg Barclays Global Agg ex US 3.06%	MSCI Emerging Markets -10.70%	Bloomberg Barclays Corp High Yield 5.91%	Bloomberg Barclays Aggregate 0.91%	MSCI Emerging Markets 4.92%	MSCI Emerging Markets 2.00%	Bloomberg Barclays Corp High Yield 7.07%
Bloomberg Barclays Aggregate 2.96%	Bloomberg Barclays Global Agg ex US -10.72%	Bloomberg Barclays Aggregate -2.77%	MSCI Emerging Markets -0.91%	Bloomberg Barclays Aggregate 0.88%	Bloomberg Barclays Aggregate 1.36%	Bloomberg Barclays Aggregate 3.18%
Russell 2000 2.74%	Russell 2000 -11.61%	Bloomberg Barclays Global Agg ex US -4.13%	Bloomberg Barclays Global Agg ex US -3.17%	Bloomberg Barclays Global Agg ex US -1.28%	Bloomberg Barclays Global Agg ex US -0.99%	Bloomberg Barclays Global Agg ex US 2.33%

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

Equity and Fixed Income Markets Up Together in 4Q22 and 1Q23

Declines for stocks and bonds in first three quarters of 2022 eased by market rebound

S&P 500 up 7.5% in both 1Q23 and 4Q22.

- Loss through first three quarters of 2022 was 23.8%; rebound in last two quarters reduced the loss to -9.7%. Similar loss reduction across all equity market segments: developed, emerging, small cap

Fixed income recovered as high inflation began to ease, leading to speculation about interest rates

- Bloomberg Aggregate: up 3% in 1Q, after a 1.9% rise in 4Q22, lowering the loss since the start of 2022 to 8.4%
- CPI-U: +5% year-over year for 1Q, down from 6.5% for the year ended Dec. 2022
- ▶ Inflation hit the highest rate (9%) in decades in June.
- ▶ Economic data show growth slowed in 2022; GDP gained only 1.1% in 1Q
 - Job market remains solid, providing support to Fed efforts to fight inflation

Returns for Periods ended 3/31/23

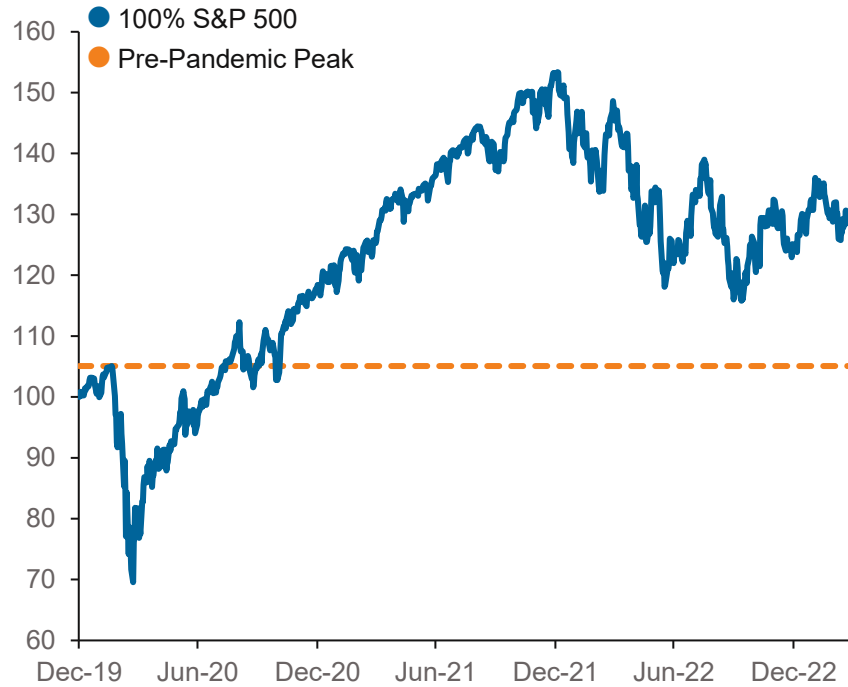
	Quarter	Year to Date	1 Year	5 Years	10 Years	25 Years
U.S. Equity						
Russell 3000	7.18	7.18	-8.58	10.45	11.73	7.45
S&P 500	7.50	7.50	-7.73	11.19	12.24	7.39
Russell 2000	2.74	2.74	-11.61	4.71	8.04	6.84
Global ex-U.S. Equity						
MSCI World ex USA	8.02	8.02	-2.74	3.80	4.91	4.39
MSCI Emerging Markets	3.96	3.96	-10.70	-0.91	2.00	--
MSCI ACWI ex USA Small Cap	4.70	4.70	-10.37	1.67	5.06	6.45
Fixed Income						
Bloomberg Aggregate	2.96	2.96	-4.78	0.91	1.36	4.03
90-day T-Bill	1.07	1.07	2.50	1.41	0.87	1.90
Bloomberg Long Gov/Credit	5.76	5.76	-13.40	0.63	2.35	5.56
Bloomberg Global Agg ex-US	3.06	3.06	-10.72	-3.17	-0.99	2.80
Real Estate						
NCREIF Property	-1.81	-1.81	-1.63	6.71	8.34	8.79
FTSE Nareit Equity	2.68	2.68	-19.22	6.02	5.97	8.01
Alternatives						
CS Hedge Fund Index	0.92	0.92	1.06	4.25	4.24	5.81
Cambridge Private Equity*	-1.84	-1.84	-3.77	16.84	15.31	14.31
Bloomberg Commodity	-5.36	-5.36	-12.49	5.36	-1.72	1.80
Gold Spot Price	8.76	8.76	1.65	8.40	2.21	7.81
Inflation - CPI-U	1.70	1.70	4.98	3.88	2.63	2.51

*Cambridge PE data as of 3Q22 and CS Hedge fund data as of 4Q22.

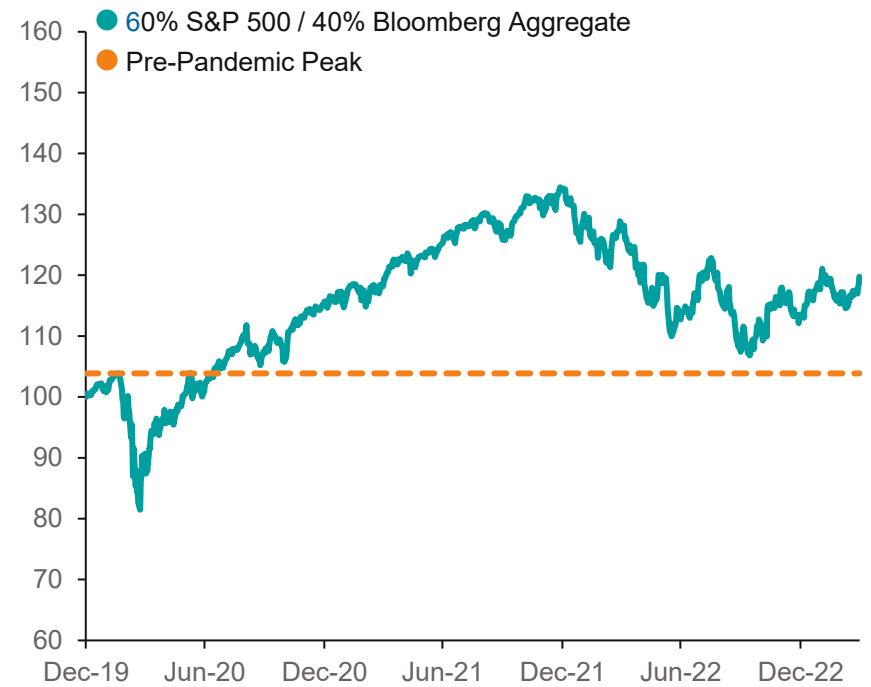
Sources: Bloomberg, Callan, Cambridge, Credit Suisse, FTSE Russell, MSCI, NCREIF, S&P Dow Jones Indices

Post-Pandemic Market Performance

Growth of \$100 Invested on 12/31/19



Growth of \$100 Invested on 12/31/19



	Investment in S&P 500	Investment in 60% S&P 500 / 40% Bloomberg Agg
Gain from pre-pandemic peak to post-pandemic peak	45.9%	29.4%
Gain over pre-pandemic peak	27.7%	15.3%
Loss from post-pandemic peak	-12.5%	-10.9%
Further loss needed to return to pre-pandemic peak	-21.7%	-13.3%
Total loss if markets decline from post-pandemic peak to pre-pandemic peak	-31.5%	-22.7%

Current Equity Drawdown: A More 'Typical' Correction?

S&P 500 Cumulative Returns

Market Peak-to-Trough for Recent Corrections vs. 1/4/22 Through 3/31/23



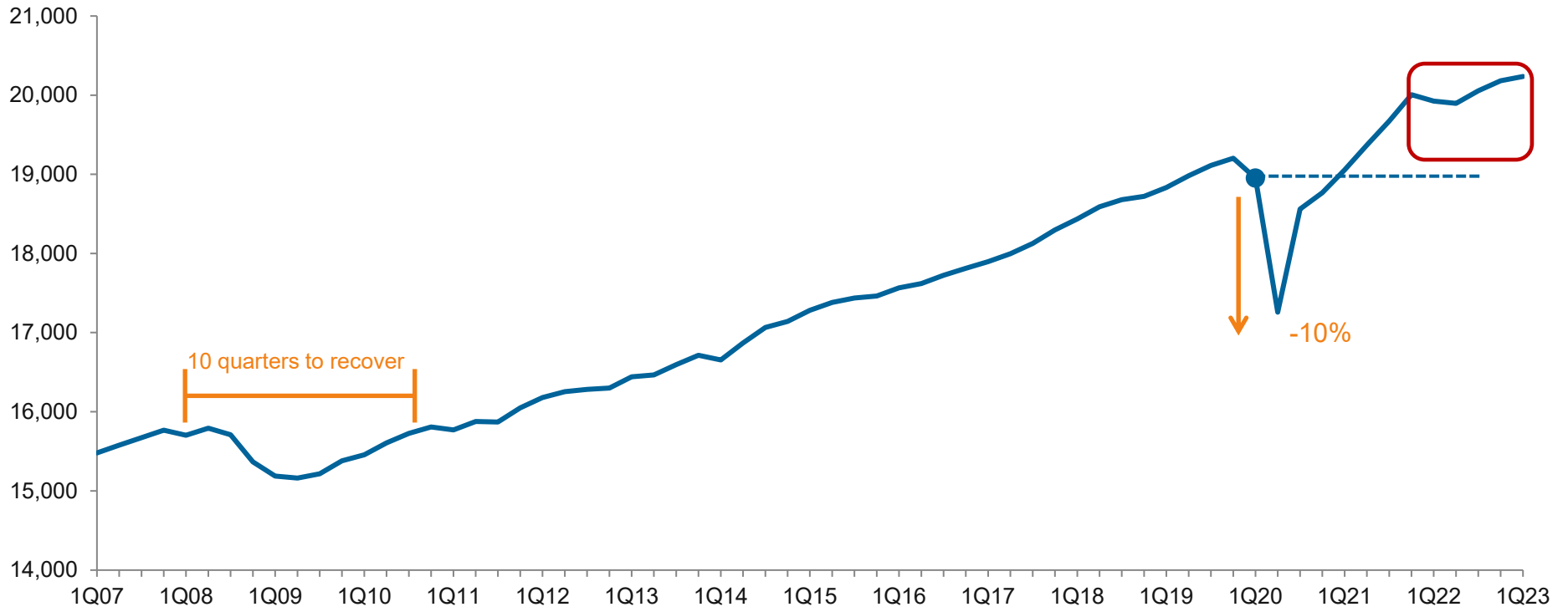
- ▶ While the COVID correction was swift and intense, the 2022 correction resembles the GFC and Dot-Com Bubble.
- ▶ The current drawdown has been 312 trading days through March.
- ▶ It would take another 43 trading days to get to the bottom of the GFC and 213 trading days to get to the bottom of the Dot-Com Bubble.

Sources: Callan, S&P Dow Jones Indices

GDP Rose 1.1% in 1Q, Building on the Rebound in 3Q and 4Q

However, widespread expectations for a recession in 2023

Seasonally Adjusted Real GDP in Billions of Dollars Through 3/31/23



GDP rose 1.1% in 1Q23, after 2.1% growth in 2022.

- ▶ 2022 saw GDP decline in the first two quarters before gains of 3.2% in 3Q22 and 2.6% in 4Q.
- ▶ Loss of business and consumer confidence followed the start of the conflict in Ukraine.
- ▶ Consumer wealth hit by stock and bond market drop, and now a sharp slowdown in residential housing, as mortgage rates doubled from the start of the year.

Source: Federal Reserve Bank of St. Louis

The Stock Market Is Not the Economy

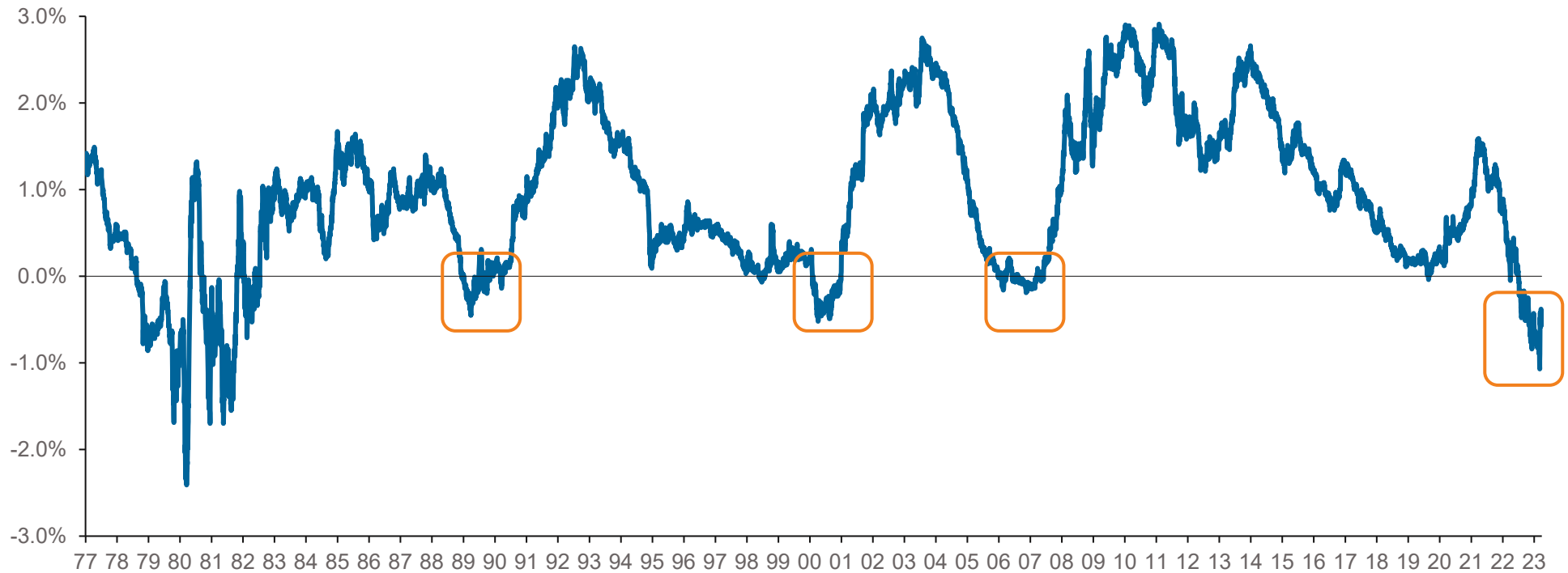


- ▶ The job market lost over 22 million jobs in the pandemic, but regained the pre-pandemic high water mark in the spring of 2022.
- ▶ Job growth remained robust through the market upheaval in 2022 and through 1Q23. Headline reports of layoffs in technology have been small relative to the size of the broad job market.

Sources: Federal Reserve Bank of St. Louis, S&P Dow Jones Indices

Is the Bond Market Expecting a Recession?

10-Year Treasury vs. 2-Year Treasury Spread



- ▶ The 10-year to 2-year Treasury spread has been negative since July 2022.
- ▶ Inversion in this spread does not always forecast a recession, but most recessions are preceded by a yield curve inversion.
 - Yield curve inversion means investors expect a recession will occur and that interest rates will be cut, and therefore increase their demand for securities with longer duration, and therefore a higher potential for capital gain when rates fall.
- ▶ The 10-year Treasury-to-cash spread turned negative, which may be a better indicator of whether recession has already struck.

Source: Federal Reserve Bank of St. Louis

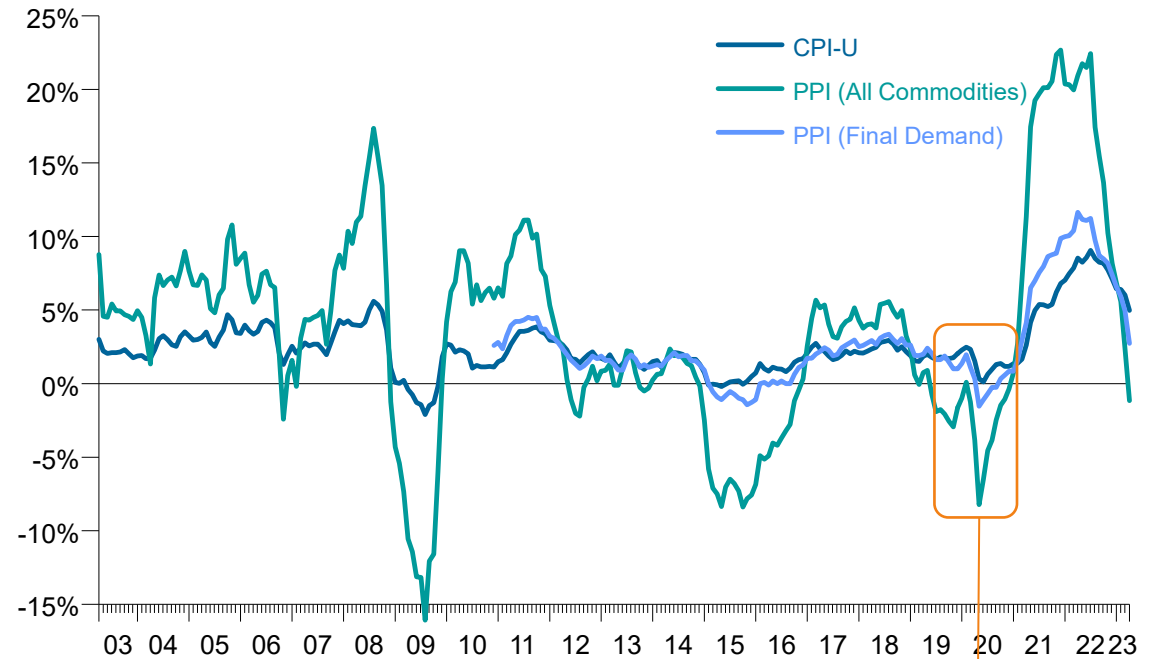
Inflation Continues to Spur Headline Concerns

CPI and PPI have come down, but remain at elevated rates

Inflation plunged at start of pandemic

- ▶ Sustained rise in 2022 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.
- ▶ Most recent CPI is up 5% year-over-year; the 2Q22 9.1% rise was the highest recorded inflation since 4Q81.
- ▶ Producer prices rose sharply through 2Q22 but the rates of increase have dropped significantly in the second half of 2022 and 1Q23
- ▶ Prices for transportation goods, energy, and food drove the elevated rates in both the Consumer and Producer Price Indices.

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



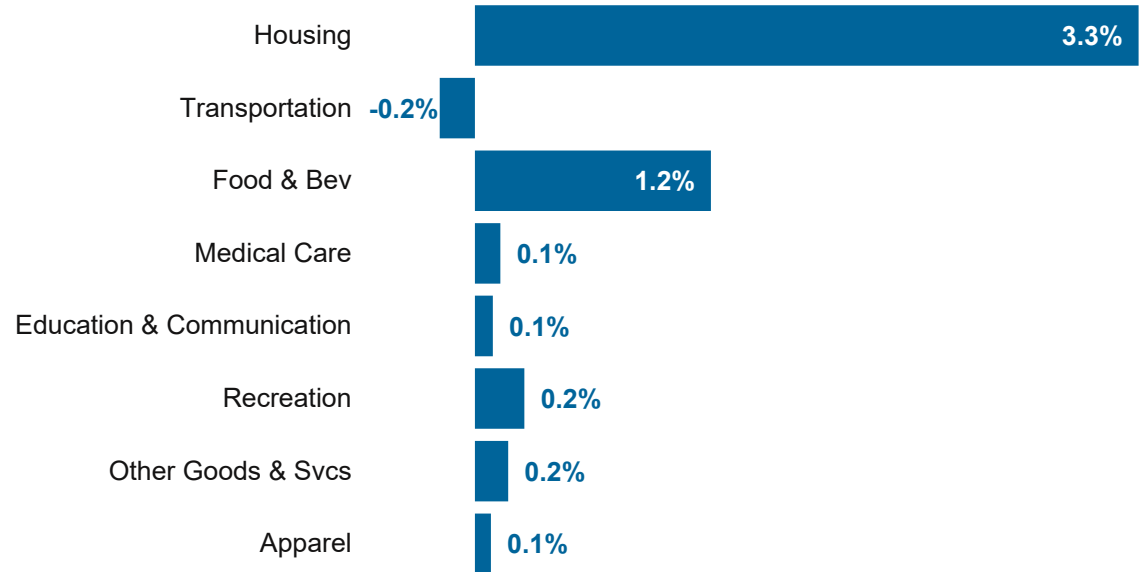
Sharp drop in PPI (All Commodities) in 2019 and first half of 2020

Source: Federal Reserve Bank of St. Louis (through March 2023)

Contributors to Recent Inflation: Primary Categories

- ▶ Transportation inflation has swung all the way from biggest contributor to an overall detractor from headline inflation.
- ▶ Housing took over as the biggest weighted contributor to headline inflation due to the category's high weight in the index (42.4%).
- ▶ Transportation's downward trend in inflation has been somewhat offset by high Food & Beverage and Housing inflation.

Contribution to March 2023 Year-Over-Year Inflation

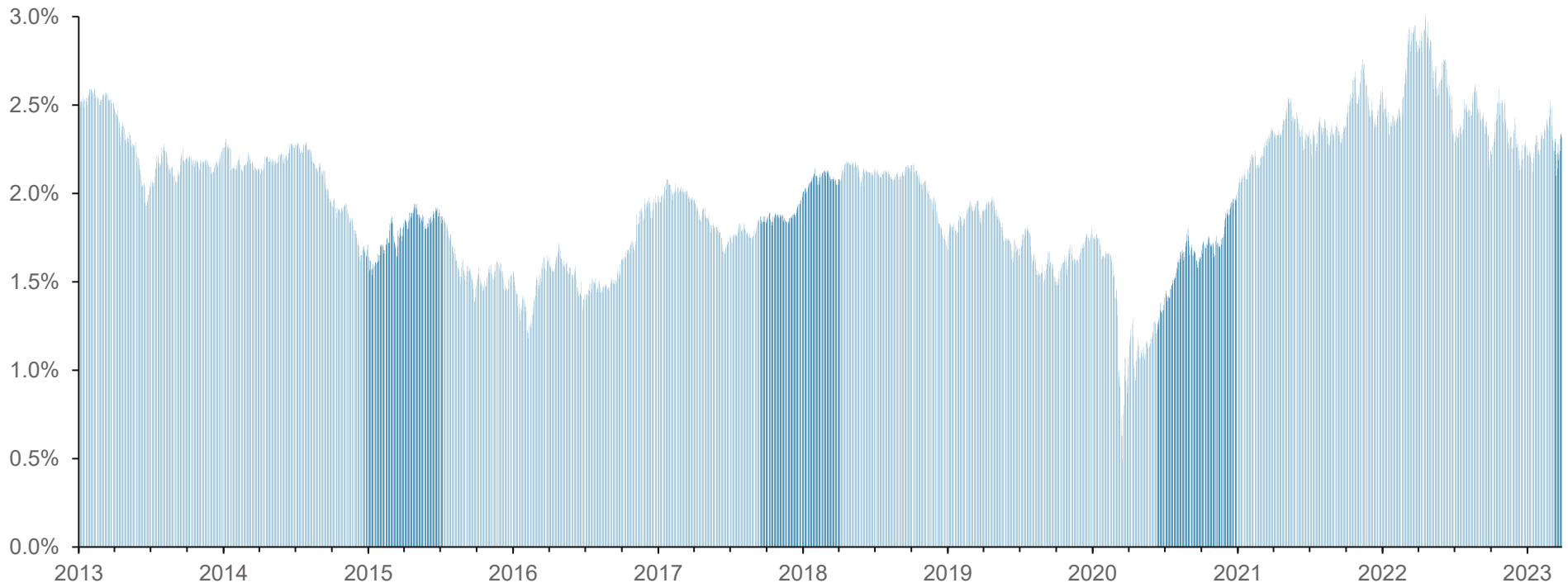


Primary Category	Primary Category Weight	Year-over-Year Change											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
All Items	100.0%	8.3%	8.6%	9.1%	8.5%	8.3%	8.2%	7.7%	7.1%	6.5%	6.4%	6.0%	5.0%
Housing	42.4%	6.5%	6.9%	7.3%	7.4%	7.8%	8.0%	7.9%	7.8%	8.1%	8.2%	8.2%	7.8%
Transportation	18.2%	19.9%	19.4%	19.7%	16.4%	13.4%	12.6%	11.2%	7.8%	3.9%	3.8%	2.6%	-1.0%
Food & Bev	14.3%	9.0%	9.7%	10.0%	10.5%	10.9%	10.8%	10.6%	10.3%	10.1%	9.9%	9.2%	8.3%
Medical Care	8.5%	3.2%	3.7%	4.5%	4.8%	5.4%	6.0%	5.0%	4.2%	4.0%	3.1%	2.3%	1.5%
Education & Communication	6.4%	1.0%	0.8%	0.8%	0.5%	0.5%	0.2%	0.0%	0.7%	0.7%	1.0%	1.0%	1.4%
Recreation	5.1%	4.3%	4.5%	4.6%	4.4%	4.1%	4.1%	4.1%	4.7%	5.1%	4.8%	5.0%	4.8%
Other Goods & Svcs	2.7%	5.7%	6.3%	6.7%	6.3%	6.6%	6.9%	6.5%	7.0%	6.4%	6.2%	6.1%	6.1%
Apparel	2.5%	5.4%	5.0%	5.2%	5.1%	5.1%	5.5%	4.1%	3.6%	2.9%	3.1%	3.3%	3.3%

Source: U.S. Bureau of Labor Statistics

10-Year Breakeven Rate: Bond Market Forecast of Inflation

10-Year Breakeven Inflation Rate



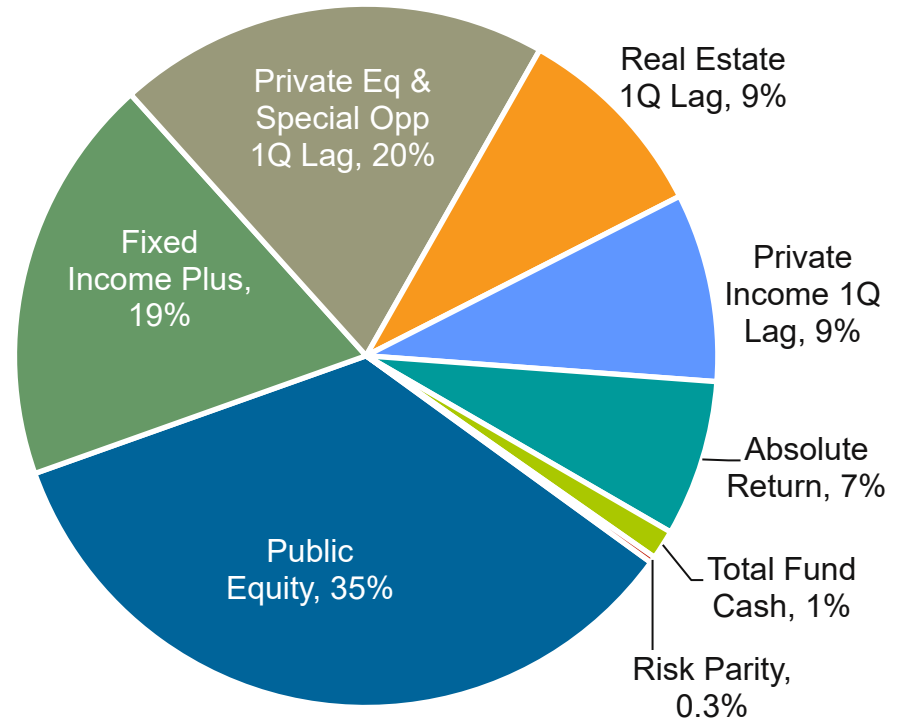
- ▶ 10-year breakeven inflation rate is the difference in yield between the nominal 10-year Treasury and the 10-year Treasury Inflation-Protected Security (TIPS).
 - Extra yield nominal Treasury would have to earn to maintain the same purchasing power as a TIPS investment.
- ▶ Values of implied inflation reached 3% in April but have since declined below 2.5%.
 - Includes current high levels of inflation

Source: Federal Reserve Bank of St. Louis

Total Fund Asset Allocation

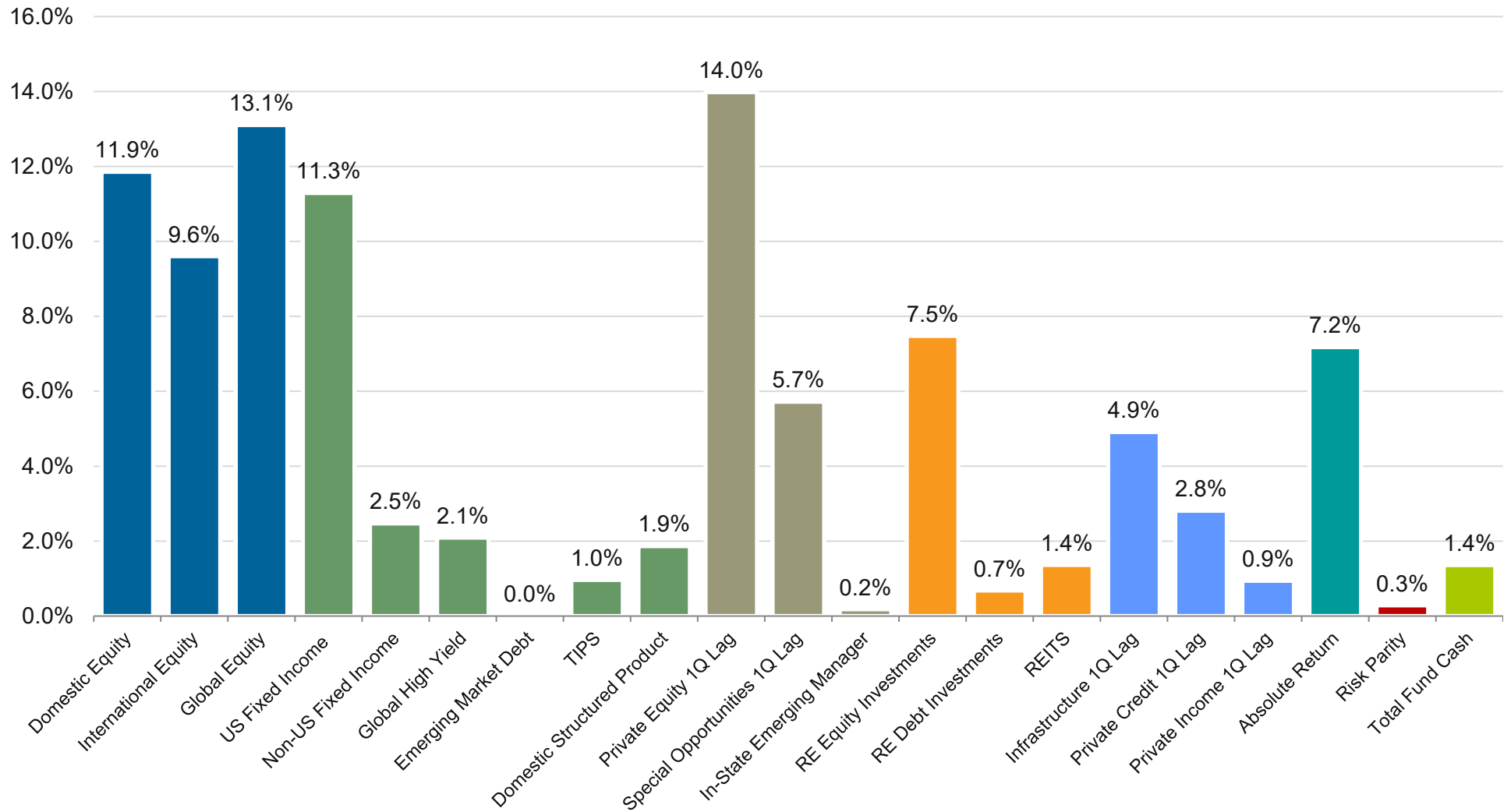
As of March 31, 2023: \$76.48B

- 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 35% to public equity, 19% to fixed income, 45% to alternative investments and 1% cash.
- Compared to allocations in the fourth quarter, weights to public equity and alternatives increased, fixed income unchanged, and cash decreased.
- 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

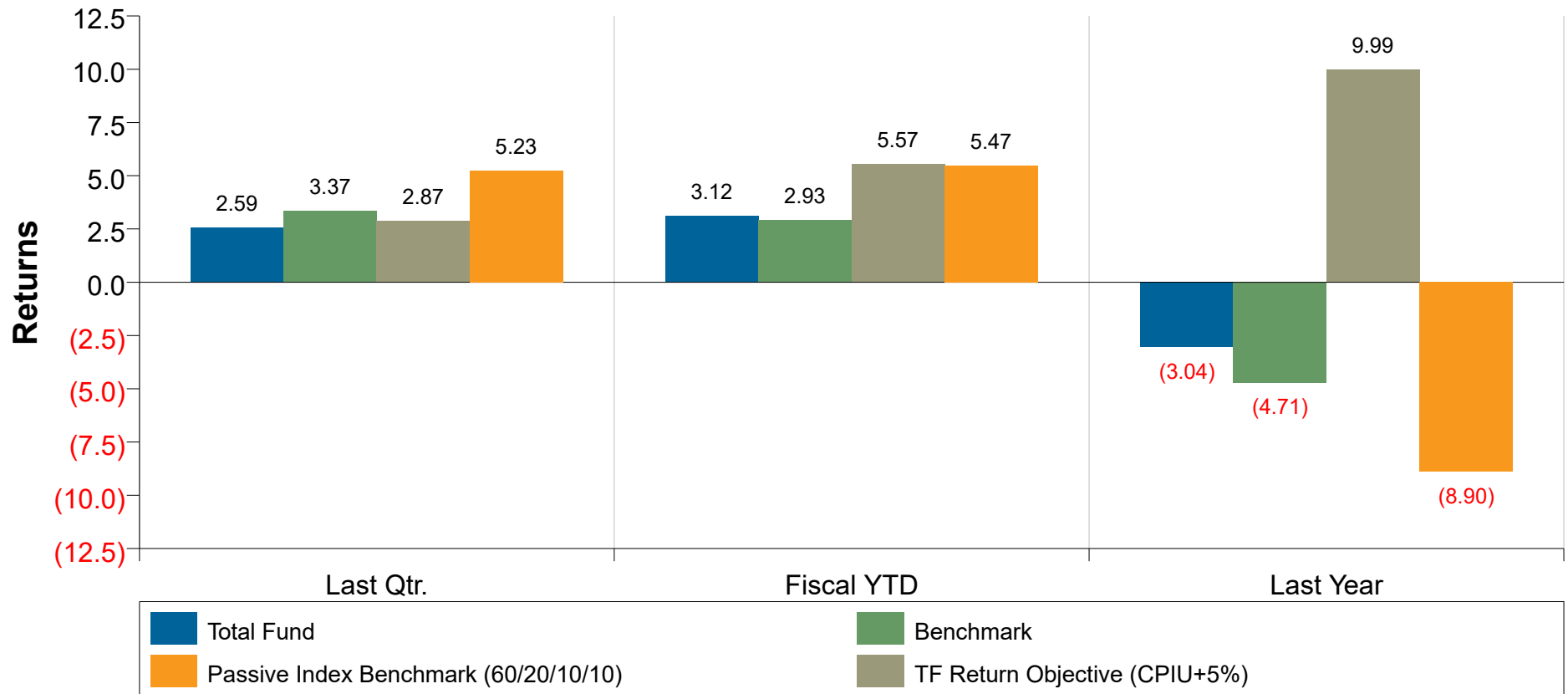
Periods Ended March 31, 2023



APFC Total Fund Cumulative Returns

Total Fund versus Total Fund Targets

Returns for Periods Ending March 31, 2023

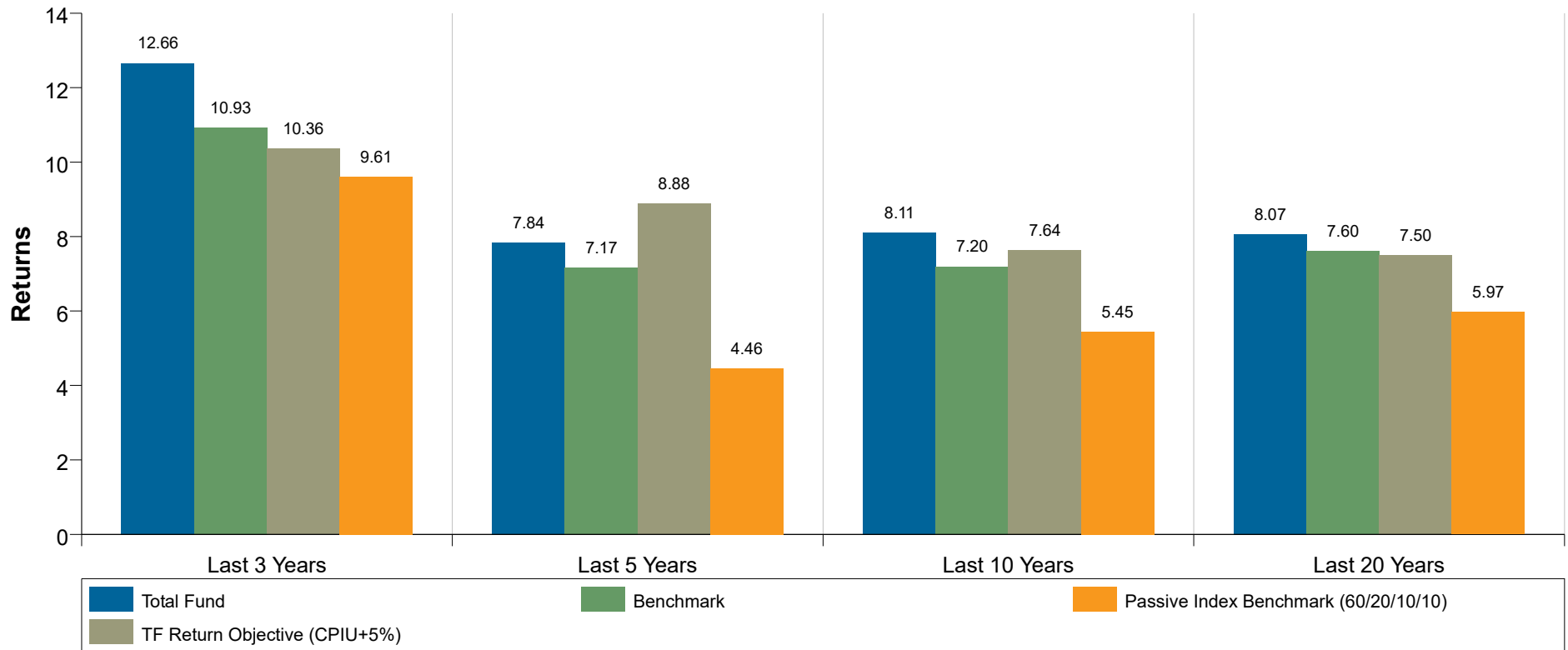


- Benchmark (FY22-FY23) = 36% MSCI ACWI IMI, 1.0% 90 Day T-Bills, 1.0% BB US TIPS, 5.5% BB Agg, 5.5% BB Corp IG, 3.0% BB Global Treasury xUS Hdgd, 2.0% BB US BB HY, 2.0% BB US Securitized, 17% Cambridge PE (lagged), 7.4% NCREIF Total Index (lagged), 1.4% MSCI US REIT (lagged), 5.4% Cambridge Global Pvt. Infrastructure (lagged), 3.6% Cliffwater Direct Lending TR (lagged), 3% HFRI EH Equity Market Neutral, 3% HFRI Macro, 2% 90 Day T-Bills, 1% HFR Risk Parity Vol 12% Institutional Index

APFC Total Fund Cumulative Returns

Total Fund versus Total Fund Targets

Returns for Periods Ending March 31, 2023



- Benchmark (FY22-FY23) = 36% MSCI ACWI IMI, 1.0% 90 Day T-Bills, 1.0% BB US TIPS, 5.5% BB Agg, 5.5% BB Corp IG, 3.0% BB Global Treasury xUS Hdgd, 2.0% BB US BB HY, 2.0% BB US Securitized, 17% Cambridge PE (lagged), 7.4% NCREIF Total Index (lagged), 1.4% MSCI US REIT (lagged), 5.4% Cambridge Global Pvt. Infrastructure (lagged), 3.6% Cliffwater Direct Lending TR (lagged), 3% HFRI EH Equity Market Neutral, 3% HFRI Macro, 2% 90 Day T-Bills, 1% HFR Risk Parity Vol 12% Institutional Index

APFC Total Fund Attribution

One Quarter Ended March 31, 2023

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Public Equity	35%	36%	5.15%	6.95%	(0.61%)	(0.07%)	(0.68%)
Fixed Income	19%	20%	3.12%	3.07%	0.01%	0.00%	0.01%
Private Eq & Special Opp	20%	17%	0.58%	0.80%	(0.05%)	(0.08%)	(0.13%)
Real Estate	9%	9%	(4.39%)	(2.18%)	(0.21%)	(0.02%)	(0.23%)
Private Income	8%	9%	4.15%	2.89%	0.10%	0.00%	0.10%
Absolute Return	7%	6%	1.15%	(0.84%)	0.14%	(0.05%)	0.10%
Total Fund Cash	2%	2%	3.57%	1.07%	0.04%	0.00%	0.05%
Risk Parity	0%	1%	7.05%	5.42%	0.00%	(0.01%)	(0.01%)
Total			2.59%	= 3.37%	+ (0.56%)	+ (0.22%)	(0.78%)

- In the first quarter, the Total Fund underperformed the Performance Benchmark by 78 basis points.
- Manager effects to Public Equity and Private Equity & Special Opportunities detracted from relative return. Asset allocation effects also detracted from performance.
- In aggregate, active management subtracted 56 basis points from relative performance, while deviations from the Policy Target subtracted 22 basis points.

APFC Total Fund Attribution

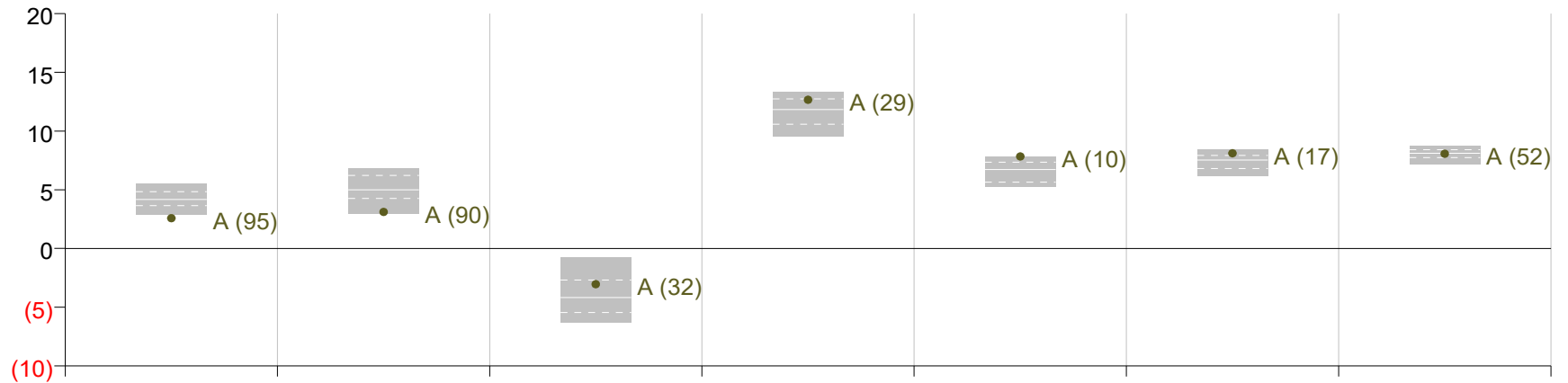
One Year Ended March 31, 2023

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Public Equity	34%	36%	(5.97%)	(7.68%)	0.60%	(0.00%)	0.60%
Fixed Income	19%	20%	(4.42%)	(4.61%)	0.03%	(0.00%)	0.03%
Private Eq & Special Opp	20%	17%	(4.13%)	(8.16%)	0.83%	(0.13%)	0.71%
Real Estate	9%	9%	0.28%	0.78%	(0.04%)	0.05%	0.01%
Private Income	8%	9%	4.83%	7.39%	(0.20%)	(0.08%)	(0.28%)
Absolute Return	7%	6%	4.35%	(4.59%)	0.56%	(0.05%)	0.51%
Total Fund Cash	2%	2%	2.69%	2.50%	(0.01%)	0.03%	0.03%
Risk Parity	0%	1%	(17.71%)	(16.25%)	(0.01%)	0.06%	0.05%
Total			(3.04%)	(4.71%)	+ 1.78%	+ (0.12%)	1.67%

- For the trailing year, the Total Fund outperformed the Performance Benchmark by 167 basis points.
- Strong manager performance in Public Equity, Private Eq & Special Opportunities, and Absolute Return added to relative performance while asset allocation modestly detracted.
- In aggregate, active management added 178 basis points to relative performance, while deviations from the Policy Target detracted 12 basis points.

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

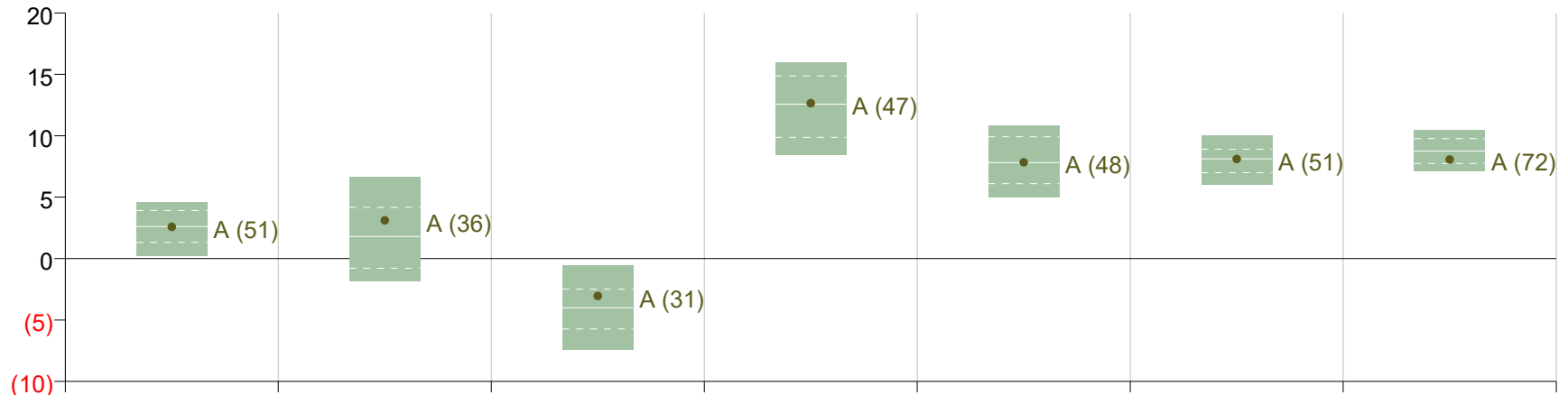
Returns for Periods Ended March 31, 2023
Group: Callan Public Fund Sponsor - Large (>1B)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	5.53	6.87	(0.75)	13.36	7.81	8.43	8.77
25th Percentile	4.85	6.22	(2.69)	12.75	7.35	7.94	8.41
Median	4.18	5.00	(4.17)	11.83	6.72	7.54	8.11
75th Percentile	3.66	4.27	(5.45)	10.59	5.65	6.82	7.74
90th Percentile	2.87	2.97	(6.32)	9.57	5.23	6.16	7.17
Member Count	80	79	79	78	78	77	57
Total Fund • A	2.59	3.12	(3.04)	12.66	7.84	8.11	8.07

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

Returns for Periods Ended March 31, 2023
Group: Callan Endow/Foundation - Large (>1B)

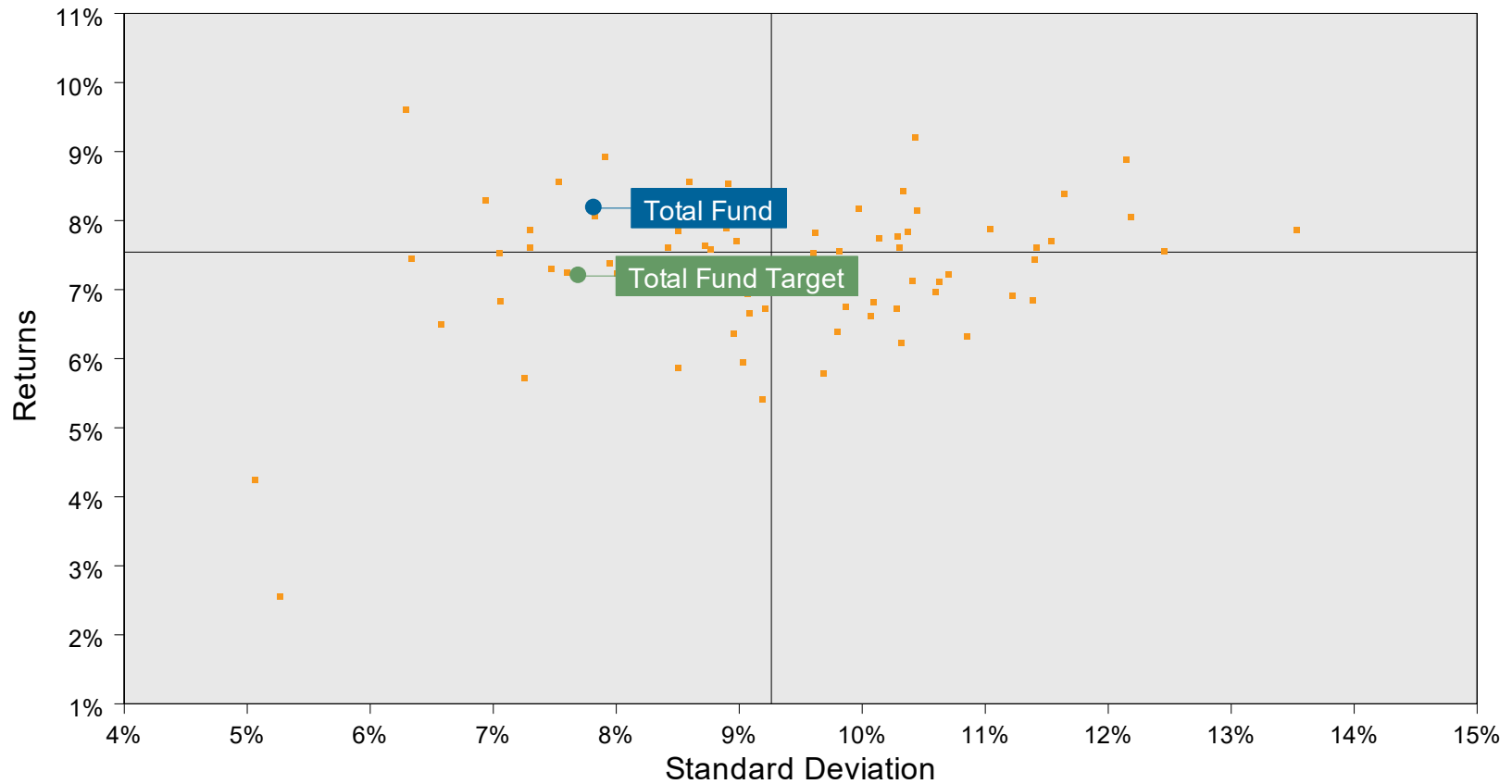


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	4.60	6.67	(0.55)	15.99	10.85	10.03	10.47
25th Percentile	3.92	4.17	(2.49)	14.88	9.92	8.91	9.76
Median	2.62	1.80	(4.00)	12.57	7.81	8.12	8.75
75th Percentile	1.32	(0.79)	(5.74)	9.88	6.10	7.00	7.74
90th Percentile	0.24	(1.84)	(7.41)	8.44	4.99	6.01	7.12
Member Count	46	46	46	46	45	44	34
Total Fund • A	2.59	3.12	(3.04)	12.66	7.84	8.11	8.07

APFC Total Fund Return versus Standard Deviations

Relative to Callan's Large Public Fund Database

Ten Year Annualized Risk vs Return

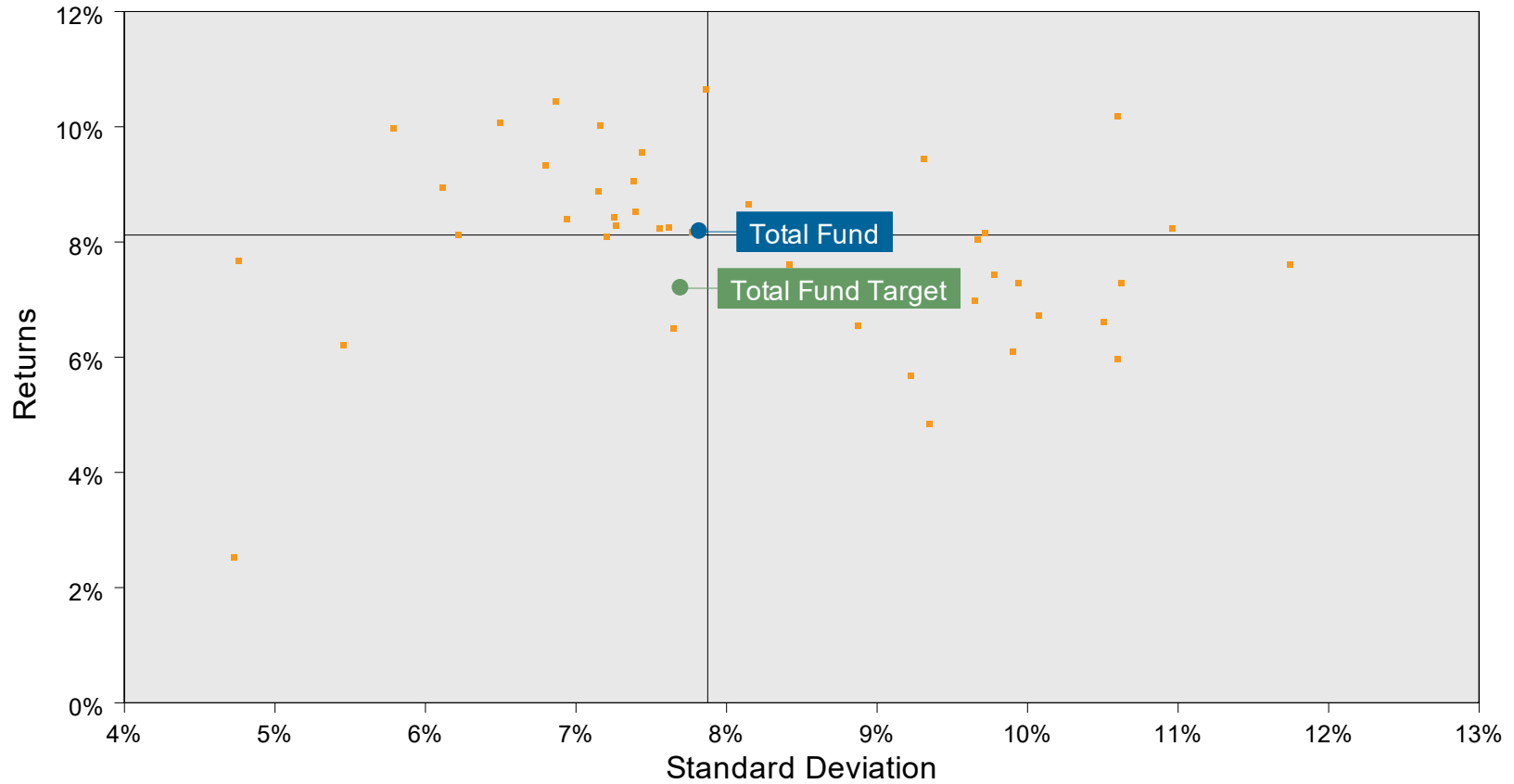


Squares represent membership of the Callan Public Fund Spons - Large (>1B)

APFC Total Fund Return versus Standard Deviations

Relative to Callan's Large Endowment / Foundation Database

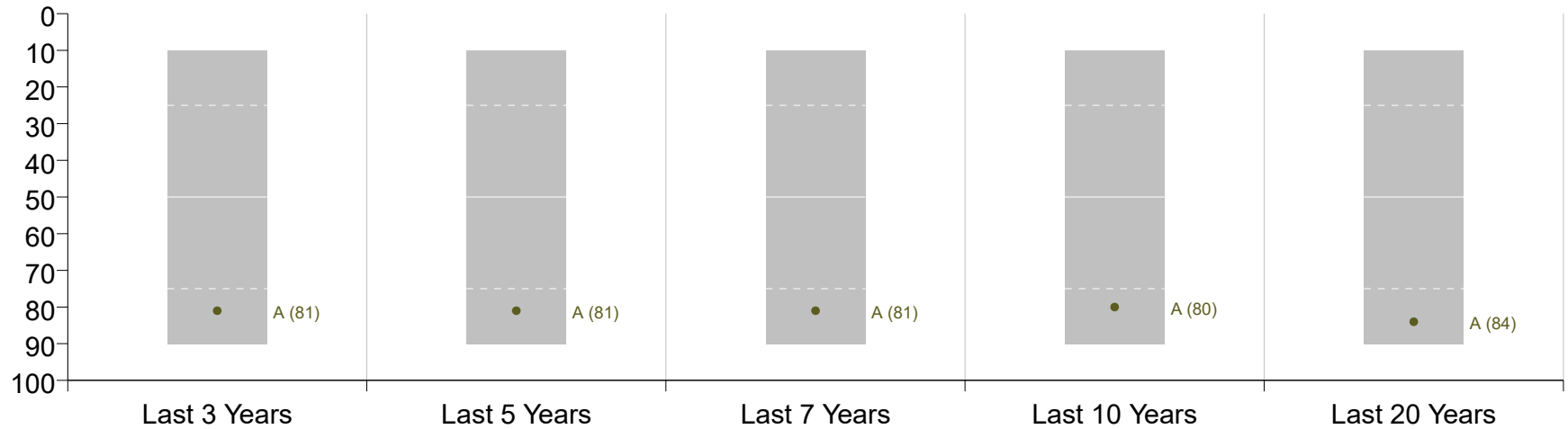
Ten Year Annualized Risk vs Return



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

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

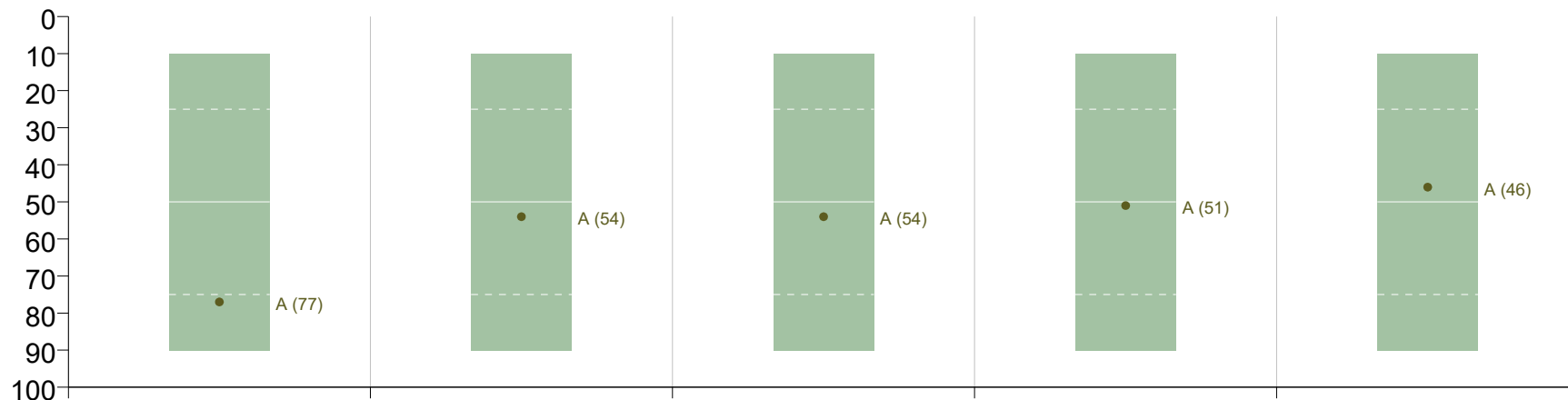
Standard Deviation for Periods Ended March 31, 2023
Group: Callan Public Fund Sponsor - Large (>1B)



	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
10th Percentile	14.30	15.42	13.11	11.48	11.81
25th Percentile	13.03	13.94	11.87	10.42	10.98
Median	11.57	12.39	10.56	9.26	10.36
75th Percentile	10.11	10.75	9.25	8.15	9.53
90th Percentile	8.34	9.31	8.04	7.13	9.03
Member Count	78	78	78	77	57
Total Fund ● A	9.41	10.20	8.74	7.82	9.17

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

Standard Deviation for Periods Ended March 31, 2023
Group: Callan Endow/Foundation - Large (>1B)



Last 3 Years

Last 5 Years

Last 7 Years

Last 10 Years

Last 20 Years

10th Percentile

14.13

14.35

12.19

10.66

10.88

25th Percentile

12.40

13.06

11.17

9.76

10.13

Median

10.36

10.32

8.80

7.88

9.13

75th Percentile

9.65

9.45

8.03

7.21

8.15

90th Percentile

6.95

7.27

6.22

6.01

7.56

Member Count

46

45

45

44

34

Total Fund • A

9.41

10.20

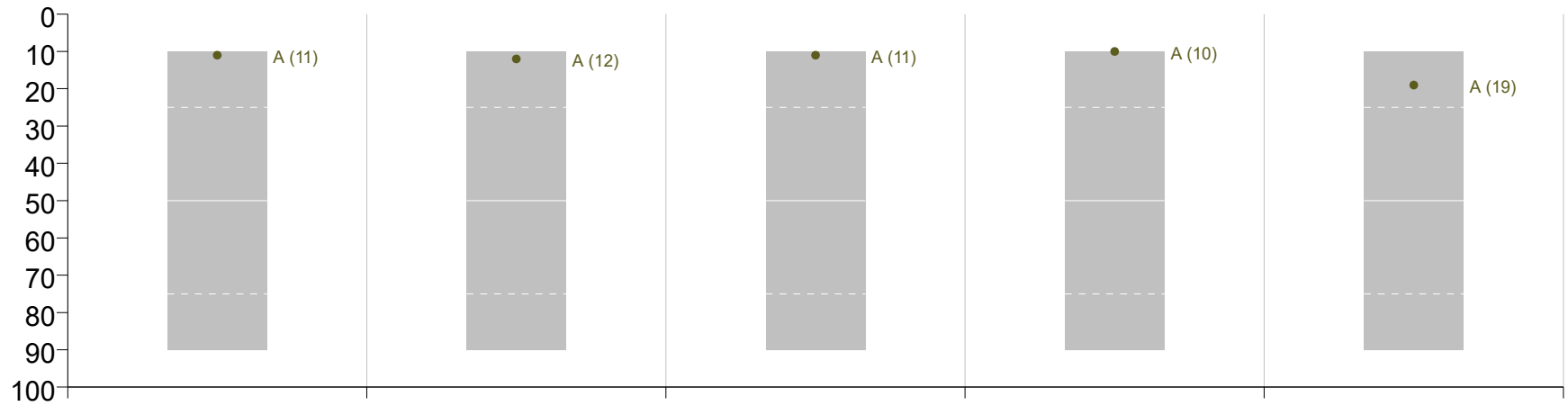
8.74

7.82

9.17

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

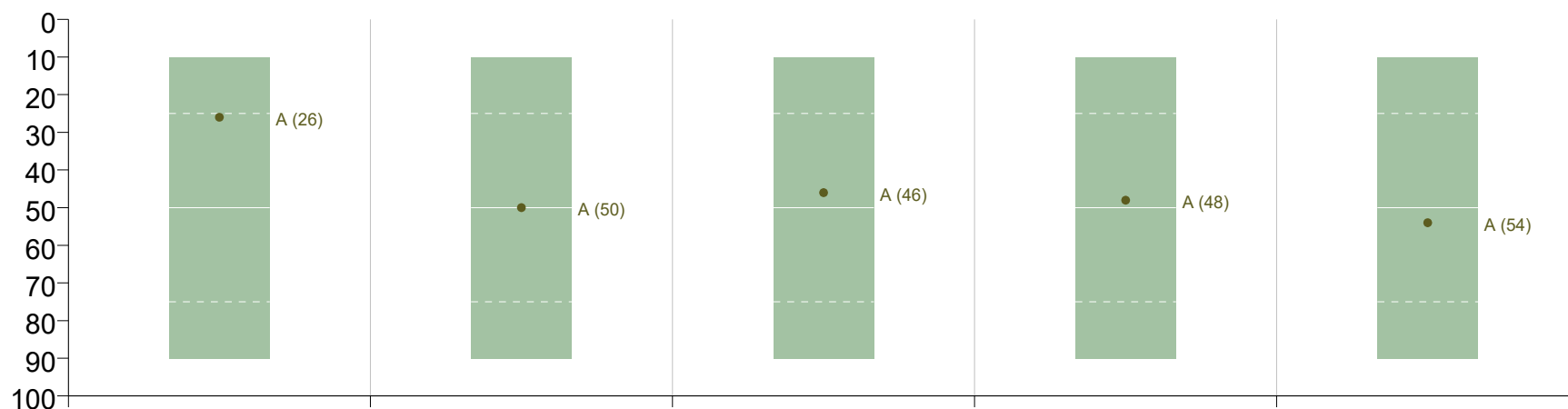
Sharpe Ratio for Periods Ended March 31, 2023
Group: Callan Public Fund Sponsor - Large (>1B)



	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
10th Percentile	1.39	0.67	0.92	0.94	0.80
25th Percentile	1.06	0.51	0.74	0.81	0.72
Median	0.89	0.41	0.62	0.67	0.65
75th Percentile	0.77	0.32	0.53	0.59	0.59
90th Percentile	0.63	0.27	0.47	0.53	0.54
Member Count	78	78	78	77	57
Total Fund ● A	1.28	0.64	0.89	0.93	0.74

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

Sharpe Ratio for Periods Ended March 31, 2023
Group: Callan Endow/Foundation - Large (>1B)



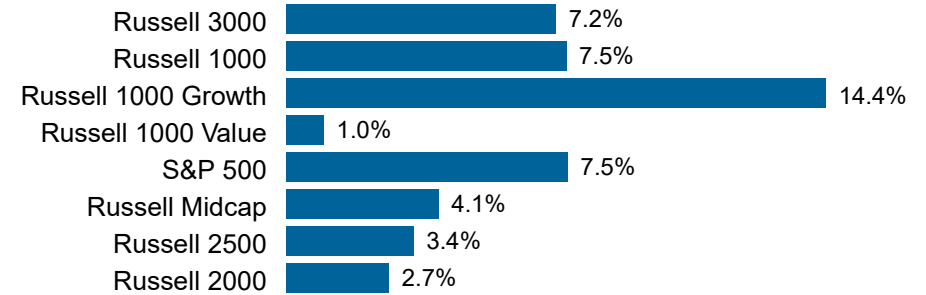
	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
10th Percentile	1.47	0.98	1.23	1.34	1.15
25th Percentile	1.30	0.85	1.08	1.11	1.01
Median	1.10	0.64	0.85	0.92	0.77
75th Percentile	0.81	0.39	0.58	0.63	0.65
90th Percentile	0.54	0.27	0.45	0.52	0.60
Member Count	46	45	45	44	34
Total Fund • A	1.28	0.64	0.89	0.93	0.74

U.S. Equity Performance: 1Q23

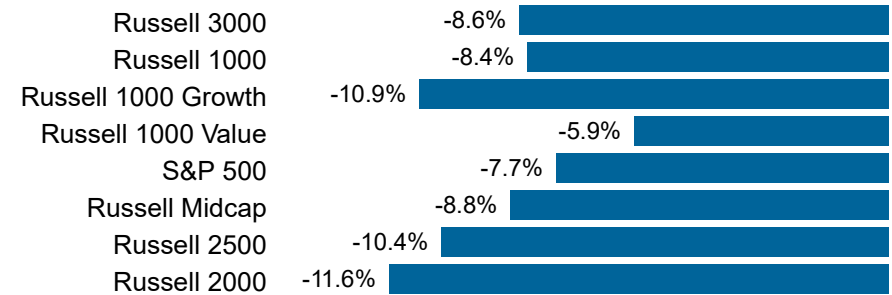
Large cap growth stocks lead broad indices higher; small cap indices hurt by regional bank sell-off

- The S&P 500 posted a second straight quarter of positive performance, gaining 7.5%; large cap growth led all styles, advancing 14.4%; Russell 2000 Value was an exception with a slight decline (0.7%) due to greater exposure to Financials, specifically small banks.
- Three sectors comprising 44% of S&P 500 (63% of Russell 1000 Growth) drove performance: Technology (+21.8%), Communication Services (+20.5%), and Consumer Discretionary (+16.1%). Financials, Energy, and Health Care were negative but had only a modest impact given smaller weights in these benchmarks.
- Small caps (Russell 2000) underperformed large caps (Russell 1000) and growth outperformed value during the quarter, a reversal of trend from 2022. Greater exposure to small banks in Russell 2000 (8.3%) versus Russell 1000 (3.3%) was one differentiator; strong returns for mega-cap Technology also increased divergence.

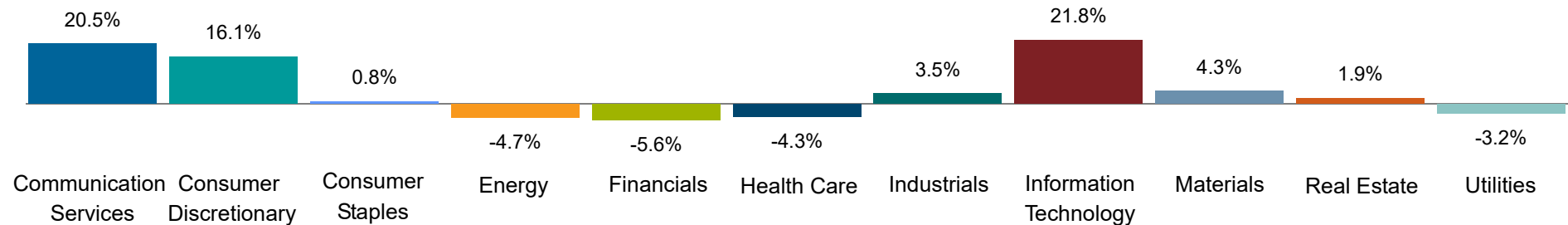
U.S. Equity: Quarter Ended 3/31/23



U.S. Equity: One-Year Returns Ended 3/31/23



Industry Sector Quarterly Performance (S&P 500) as of 3/31/23



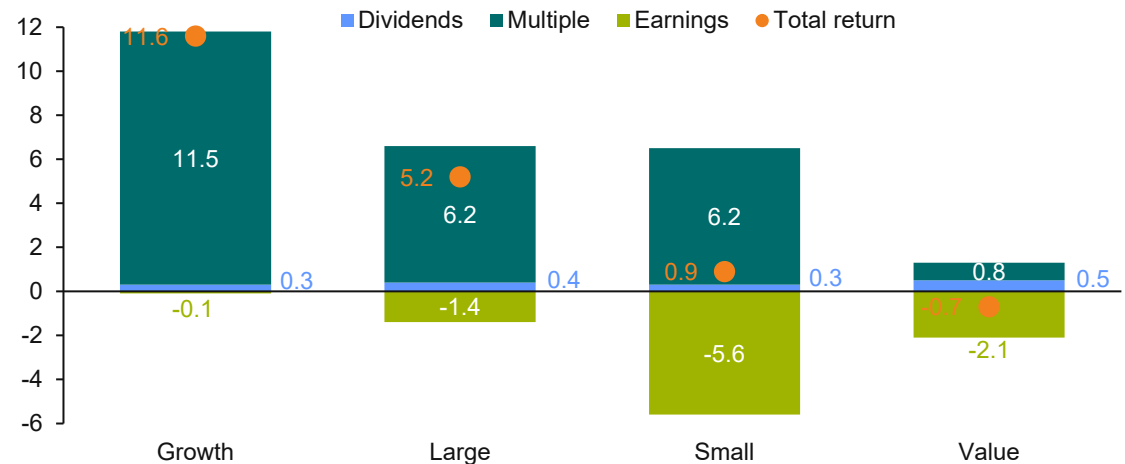
Sources: FTSE Russell, S&P Dow Jones Indices

U.S. Equity Overview

Performance drivers: multiple expansion and macro signals drove returns

- Large cap growth stocks outperformed value and small cap stocks, driven by increased valuations as interest rates declined and expectations of a more dovish Fed emerged.
- Asset managers may take a more cautious approach in equity markets in coming quarters as earnings estimates decline; expect a focus on quality, cash flow, defensive value names, and profitable growth stocks.
- Price multiples continue to be important as elevated valuations may compress if markets anticipate that monetary easing is not on the near-term horizon.
- Analyst estimates for future earnings are diverging, typically a sign of elevated economic turbulence.

YTD 2023 Stock Market Performance: Return Decomposition



Dispersion of Sell Side Analyst EPS Estimates



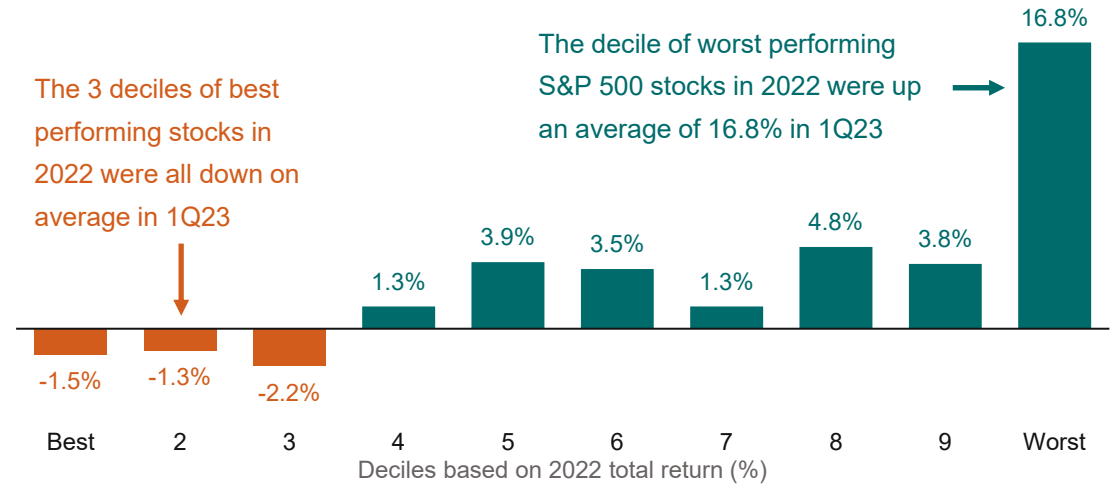
Sources: FactSet, J.P. Morgan Asset Management. Growth: Russell 1000 Growth; Value: Russell 1000 Value; Large cap: Russell 1000; Small cap: Russell 2000. Returns as of 3/29/2023.

U.S. Equity Overview

Worst to best: Large caps reverse 2022 trends during 1Q23

- Investors “bought the dip” as stock performance reversed from the prior year—the worst-performing stocks for 2022 became the best-performing stocks during 1Q23 in the S&P 500.
- The top chart illustrates the S&P 500 as deciles (10 groups of 50 stocks each) based on how stocks performed in 2022.
 - *Decile 1 contains the 50 stocks that performed the best in 2022, decile 2 contains the 50 next best, etc.*
 - *Decile 10 contains the 50 stocks that did the worst in 2022.*
- The three deciles containing the 150 best performing stocks in 2022 all averaged declines during 1Q23.
- On the flip side, the worst performers in 2022 averaged a gain of 16.8% during 1Q23, with strong absolute performance from mega-cap growth names such as NVIDIA, Meta, Tesla, and Salesforce.

S&P 500 Deciles: 1Q23 Avg Performance Based on 2022 Performance



Best-Performing S&P 500 Stocks in 1Q23

Name	Sector	Price	Market Cap (\$bn)	Total Return (%)	
				2022	QTD
NVIDIA	Technology	277.77	686.1	-50.27	90.10
Meta Platforms	Comm Svcs	211.94	549.5	-64.22	76.12
Tesla	Cons Discret	207.46	656.4	-65.03	68.42
Warner Bros Discovery	Comm Svcs	15.10	36.8	--	59.28
Align Technology	Health Care	334.14	25.6	-67.91	58.44
Advanced Micro Devices	Technology	98.01	157.9	-54.99	51.32
Salesforce	Technology	199.78	199.8	-47.83	50.68
West Pharmaceutical	Health Care	346.47	25.7	-49.70	47.32
General Electric	Industrials	95.60	104.2	-10.92	46.35
Catalent	Health Care	65.71	11.8	-64.84	45.99

Source: Bespoke Investment

Global/Global ex-U.S. Equity Performance: 1Q23

A reversal of 2022

1Q23 brought global and global ex-U.S. equity markets back to black.

Positive results despite hiccups

- ▶ The first quarter of the year was marked by the collapse of Silicon Valley Bank and Credit Suisse, which sent fears of a banking crisis across global markets.
- ▶ Despite a Fed hike during the period, investors began to price in lower rate expectations.
- ▶ Europe outperformed other regions, making up ground lost in 2022 as inflation eased and recession fears lessened.

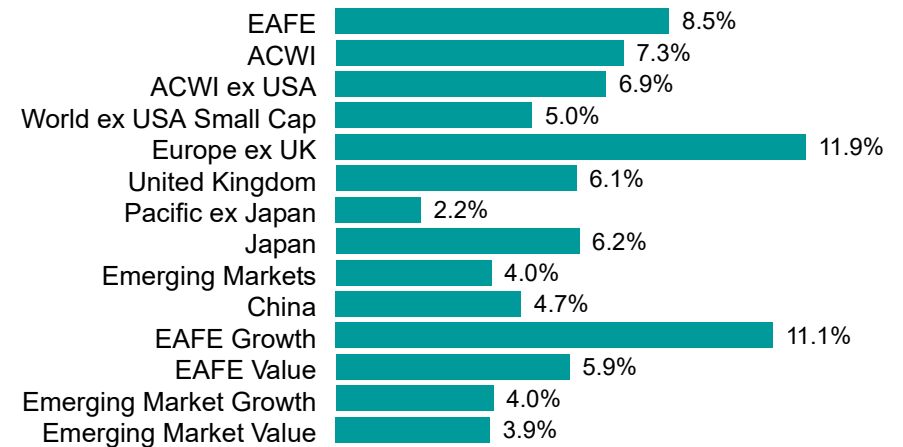
Growth vs. value

- ▶ Growth outpaced value across developed and emerging markets.
 - In a reversal from 2022, investors preferred growth alongside a drawdown in banks; Information Technology was the largest outperformer.

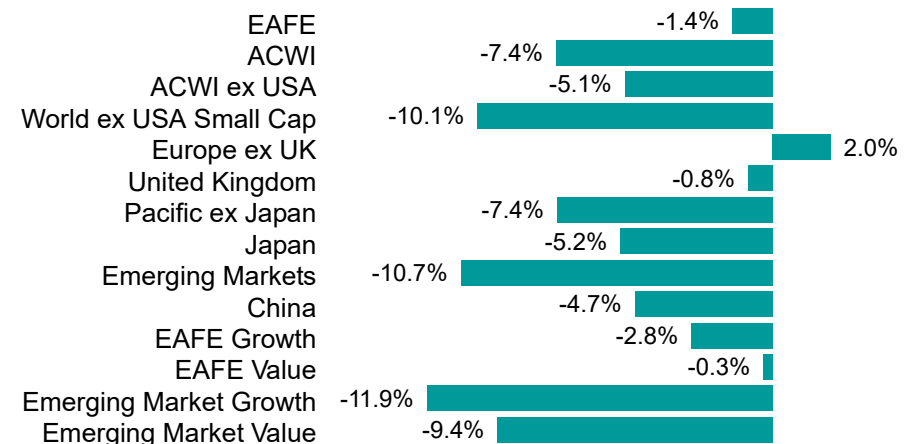
U.S. dollar vs. other currencies

- ▶ After some strength early in the quarter, the U.S. dollar declined 1% as interest rate differentials narrowed globally.

Global Equity Returns: Quarter Ended 3/31/23



Global Equity Returns: One Year Ended 3/31/23



Source: MSCI

Global/Global ex-U.S. Equity Key Themes

EAFE maintains momentum

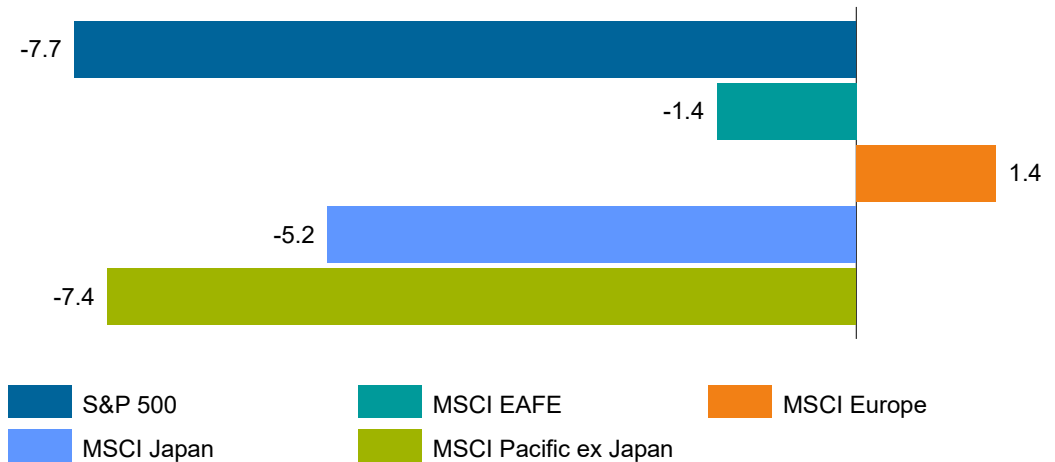
Developed markets outpace U.S.

- ▶ Outperformance of developed markets over the past year has been driven by Europe.
 - Europe beat U.S. by 9.1 percentage points as fears of economic slowdown were not fully realized in the wake of the Russia-Ukraine War.
 - Europe benefited from falling gas prices and China reopening.
 - Value-growth dispersion was impacted less in developed markets relative to U.S. given the composition of the markets.
 - EAFE Value outperformed Growth by 2.5 percentage points over the trailing one year.
 - S&P 500 Value outperformed Growth by 15.2 percentage points.
- ▶ Weak dollar helped global ex-U.S. equities.
 - Since DXY Index reached a 20-year high in September 2022, it has declined by 10%.

Will Europe continue to be a source of return?

- ▶ EPS growth expectations have fallen for both S&P 500 (-7%) and Europe (-9%).
- ▶ However, euro zone trades at a 30% discount vs. the U.S.

1-Year Trailing Returns as of March 31, 2023



MSCI Eurozone Price/Book relative to U.S.

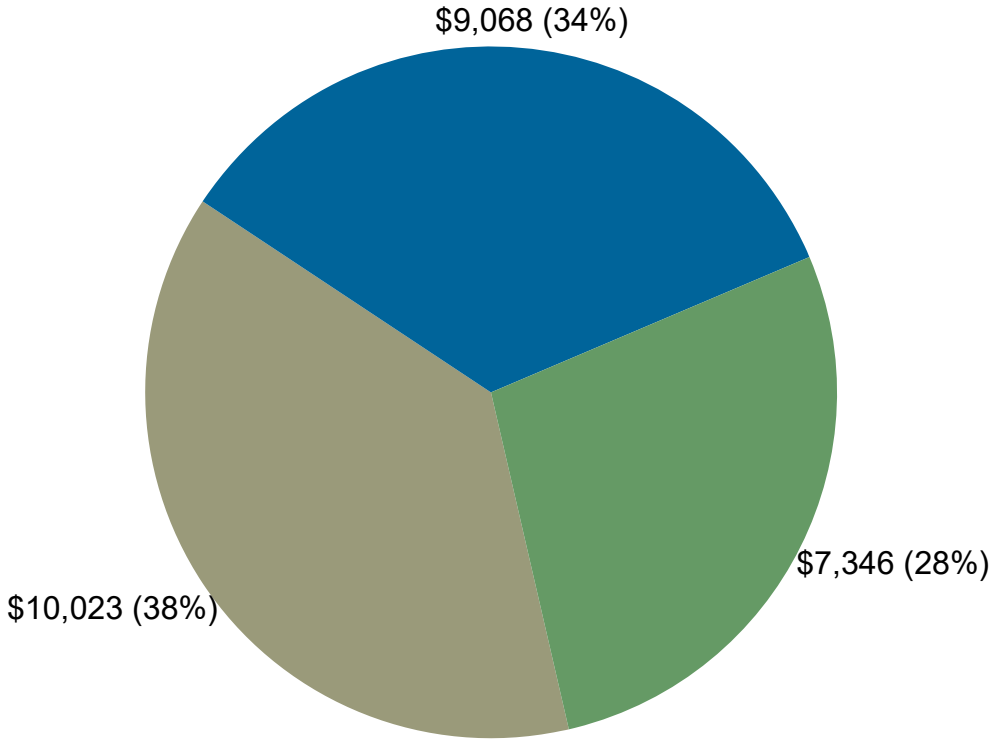
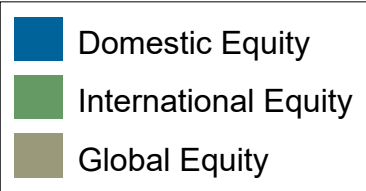


Sources: I/B/E/S, MSCI

APFC Public Equity Structure

As of March 31, 2023

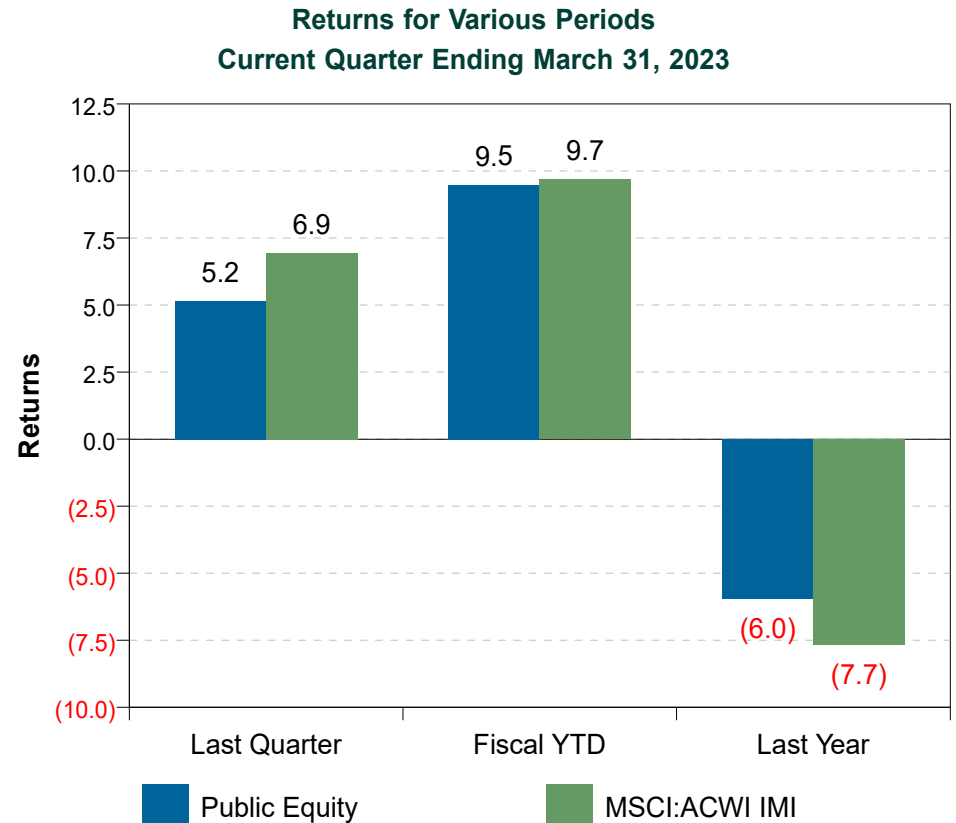
- APFC Public Equity portfolio comprised of Domestic, International and Global Equity.



APFC Public Equity vs. MSCI ACWI-IMI

Periods Ended March 31, 2023

- APFC Public Equity portfolio lagged against the MSCI ACWI IMI index for the quarter however declined less than the benchmark over the trailing year.
- Domestic, International and Global Equity composites ended behind their respective benchmarks for the quarter.
- Domestic and Global Equity composites outperformed their benchmarks for the trailing year while International Equity lagged.

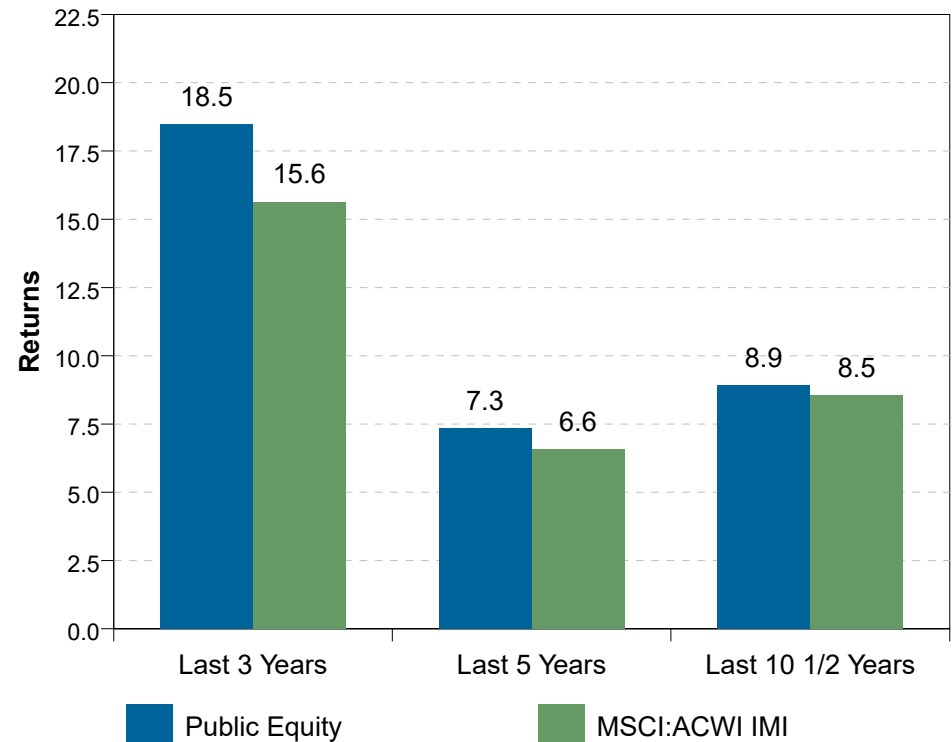


APFC Public Equity vs. MSCI ACWI-IMI

Periods Ended March 31, 2023

- Public Equities exceeded the benchmark over the intermediate and long-term.
- Overall, the portfolio is well diversified across regions, countries, and underlying strategies.

Returns for Various Periods
Current Quarter Ending March 31, 2023

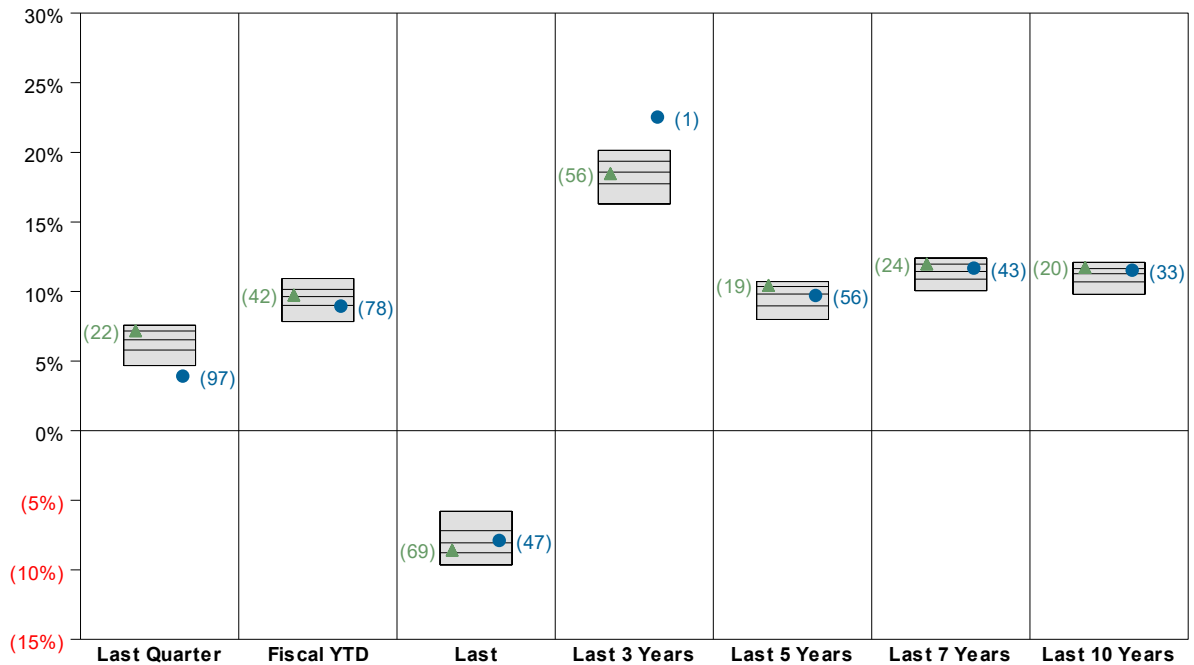


APFC US Equity Performance vs. Fund Sponsor US Equity

Periods Ended March 31, 2023

- The universe is comprised of total domestic equity portfolios of large institutional investors in Callan's Fund Sponsor Database.
- APFC US Equity portfolio underperformed the Russell 3000 Index for the quarter and outperformed for year.
- When compared to US Equity portfolios of other large institutional investors, APFC's US Equity composite ranked above median in longer term periods.

Performance vs Fund Sponsor - Domestic Equity (Gross)



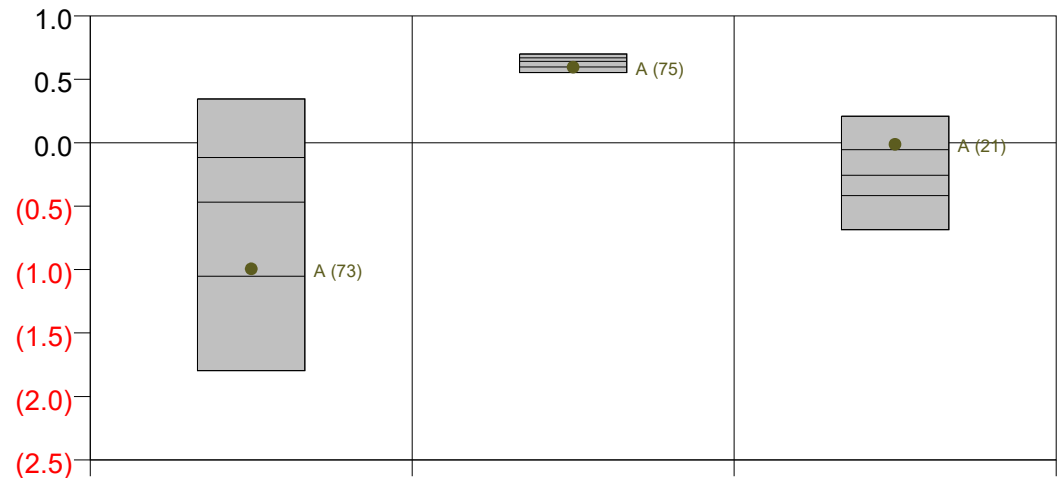
10th Percentile	7.58	10.93	(5.81)	20.14	10.71	12.40	12.09
25th Percentile	7.15	10.15	(7.19)	19.36	10.36	11.97	11.64
Median	6.53	9.64	(8.05)	18.58	9.81	11.45	11.28
75th Percentile	5.79	8.99	(8.77)	17.74	8.97	10.89	10.70
90th Percentile	4.68	7.84	(9.65)	16.30	7.99	10.06	9.79
Domestic Equity	● 3.86	8.88	(7.96)	22.47	9.64	11.61	11.46
Russell 3000 Index	▲ 7.18	9.75	(8.58)	18.48	10.45	11.99	11.73

APFC US Equity Portfolio Risk Adjusted Return Rankings

Periods Ended March 31, 2023

- 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**

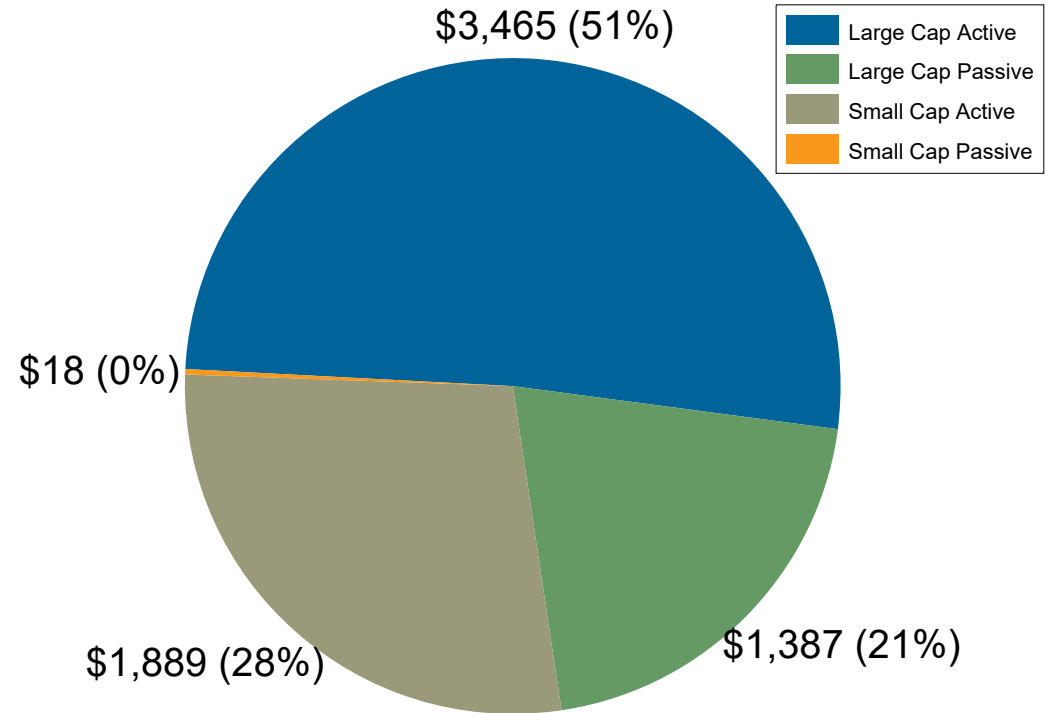


	Alpha	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.34	0.70	0.21
25th Percentile	(0.12)	0.67	(0.05)
Median	(0.47)	0.64	(0.26)
75th Percentile	(1.05)	0.60	(0.42)
90th Percentile	(1.80)	0.55	(0.68)
Domestic Equity ● A	(0.99)	0.60	(0.01)

APFC US Equity Structure

As of March 31, 2023

- US equity portfolio is roughly 79% actively managed and 21% passive (or quasi-passive).
- Roughly 71% of the large cap allocation is actively managed while 99% of the small cap allocation is actively managed.

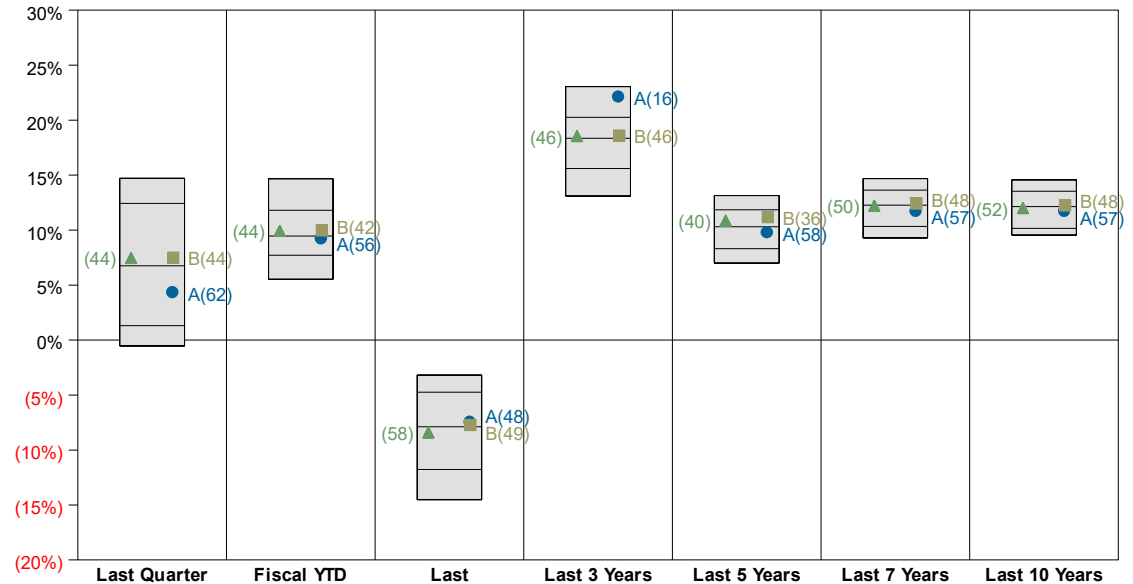


APFC Large Cap Equity Relative to Large Cap Universe

Periods Ended March 31, 2023

- APFC's Large Cap portfolio underperformed its benchmark for the quarter and trailing year.
- Over the quarter the portfolio ranked below median within the large cap universe and over the year ranked above median.
- Performance from the APFC US Tactical Tilt portfolio positively impacted relative performance over the trailing year.

Performance vs Callan Large Capitalization (Gross)



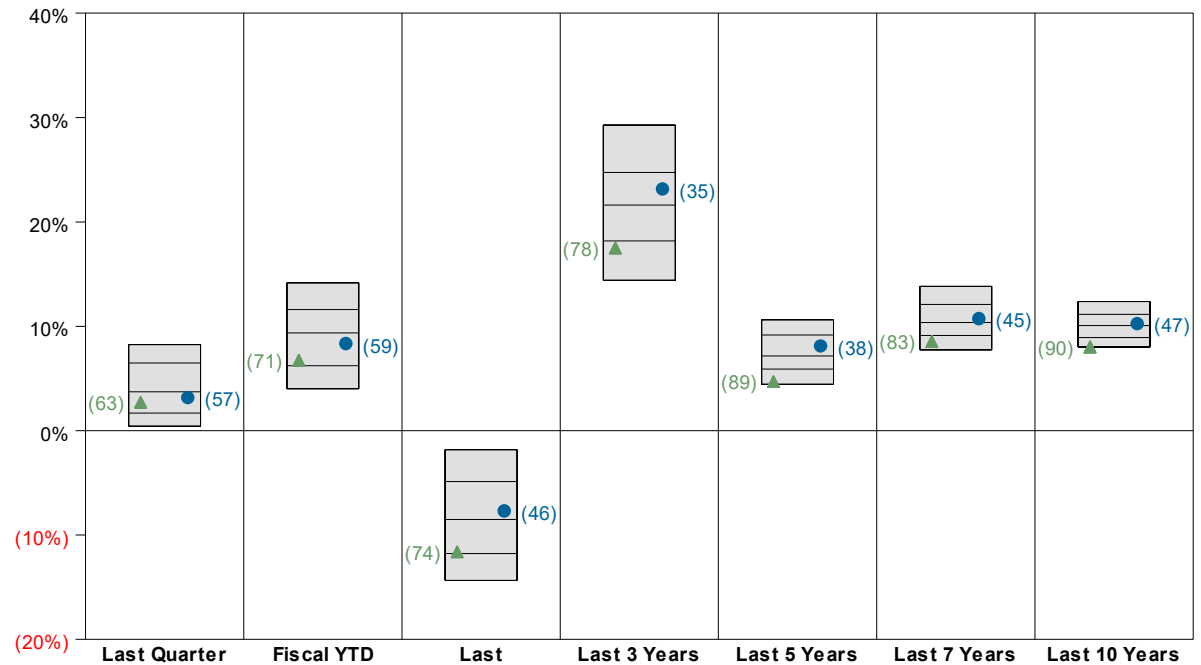
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	14.71	14.67	(3.18)	23.04	13.14	14.68	14.57
25th Percentile	12.43	11.80	(4.74)	20.26	11.85	13.64	13.53
Median	6.76	9.47	(7.89)	18.36	10.30	12.26	12.15
75th Percentile	1.32	7.71	(11.77)	15.60	8.30	10.33	10.16
90th Percentile	(0.53)	5.53	(14.52)	13.09	7.00	9.29	9.55
Large Cap Equity Standard & Poor's 500	● A 4.27	9.16	(7.52)	22.05	9.71	11.66	11.65
Russell 1000 Index	▲ 7.46	9.93	(8.39)	18.55	10.87	12.23	12.01

APFC Small Cap Equity Relative to Small Cap Universe

Periods Ended March 31, 2023

- APFC small cap portfolio outperformed the Russell 2000 for the quarter and the year. The portfolio ranked below its peer group median for the quarter, but above for the year.
- In all other periods the portfolio ranked above median in the small cap universe and was ahead of the benchmark.

Performance vs Callan Small Capitalization (Gross)

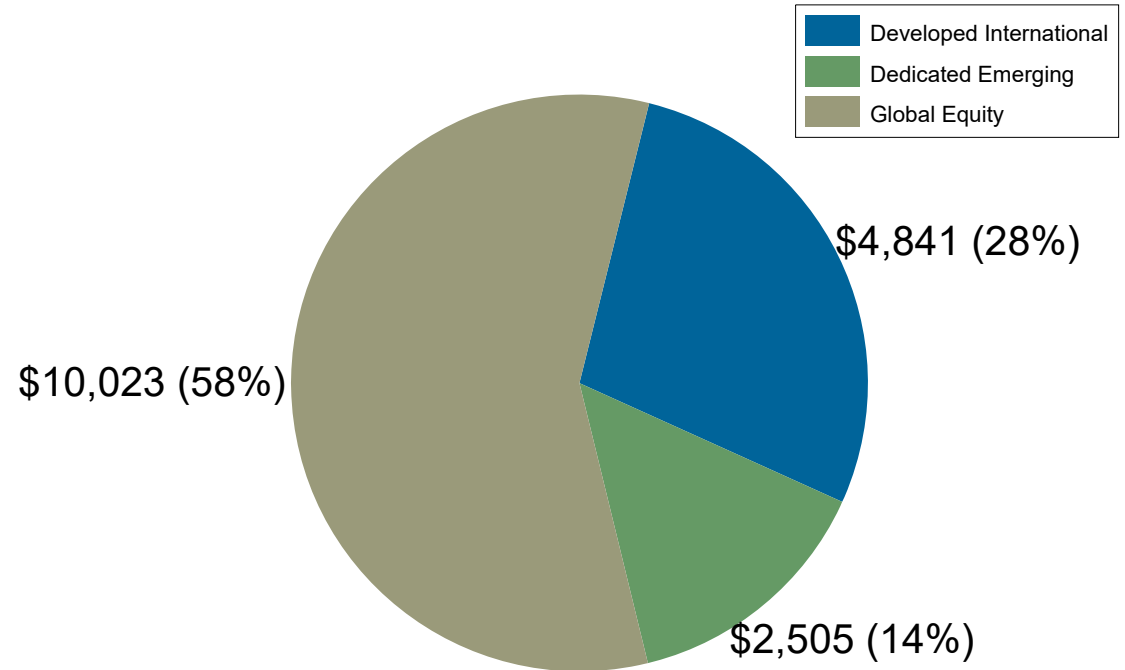


10th Percentile	8.26	14.16	(1.82)	29.27	10.62	13.83	12.37
25th Percentile	6.49	11.60	(4.87)	24.75	9.18	12.09	11.14
Median	3.73	9.38	(8.50)	21.62	7.16	10.36	10.08
75th Percentile	1.70	6.23	(11.78)	18.18	5.90	9.11	8.92
90th Percentile	0.43	4.03	(14.34)	14.41	4.45	7.74	8.01
Small Cap Equity ●	3.09	8.25	(7.78)	23.07	8.02	10.65	10.17
Russell 2000 Index ▲	2.74	6.75	(11.61)	17.51	4.71	8.55	8.04

APFC Non-US and Global Equity Structure

As of March 31, 2023

- 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.

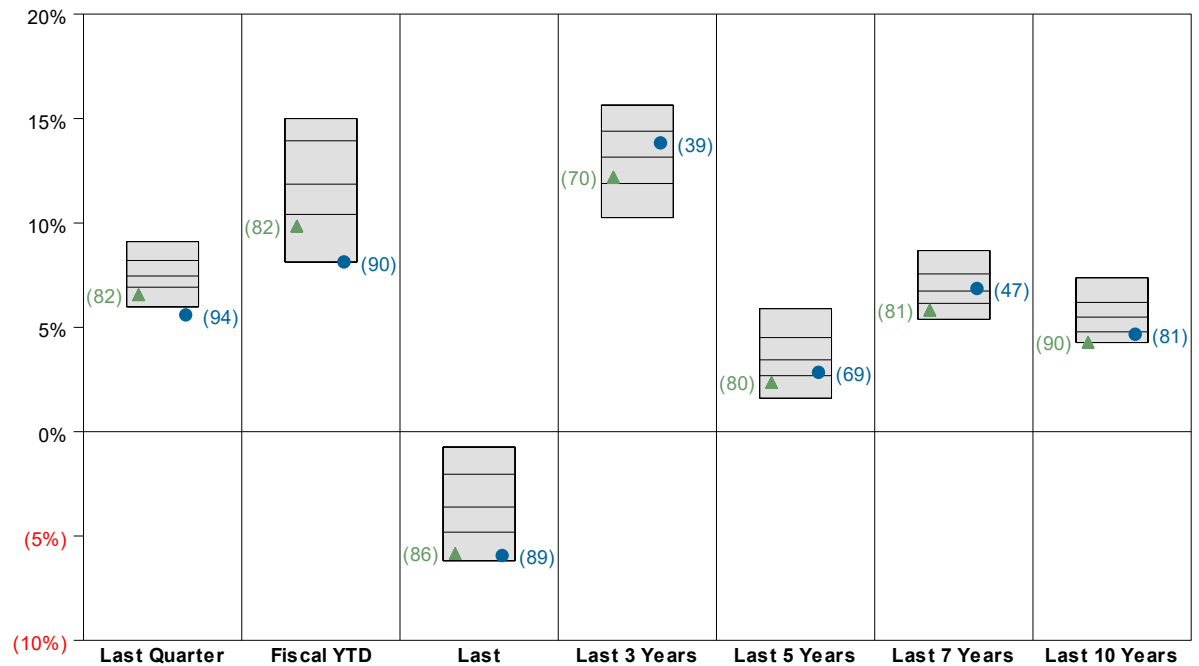


APFC International Equity Relative to Fund Sponsor Universe

Periods Ended March 31, 2023

- International Equity ended the quarter behind its benchmark and its peer group median. Over the trailing year, International Equity underperformed both the benchmark and peer group median.
- In periods outside the year, the portfolio outperformed its benchmark.
- Relative to other fund sponsor portfolios, International Equity ranked below median for most periods.

Performance vs Fund Sponsor - International Equity (Gross)



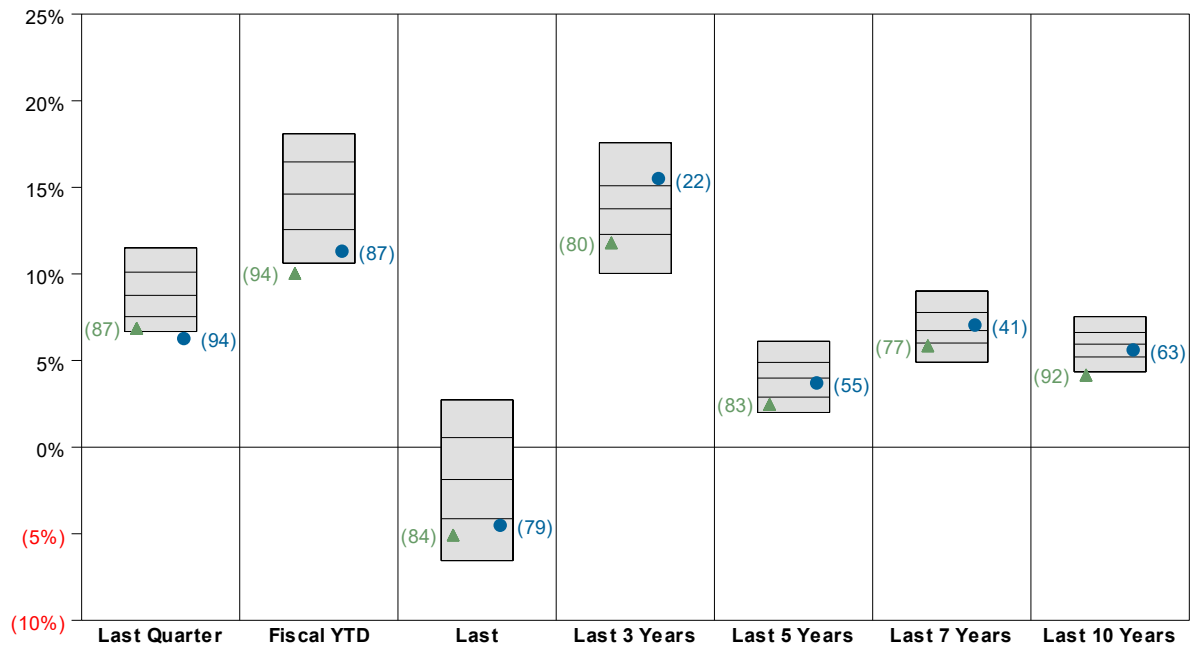
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	9.10	15.00	(0.74)	15.64	5.89	8.68	7.38
25th Percentile	8.20	13.94	(2.04)	14.40	4.51	7.56	6.19
Median	7.46	11.85	(3.62)	13.15	3.44	6.73	5.48
75th Percentile	6.92	10.41	(4.81)	11.89	2.68	6.15	4.78
90th Percentile	5.98	8.12	(6.18)	10.26	1.60	5.38	4.27
International Equity ●	5.55	8.09	(5.98)	13.79	2.80	6.82	4.62
MSCI ACWI xUS IMI ▲	6.56	9.85	(5.84)	12.20	2.35	5.83	4.28

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

Periods Ended March 31, 2023

- The International Developed portfolio lagged against its benchmark for the quarter but experienced a shallower decline over the trailing year.
- The portfolio continued to show strong performance relative to its benchmark across all other time periods.
- The portfolio ranked below median over the quarter and year.

Performance vs Callan Non-US Equity (Gross)



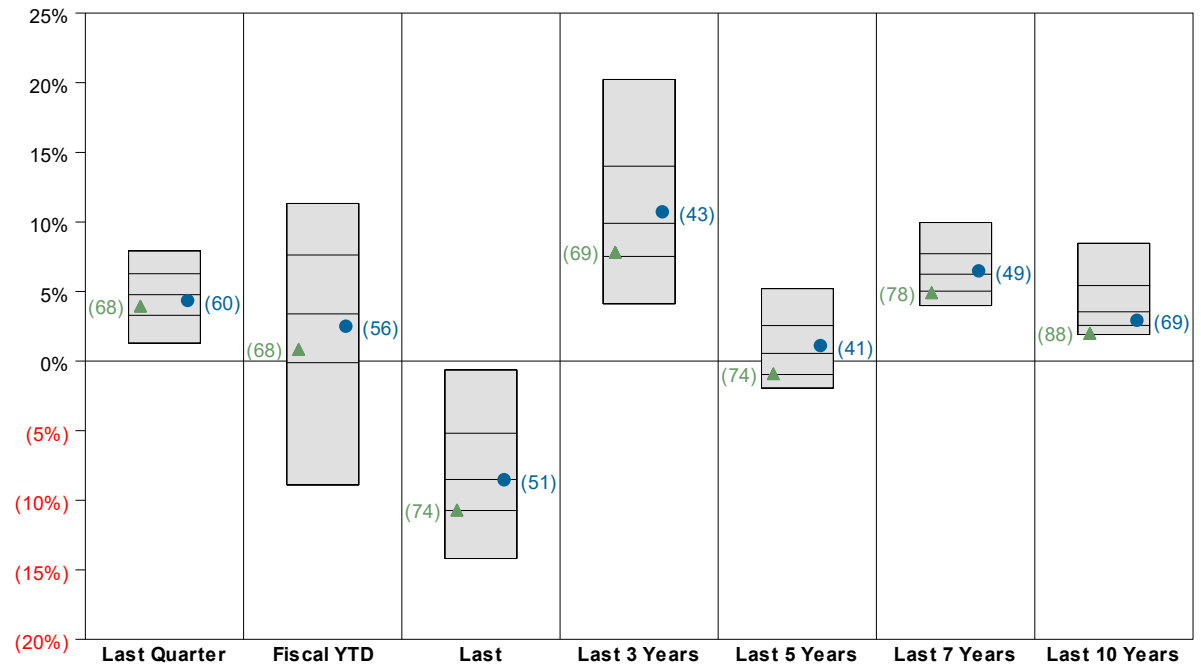
10th Percentile	11.51	18.09	2.74	17.58	6.12	9.02	7.54
25th Percentile	10.11	16.47	0.56	15.10	4.90	7.78	6.63
Median	8.76	14.61	(1.87)	13.77	3.99	6.73	5.95
75th Percentile	7.54	12.56	(4.13)	12.29	2.89	6.02	5.21
90th Percentile	6.68	10.62	(6.54)	10.04	2.01	4.90	4.36
International Developed	● 6.22	11.26	(4.57)	15.45	3.66	7.00	5.57
MSCI ACWI xUS	▲ 6.87	10.03	(5.07)	11.80	2.47	5.86	4.17

APFC Emerging Markets Equity Relative to EM Universe

Periods Ended March 31, 2023

- APFC Emerging Markets Equity portfolio exceeded the MSCI EM Index in the first quarter and outperformed on the downside over the trailing year.
- The portfolio leads its benchmark across all other standard periods.
- The portfolio ranked below median for the quarter and near median for the year.

Performance vs Emerging Markets Equity DB (Gross)



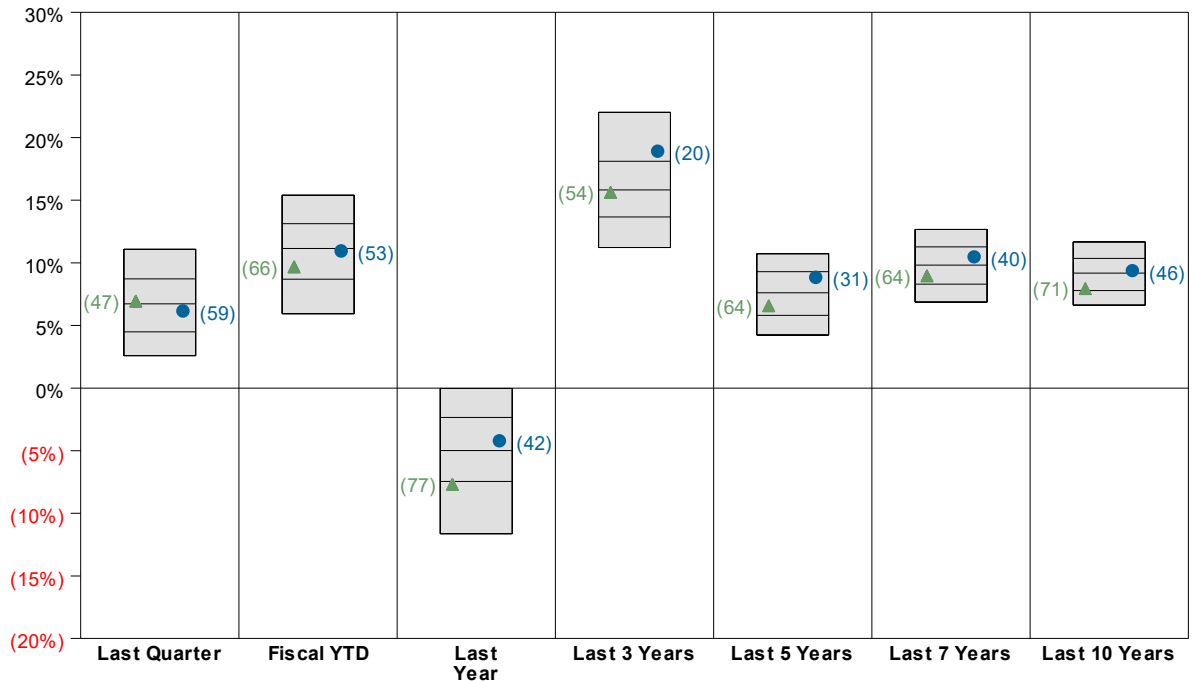
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	7.91	11.32	(0.64)	20.24	5.20	9.95	8.46
25th Percentile	6.28	7.62	(5.18)	14.01	2.56	7.71	5.42
Median	4.78	3.40	(8.50)	9.89	0.55	6.25	3.55
75th Percentile	3.29	(0.12)	(10.74)	7.52	(0.96)	5.02	2.57
90th Percentile	1.29	(8.90)	(14.18)	4.12	(1.94)	3.99	1.91
Emerging Markets ●	4.28	2.44	(8.59)	10.66	1.05	6.42	2.87
MSCI EM ▲	3.96	0.84	(10.70)	7.83	(0.91)	4.92	2.00

APFC Global Equity Relative to Global Universe

Periods Ended March 31, 2023

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

Performance vs Global Equity Database (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	11.09	15.40	(0.03)	22.01	10.73	12.66	11.68
25th Percentile	8.72	13.13	(2.35)	18.11	9.29	11.28	10.36
Median	6.73	11.15	(4.98)	15.83	7.61	9.81	9.18
75th Percentile	4.49	8.69	(7.46)	13.66	5.81	8.29	7.79
90th Percentile	2.59	5.93	(11.64)	11.22	4.23	6.88	6.63
Global Equity ●	6.08	10.87	(4.29)	18.84	8.77	10.40	9.30
MSCI ACWI IMI ▲	6.95	9.68	(7.68)	15.64	6.58	8.97	7.95

U.S. Fixed Income Performance: 1Q23

Bloomberg Aggregate was positive in 1Q but mixed

- January: +3.1%
- February: -2.6%
- March: +2.5%

U.S. Treasury volatility was pronounced

- 2-year US Treasury yield high was 5.08% on 3/8 and low was 3.77% on 3/24
- MOVE Index highest since 2008

Yield curve remained inverted but was also volatile

- 2yr/10yr => 3/31: -58 bps; max 3/8: -109; min 3/23: -38
- 1yr/10yr => 3/31: -116 bps

Fed raised rates bringing target to 4.75%–5.00%

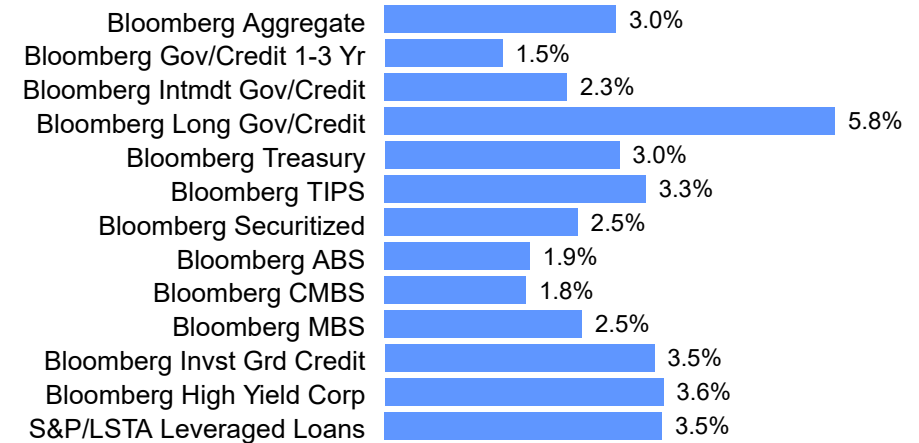
- Median expectation from Fed is 5.1% for year-end 2023; market pricing in Fed cuts by year-end
- Inflation moderated but still high and job market tight

Sector performance mixed

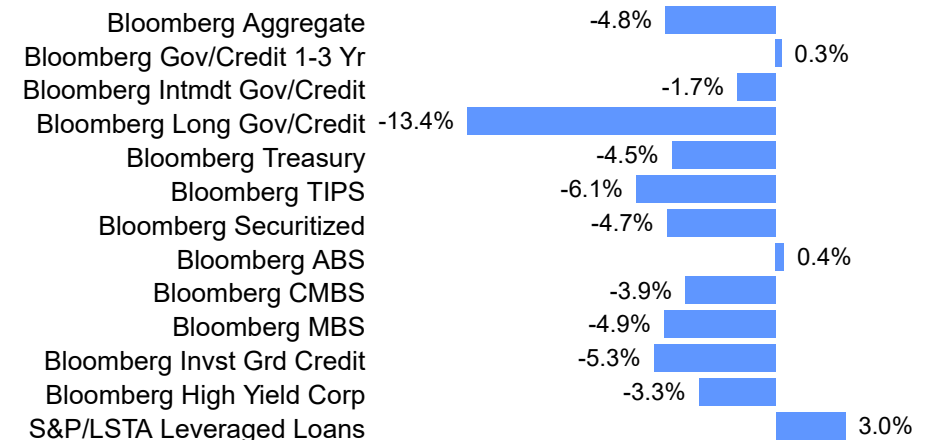
- Corporate Industrials excess return: +58 bps
- Corporate Financials excess return: -39 bps
- RMBS: -50 bps
- CMBS excess return: -74 bps
- High Yield excess return: +123 bps
- Valuations fair
- Credit spreads have not widened materially and are close to historical averages

Sources: Bloomberg, S&P Dow Jones Indices

U.S. Fixed Income Returns: Quarter Ended 3/31/23



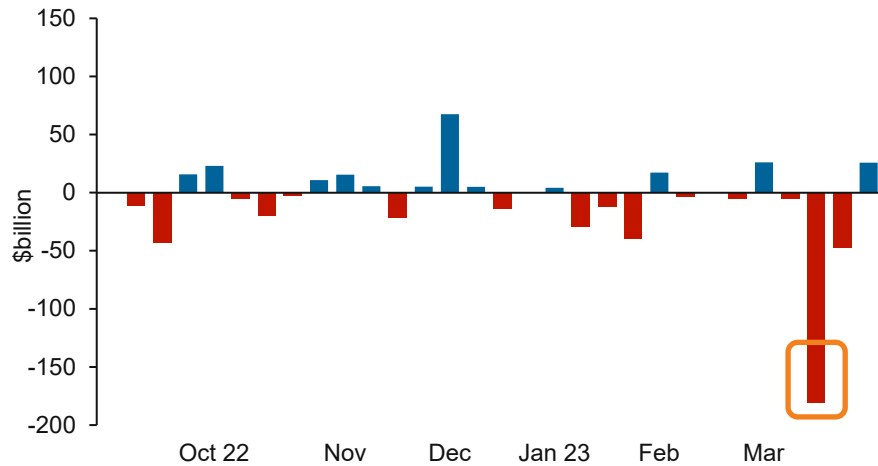
U.S. Fixed Income Returns: One Year Ended 3/31/23



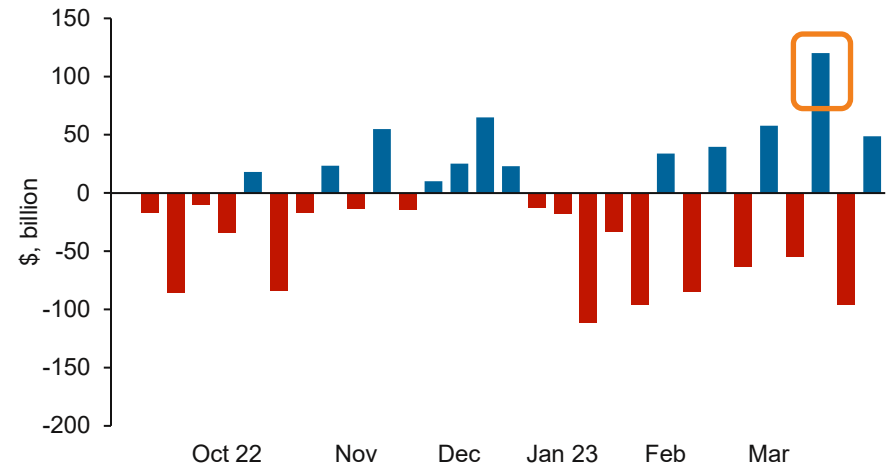
Fixed Income Themes

Regional bank contagion fears ignited as the FDIC took over Silicon Valley and Signature banks

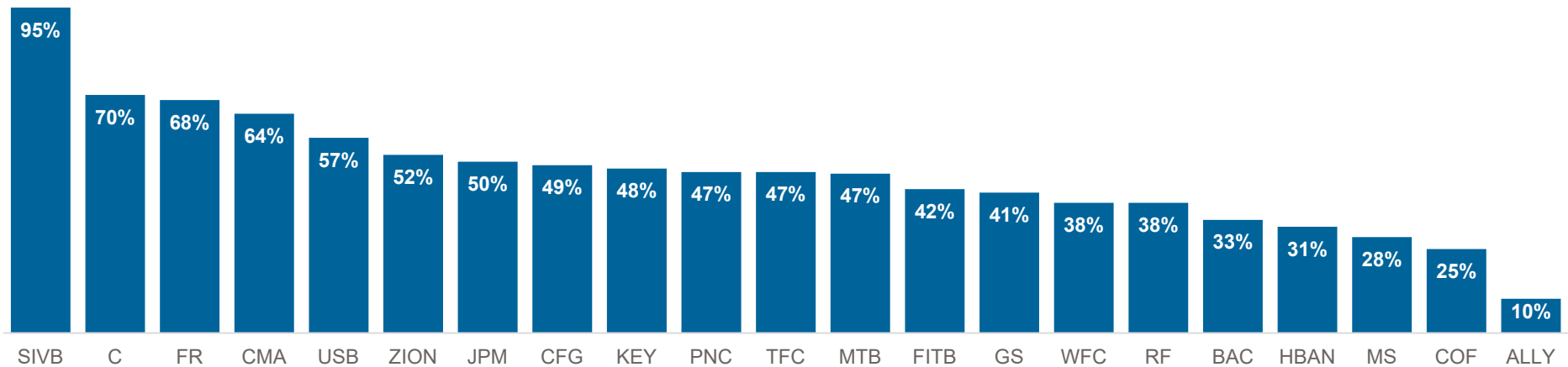
Small Banks – Deposits change from a week ago



Large Banks – Deposits change from a week ago



Uninsured Domestic U.S. Deposits as Percent of Total Deposits (ex-trust banks), 4Q22

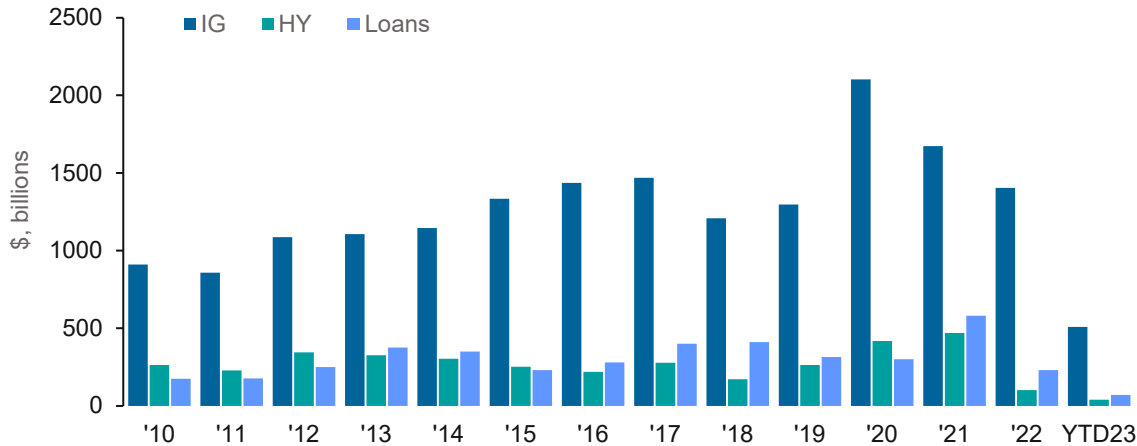


Sources: Barclays, Federal Reserve

Fixed Income Themes

Annual U.S. corporate debt issuance, fallen angel/rising star

Annual Issuance Supply

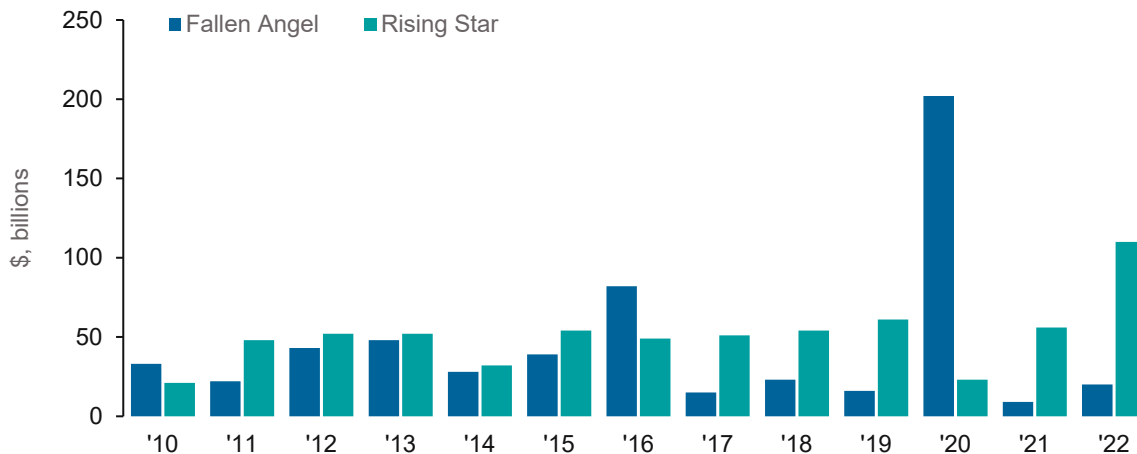


New corporate issuance trending lower after issuers termed out their debt during COVID's accommodative policies.

Not surprising to see less debt issuance as the Federal Reserve aggressively hikes overnight interest rates to fight inflationary pressures.

Financial health remains in check, albeit higher interest expense and inflationary pressures have eroded some of the fundamental strength.

U.S. Corporate Fallen Angels & Rising Stars



Source: Barclays

Global Fixed Income Performance: 1Q23

Global Aggregate was positive in 1Q but mixed

- January: +3.3%
- February: -3.3%
- March: +3.2%
- ECB and UK hiked rates
- Japan held steady

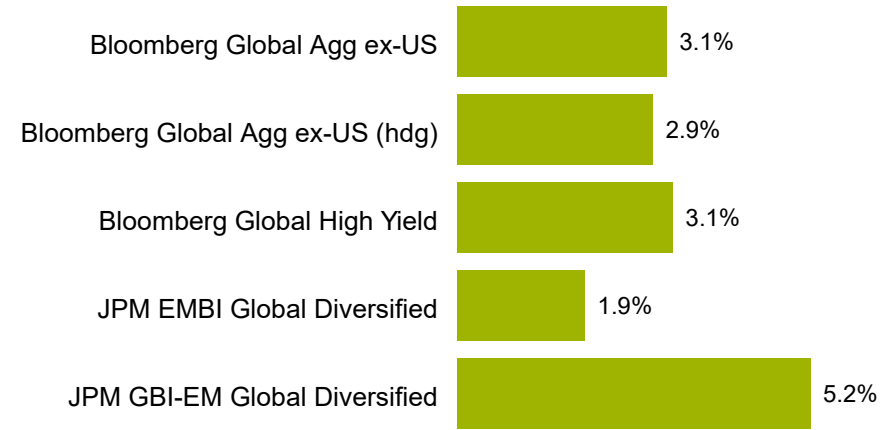
U.S. dollar was mixed

- Euro: +2% vs dollar
- British pound: +3% vs dollar
- Japanese yen: -1% vs dollar
- Australian dollar: -1% vs dollar
- Mexican peso: +8% vs dollar
- Brazilian real: +4% vs dollar

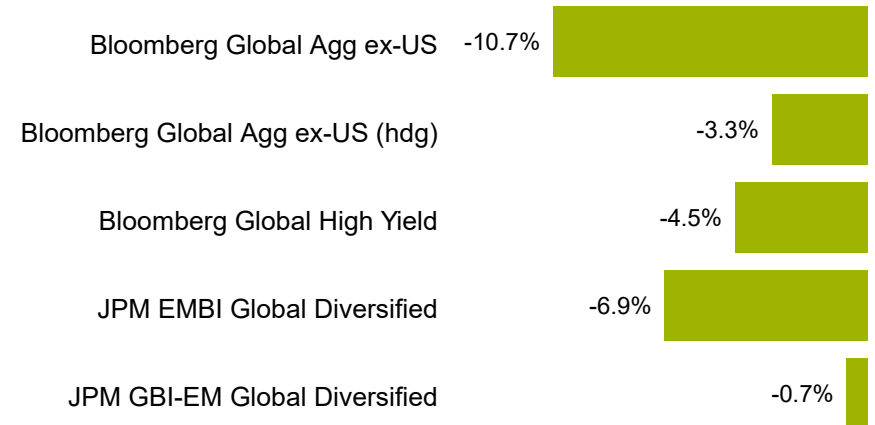
Emerging market debt delivered solid results

- EM currencies did well versus US dollar, especially in Latin America; Latin America local currency return: +4.1%; unhedged in \$US: +9.8%

Global Fixed Income Returns: Quarter Ended 3/31/23



Global Fixed Income Returns: One Year Ended 3/31/23

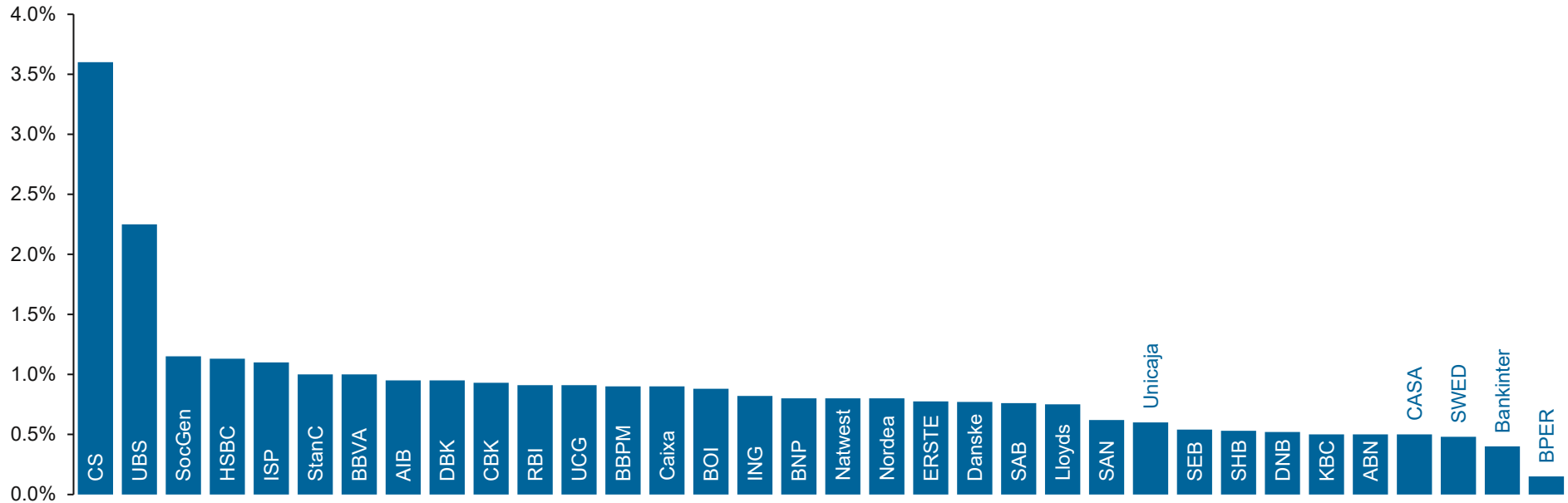


Sources: Bloomberg, JP Morgan

Fixed Income Themes

Credit Suisse's AT1 write-down contagion on other European banks? Fears unwarranted

On average, AT1 makes up less than 1% of European banks' total funding



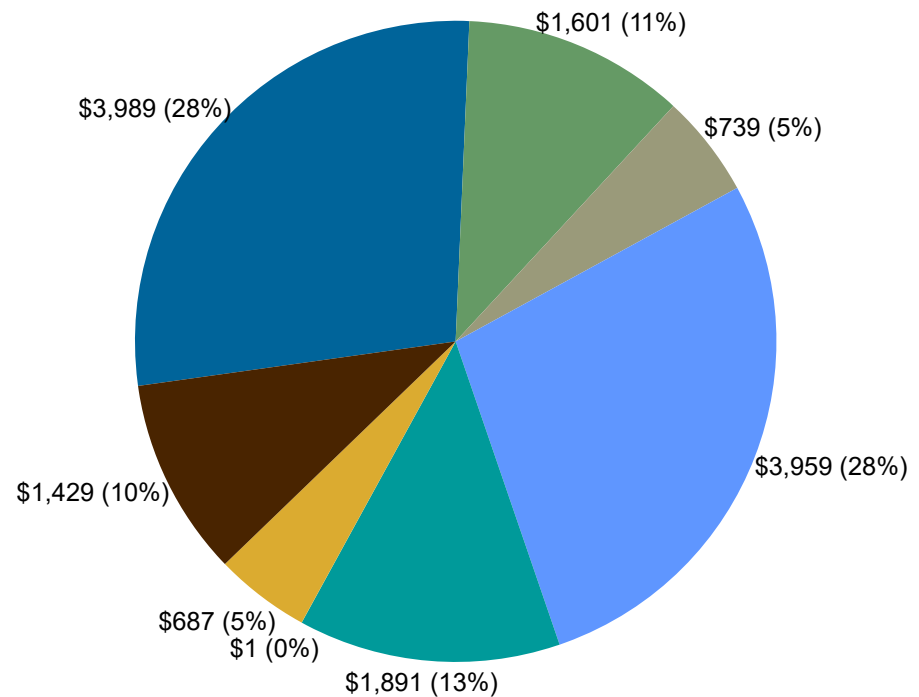
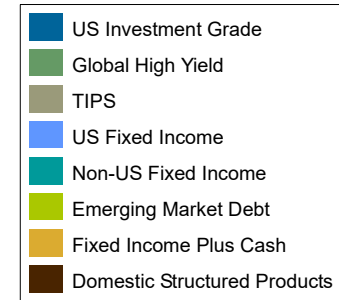
- ▶ Fears of contagion percolated through markets when the Swiss financial regulator FINMA triggered a write-down of Credit Suisse's AT1s (additional tier-one capital) ahead of equity holders, and other European bank issued AT1s could see a similar fate.
- ▶ Both the European and the U.K. banking authorities reassured investors that shareholders of affected banks under their jurisdiction would bear first losses.
- ▶ AT1, also known as CoCos or contingent convertible bonds, makes up less than 1% of European banks' total funding (deposits + debt + central banks + other).
- ▶ U.S. financial institutions do not issue AT1; the closest in the U.S. is preferred stock.

Source: Barclays, Bloomberg

APFC Fixed Income Structure

As of March 31, 2023

- The fixed income portfolio is now managed internally, including allocations within Fixed Income Plus Cash, US Fixed Income Aggregate, US Investment Grade Corporate, Non-US Fixed Income, Structured Products, Emerging Market Debt, Global High Yield and TIPS.
- Small allocations to external managers in liquidation remain in Non-US Fixed Income, Global High Yield and Emerging market Debt (~\$2.8M).

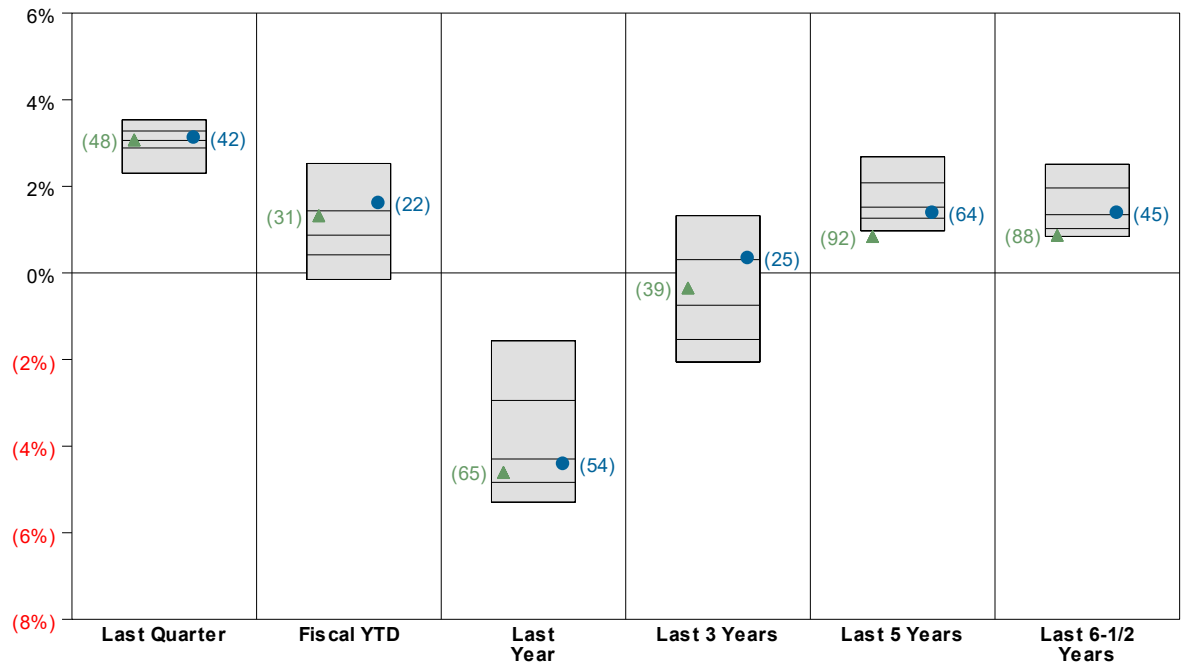


Fixed Income Relative to Public Fixed Income Funds

Periods Ended March 31, 2023

- The APFC Total Fixed Income portfolio outperformed its benchmark in both the quarter and trailing year. The portfolio ranked above median for the quarter and near median for the year.
- The portfolio outperformed its benchmark over the 3-, 5-, and 6 ¼-year periods.
- 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)



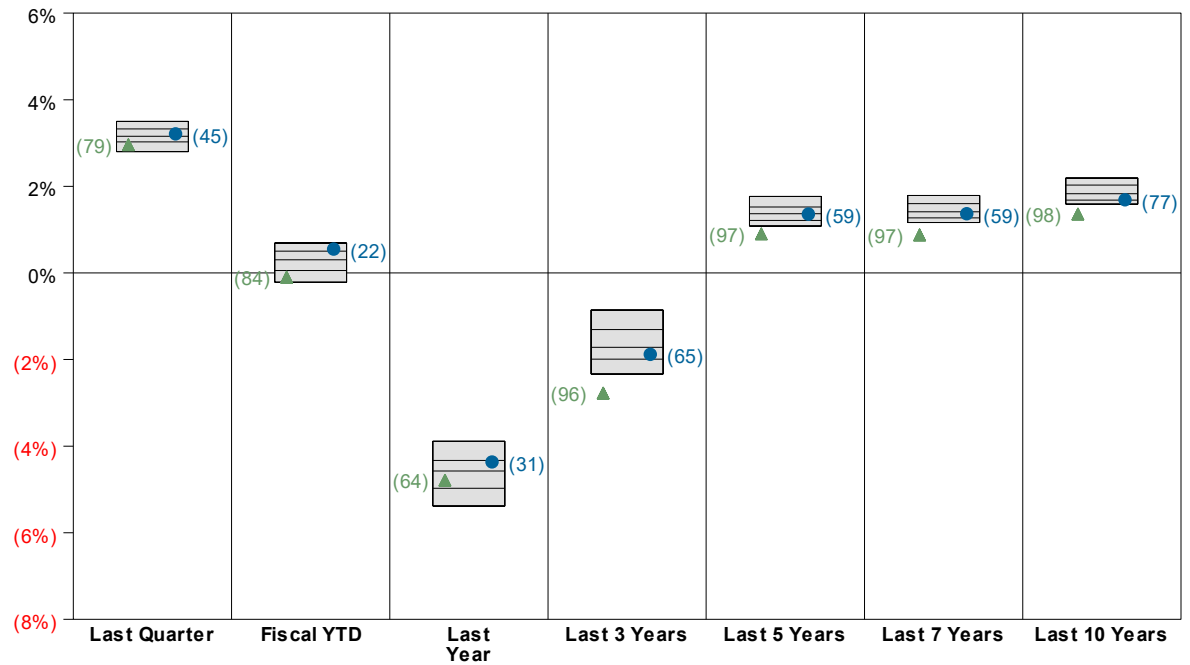
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 6-1/2 Years
10th Percentile	3.54	2.53	(1.57)	1.33	2.68	2.51
25th Percentile	3.28	1.43	(2.94)	0.31	2.08	1.97
Median	3.06	0.87	(4.30)	(0.74)	1.52	1.35
75th Percentile	2.89	0.42	(4.83)	(1.54)	1.26	1.03
90th Percentile	2.30	(0.15)	(5.29)	(2.06)	0.97	0.84
Fixed Income ●	3.12	1.61	(4.42)	0.34	1.38	1.38
Fixed Income Benchmark ▲	3.07	1.32	(4.61)	(0.35)	0.84	0.87

US Fixed Income Aggregate Relative to Core Bond Funds

Periods Ended March 31, 2023

- APFC US Fixed Income Aggregate portfolio outperformed its benchmark in the first quarter and all other standard periods.
- Peer ranks were above median for the quarter and trailing year.
- 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)



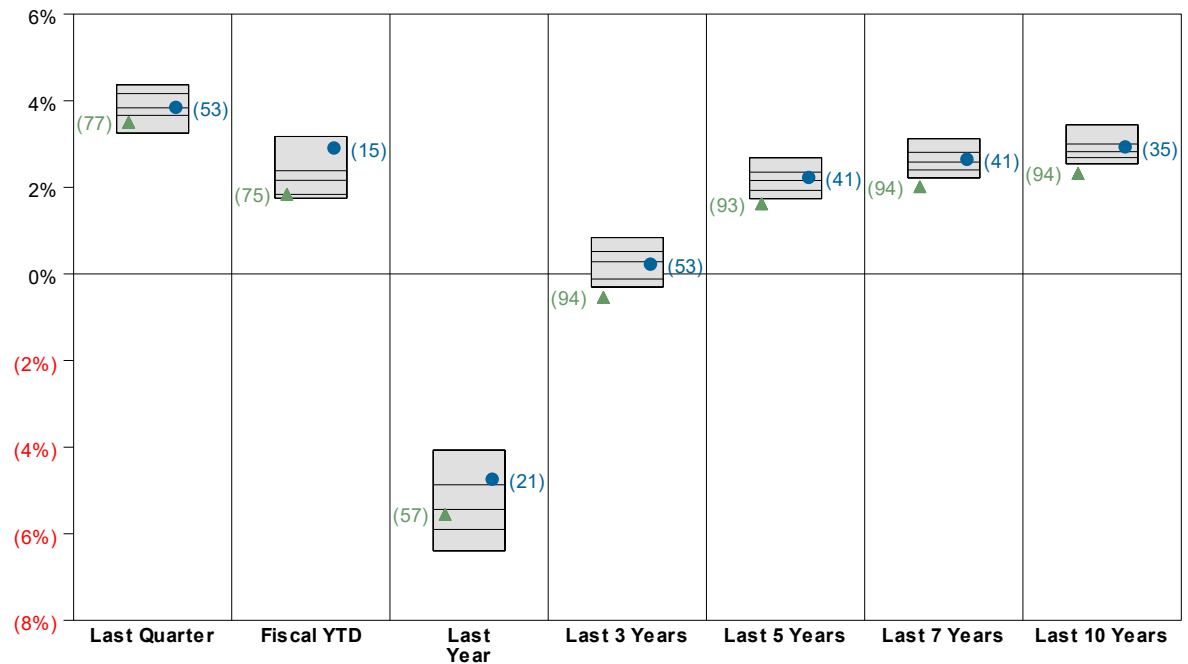
10th Percentile	3.50	0.69	(3.88)	(0.86)	1.77	1.79	2.19
25th Percentile	3.33	0.51	(4.33)	(1.31)	1.53	1.60	2.03
Median	3.16	0.31	(4.57)	(1.72)	1.37	1.41	1.83
75th Percentile	3.03	0.06	(4.97)	(1.99)	1.21	1.27	1.68
90th Percentile	2.80	(0.21)	(5.38)	(2.34)	1.08	1.17	1.59
US Fixed Income Aggregate	● 3.19	0.53	(4.39)	(1.90)	1.34	1.35	1.67
Blmbg Aggregate	▲ 2.96	(0.09)	(4.78)	(2.77)	0.91	0.88	1.36

US Investment Grade Corp Relative to Investment Grade Funds

Periods Ended March 31, 2023

- APFC US Investment Grade Corporate portfolio ended ahead of its benchmark for the quarter and the trailing year.
- The Investment Grade Corporate composite outperformed its benchmark over all other periods.
- Peer group ranks ended most periods above the median.

Performance vs Callan Investment Grade Credit Fixed Inc (Gross)



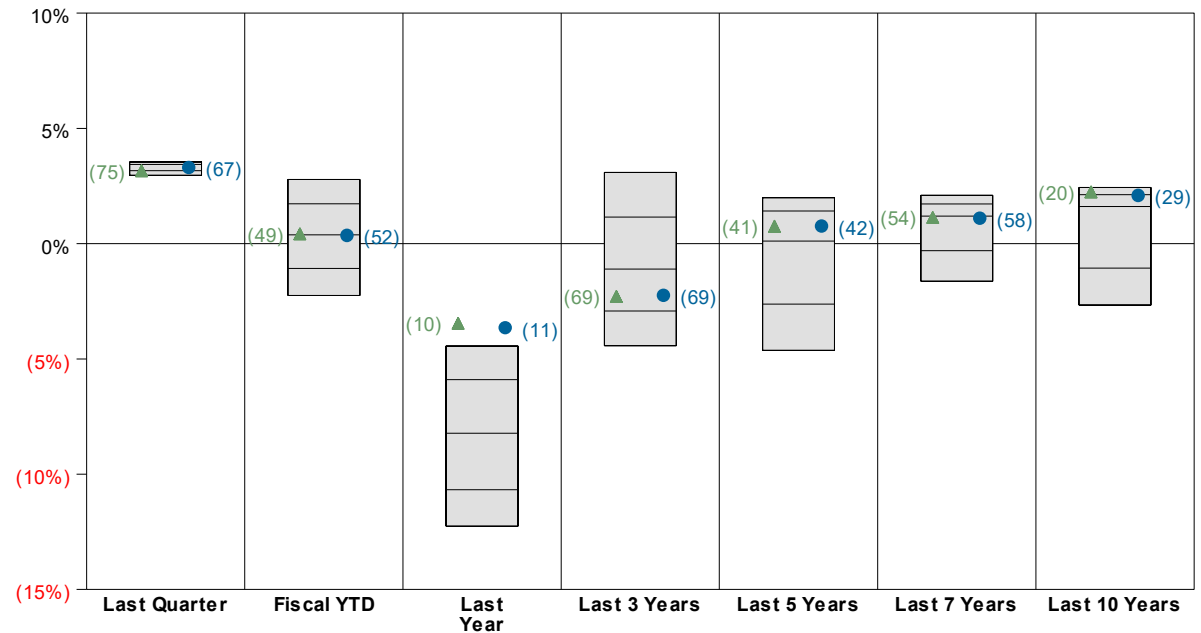
10th Percentile	4.37	3.18	(4.06)	0.84	2.68	3.13	3.45
25th Percentile	4.16	2.38	(4.87)	0.52	2.35	2.81	3.00
Median	3.84	2.16	(5.44)	0.28	2.16	2.58	2.83
75th Percentile	3.66	1.84	(5.90)	(0.12)	1.93	2.40	2.69
90th Percentile	3.25	1.75	(6.39)	(0.30)	1.74	2.22	2.55
US Investment Grade Corporate ●	3.83	2.89	(4.76)	0.21	2.21	2.63	2.91
Blmbg Corporate ▲	3.50	1.84	(5.55)	(0.54)	1.62	2.01	2.32

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

Periods Ended March 31, 2023

- The APFC Non-U.S. Fixed Income portfolio outperformed for the quarter but ended the trailing year behind its benchmark.
- Compared to peers, the portfolio ranked below median for the quarter, but top quartile for the year.
- During the second quarter of 2022, an external mandate managed by Rogge was liquidated and moved In-House.

Performance vs Public Fund - International Fixed (Gross)



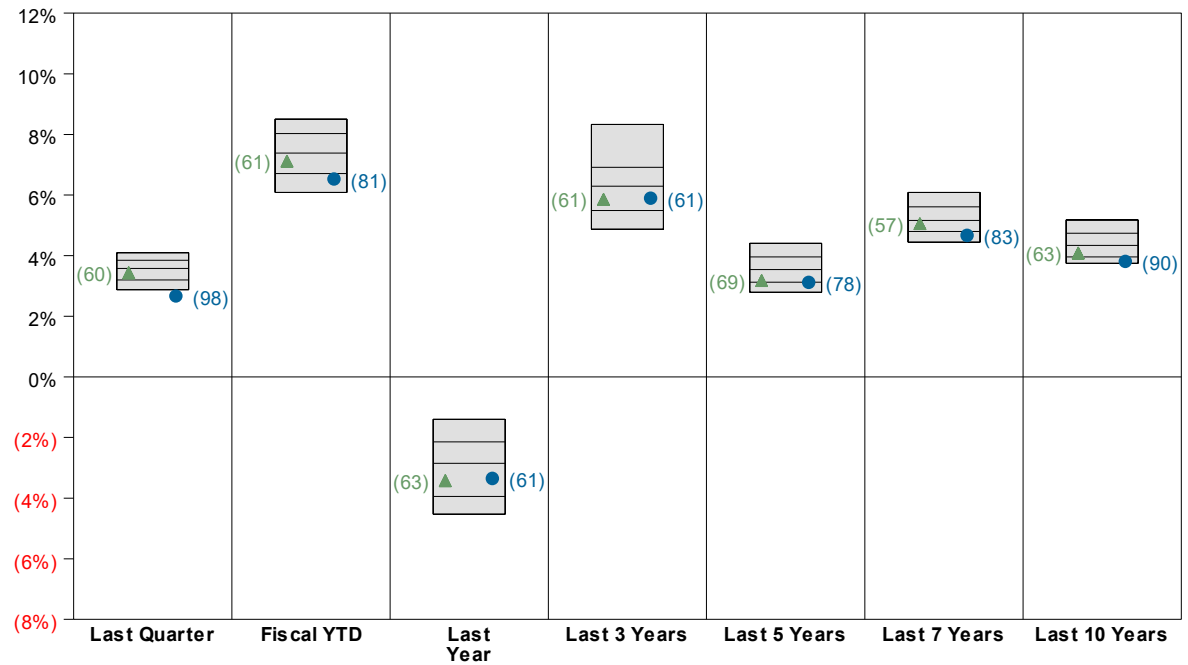
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	3.55	2.78	(4.44)	3.09	2.00	2.10	2.43
25th Percentile	3.53	1.73	(5.90)	1.15	1.42	1.72	2.12
Median	3.44	0.39	(8.22)	(1.11)	0.12	1.19	1.61
75th Percentile	3.16	(1.08)	(10.68)	(2.92)	(2.62)	(0.30)	(1.06)
90th Percentile	2.97	(2.25)	(12.26)	(4.43)	(4.63)	(1.63)	(2.66)
Non US Fixed Income ●	3.27	0.32	(3.69)	(2.28)	0.73	1.07	2.05
Bimbg Global Treasury ex-US ▲	3.16	0.43	(3.45)	(2.29)	0.76	1.14	2.25

Global High Yield Relative to High Yield Funds

Periods Ended March 31, 2023

- APFC Global High Yield portfolio ended the quarter behind its benchmark and inline over the trailing year.
- The portfolio ranked below median in all periods.
- During the second quarter of 2022, external mandates managed by Oaktree and Capital Guardian, along with iShares ETF, were liquidated.

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	4.10	8.50	(1.40)	8.33	4.41	6.09	5.18
25th Percentile	3.85	8.03	(2.14)	6.91	3.96	5.61	4.74
Median	3.58	7.39	(2.85)	6.29	3.54	5.16	4.34
75th Percentile	3.20	6.71	(3.94)	5.49	3.12	4.80	3.96
90th Percentile	2.87	6.09	(4.53)	4.87	2.79	4.44	3.75
Global High Yield ●	2.64	6.50	(3.38)	5.87	3.09	4.64	3.78
Global High Yield Benchmark ▲	3.44	7.12	(3.42)	5.86	3.18	5.06	4.09

TIPS Relative to Callan's Inflation Linked Bonds database

Periods Ended March 31, 2023

- APFC TIPS portfolio outperformed its benchmark for the quarter and year.
- The TIPS composite ranked near or above median in Callan's Inflation Linked Bonds peer universe in most periods.
- The TIPS allocation includes an In House TIPS portfolio; APCM was completely liquidated in Q4 2021.

Performance vs Callan Inflation Linked Bonds (Gross)



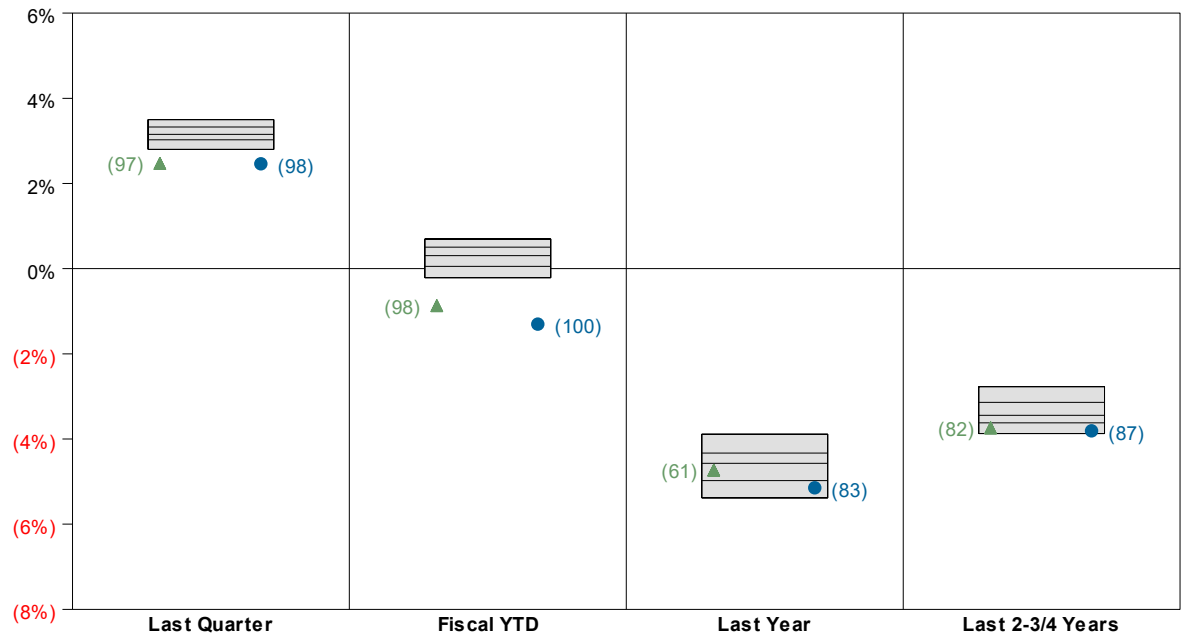
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	3.77	1.23	(2.37)	3.42	3.59	3.44	2.21
25th Percentile	3.50	0.65	(2.98)	2.94	3.26	2.78	1.74
Median	3.39	0.41	(5.85)	2.01	3.12	2.55	1.58
75th Percentile	3.13	0.15	(6.19)	1.81	2.98	2.51	1.53
90th Percentile	2.97	0.02	(6.30)	1.72	2.94	2.48	1.50
TIPS ●	3.42	0.41	(5.55)	2.12	3.11	2.53	1.57
Blmbyg TIPS ▲	3.34	0.02	(6.06)	1.75	2.94	2.44	1.49

Domestic Structured Product to Callan's Core Bond database

Periods Ended March 31, 2023

- The Domestic Structured Product portfolio was funded at the end of the second quarter of 2020.
- The portfolio was nearly inline with its benchmark for the quarter, but behind for the trailing year.
- The portfolio ranked below the median of the Core Bond Fixed Income peer group for the quarter, though benchmark-relative performance is far more applicable.

Performance vs Callan Core Bond Fixed Income (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 2-3/4 Years
10th Percentile	3.50	0.69	(3.88)	(2.77)
25th Percentile	3.33	0.51	(4.33)	(3.14)
Median	3.16	0.31	(4.57)	(3.44)
75th Percentile	3.03	0.06	(4.97)	(3.62)
90th Percentile	2.80	(0.21)	(5.38)	(3.87)
Domestic Structured Products ●	2.44	(1.32)	(5.17)	(3.83)
BB US Securitized ▲	2.47	(0.87)	(4.73)	(3.74)

U.S. Private Real Estate Performance: 1Q23

Appreciation returns negative once again

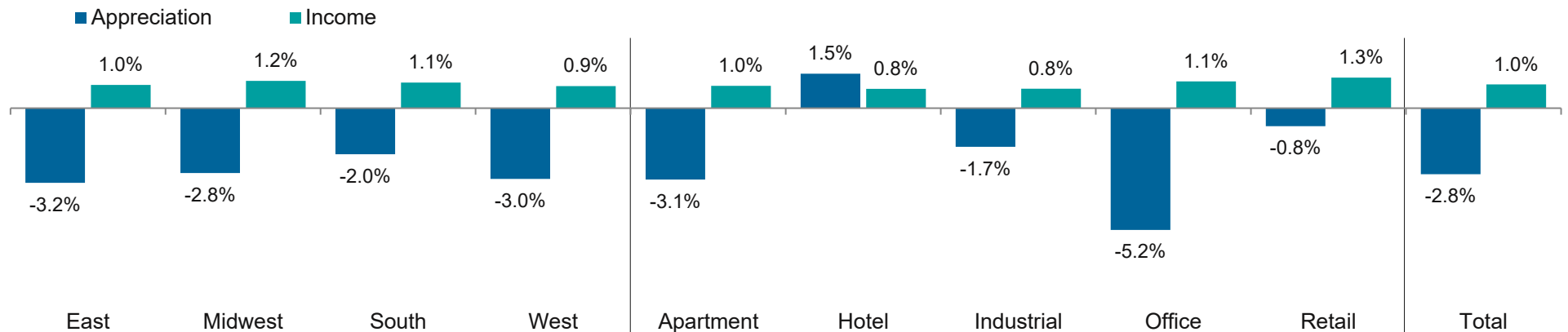
Negative appreciation in four major sectors

- ▶ Income returns were positive across sectors and regions.
- ▶ All property sectors and regions, except for Hotel, experienced negative appreciation.
- ▶ Valuations are reflective of higher interest rates, which have put upward pressure on capitalization rate and discount rate assumptions.
- ▶ Return dispersion by manager within the ODCE Index was due to the composition of underlying portfolios.

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
NCREIF ODCE	-3.4%	-3.9%	7.5%	6.6%	8.5%
Income	0.6%	2.5%	2.8%	3.0%	3.4%
Appreciation	-4.0%	-6.3%	4.6%	3.5%	5.0%
NCREIF Property Index	-1.8%	-1.6%	7.2%	6.7%	8.3%
Income	1.0%	3.9%	4.1%	4.3%	4.6%
Appreciation	-2.8%	-5.4%	3.0%	2.4%	3.6%

Returns are geometrically linked

NCREIF Property Index Quarterly Returns by Region and Property Type

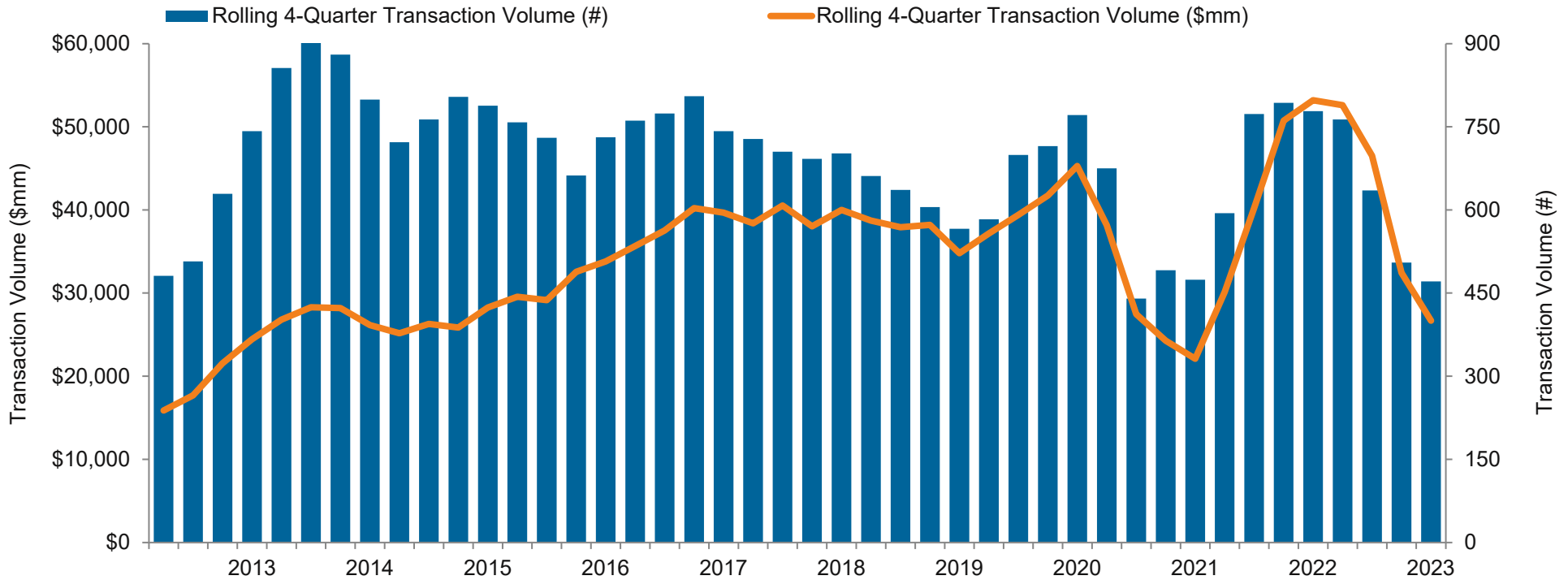


Source: NCREIF, ODCE return is net

U.S. Private Real Estate Market Trends

Pricing and transaction volumes decline through 1Q23

NCREIF Rolling 4-Quarter Transaction Totals Through 3/31/23



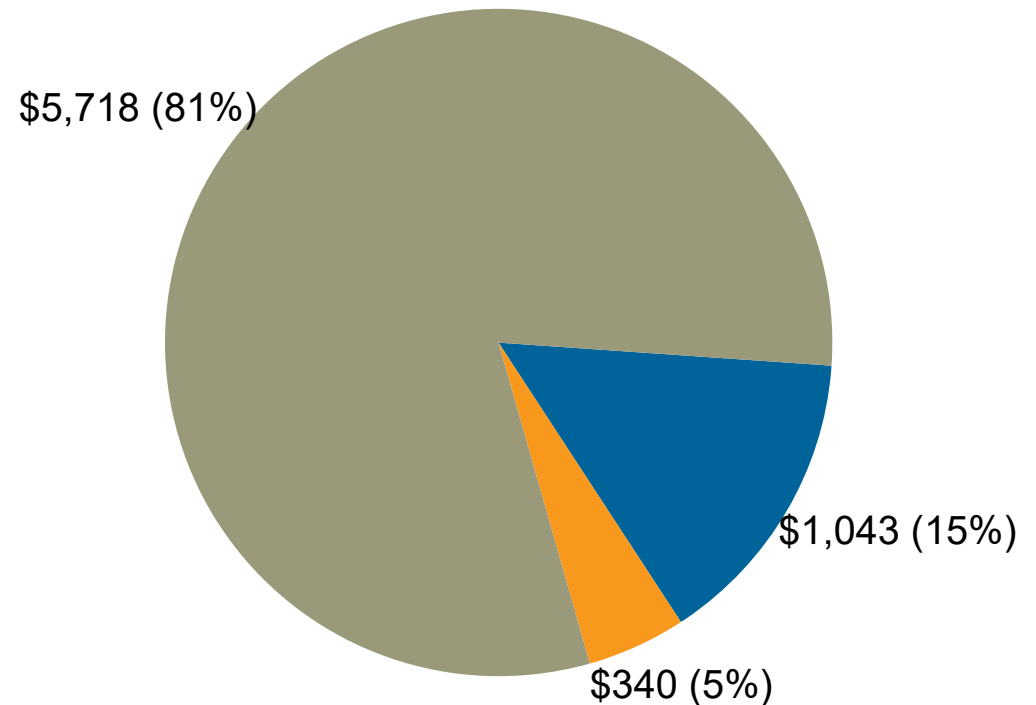
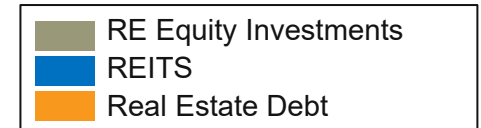
- ▶ Transaction volume continues to decrease on a rolling four-quarter basis and is now below five-year averages.
- ▶ In 1Q23 transaction volume decreased on a quarter-over-quarter basis; transaction volume is significantly lower compared to 1Q22.
- ▶ The rise in interest rates is the driving force behind the slowdown in transactions. A bid-ask spread remains and price discovery continues to occur among market participants. Sectors that are in favor, such as multi-family and industrial, are more liquid.

Source: NCREIF

APFC Real Estate Structure (1Q LAG)

As of December 31, 2022

- The real estate portfolio is comprised of Real Estate Equity 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.

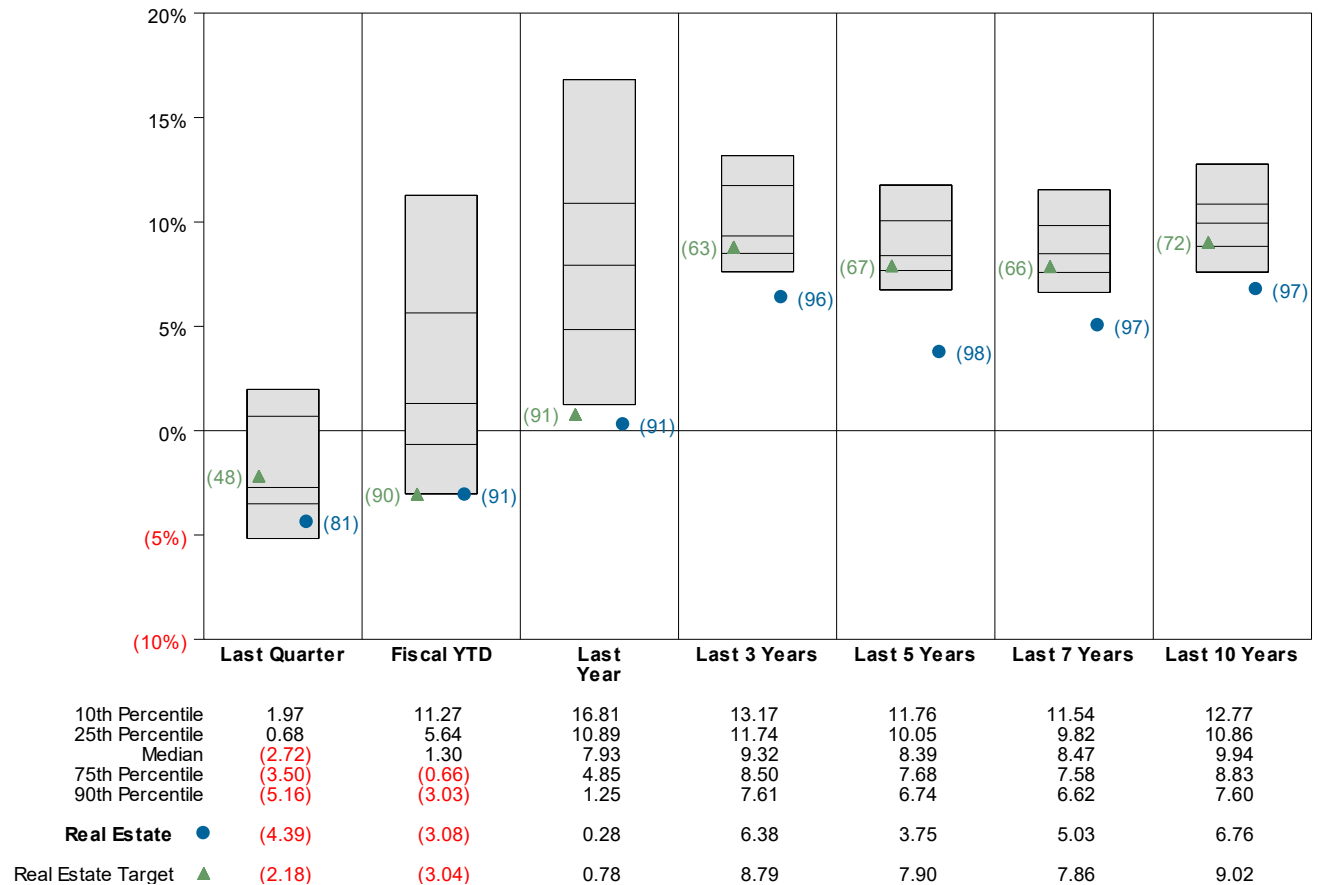


Real Estate Relative to Callan's Total Real Estate Database (1Q LAG)

Periods Ended December 31, 2022

- APFC Real Estate portfolio performance is shown net of fees for all investments.
- The real estate portfolio underperformed versus its benchmark for the quarter and for the year.
- The portfolio ranked below the median of its Real Estate peer group for the quarter and year.

Performance vs Public Fund - Real Estate (Gross)



Real Estate Performance (1Q LAG)

Periods Ended December 31, 2022

	Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
RE Equity Investments	-6.05%	5.80%	-	-	-
RE EQ Separate Accts & Direct	-8.35%	2.41%	2.41%	1.35%	5.52%
RE EQ Funds & Co-Invest	-2.47%	10.62%	15.75%	-	-
RE EQ Development	7.58%	-	-	-	-
RE Debt Investments	3.54%	11.62%	13.91%	-	-
RE Debt Separate Accounts	4.03%	11.68%	10.02%	-	-
RE Debt Funds & Co-Invests	1.93%	11.02%	-	-	-
<i>NCREIF Total Index</i>	-3.50%	5.53%	8.06%	7.46%	8.82%
REITS	2.75%	-26.19%	-0.20%	3.38%	5.53%
<i>MSCI US REIT Index</i>	5.22%	-24.51%	-0.06%	3.69%	6.48%
Real Estate Composite	-4.39%	0.28%	6.38%	3.75%	6.76%
<i>Real Estate Custom</i>	-2.18%	0.78%	8.79%	7.90%	9.03%

- APFC's Real Estate Equity and REITS underperformed their respective benchmarks for the quarter; Real Estate Debt outperformed its benchmark. Real Estate Equity and Real Estate Debt outperformed their benchmarks over the trailing year, and REITS underperformed.
- Overall, the Real Estate Composite underperformed its custom benchmark for the quarter and year.

Private Credit Fundraising Landscape

Activity remains strong through 1Q23

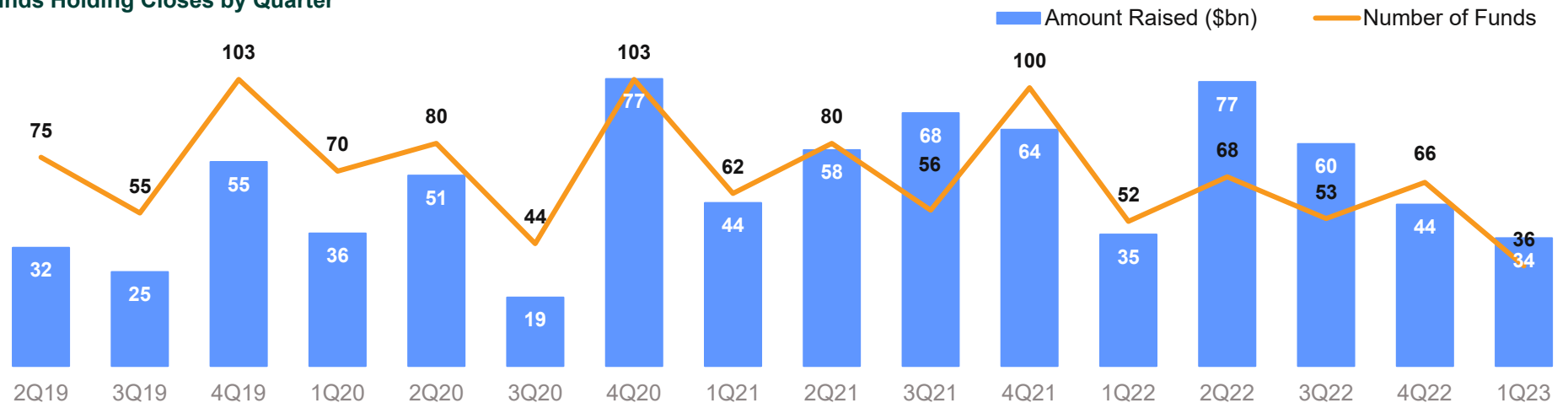
As interest rates declined after the GFC, private credit attracted increased interest from institutional investors.

- ▶ Private credit fundraising was robust leading into the COVID dislocation with a particular focus on direct lending, asset-based lending, and distressed strategies.
- ▶ In the current rate environment, a renewed focus has been placed on relative value, downside protection, and managers' internal workout resources.
- ▶ There is renewed interest in strategies with strong collateral protection such as asset-based lending.
- ▶ Larger sponsor-backed lending is seeing a new focus due to the high yield/BSL disintermediation by private debt.

Largest Funds Holding Closes in 1Q23

Name	Amount (\$millions)	Strategy
GS Mezzanine Partners VIII	\$11,700	Mezzanine Debt
Crescent Credit Solutions VIII	\$8,000	Mezzanine Debt
Arrow Credit Opportunities II	\$2,928	Distressed Debt
Diameter Dislocation Master Fund II	\$2,146	Special Situations

Funds Holding Closes by Quarter

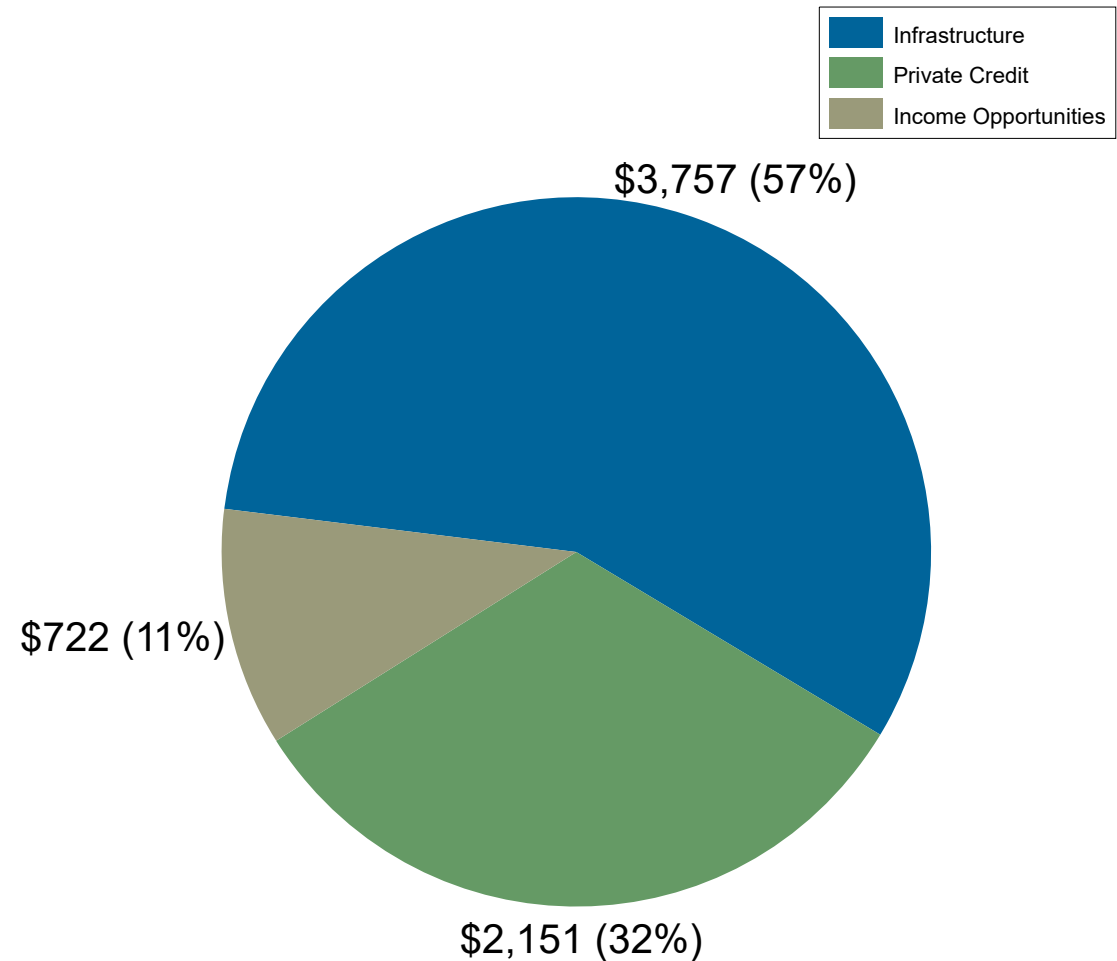


Source: Preqin

APFC Private Income Structure (1Q LAG)

As of December 31, 2022

- 57% of the structure is invested in infrastructure funds, which includes a diversified portfolio of infrastructure, energy, and generation assets. Listed Infrastructure makes up just 7.3% of this allocation.
- 32% of the structure was invested in private credit mandates including mezzanine debt, opportunistic credit, and direct lending strategies.
- 11% of the structure was invested in income opportunities including structured credit, alternative credit, AH4R2, APFC ADAC and timber.



Private Income Performance (1Q LAG)

Periods Ended December 31, 2022

	Quarter	Last Year	Last 3 Years	Last 5 Years
PRIVATE INCOME	4.15%	4.83%	10.34%	9.86%
PRIVATE INCOME CUSTOM	2.89%	7.39%	7.28%	8.22%
INFRASTRUCTURE	4.70%	8.13%	13.56%	12.68%
Cambridge Global Pvt Infrastructure	3.45%	7.93%	6.84%	8.95%
PRIVATE CREDIT	4.80%	6.91%	9.35%	7.96%
Cliffwater Direct Lending TR	2.05%	6.56%	7.85%	7.03%
INCOME OPPORTUNITIES	-0.31%	-6.42%	4.43%	5.20%
Private Income Custom	2.89%	7.39%	7.28%	8.22%

- APFC's Private Income composite outperformed the benchmark (60% Cambridge Global Private Infra and 40% Cliffwater Direct Lending TR) for the quarter and underperformed over the trailing year.
- Private Income sub-strategies, Infrastructure and Private Credit outperformed their respective benchmarks for the quarter and trailing year. Income Opportunities underperformed its custom benchmark over the same periods.

Hedge Fund Performance: 1Q23

Global equities closed out a strong first quarter

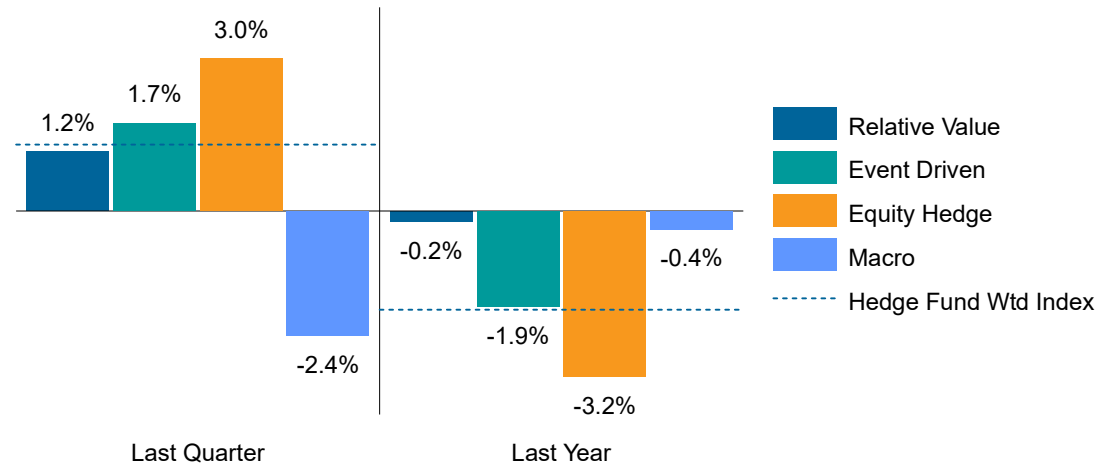
Growth stocks rallied during the quarter, partially recovering losses from last year despite inflation concerns, and banking sector volatility.

- ▶ Equity hedge strategies started the year off strong, as those focused on tech, media, and telecom bounced back.
- ▶ Event-driven strategies also started strong in January and February as select equities moved higher.
- ▶ Relative value strategies continued to profit off the market volatility by going both long and short across equities and fixed income.
- ▶ Macro strategies started the year off in negative territory as many managers were hurt by front end rates moving lower in March.

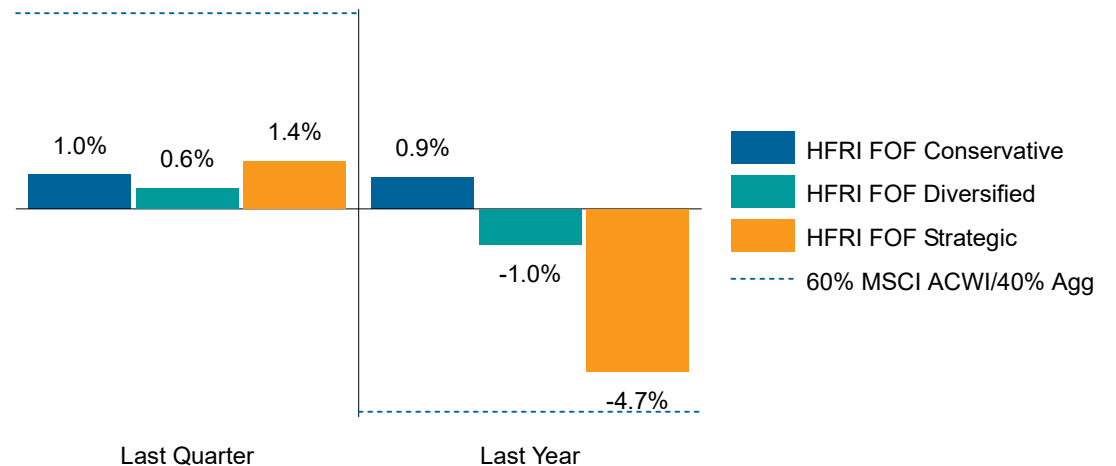
FOFs ended the year on a strong note

- ▶ FOFs with more equity hedge exposure started the year strong.
- ▶ Those FOFs with more macro exposure saw performance more muted as it offset some of the equity hedge contribution.

HFRI Strategy Index Returns vs. Broad Hedge Fund Universe as of 3/31/23



HFRI Fund-of-Funds Returns vs. 60% Stock/40% Bond Mix as of 3/31/23



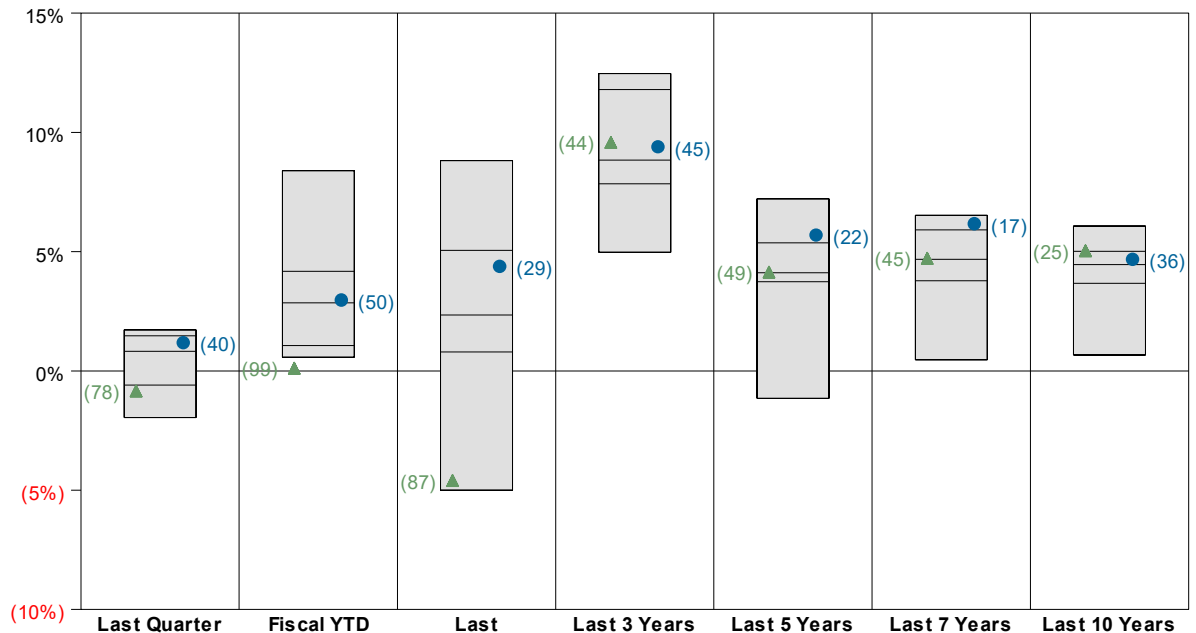
Source: Hedge Fund Research (www.hedgefundresearch.com)

Absolute Return Portfolio Relative to HFOF Universe

Periods Ended March 31, 2023

- The Absolute Return portfolio outperformed its benchmark and peer group median in the first quarter of the calendar year.
- The portfolio outperformed its benchmark and peer group median for the trailing year.
- Over most periods, the Absolute Return portfolio ranked above the median of its peer group.

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



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	1.72	8.40	8.82	12.47	7.21	6.52	6.08
25th Percentile	1.47	4.18	5.05	11.80	5.37	5.91	5.01
Median	0.82	2.86	2.35	8.84	4.11	4.68	4.46
75th Percentile	(0.59)	1.06	0.79	7.84	3.74	3.78	3.67
90th Percentile	(1.96)	0.57	(5.00)	4.97	(1.15)	0.47	0.67
Absolute Return ●	1.15	2.93	4.35	9.35	5.66	6.13	4.65
Absolute Return Benchmark ▲	(0.84)	0.12	(4.59)	9.58	4.14	4.73	5.04

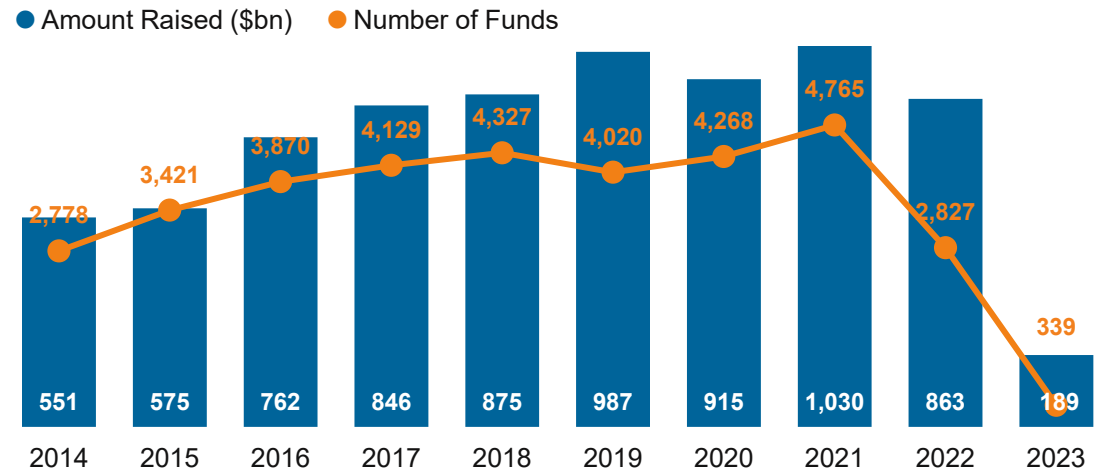
Private Equity Overview

Fundraising slows and timelines become extended

Fundraising continues to slow in 1Q23

- ▶ Total capital raised during the quarter was in line with 4Q22 but was significantly down relative to a year ago.
- ▶ LPs have slimmer commitment budgets this year and have been consolidating with high-conviction GPs.
- ▶ Fundraising timelines extending due to so many funds in the market, slowing distributions, and constrained LP commitment budgets because of the “denominator effect,” delaying many final closes

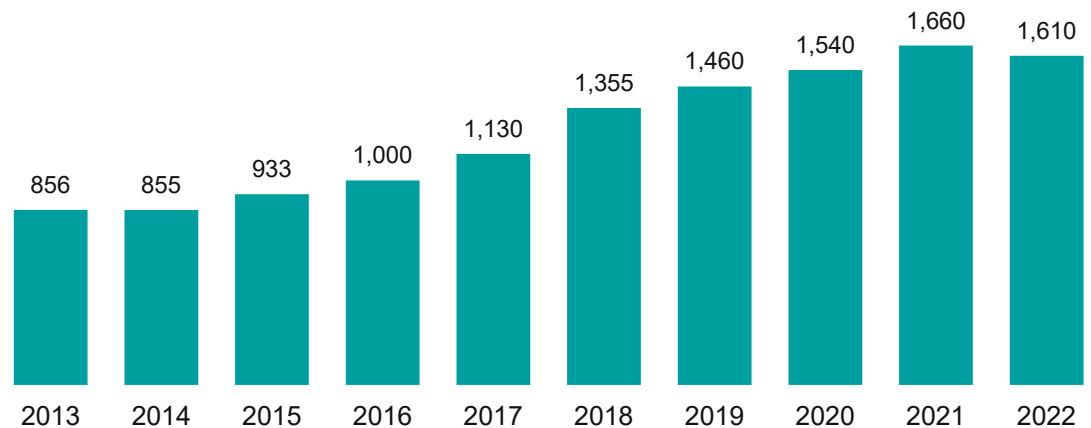
Annual Fundraising



Dry powder levels off

- ▶ Level of dry powder influenced by two factors: fundraising and capital deployment.
- ▶ Dry powder peaked in 2021 at \$1.7 trillion due to strong annual fundraising levels.
- ▶ Dry powder dropped slightly in 2022 due to a slower fundraising environment.

Dry Powder (\$bn) Cumulative as of yearend



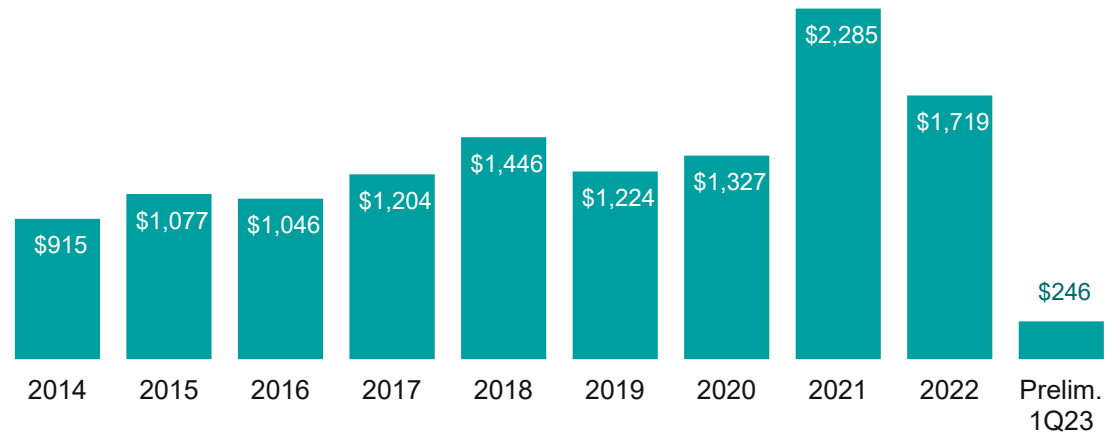
Source: PitchBook

Private Equity Key Themes

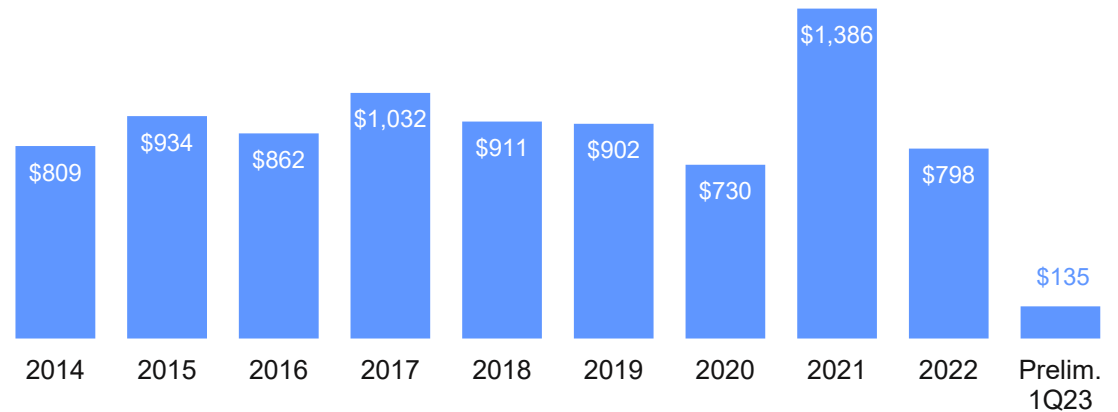
Investment pace at pre-pandemic levels

- ▶ New investments and exits are incrementally slowing, particularly in venture capital, with exits suffering the most.
- ▶ New investments and exits declined significantly from exuberant 2021 levels and remain just below pre-pandemic levels.
- ▶ 2023 may see volumes drop slightly below pre-pandemic levels, given expected tighter lending and a volatile and directionless public equity market.

Private Equity Deal Activity (\$b)



Private Equity Exits (\$b)

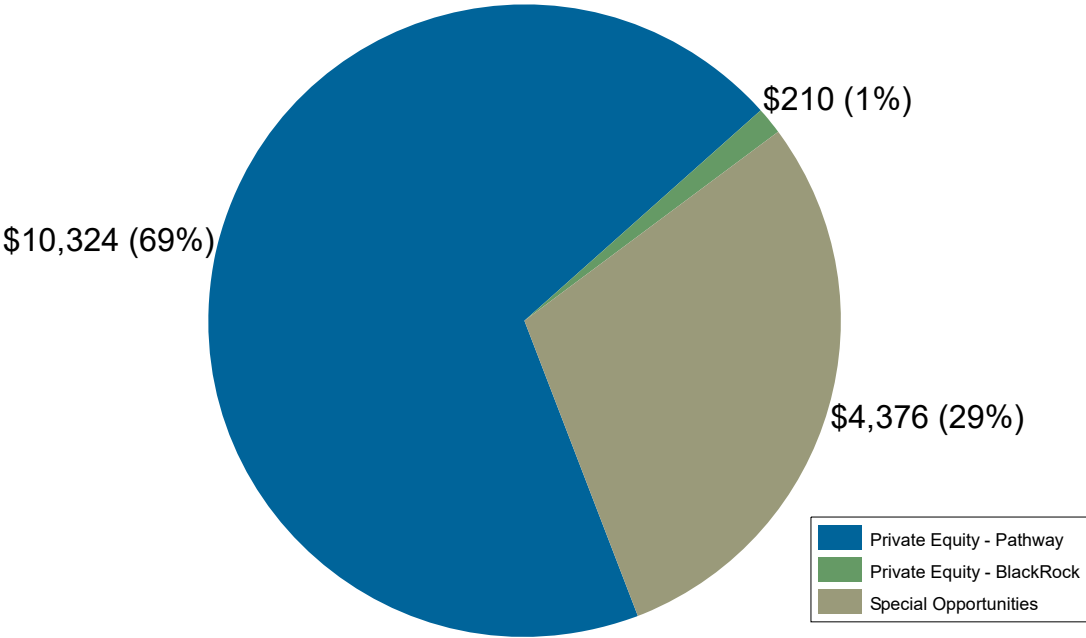


Source: PitchBook

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

As of December 31, 2022

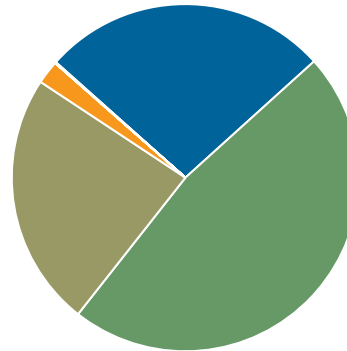
- 70% of the structure was invested in private equity.
- 30% of the structure was invested in special opportunities.



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

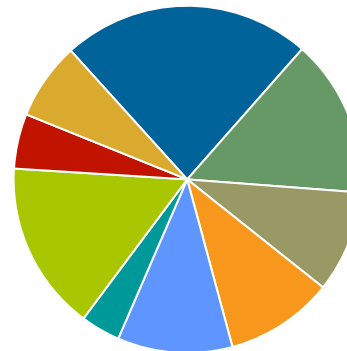
As of September 30, 2022

- 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.



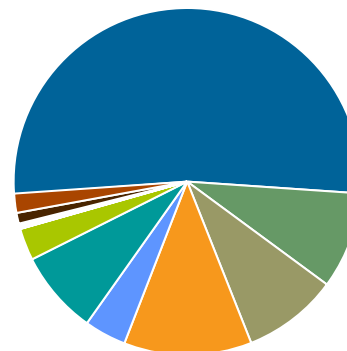
Strategy Mix by Net Asset Value

Venture Capital	26.68%
Buyout	47.28%
Special Situations	23.72%
Distressed for Control	2.22%
Secondary Interest	0.03%
Mezzanine	0.06%



Geographic Mix by Net Asset Value

West/Pacific Northwest	23.23%
North Atlantic	14.67%
Mid-West	9.47%
Southeast	10.05%
Southwest/Rockies	10.71%
Mid-Atlantic	3.73%
Europe	15.75%
Asia/Pacific	5.13%
Other	7.25%



Industry Mix by Net Asset Value

Technology	52.31%
Financial	8.99%
Health Care	8.86%
Consumer Discretionary	11.87%
Energy	3.93%
Industrials	7.85%
Communication Services	3.00%
Utilities	0.15%
Consumer Staples	0.25%
Materials	1.03%
Other/Misc	1.75%

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

Periods Ended December 31, 2022

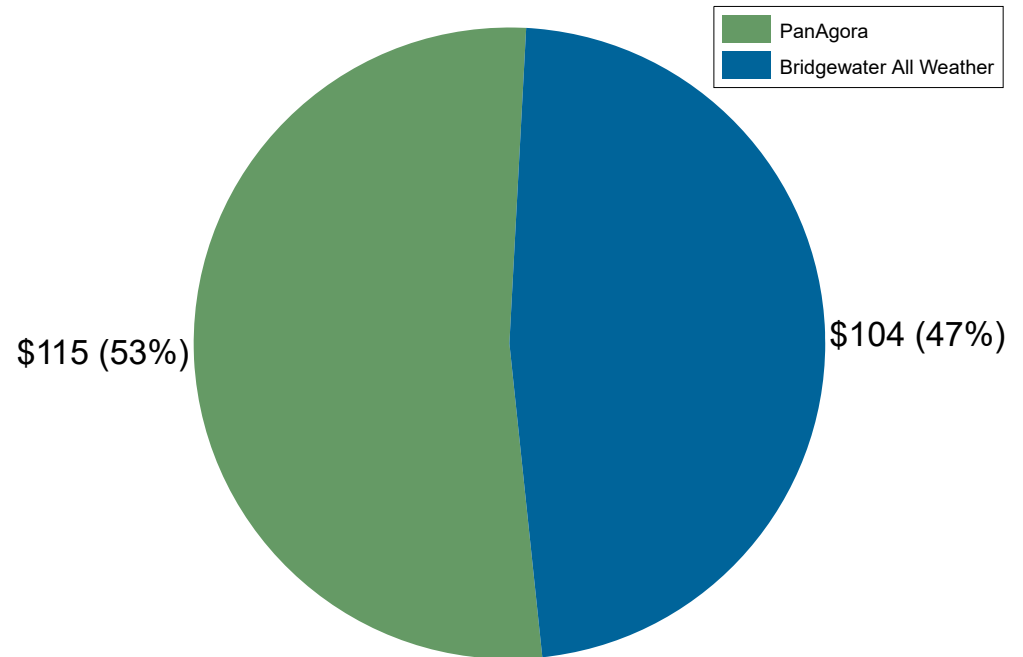
	Last Quarter	FYTD	Last Year	Last 3 Years	Last 5 Years
Private Equity and Special Opportunities	0.58	-3.25	-4.13	21.15	20.15
Cambridge Private Equity	0.80	-6.68	-8.16	17.91	16.14

- APFC's Private Equity and Special Opportunities composite underperformed the Cambridge Private Equity benchmark over the quarter but outperformed over all other performance periods.
- In the last reported quarter, Private Equity was up 1.4% and Special Opportunities was down 1.2%.

APFC Risk Parity Structure and Performance

As of March 31, 2023

- 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 and Bridgewater outperformed the HFR benchmark for the quarter. Both trailed the benchmark over the last year.
- Program ended the first quarter of 2022 with \$600 million; half was moved out during the second quarter. As of March 2023, program down to ~\$220 million.



	Last Quarter	Last Year
PanAgora	5.99	-19.09
Bridgewater All Weather	8.02	-16.44
HFR Risk Parity Vol 12 Inst'l Idx	5.42	-16.25

Total Fund Cash

Periods Ended March 31, 2023

	Quarter	Last Year	Last 3 Years	Last 5 Years
TOTAL FUND CASH	3.57%	2.69%	-	-
90 DAY T-BILLS	1.07%	2.50%	0.89%	1.41%
APF Operating Cash	1.06%	2.61%	1.16%	1.43%
APF Internal Cash	1.07%	2.56%	0.92%	-
Gold	8.05%	1.64%	-	-

- APFC's cash accounts were within expectations relative to the 3-month Treasury Bill Index.
- Funded in the first quarter of 2022 and included in the Total Fund Cash composite is a \$583.9M allocation to Gold. The allocation represents approximately 31% of Total Fund Cash.
- Gold returned 8.1% for first quarter.

Closing Remarks

- Total Fund ended the first quarter of 2023 with \$76.5 billion in assets up from \$75.9B in the prior quarter. The trailing quarter performance placed the Total Fund below median relative to other large public funds and near median relative to a large endowments/foundations peer group.
- For the quarter, the Total Fund underperformed the Performance, CPI + 5% and Passive Index Benchmark. Over the long-term, the Fund outperformed and was ahead of all three targets.
- The Public Equity portfolio underperformed its benchmark for the quarter but outperformed for the one-year period. Domestic, International and Global Equity composites ended behind their respective benchmarks in the quarter. Over the trailing year, the Domestic and Global Equity outperformed while International Equity underperformed.
- The Fixed Income portfolio outperformed its benchmark in the latest quarter. US Fixed Income Aggregate, US Investment Grade Corporate, Non-US Fixed Income and TIPS outperformed; Global High Yield and Structured Product strategies underperformed their respective benchmarks.
- In the Alternatives portfolio, Private Equity & Special Opportunities and Real Estate underperformed in the quarter; Private Income and Absolute Return outperformed their respective benchmarks.
- Prudent asset allocation with appropriate levels of diversification and a long-term perspective remain Callan's recommended course.

Callan

Callan Update

Published Research Highlights from 1Q23

2023 DC Trends Survey and Webinar



Energy Transition Is Having a Moment, but Does It Have Staying Power?



2023-2032 Capital Markets Assumptions and Webinar



Research Café: ESG Interview Series Session



Recent Blog Posts

The PRT Decision: What Plan Sponsors Need to Know

Bill Emmett and Christopher Park

Can Institutional Investors Target 'Food Deserts' for Investment?

Aaron Quach

Risky Business Update: After a Year of Historic Losses, What Changed?

Julia Moriarty

Additional Reading

Alternatives Focus 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 Alternatives

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 alternative investments like private equity, hedge funds, and real estate and how they can play a key role in any portfolio. You will learn about the importance of allocations to alternatives and how to consider integrating, evaluating, and monitoring them.

– August 23-24, 2023 – Virtual Session via Zoom

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.

- May 23–25, 2023 – Virtual Session via Zoom
- September 26–28, 2023 – Virtual Session via Zoom

Please visit our website at callan.com/events-education as we add dates to our 2023 calendar!

Mark Your Calendar

2023 Regional Workshops

June 27, 2023 – Denver

June 29, 2023 – San Francisco

October 24, 2023 – New York

October 26, 2023 – Chicago

2024 National Conference

April 8 –10, 2024 – San Francisco

Watch your email for further details and an invitation.

Webinars & Research Café Sessions

Webinar: DC – Managed Accounts

May 11, 2023 – 9:30am (PT)

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SUBJECT: Investment Policy Review & Adoption ACTION: X

DATE: May 17, 2023 INFORMATION:

BACKGROUND:

The current five-year asset allocation was approved by the Board during their May 2020 meeting. At the last two board meetings, we have discussed with you minor modifications to this five-year asset allocation, which are before you today for final action. Additionally, a number of small changes to the investment policy are also before you today for final action. The details of these proposed changes are outlined in the following slides, which will be discussed with you at this meeting.



ALASKA PERMANENT
FUND CORPORATION

Investment Policy Review & Adoption

May 17, 2023

Proposed Asset Allocation Changes

	Existing Investment Policy			CIO Recommended		Adjustment FY' 25
	FY '23	FY '24	FY '25	FY '24	FY '25	
Public Equities	36%	35%	33%	34%	32%	(1%)
Fixed Income	20%	19%	18%	20%	20%	2%
Private Equity	17%	18%	19%	16%	15%	(4%)
Real Estate	9%	10%	12%	10%	13%	1%
Private Income	9%	9%	9%	9%	9%	0%
Absolute Return	6%	6%	6%	7%	7%	1%
Risk Parity	1%	1%	1%	0%	0%	(1%)
Tactical Opportunities	0%	0%	0%	2%	2%	2%
Cash	2%	2%	2%	2%	2%	0%
Total	100%	100%	100%	100%	100%	

Tactical Opportunities: proposed new asset class

- Benchmark: S&P 500
- Strategy:
 - ✓ The CIO will have primary responsibility in executing this portfolio's investment strategy. The Tactical Opportunities portfolio may be invested in any investment that is authorized in this policy, including private market opportunities, publicly-traded markets, or a mix of public and private opportunities. Generally speaking, investments in this portfolio, due to prevailing market conditions at the time of investments, should have appealing equity-like expected returns. At the time of investment, the expected returns for this portfolio should exceed the expected returns of a passive investments in domestic equity investments as measured by the S&P 500.
- Key risk limits:
 - ✓ no more than 50% of the net asset value of the allocation (i.e. 2% of the Fund) to the Tactical Opportunities portfolio shall be invested in private market opportunities; and
 - ✓ no single investment in this portfolio shall exceed 25% of the total allocation to the Tactical Opportunities portfolio, excluding investments in this portfolio that are intended to track a publicly-traded large cap domestic equities index such as the S&P 500.

Other salient changes proposed

- Public Equities - Proxy voting
 - ✓ Added the following text: *"Whether externally or internally managed, all proxy voting on behalf of shares held by the Fund shall be conducted to maximize the risk adjusted return of the Fund as prescribed in Alaska Statute 37.13.120."*
- Fund Cash – short maturity (<24 months) bonds
 - ✓ Increased the ratings floor for corporate bonds to A from investment grade previously
 - ✓ Added AAA rated ABS as authorized investments
- Private Equity
 - ✓ Name change: 'Private Equity and Special Opportunities' to 'Private Equity'
 - ✓ Strategy target ranges: Growth equity added: 0% - 25%; Venture capital changed to 10% - 45%; Buyouts /Acquisitions changed to 25% - 75%
 - ✓ Other minor edits
- Real Estate – property type weights
 - ✓ modified to: "property type weights shall not exceed the higher of: (i) 5% of the Real Estate portfolio, or (2) 1.5x the NCREIF NPI benchmark weighting". This now applicable to the whole RE portfolio
- Alaska In-State policy
 - ✓ Investment target levels and timeframes removed

Appendix A

Investment Policy Statement Red-line with proposed changes

APFC Investment Policy

Adopted May 21, 2020, last amended on May ~~17,~~
~~2021~~, 2022

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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

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

	Public Equity	Fixed Income	Private Equity	Real Estate	Private Income	Absolute Return	Tactical Opportunities	Cash	Total Fund
Green Zone	+/- 5%	+/- 5%	+/- 5%	+/- 3%	+/- 5%	+/- 3%	+/- 2%	+/- 2%	
Yellow Zone	0 - 5%	0 - 5%	0 - 5%	0 - 3%	0 - 5%	0 - 3%	0 - 2%	0 - 2%	
FY2024	34%	20%	16%	10%	9%	7%	2%	2%	100%
FY2025	32%	20%	15%	13%	9%	7%	2%	2%	100%

Notes: Green Zone: expressed as +/- to Target Allocation
 Yellow Zone: expressed as range beyond green zone

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

Notes: Green Zone: expressed as +/- to Target Allocation
 Yellow Zone: expressed as range beyond green zone

C. Total Fund and Asset Class Benchmarks

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

Table 2: Benchmarks - Constituent Indices and Weights

		Public Equity	Fixed Income	Private Equity	Real Estate	Private Income	Absolute Return	Tactical Opportunities	Fund Cash	Total Fund FY 2024	Total Fund FY 2025	
Asset Allocation (AA): Target Levels-FY 2024		34.0%	20.0%	16.0%	10.0%	9.0%	7.0%	2.0%	2.0%	100.0%		
Minimum Long-Term Return Target		CPI + 4.0%	CPI + 1.9%	CPI+5.5%	CPI + 3.3%	CPI + 4.4%	CPI + 4.5%	CPI + 5.5%	CPI+0.3%	CPI + 5.0%		
Benchmark Index Weights	BB ID	Asset Class / Portfolio Weights									Total Fund Weights	
90 Day T-Bills	GOO1	-	5.00%	-	-	-	-	-	100.00%	3.00%	3.00%	
BB US Corporate	LUACTRUU	-	27.50%	-	-	-	-	-	-	5.50%	5.50%	
BB Gbl. Treasury ex-US Hedged	LGT1TRUH	-	15.00%	-	-	-	-	-	-	3.00%	3.00%	
BB US Agg	LBUSTRUU	-	27.50%	-	-	-	-	-	-	5.50%	5.50%	
BB US BB HY	BCBATRUU	-	10.00%	-	-	-	-	-	-	2.00%	2.00%	
Cliffwater Direct Lending TR	CDLI	-	-	-	-	40.00%	-	-	-	3.60%	3.60%	
Barclays US Securitized Index	LD19TRUU	-	10.00%	-	-	-	-	-	-	2.00%	2.00%	
BB US TIPS	LBUTTRUU	-	5.00%	-	-	-	-	-	-	1.00%	1.00%	
Cambridge Pvt. Equity (Lagged)	n/a	-	-	100.00%	-	-	-	-	-	16.00%	15.00%	
Cambridge Gbl. Pvt. Infra. (Lagged)	n/a	-	-	-	-	60.00%	-	-	-	5.40%	5.40%	
HFRI EH Equity Market Neutral	HFRIEMNI	-	-	-	-	-	50.00%	-	-	3.50%	3.50%	
HFRI Macro	HFRI MI	-	-	-	-	-	50.00%	-	-	3.50%	3.50%	
MSCI ACWI IMI	M1WDIM	100.00%	-	-	-	-	-	-	-	34.00%	32.00%	
NCREIF Property (Lagged)	NPPITR	-	-	-	85.00%	-	-	-	-	8.50%	11.05%	
MSCI US REIT (Lagged)	RMS G	-	-	-	15.00%	-	-	-	-	1.50%	1.95%	
S&P 500 (Lagged)	SPX	-	-	-	-	-	-	100.00%	-	2.00%	2.00%	
Total		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	
Asset Allocation (AA): Target Levels-FY 2023		36.0%	20.0%	17.0%	9.0%	9.0%	6.0%	1.0%	2.0%	100.0%			
Minimum Long-Term Return Target		CPI + 5.1%	CPI + 0.8%	CPI+10.05%	CPI + 4.0%	CPI + 4.2%	CPI + 2.75%	CPI + 3.95%	CPI	CPI + 5.0%			
Benchmark Index Weights	BB ID	Asset Class / Portfolio Weights									Total Fund Weights		
90 Day T-Bills	GOO1	-	5.00%	-	-	-	-	-	100.00%	3.00%	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	HFRI MI	-	-	-	-	-	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	HFRI PV12I	-	-	-	-	-	-	100.00%	-	1.00%	1.00%	1.00%	
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

D. Total Fund Performance Measurement and Reporting

1. The Board looks to its General Consultant as the primary source of quantitative evaluation of the performance of the Fund and its investment managers. As promptly as possible after the close of each calendar quarter, the General Consultant shall submit a report to the Board, Executive Director (“ED”) and Chief Investment Officer (“CIO”) analyzing the performance of the Fund, its asset classes and investment programs, including both internally and externally managed assets. The report shall include a comparison of total Fund performance with the Board's long-term investment objective, an analysis of the returns of each asset class as measured against established benchmarks; and an analysis of the returns of each manager or relevant groupings of managers as measured against relevant benchmarks. For the purpose of evaluating the value-added by the Fund's investment strategy, the report shall also compare the performance of the total Fund on a one-year basis to a passive benchmark that represents the following: (1) 60% MSCI ACWI IMI; (2) 20% Barclay Global Aggregate (less fees); (3) 10% FTSE EPRA/NAREIT Rental Index; (4) and 10% US TIPs. The General Consultant's report shall also address any special concerns or observations the General Consultant concludes should be brought to the attention of the Board, ED and CIO.
Quarterly
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. For all remaining investment decisions not delegated from the ED and CIO to specific APFC Staff, the CIO will convene an investment committee (“Investment Committee”). The make-up and voting members of the CIO's Investment Committee will be determined by the CIO. Any changes to the voting membership of this committee will reported to the ED and Board. The 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.

Approval of any Investment Recommendations referred to the ED requires the ED to take into consideration 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 Committee to the ED shall be in writing and the ED shall be required to create a written record that approves or disapproves all Investment Recommendations. 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.

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. [Whether externally or internally managed, all proxy voting on behalf of shares held by the Fund shall be conducted to maximize the risk adjusted return of the Fund as prescribed in Alaska Statute 37.13.120.](#)

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 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 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.C. 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 rated A or better 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; and.
- f.g. AAA rated Asset Backed Securities with a maximum weighted average life of 24 months.

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.D. 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~~ (“PES~~⊖~~”) 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 [returns available in 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

PES~~⊖~~ investment strategies include: venture capital, growth equity, leveraged buyouts, ~~special opportunities, and~~ distressed ~~debt for control, and other opportunistic strategies that target returns consistent with the above strategies~~. PES~~⊖~~ ~~portfolio~~ investments will [generally](#) be executed through capital commitments to limited liability ~~commingled~~ 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 PES~~⊖~~ exposures, assumptions, and outlook. The CIO, or their delegee, will have primary responsibility in executing the PES~~⊖~~ portfolio's investment strategy.

3. Diversification and Portfolio Restrictions

The CIO, or their delegee, is responsible for managing the portfolio risks and adhering to this Policy. In constructing a diversified PES~~⊖~~ 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 PES~~⊖~~ portfolio shall be invested within the following strategy diversification ranges:

- i. Venture Capital – 105% to 45%;
- ii. Growth Equity – 0% to 25%

- ~~iii.~~ Buyouts/Acquisition – 25% to ~~70~~75%;
- ~~iv.~~ Specialized Funds/Investments – 0% to 50%;

- d. No more than 20% of the PEST Portfolio shall be invested with a single Investment Manager/General Partner.
- e. No more than 20% of the PEST 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 (generally at the discretion of our distribution agent), not to exceed eighteen months, or written approval to continuing holding such public securities must be received from the CIO and reported to the Board on a quarterly basis.
- g. Without the written approval of the ED and CIO, APFC (through the PEST Portfolio) will not directly acquire a controlling interest in an portfolio-operating 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 by the net asset value of assets in the portfolio against NCREIF NPI benchmark weightings. Without Board approval, property type weights for the Real Estate portfolio shall not exceed the higher of: (i) 5% of the Real Estate portfolio, or (2) 1.5x the NCREIF NPI 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 50% 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 CIO, or their delegee, will have primary responsibility in executing the portfolio’s investment strategy and plans.

3. Risk Limits and Portfolio Restrictions

The CIO, or their delegee, 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.

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 **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 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 CIO, or their delegee, will have primary responsibility in executing the portfolio's investment strategy.

3. Risk Limits and Portfolio Restrictions

The CIO, or their delegee, 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.

E. Tactical Opportunities

1. Objective

The objective of the Tactical Opportunities portfolio is to provide attractive risk-adjusted returns that are derived from (a) market dislocations, (b) opportunities that do not fit in other approved asset classes, or (c) opportunities that have a particularly appealing risk-return profile due to prevailing market conditions. Performance of the Tactical Opportunities portfolio will be evaluated quarterly, net of fees, against

the S&P 500 (Lagged).

2. Investment Strategy

The CIO will have primary responsibility in executing this portfolio's investment strategy. The Tactical Opportunities portfolio may be invested in any investment that is authorized in this policy, including private market opportunities, publicly-traded markets, or a mix of public and private opportunities. Generally speaking, investments in this portfolio, due to prevailing market conditions at the time of investments, should have appealing equity-like expected returns. At the time of investment, the expected returns for this portfolio should exceed the expected returns of a passive investment in domestic equities as measured by the S&P 500.

3. Risk Limits and Portfolio Restrictions

The CIO will be responsible for managing the portfolio's risk and adhering to this Policy. In constructing the Tactical Opportunities portfolio, the CIO will adhere to the following limits:

(a) absent Board approval:

(i) no more than 50% of the net asset value of the allocation (i.e. 2% of the Fund) to the Tactical Opportunities portfolio shall be invested in private market opportunities; and

(ii) no single investment in this portfolio shall exceed 25% of the total allocation to the Tactical Opportunities portfolio, excluding investments in this portfolio that are intended to track a publicly-traded large cap domestic equities index such as the S&P 500.

(b) Risk limits as detailed in Table 3, Section VII.

(c) Short selling is prohibited unless authorized by the ED and CRO.

(d) All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.

E.F. 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 **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. Following 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 CIO, or their delegee, will have primary responsibility in executing the Absolute Return portfolio's investment strategy.

3. Risk Limits and Portfolio Restrictions

The CIO, or their delegee, 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	Tactical Opportunities	Cash	Total Fund	Low	High	Low	High
Future Outstanding Commitments¹	0.0%	0.0%	7.0%	3.0%	5.0%	2.0%	0.0%	0.0%	17.0%	0%	115%	0%	125%
Benchmark	M664204USN	BBGEMBUS22	CAMB_PE	RE_2021	CAM_PI	HFRIPRXY23	SNP500	LEH3MO_TB	LHJPMSUSV2				
Tracking Error	3.5%	2.5%							4.0%	n/a	115%	n/a	125%
Relative VaR²	100.0%	100.0%							100.0%	0%	125%	0%	140%
% of Asset Allocation													
Single Name / Issuer³	4%	4%	2%	10%	2%	n/a	n/a	n/a		0%	115%	0%	125%
Single Sub- Industry⁴	20%	20%	30%	n/a	30%	n/a	n/a	n/a		0%	115%	0%	125%
Single Country - EX US	10%	10%	20%	20%	20%	n/a	n/a	n/a		0%	115%	0%	125%
Total EX US	50%	30%	50%	50%	50%	n/a	n/a	n/a					
Single Fund Investment⁵	5%	10%	10%	10%	10%	15%	n/a	n/a		0%	115%	0%	125%
Proportion of Ownership⁶	5%	n/a	n/a	5%	5%	n/a	n/a	n/a		0%	115%	0%	125%
Rating - Below Inv Grade	n/a	25%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
Rating - Below A- & Unrated	n/a	50%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
Rating - Unrated	n/a	5%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
FX - Proportion Unhedged	50%	30%	50%	50%	50%	n/a	n/a	n/a		0%	115%	0%	125%
Liquidity - Proportion w/o Weekly Liq	10%	10%	100%	100%	100%	100%	n/a	5%		0%	115%	0%	125%
Liquidity - Proportion w/o Monthly Liq	2%	2%	100%	100%	100%	100%	n/a	0%		0%	115%	0%	125%
Liquidity - Proportion w/o Quarterly Liq	0%	0%	100%	100%	100%	40%	n/a	0%		0%	115%	0%	125%
Cash & Equivalents	2%	10%	5%	5%	5%	n/a	n/a	100%		0%	115%	0%	125%
MINIMUM Cash & Equivalents	0%	0%	0%	0%	0%	n/a	n/a	30%		85%	115%	75%	125%

All Targets are Maximum Permitted except-Minimum Cash

Notes:

1 % of Total Fund

2 Ratio of Portfolio VaR to Benchmark VaR

3 Single Name / Issuer: represents security level exposure to single entity or operating company.

US Treasury & Govt Agencies are exempt. For Private Assets, the limit applies at the time of investment or cost basis.

4 Definition: GICS 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

	Public Equity	Fixed Income	Private Equity	Real Estate	Private Income	Absolute Return	Risk Parity	Cash	Total Fund	Low	High	Low	High
Future Outstanding Commitments¹	0.0%	0.0%	7.0%	3.0%	5.0%	2.0%	0.0%	0.0%	17.0%	0%	115%	0%	125%
Benchmark	M664204USN	BBGEMBUSD	CAMB_PE	RE_2021	CAM_PI	HFRIIPROXY	HFRI_LP	LEH3MO_TB	LHJPMUSD				
Tracking Error	3.5%	2.5%							4.0%	n/a	115%	n/a	125%
Relative VaR²	100.0%	100.0%							100.0%	0%	125%	0%	140%
% of Asset Allocation													
Single Name / Issuer³	4%	4%	2%	10%	2%	n/a	n/a	n/a		0%	115%	0%	125%
Single Sub-Industry⁴	20%	20%	30%	n/a	30%	n/a	n/a	n/a		0%	115%	0%	125%
Single Country - EX-US	10%	10%	20%	20%	20%	n/a	n/a	n/a		0%	115%	0%	125%
Total EX-US	50%	30%	50%	50%	50%	n/a	n/a	n/a					
Single Fund Investment⁵	5%	10%	10%	10%	10%	15%	50%	n/a		0%	115%	0%	125%
Proportion of Ownership⁶	5%	n/a	n/a	5%	5%	n/a	n/a	n/a		0%	115%	0%	125%
Rating - Below Inv Grade	n/a	25%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
Rating - Below A - & Unrated	n/a	50%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
Rating - Unrated	n/a	5%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
FX - Proportion Unhedged	50%	30%	50%	50%	50%	n/a	n/a	n/a		0%	115%	0%	125%
Liquidity - Proportion w/o Weekly Liq	10%	10%	100%	100%	100%	100%	100%	5%		0%	115%	0%	125%
Liquidity - Proportion w/o Monthly Liq	2%	2%	100%	100%	100%	100%	70%	0%		0%	115%	0%	125%
Liquidity - Proportion w/o Quarterly Liq	0%	0%	100%	100%	100%	40%	30%	0%		0%	115%	0%	125%
Cash & Equivalents	2%	10%	5%	5%	5%	n/a	n/a	100%		0%	115%	0%	125%
MINIMUM Cash & Equivalents	0%	0%	0%	0%	0%	n/a	n/a	30%		85%	115%	75%	125%

All Targets are Maximum Permitted except Minimum Cash

Notes:

- 1 - % of Total Fund
- 2 - Ratio of Portfolio VaR to Benchmark VaR
- 3 - Single Name / Issuer: represents security level exposure to single entity or operating company.
US Treasury & Govt Agencies are exempt. For Private Assets, the limit applies at the time of investment or cost basis.
- 4 - Definition: GICS 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, considering manager-specific characteristics as well as portfolio considerations;
7. Approval of the new manager or advisor by the CIO, 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 CIO has the authority to modify or waive the criteria in the selection and hiring process outlined above. Even in such instances, the 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 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 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 to terminate an investment manager. If the CIO 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. 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.

B. 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).

C. 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.

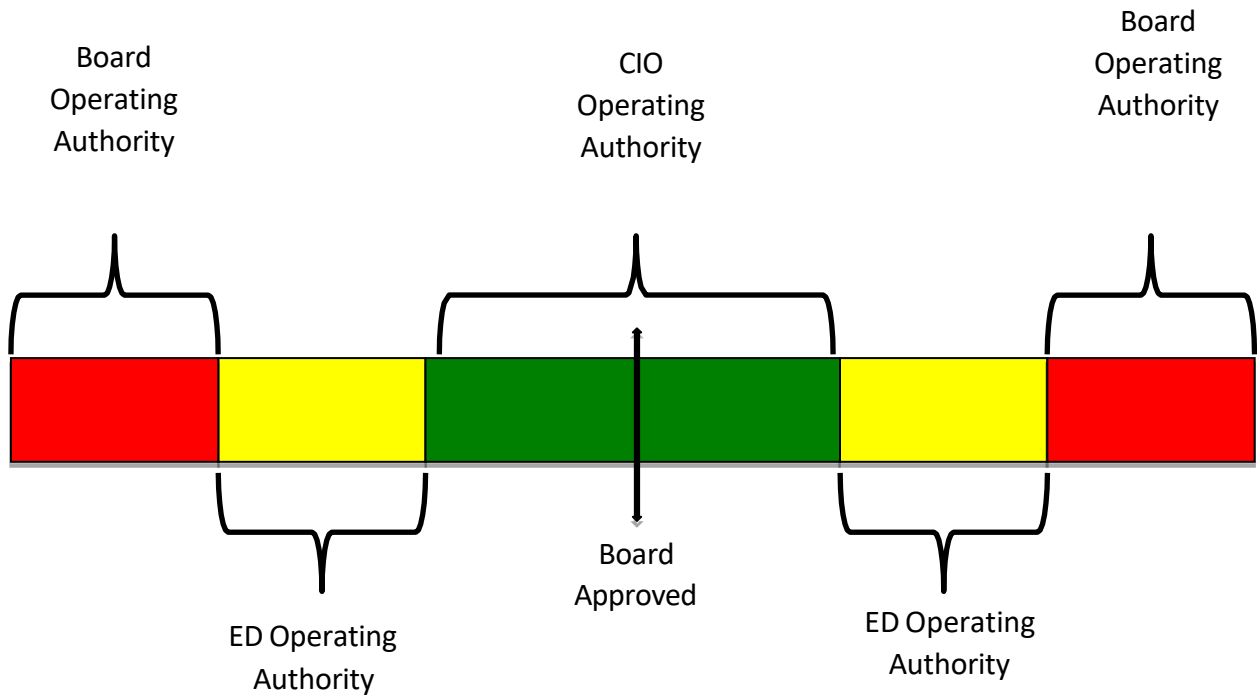
Appendix B: Limit Ranges & Compliance Cure Periods

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 GLBL 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.

Asset Backed Securities means an investment that is collateralized by an underlying pool of income-generating assets which are authorized by 15 AAC 137.430(a)(19).

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.

Distressed for control is a buyout strategy in which the investor accumulates a majority stake in the debt of a distressed company at or near bankruptcy, anticipating the conversion of the debt into equity as a part of the bankruptcy reorganization.

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; (8) § VII G reduce private equity outstanding commitment level from 10% to 7%; and (9) provide Board with copy of the investment guidelines that have changed since the last Board Meeting.

Amended:

May 17, 2023 amended: (1) Tables 1 and 2 in § II were updated to reflect asset allocation changes approved by the Board; (2) § III A adds clarification to Public Equity section that proxy voting shall be directed to maximize risk adjusted returns for the Fund; (3) § III C repeal the Risk Parity section of the Policy to reflect changes to the Asset Allocation and make changes to the authorized investments to Total Fund Cash, which is the new III C, including the addition of a "A" rating for investment grade US Corporate bonds and the addition of "AAA" rated asset backed securities to the list of authorized investments; (4) § IV A change title of private equity and special opportunities portfolio to private equity portfolio, modify the strategy diversification bands, and make minor language clarifications; (5) § IV B modify the property type weightings bands to capture the entire portfolio, not just the directly-held real estate, and add a second method to measure these property weightings (i.e. percent of the NAV of the portfolio); (6) § IV E add the new Tactical Opportunities asset class to the Policy, including objective, strategy and portfolio limits approved by the Board; (7) § V A remove the in-state aspirational guidelines because the dates identified have expired; (8) § VII G amend risk parameters and limits table to reflect changes to the asset allocation approved by the Board; and (9) Appendix D add two new definitions (Asset Backed Securities and Distressed for Control) to reflect changes to the Policy.

APFC Investment Policy

Adopted May 21, 2020, last amended on May 17, 2023

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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

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

	Public Equity	Fixed Income	Private Equity	Real Estate	Private Income	Absolute Return	Tactical Opportunities	Cash	Total Fund
Green Zone	+/- 5%	+/- 5%	+/- 5%	+/- 3%	+/- 5%	+/- 3%	+/- 2%	+/- 2%	
Yellow Zone	0 - 5%	0 - 5%	0 - 5%	0 - 3%	0 - 5%	0 - 3%	0 - 2%	0 - 2%	
FY2024	34%	20%	16%	10%	9%	7%	2%	2%	100%
FY2025	32%	20%	15%	13%	9%	7%	2%	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, 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	Tactical Opportunities	Fund Cash	Total Fund FY 2024	Total Fund FY 2025
Asset Allocation (AA): Target Levels-FY 2024		34.0%	20.0%	16.0%	10.0%	9.0%	7.0%	2.0%	2.0%	100.0%	
Minimum Long-Term Return Target		CPI + 4.0%	CPI + 1.9%	CPI+5.5%	CPI + 3.3%	CPI + 4.4%	CPI + 4.5%	CPI + 5.5%	CPI+0.3%	CPI + 5.0%	
Benchmark Index Weights	BB ID	Asset Class / Portfolio Weights								Total Fund Weights	
90 Day T-Bills	GOO1	-	5.00%	-	-	-	-	-	100.00%	3.00%	3.00%
BB US Corporate	LUACTRUU	-	27.50%	-	-	-	-	-	-	5.50%	5.50%
BB Gbl. Treasury ex-US Hedged	LGT1TRUH	-	15.00%	-	-	-	-	-	-	3.00%	3.00%
BB US Agg	LBUSTRUU	-	27.50%	-	-	-	-	-	-	5.50%	5.50%
BB US BB HY	BCBATRUU	-	10.00%	-	-	-	-	-	-	2.00%	2.00%
Cliffwater Direct Lending TR	CDLI	-	-	-	-	40.00%	-	-	-	3.60%	3.60%
Barclays US Securitized Index	LD19TRUU	-	10.00%	-	-	-	-	-	-	2.00%	2.00%
BB US TIPS	LBUTTRUU	-	5.00%	-	-	-	-	-	-	1.00%	1.00%
Cambridge Pvt. Equity (Lagged)	n/a	-	-	100.00%	-	-	-	-	-	16.00%	15.00%
Cambridge Gbl. Pvt. Infra. (Lagged)	n/a	-	-	-	-	60.00%	-	-	-	5.40%	5.40%
HFRI EH Equity Market Neutral	HFRIEMNI	-	-	-	-	-	50.00%	-	-	3.50%	3.50%
HFRI Macro	HFRIIMI	-	-	-	-	-	50.00%	-	-	3.50%	3.50%
MSCI ACWI IMI	M1WDIM	100.00%	-	-	-	-	-	-	-	34.00%	32.00%
NCREIF Property (Lagged)	NPPITR	-	-	-	85.00%	-	-	-	-	8.50%	11.05%
MSCI US REIT (Lagged)	RMS G	-	-	-	15.00%	-	-	-	-	1.50%	1.95%
S&P 500 (Lagged)	SPX	-	-	-	-	-	-	100.00%	-	2.00%	2.00%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

D. Total Fund Performance Measurement and Reporting

1. The Board looks to its General Consultant as the primary source of quantitative evaluation of the performance of the Fund and its investment managers. As promptly as possible after the close of each calendar quarter, the General Consultant shall submit a report to the Board, Executive Director (“ED”) and Chief Investment Officer (“CIO”) analyzing the performance of the Fund, its asset classes and investment programs, including both internally and externally managed assets. The report shall include a comparison of total Fund performance with the Board's long-term investment objective, an analysis of the returns of each asset class as measured against established benchmarks; and an analysis of the returns of each manager or relevant groupings of managers as measured against relevant benchmarks. For the purpose of evaluating the value-added by the Fund's investment strategy, the report shall also compare the performance of the total Fund on a one-year basis to a passive benchmark that represents the following: (1) 60% MSCI ACWI IMI; (2) 20% Barclay Global Aggregate (less fees); (3) 10% FTSE EPRA/NAREIT Rental Index; (4) and 10% US TIPs. The General Consultant's report shall also address any special concerns or observations the General Consultant concludes should be brought to the attention of the Board, ED and CIO.
2. At each regular quarterly 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. For all remaining investment decisions not delegated from the ED and CIO to specific APFC Staff, the CIO will convene an investment committee (“Investment Committee”). The make-up and voting members of the CIO's Investment Committee will be determined by the CIO. Any changes to the voting membership of this committee will reported to the ED and Board. The 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.

Approval of any Investment Recommendations referred to the ED requires the ED to take into consideration 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 Committee to the ED shall be in writing and the ED shall be required to create a written record that approves or disapproves all Investment Recommendations. 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.

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. Whether externally or internally managed, all proxy voting on behalf of shares held by the Fund shall be conducted to maximize the risk adjusted return of the Fund as prescribed in Alaska Statute 37.13.120.

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 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 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. 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 rated A or better 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;
- f. Gold-backed exchange traded funds as authorized by 15 AAC 137.460; and
- g. AAA rated Asset Backed Securities with a maximum weighted average life of 24 months.

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.

D. 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

1. Objective

The objective of the Private Equity ("PE") 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 returns available in 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

PE investment strategies include: venture capital, growth equity, leveraged buyouts, distressed for control, and other opportunistic strategies that target returns consistent with the above strategies. Investments will generally be executed through capital commitments to limited liability commingled 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 PE exposures, assumptions, and outlook. The CIO, or their delegee, will have primary responsibility in executing the PE portfolio's investment strategy.

3. Diversification and Portfolio Restrictions

The CIO, or their delegee, is responsible for managing the portfolio risks and adhering to this Policy. In constructing a diversified PE 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 PE portfolio shall be invested within the following strategy diversification ranges:
 - i. Venture Capital – 10% to 45%;
 - ii. Growth Equity – 0% to 25%;
 - iii. Buyouts/Acquisition – 25% to 75%; and
 - iv. Specialized Funds/Investments – 0% to 50%.
- d. No more than 20% of the PE Portfolio shall be invested with a single Investment Manager/General Partner.
- e. No more than 20% of the PE Portfolio shall be invested in publicly traded securities.
- 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 (generally at the discretion of our distribution agent), not to exceed eighteen months, or written approval to continuing holding such public securities must be received from the CIO and reported to the Board on a quarterly basis.
- g. Without the written approval of the ED and CIO, APFC (through the PE Portfolio) will not directly acquire a controlling interest in an operating 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 Real Estate portfolio will target the following property types: Multifamily, Industrial, Office, Hotel, and Retail with weightings for each property type measured by the net asset value of assets in the portfolio against NCREIF NPI benchmark weightings. Without Board approval, property type weights for the Real Estate portfolio shall not exceed the higher of: (i) 5% of the Real Estate portfolio, or (2) 1.5x the NCREIF NPI benchmark weighting.
- e. In recognition that APFC Staff may pursue some niche property types that are not included in property types of the NCREIF NPI, 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 50% 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 CIO, or their delegee, will have primary responsibility in executing the portfolio’s investment strategy and plans.

3. Risk Limits and Portfolio Restrictions

The CIO, or their delegee, 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.

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 **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 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 CIO, or their delegee, will have primary responsibility in executing the portfolio's investment strategy.

3. Risk Limits and Portfolio Restrictions

The CIO, or their delegee, 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.

E. Tactical Opportunities

1. Objective

The objective of the Tactical Opportunities portfolio is to provide attractive risk-adjusted returns that are derived from (a) market dislocations, (b) opportunities that do not fit in other approved asset classes, or (c) opportunities that have a particularly appealing risk-return profile due to prevailing market conditions. Performance of the Tactical Opportunities portfolio will be evaluated quarterly, net of fees, against the **S&P 500 (Lagged)**.

2. Investment Strategy

The CIO will have primary responsibility in executing this portfolio's investment strategy. The Tactical Opportunities portfolio may be invested in any investment that is authorized in this policy, including private market opportunities, publicly-traded markets, or a mix of public and private opportunities. Generally speaking, investments in this portfolio, due to prevailing market conditions at the time of investments, should have appealing equity-like expected returns. At the time of investment, the expected returns for this portfolio should exceed the expected returns of a passive investment in domestic equities as measured by the S&P 500.

3. Risk Limits and Portfolio Restrictions

The CIO will be responsible for managing the portfolio's risk and adhering to this Policy. In constructing the Tactical Opportunities portfolio, the CIO will adhere to the following limits:

(a) absent Board approval:

(i) no more than 50% of the net asset value of the allocation (i.e. 2% of the Fund) to the Tactical Opportunities portfolio shall be invested in private market opportunities; and

(ii) no single investment in this portfolio shall exceed 25% of the total allocation to the Tactical Opportunities portfolio, excluding investments in this portfolio that are intended to track a publicly-traded large cap domestic equities index such as the S&P 500.

(b) Risk limits as detailed in Table 3, Section VII.

(c) Short selling is prohibited unless authorized by the ED and CRO.

(d) All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.

F. 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 **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. Following 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 CIO, or their delegee, will have primary responsibility in executing the Absolute Return portfolio's investment strategy.

3. Risk Limits and Portfolio Restrictions

The CIO, or their delegee, 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).

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 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 Boards' 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	Tactical Opportunities	Cash	Total Fund	Low	High	Low	High
Future Outstanding Commitments¹	0.0%	0.0%	7.0%	3.0%	5.0%	2.0%	0.0%	0.0%	17.0%	0%	115%	0%	125%
Benchmark	M664204USN	BBGEMBUS22	CAMB_PE	RE_2021	CAM_PI	HFRIPRXY23	SNP500	LEH3MO_TB	LHJPMSUSV2				
Tracking Error	3.5%	2.5%							4.0%	n/a	115%	n/a	125%
Relative VaR²	100.0%	100.0%							100.0%	0%	125%	0%	140%
% of Asset Allocation													
Single Name / Issuer³	4%	4%	2%	10%	2%	n/a	n/a	n/a		0%	115%	0%	125%
Single Sub- Industry⁴	20%	20%	30%	n/a	30%	n/a	n/a	n/a		0%	115%	0%	125%
Single Country - EX US	10%	10%	20%	20%	20%	n/a	n/a	n/a		0%	115%	0%	125%
Total EX US	50%	30%	50%	50%	50%	n/a	n/a	n/a					
Single Fund Investment⁵	5%	10%	10%	10%	10%	15%	n/a	n/a		0%	115%	0%	125%
Proportion of Ownership⁶	5%	n/a	n/a	5%	5%	n/a	n/a	n/a		0%	115%	0%	125%
Rating - Below Inv Grade	n/a	25%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
Rating - Below A- & Unrated	n/a	50%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
Rating - Unrated	n/a	5%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
FX - Proportion Unhedged	50%	30%	50%	50%	50%	n/a	n/a	n/a		0%	115%	0%	125%
Liquidity - Proportion w/o Weekly Liq	10%	10%	100%	100%	100%	100%	n/a	5%		0%	115%	0%	125%
Liquidity - Proportion w/o Monthly Liq	2%	2%	100%	100%	100%	100%	n/a	0%		0%	115%	0%	125%
Liquidity - Proportion w/o Quarterly Liq	0%	0%	100%	100%	100%	40%	n/a	0%		0%	115%	0%	125%
Cash & Equivalents	2%	10%	5%	5%	5%	n/a	n/a	100%		0%	115%	0%	125%
MINIMUM Cash & Equivalents	0%	0%	0%	0%	0%	n/a	n/a	30%		85%	115%	75%	125%

All Targets are Maximum Permitted except-Minimum Cash

Notes:

1 % of Total Fund

2 Ratio of Portfolio VaR to Benchmark VaR

3 Single Name / Issuer: represents security level exposure to single entity or operating company.

US Treasury & Govt Agencies are exempt. For Private Assets, the limit applies at the time of investment or cost basis.

4 Definition: GICS 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, considering manager-specific characteristics as well as portfolio considerations;
7. Approval of the new manager or advisor by the CIO, 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 CIO has the authority to modify or waive the criteria in the selection and hiring process outlined above. Even in such instances, the 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 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 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 to terminate an investment manager. If the CIO 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. 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.

B. 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).

C. 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.

Allowable Investments

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%.

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.

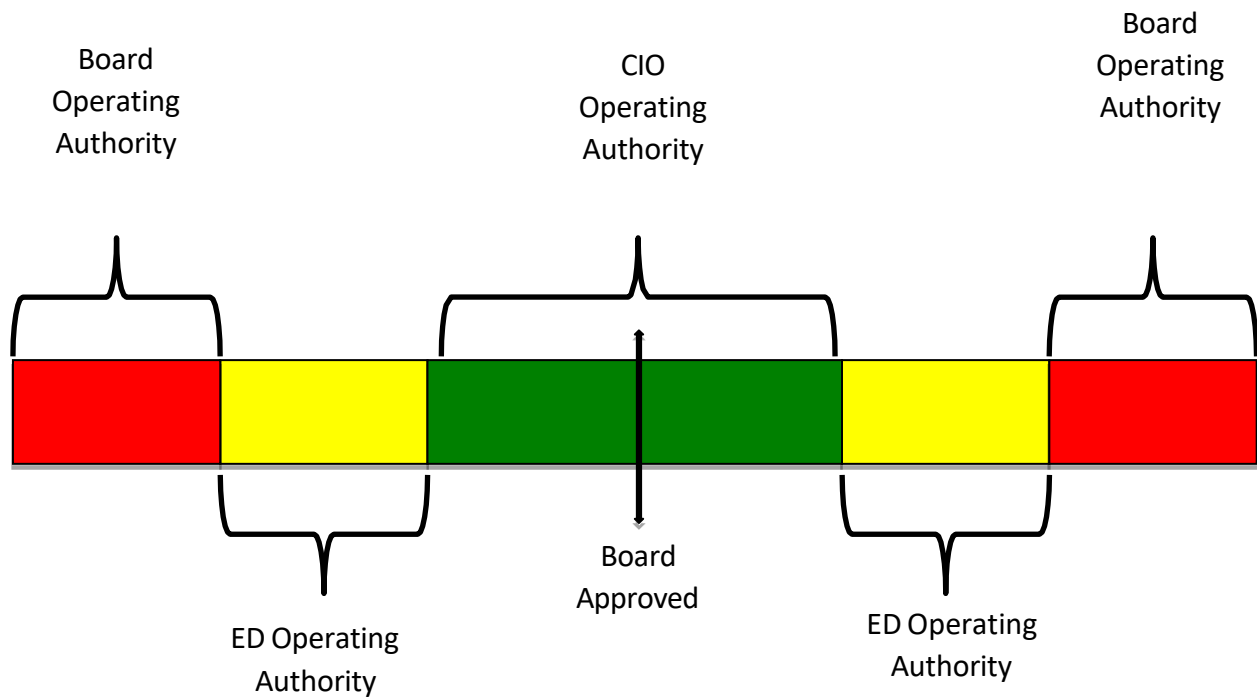
Appendix B: Limit Ranges & Compliance Cure Periods

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 GLBL 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.

Asset Backed Securities means an investment that is collateralized by an underlying pool of income-generating assets which are authorized by 15 AAC 137.430(a)(19).

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.

Distressed for control is a buyout strategy in which the investor accumulates a majority stake in the debt of a distressed company at or near bankruptcy, anticipating the conversion of the debt into equity as a part of the bankruptcy reorganization.

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; (8) § VII G reduce private equity outstanding commitment level from 10% to 7%; and (9) provide Board with copy of the investment guidelines that have changed since the last Board Meeting.

Amended:

May 17, 2023 amended: (1) Tables 1 and 2 in § II were updated to reflect asset allocation changes approved by the Board; (2) § III A adds clarification to Public Equity section that proxy voting shall be directed to maximize risk adjusted returns for the Fund; (3) § III C repeal the Risk Parity section of the Policy to reflect changes to the Asset Allocation and make changes to the authorized investments to Total Fund Cash, which is the new III C, including the addition of a "A" rating for investment grade US Corporate bonds and the addition of "AAA" rated asset backed securities to the list of authorized investments; (4) § IV A change title of private equity and special opportunities portfolio to private equity portfolio, modify the strategy diversification bands, and make minor language clarifications; (5) § IV B modify the property type weightings bands to capture the entire portfolio, not just the directly-held real estate, and add a second method to measure these property weightings (i.e. percent of the NAV of the portfolio); (6) § IV E add the new Tactical Opportunities asset class to the Policy, including objective, strategy and portfolio limits approved by the Board; (7) § V A remove the in-state aspirational guidelines because the dates identified have expired; (8) § VII G amend risk parameters and limits table to reflect changes to the asset allocation approved by the Board; and (9) Appendix D add two new definitions (Asset Backed Securities and Distressed for Control) to reflect changes to the Policy.

SUBJECT: Governance

ACTION: X

DATE: May 18, 2023

INFORMATION: _____

The Governance Committee met on May 9, 2023, to discuss the recommendations of Funston Advisory Services regarding possible changes to the Board of Trustees governance policies. The Governance Committee reviewed the recommendations of Funston Advisory Services. Following that review, the Committee requested:

- Staff compile a list of the Funston recommendations that Trustees individually identified during the meeting as priorities. These items require additional analysis, discussion, and ultimately work in the form of policy documentation and implementation. The list is set forth on the attached.
- Staff compile a list of Funston recommendations that are likely consensus items that both Trustees and Staff agree should be implemented without further discussion. A proposed list is set forth on the attached.
- Staff circulate the Investment Advisor Group charter to members of the IAG and seek comment on how the scope of services should be implemented and views on how it can be amended. The IAG charter and RFP scope of services are attached.
- Staff circulate the policy regarding the Investment Committee. The relevant page from the Investment Policy Statement is attached.

**Funston Recommendations the Members of the Governance Committee
Individually Identified as Priorities at 5/9/23 Meeting**

- Simplify ED evaluation process with applicable legal constraints
- Work with Legislature to recognize confidentiality of CEO and Board evaluation workpapers
- Work with Legislature to expand size of Board (1 member suggested expanding to 7)
- Revise policy on trustee requests for information from staff and on referral of investments or vendors
- Schedule Board/committee consultations with executive staff and the IAG on new IAG tasks
- Amend IAG Charter scope of services
- Initiate Board/committee self-evaluations
- Work on strategic planning: time-frame, scope, execution, role of strategic plan in Board self-evaluation and Executive Director evaluation process
- Improve stakeholder communications and crisis management plans
- Consider development of internal audit capabilities using external or internal resources

Staff recommends this item be added to the Board's list of priorities:

- Provide greater clarity on trustee duties and role expectations

Funston Recommendations that Staff Have Identified as "Consensus Items"

- Develop a Board multi-year calendar with key action and education topics
- Standardize formats for Board reports
- Improve the Trustee education policy
- Incorporate the Alaska Whistleblower Law into HR policy and personnel practices
- Review existing policies, resolutions and practices for consistency
- Explore new joint education opportunities with other State entities

Funston Recommendations Not on Either Trustee Priority List or Staff Consensus List

- Establish Board term limits
- Establish an Enterprise Performance Risk Management Program
- Formalize internal CIO Investment Committee structure, duties and reporting practices
- Develop clear and expanded compliance monitoring and reporting responsibilities
- Formalize due diligence processes and related compliance reporting
- Spell out Board Standards Policy discipline options and procedure
- Consolidate all governance bylaws, charters and policies into Manual
- Provide secure laptops or tablets to trustees for APFC business
- Develop investment beliefs to further guide planning and policies
- Revise the Audit Committee Charter to provide for:
 - Committee monitoring of compliance with audit report recommendations
 - Audits of investment and operations reports for accuracy and reliability

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.

STATE OF ALASKA
ALASKA PERMANENT FUND CORPORATION
INVESTMENT ADVISORY GROUP

Background

The Alaska Permanent Fund was created to save a portion of the state's mineral revenue for the future, and is currently valued at over \$65 billion. In 1980, the Alaska State Legislature created the Alaska Permanent Fund Corporation (APFC) to manage the investments of the Permanent Fund outside of the State Treasury. The APFC has 58 full-time employees (including 29 investment professionals) and is governed by a six-member Board of Trustees. The Board of Trustees has established an Investment Advisory Group to provide advice to the Board.

The Fund is invested in a diverse portfolio of assets, including U.S. and non-U.S. fixed income, public equity and real estate, as well as infrastructure, absolute return and private equity investments. Historically, APFC has relied on external managers to handle the direct investment of Permanent Fund assets. However, the Corporation has been and continues to expand its in-house capabilities. At present, the fixed income portfolio is almost entirely managed in-house, co-investments and direct investments in private equity and infrastructure have been added, and the Corporation has also brought certain passively managed public equities in-house.

The Alaska Permanent Fund Corporation (APFC) is soliciting applications from those interested in serving on the Investment Advisory Group (IAG). The IAG consists of three people appointed by and serving at the pleasure of the APFC Board of Trustees.

Materials Included in this Solicitation

In addition to this document, Terms and Conditions for Appointment to the Investment Advisory Group, this application package consists of:

- Attachment 1 – Investment Advisory Group Application
- Attachment 2 – Standard Agreement Form (including General Provisions and Terms of Agreement – Appendix A and Appendix B)

More information about APFC, including our investment policy and governance charters can be found online at apfc.org.

Service on the Investment Advisory Group

The IAG shall:

1. 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.
2. 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:
 - 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.
3. 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
 - (c) Any special topics that are to be discussed at the upcoming Board meeting.
4. 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.

Qualifications

To be considered for this seat on the IAG, a candidate shall:

- be a professor (preferably full-time) of investment theory or a closely-related discipline at an accredited college or university;
- possess experience and expertise in financial investments and management of investment portfolios for public pension, corporate or union benefit funds, family offices, foundations or endowments;
- have provided similar services or acted as a trustee to a large endowment or trust fund.

Term

The selected IAG member would serve at the pleasure of the Board for a three-year contract that will begin July 1, 2020. Payment will be contingent upon legislative appropriations for funding each year.

Remuneration

In full consideration of the Appointee’s performance, APFC shall pay the appointee, pursuant to a written agreement, as follows:

1. \$1,000/month as a retainer fee;
2. \$1,000 per meeting day of any meeting you are requested to attend on behalf of APFC;
3. \$1,000 travel payment per meeting to compensate for time spent traveling to and from a meeting; and
4. Expenses, including coach airfare, hotel, and a meal per diem reimbursed at the approved State rate: Expenses must be paid by the Appointee, subject to reimbursement.

Payments will be contingent upon legislative appropriations for funding each year. The APFC is liable only for payment in accordance with this section for services rendered before the effective date of termination. The APFC assumes no liability for work done, even in good faith, prior to the effective date of the agreement, or during periods of suspension.

Selection Process

A committee comprised of at least three members of the APFC will evaluate applications for appointment to the IAG. This committee may select a person or persons to be interviewed by the full board for final appointment. APFC may schedule oral interviews of candidates either in person or telephonically.

Upon completion of the evaluation process, the candidate selected for appointment will be notified and an agreement covering the term of the appointment will be negotiated. If negotiations with the selected candidate fail, APFC may negotiate with the next highest ranked candidate or terminate this solicitation.

The following is a proposed calendar for this selection process. APFC reserves the right to alter or amend this schedule as necessary:

Application Period Closes	April 13, 2020
Evaluation Committee Meeting Committee	April 29, 2020
Evaluation Results Presented to the Board	May 4, 2020
Semi-finalists Interviews	May 20-21, 2020
Contract Issued	July 1, 2020

Basis of Selection

Semi-finalists will be selected based on an “adjectival scoring system” given to their applications by the Evaluation Committee, using the following evaluation factors:

Application Evaluation Factors:

- Exceptional
- Marginal
- Acceptable
- Unacceptable

Application

To apply for appointment, the application packet must be addressed as follows:

Alaska Permanent Fund Corporation
Attention: Janice Hotch, Procurement Officer
Application for Appointment – Investment Advisory Group
Phone: 907-796-1524

If using a delivery service, please use the following address:
801 W. 10th St., Ste 302, Juneau, AK 99801

Application packets may be emailed to: procurement@apfc.org

To be considered, completed applications must be received before 1:00 p.m., Alaska Time, April 13, 2020. Applications must be signed.

All costs incurred in the preparation and submission of an application shall be the sole responsibility of the applicant and shall not be reimbursed by APFC. If an in-person interview is scheduled, APFC will reimburse an applicant for travel and per diem at the approved State rate (coach airfare, hotel, and meals).

All applications and other material submitted become the property of the State of Alaska and may be returned only at the state's option. AS 40.25.110 requires public records to be open to reasonable inspection. All application information will be held in confidence during the evaluation process and prior to the time a Notice of Intent to Award is issued. Thereafter, proposals will become public information.

Agreement

The appointment will be evidenced by a written agreement between the Alaska Permanent Fund Corporation and the appointee for the term of office (Attachment 2), subject to further negotiations that do not materially deviate from the terms and conditions set forth in this application package and applicable law. Please note the terms and conditions obligating the parties as set forth in the Solicitation for Applications, Terms and Conditions for Appointment, and the Standard Agreement Form with Attachments A and B. Appointee is required to and must agree to purchase an Alaska Business License for the term of this appointment.



STATE OF ALASKA
ALASKA PERMANENT FUND CORPORATION
INVESTMENT ADVISORY GROUP APPLICATION

Please provide the following information in the space provided or attach additional sheets as necessary.

Name:

Home Address:

Home Phone: _____

Cell Phone: _____

Home Email:

Employer:

Position:

Business Address:

Business Phone: _____

Business Email: _____

1. Please list all colleges, universities and graduate schools attended, including dates attended, degrees awarded and addresses:

2. Please provide names used while attending such colleges, universities and graduate schools, if different than the name above:

3. Please list all professional licenses, certificates, registrations, and/or professional accreditation currently held in state, federal and national associations (include dates obtained):

4. Have you ever had any license or certificate suspended or revoked? If so, please explain.

Attachment 1

5. Please list all academic affiliations.

6. With respect to any public pension benefit funds, family offices, foundations, or endowments, please list all previous and current advisory, management or fiduciary roles to boards, including dates. Please include any current board seats, commission and/or directorship positions held.

7. Discuss responsibilities you assumed in the roles listed in #6 above.

8. Please briefly describe the nature of your current employment and your responsibilities.

9. Please briefly describe your knowledge of and/or involvement in, or historical perspective of the Alaska Permanent Fund Corporation.

10. What is the governance structure for the funds under your advisement/management? Please identify the fiduciaries and who has the responsibility for investment policy and asset allocation.

11. Have you ever been party to or subject to an investigation for any reasons relating to financial or fiduciary conduct by a government agency or professional organization? If yes, please explain.

12. Have you ever been convicted or charged with a misdemeanor involving moral turpitude or a felony of any kind? If yes, please explain and include a copy of your judgment.

Attachment 1

13. Have you ever been terminated or asked to resign from any position in the past 10 years? If yes, please explain.

14. As an attachment, please provide as references the names, addresses and telephone numbers of five persons who can attest to your professional qualifications. Two of the five references must be from persons who have been members of a board as trustee or to whom you have provided services.

15. Please describe any employment related or other potential limitations on your availability to participate in IAG business.

16. At this time, do you anticipate any potential areas of conflict?

Date: _____ Applicant Signature: _____

Note: As an IAG member, you will be required to file disclosure statements informing the Board of other current board service, companies in which you hold an interest, or other potential conflicts of interest.

All applications and other material submitted become the property of the State of Alaska and may be returned only at the state's option. AS 40.25.110 requires public records to be open to reasonable inspection. All application information will be held in confidence during the evaluation process and prior to the time a Notice of Intent to Award is issued. Thereafter, proposals will become public information.

STANDARD AGREEMENT FORM FOR PROFESSIONAL SERVICES

The parties' contract comprises this Standard Agreement Form, as well as its referenced Articles and their associated Appendices

1. Agency Contract Number	2. Contract Title	3. Agency Fund Code	4. Agency Appropriation Code
5. Vendor Number	6. IRIS GAE Number (if used)	7. Alaska Business License Number	

This contract is between the State of Alaska,

8. Department of	Division	hereafter the State, and		
9. Contractor				
hereafter the contractor				
Mailing Address	Street or P.O. Box	City	State	ZIP+4

10. **ARTICLE 1. Appendices:** Appendices referred to in this contract and attached to it are considered part of it.

ARTICLE 2. Performance of Service:

2.1 Appendix A (General Provisions), Articles 1 through 16, governs the performance of services under this contract.

2.2 Appendix B sets forth the liability and insurance provisions of this contract.

2.3 Appendix C sets forth the services to be performed by the contractor.

ARTICLE 3. Period of Performance: The period of performance for this contract begins _____, and ends _____.

ARTICLE 4. Considerations:

4.1 In full consideration of the contractor's performance under this contract, the State shall pay the contractor a sum not to exceed \$_____ in accordance with the provisions of Appendix D.

4.2 When billing the State, the contractor shall refer to the Authority Number or the Agency Contract Number and send the billing to:

11. Department of	Attention: Division of
Mailing Address	Attention:

12. CONTRACTOR	14. CERTIFICATION: I certify that the facts herein and on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation, or that there is a sufficient balance in the appropriation cited to cover this obligation. I am aware that to knowingly make or allow false entries or alternations on a public record, or knowingly destroy, mutilate, suppress, conceal, remove or otherwise impair the verity, legibility or availability of a public record constitutes tampering with public records punishable under AS 11.56.815-.820. Other disciplinary action may be taken up to and including dismissal.	
Name of Firm		
Signature of Authorized Representative		Date
Typed or Printed Name of Authorized Representative		
Title		

13. CONTRACTING AGENCY	Signature of Head of Contracting Agency or Designee	Date
Department/Division	Date	
Signature of Project Director	Typed or Printed Name	
Typed or Printed Name of Project Director	Title	
Title		

NOTICE: This contract has no effect until signed by the head of contracting agency or designee.

APPENDIX A

GENERAL PROVISIONS

Article 1. Definitions.

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the department for which this contract is to be performed and for which the Commissioner or Authorized Designee acted in signing this contract.

Article 2. Inspections and Reports.

- 2.1 The department may inspect, in the manner and at reasonable times it considers appropriate, all the contractor's facilities and activities under this contract.
- 2.2 The contractor shall make progress and other reports in the manner and at the times the department reasonably requires.

Article 3. Disputes.

- 3.1 If the contractor has a claim arising in connection with the contract that it cannot resolve with the State by mutual agreement, it shall pursue the claim, if at all, in accordance with the provisions of AS 36.30.620 – 632.

Article 4. Equal Employment Opportunity.

- 4.1 The contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, disability, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, disability, sex, marital status, changes in marital status, pregnancy, or parenthood. The contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, disability, age, sex, marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 The contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, disability, sex, marital status, changes in marital status, pregnancy or parenthood.
- 4.3 The contractor shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 The contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.
- 4.5 The contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of contract.

Article 5. Termination.

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. In the absence of a breach of contract by the contractor, the State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

Article 6. No Assignment or Delegation.

The contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

Article 7. No Additional Work or Material.

No claim for additional services, not specifically provided in this contract, performed or furnished by the contractor, will be allowed, nor may the contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

Article 8. Independent Contractor.

The contractor and any agents and employees of the contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

Article 9. Payment of Taxes.

As a condition of performance of this contract, the contractor shall pay all federal, State, and local taxes incurred by the contractor and shall require their payment by any Subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

Article 10. Ownership of Documents.

All designs, drawings, specifications, notes, artwork, and other work developed in the performance of this agreement are produced for hire and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the contractor. The contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. Nevertheless, if the contractor does mark such documents with a statement suggesting they are trademarked, copyrighted, or otherwise protected against the State's unencumbered use or distribution, the contractor agrees that this paragraph supersedes any such statement and renders it void. The contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Project Director. Unless otherwise directed by the Project Director, the contractor may retain copies of all the materials.

Article 11. Governing Law; Forum Selection

This contract is governed by the laws of the State of Alaska. To the extent not otherwise governed by Article 3 of this Appendix, any claim concerning this contract shall be brought only in the Superior Court of the State of Alaska and not elsewhere.

Article 12. Conflicting Provisions.

Unless specifically amended and approved by the Department of Law, the terms of this contract supersede any provisions the contractor may seek to add. The contractor may not add additional or different terms to this contract; AS 45.02.207(b)(1). The contractor specifically acknowledges and agrees that, among other things, provisions in any documents it seeks to append hereto that purport to (1) waive the State of Alaska's sovereign immunity, (2) impose indemnification obligations on the State of Alaska, or (3) limit liability of the contractor for acts of contractor negligence, are expressly superseded by this contract and are void.

Article 13. Officials Not to Benefit.

Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

Article 14. Covenant Against Contingent Fees.

The contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee except employees or agencies maintained by the contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage or contingent fee.

Article 15. Compliance.

In the performance of this contract, the contractor must comply with all applicable federal, state, and borough regulations, codes, and laws, and be liable for all required insurance, licenses, permits and bonds.

Article 16. Force Majeure:

The parties to this contract are not liable for the consequences of any failure to perform, or default in performing, any of their obligations under this Agreement, if that failure or default is caused by any unforeseeable Force Majeure, beyond the control of, and without the fault or negligence of, the respective party. For the purposes of this Agreement, Force Majeure will mean war (whether declared or not); revolution; invasion; insurrection; riot; civil commotion; sabotage; military or usurped power; lightning; explosion; fire; storm; drought; flood; earthquake; epidemic; quarantine; strikes; acts or restraints of governmental authorities affecting the project or directly or indirectly prohibiting or restricting the furnishing or use of materials or labor required; inability to secure materials, machinery, equipment or labor because of priority, allocation or other regulations of any governmental authorities.

Appendix B
Terms of Agreement between the
State of Alaska,
Alaska Permanent Fund Corporation and
xxxxxxxxxxxxxxxx, Investment Advisor

This agreement is entered into between the Alaska Permanent Fund Corporation (“APFC”) and xxxxxxxxxxxxxxx (“Appointee”) regarding a position as an Investment Advisor pursuant to the terms and conditions set out herein.

1. **Term.** The term of this agreement is for a three-year contract starting July 1, 2020. The APFC in its sole discretion may reappoint the Appointee for an additional term.
2. **Performance.** Appointee will serve as an Investment Advisor appointed by the Board as a member of the Investment Advisory Group. Responsibilities include, but are not limited to:
 - a. Advising the Board on best practices in the management of large institutional funds.
 - b. Advising the Board, as requested, on the following major policy issues:
 - a. The long-term or strategic asset allocation policy of the Fund;
 - i. The risk management framework of the Fund;
 - ii. Any changes to the investment policy statement of the Fund;
 - iii. Anchor proposed investment in new asset classes;
 - iv. Any proposed investment in new or innovative investment products or strategies, particularly those involving alternative or non-traditional asset classes, excluding traditional publicly traded stocks, bonds and short-term assets;
 - v. Any significant changes to the investment management structure of the Fund, including, but not limited to, the following:
 - i. The relative proportion of assets in an asset class managed by external investment managers versus internal staff;
 1. The relative proportion of assets in an asset class managed using active versus passive investment strategies;
 2. The total number of active investment managers or portfolios in an asset class.
 - ii. Any other issue at the discretion of the Investment Advisory Group or as requested by the Board.
 - c. Attending at least three board meetings a year in Alaska which normally last two days. Meetings may be held via teleconference at the Board’s discretion.

3. Meeting Attendance. Appointee shall make best efforts to attend three meetings of the Board annually and such other meetings as the Appointee may be requested to attend by the APFC. If circumstances prevent attending in person, attendance by teleconference may be acceptable if approved in advance by the APFC. A presumption in favor of termination of this agreement shall exist if the Appointee fails to attend three meetings of the Board during any 12-month period.
4. Fiduciary Relationship. The Appointee acknowledges that while performing the services under this agreement, the Appointee will be acting under a delegation of investment powers or fiduciary duties conferred on the Board under state law and is thus in a fiduciary relationship with the Board and the State of Alaska.
5. Fees Paid. In full consideration of the Appointee's performance, the APFC shall pay the Appointee a sum not to exceed \$30,000 annually during the term of this contract consisting of:
 - a. \$1,000/month as a retainer fee;
 - b. \$1,000 per meeting day of participation at Board meetings;
 - c. \$1,000 travel time payment per meeting attended to compensate for time spent traveling to and from the meeting; and
 - d. Travel expenses, including coach airfare, hotel, and per diem meal expense reimbursement at the approved State rate (expenses must be paid by the Appointee, subject to reimbursement).

Payments under this agreement are contingent upon legislative appropriations for funding each year. The APFC is liable only for payment in accordance with this section for services rendered before the effective date of any termination. The APFC assumes no liability for work done, even in good faith, prior to the effective date of this agreement, or during periods of suspension. This agreement is valid upon the signature of the APFC Chief Executive Officer.

6. Termination or Suspension.
 - a. Appointee serves at the pleasure of the APFC, and the term of this agreement may be terminated or suspended at any time by the APFC. The decision of the APFC respecting termination or suspension is final. The Appointee may terminate this agreement upon sixty days' written notice to the APFC.
 - b. A suspension under this agreement is a period of time during which the Appointee shall not be required to perform services. Suspension occurs upon direction of the APFC for periods during which the Appointee's performance, issues of conflict or fitness are being evaluated or investigated by the APFC. A suspension does not operate to extend the term of this agreement set out in Section 1.
 - c. In the event of a termination or suspension, the Appointee shall have no rights to compensation for services or costs arising after the date of the termination or during the period of suspension.

Attachment 2

- d. In the event of a termination or suspension, the APFC may, in its sole discretion, allow or request the Appointee to present the Appointee's position respecting such action. Such presentation shall be in executive session of the Board of Trustees of the APFC ("Board") to the extent permitted by law.
 - e. The Appointee shall notify the chair of the Board within twenty days of any of the following:
 - i. any lawsuit filed by or against the Appointee;
 - ii. cancellation of a professional license or certificate held by the Appointee;
 - iii. any financial investigation to which the Appointee is a party;
 - iv. arrest of the Appointee on a felony or misdemeanor charge; or
 - v. termination of the Appointee's employment at any firm or agency or a request that the Appointee resign from such employment.
7. Ownership of Work Product. Work performed by the Appointee for the APFC shall become the property of the APFC, provided, however, that such materials as the Appointee provides to the APFC which have been otherwise published or which have copyright or other trademark rights shall remain the property of the creator of such work or the owner of such rights.
8. Confidentiality. The Appointee shall maintain as confidential the work performed by the Appointee for the APFC to the extent required by law when necessary to preserve confidentiality, privacy, or trade secrets. The Appointee shall direct any request for access to the Appointee's APFC-related work or files to the APFC.
9. Disclosure. To avoid conflicts or the appearance of conflicts, no later than thirty days after the effective date of this agreement, the Appointee shall file with the APFC a disclosure statement identifying all clients advised by the Appointee, entities in which investments are held by the Appointee, other appointments of the Appointee as an investment advisor and such other matters as may be from time to time required by state law or the APFC. The Appointee shall update the disclosure statement annually during the term of this agreement, or state in writing that there are no material changes to disclose over the course of the year.
10. Conflicts. Appointee shall disclose to APFC any material beneficial interest held in businesses or employment by businesses for whom APFC is a potential customer or client. Unless this Conflicts provision is expressly waived by APFC, members of the IAG are not permitted to solicit business or market in any way to APFC.
11. Notices. Notices by and between the parties to this agreement shall be as follows:

Alaska Permanent Fund Corporation
Angela M. Rodell, CEO
801 W 10th Street, Suite 302
Telephone (907) 796-1500

D. Total Fund Performance Measurement and Reporting

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

E. Total Fund Portfolio Implementation and Delegations

APFC Staff directs all investment activities through a delegation of investment authority in the By-Laws from the Board to the ED and then from the ED to specific APFC Staff, as deemed appropriate by the ED and CIO. For all remaining investment decisions not delegated from the ED and CIO to specific APFC Staff, the CIO will convene an investment committee (“Investment Committee”). The make-up and voting members of the CIO's Investment Committee will be determined by the CIO. Any changes to the voting membership of this committee will reported to the ED and Board. The 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.

Approval of any Investment Recommendations referred to the ED requires the ED to take into consideration 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 Committee to the ED shall be in writing and the ED shall be required to create a written record that approves or disapproves all Investment Recommendations. 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.

SUBJECT: FY24 Budget Approval

ACTION: X

DATE: May 5, 2022

INFORMATION:

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.

Summary:

- The Board adopted a proposed budget, at its meeting of September 22, 2022.
 - The Board proposed the following changes from FY2022:
 - Personal Services increment of \$1,410.5 for merit and targeted salary adjustments, plus benefits.
 - Personal Services increment of \$1,700.0 for full funding of incentive compensation for investment and operations staff.
 - Travel increment of \$181.1 for increased travel.
 - Contractual Services increment of \$251.0 for increased costs related to audit, public communications, board meetings, IT fire suppression, HR advertising, and training costs.
 - Commodities increment of \$239.7 for work station replacements and office supplies.
 - Investment Management Fees decrement of -\$3,004.4:
 - Decrement (-\$8,500) for eliminating external fixed income investment management fees.
 - Increment (+\$2,300) for increased investment management fees in alternative assets.
 - Increment for Investment Systems (+\$2,757.5) related to a new data management system.
 - Increment (+\$400.0) for increased custody fees.

- The Governor's proposed budget, as amended (HB 39):
 - Accepted all of the Board's proposed increments and decrements, except:
 - The Personal Services increment of \$1,410.5 for merit and targeted salary adjustments, plus benefits, was reduced to \$771.5.
 - The Personal Services increment of \$1,700.0 for full funding of incentive compensation for all staff, was reduced to \$1,200.0 (leaving funding for investment staff only).
 - The Travel increment of \$181.1 was reduced to \$0.0.
- The House:
 - Accepted all of the Governor's proposed budget, except:
 - The Personal Services increment for merit and targeted salary adjustments, plus benefits, was not accepted.
- The Senate Finance Committee:
 - Accepted all of the Governor's proposed budget, and
 - Accepted all of the Board's proposed \$1,410.1 increment for merit and targeted salary adjustments.
- The proposed \$1,410.1 increment for merit and targeted salary adjustments is potentially a conference committee item.

RECOMMENDATION:

Proposed Board Motion:

"The Board moves to authorize the Chief Executive Officer to expend the APFC budget authorization as appropriated by the Legislature and enacted into law, beginning July 1, 2023.

If final budget negotiations produce a different outcome than what was presented, the Board authorizes the CEO to expend the legislative authorizations in the bill signed by the Governor, beginning July 1, 2023."



ALASKA PERMANENT
FUND CORPORATION

FY2023 Budget Projections

FY2023 Budget-to-Actuals and Projected Expenditures

FY2023 BOY PF Balance \$76,337,171,000

Corporate Operations	F2023 Mgmt Plan	bps	Expenditures (as of 3/31)	Projected 4Q	Est. Total Expend.	Projected Unspent	% Expended
Personal Services	\$ 17,813,700	2.33	\$ 11,027,697	\$ 5,040,062	\$ 16,067,759	\$ 1,745,941	90.20%
Staff Salaries and Benefits	16,189,276	2.12	9,414,350	5,028,447	14,442,797	1,746,479	89.21%
Incentive Compensation	1,600,000	0.21	1,600,000	-	1,600,000	(0)	100.00%
Board: Honoraria	24,424	0.00	13,347	11,615	24,962	(538)	102.20%
Travel	\$ 800,000	0.10	\$ 410,012	\$ 174,854	\$ 584,866	\$ 215,134	73.11%
Staff	602,000	0.08	362,863	132,000	494,863	107,137	82.20%
Trustees	18,000	0.00	22,990	7,720	30,710	(12,710)	170.61%
Moving and Non-Employee	180,000	0.02	24,159	35,134	59,293	120,707	32.94%
Contractual Services	\$ 3,389,800	0.44	\$ 2,188,728	\$ 826,286	\$ 3,015,014	\$ 374,786	88.94%
Audit, Legal, Consulting	632,550	0.08	278,660	460,885	739,544	(106,994)	116.91%
Public Communications	343,745	0.05	108,087	75,000	183,087	160,658	53.26%
Board Support and Meetings	79,100	0.01	36,314	12,749	49,064	30,036	62.03%
Information Technology	1,340,000	0.18	1,069,589	164,492	1,234,081	105,919	92.10%
HR and Recruitment	63,000	0.01	18,318	34,032	52,350	10,650	83.10%
Training and Education	150,250	0.02	45,195	14,844	60,039	90,211	39.96%
Office Support	781,155	0.10	632,565	64,284	696,849	84,306	89.21%
Office Lease	515,995	0.07	524,671	-	524,671	(8,676)	101.68%
Commodities	\$ 195,900	0.03	\$ 125,438	\$ 59,266	\$ 184,704	\$ 11,196	94.28%
Equipment	\$ 450,000	0.06	\$ 400,194	\$ 41,237	\$ 441,431	\$ 8,569	98.10%
Corporate Operations Total	\$ 22,649,400	2.97	\$ 14,152,069	\$ 6,141,705	\$ 20,293,774	\$ 2,355,626	89.60%
Investment Management							
Investment Systems	\$ 8,891,700	1.16	\$ 4,584,023	\$ 2,745,508	\$ 7,329,531	\$ 1,562,169	82.43%
Investment Due Diligence	\$ 5,763,390	0.75	\$ 2,086,451	\$ 881,290	\$ 2,967,741	\$ 2,795,649	51.49%
Custody Fees	\$ 1,900,000	0.25	\$ 947,331	\$ 414,000	\$ 1,361,331	\$ 538,669	71.65%
Investment Manager Fees	\$ 179,312,910	23.49	\$ 100,447,706	\$ 32,429,208	\$ 132,876,914	\$ 46,435,996	74.10%
Public Equities	137,457,595	18.01	77,363,494	24,433,719	101,797,213	35,660,382	74.06%
Fixed Income	8,464,907	1.11	219,062	-	219,062	8,245,845	2.59%
Real Estate	3,594,200	0.47	2,461,005	748,174	3,209,179	385,021	89.29%
Alternative Markets	29,796,208	3.90	20,404,145	7,247,316	27,651,461	2,144,747	92.80%
Investment Management Total	\$ 195,868,000	25.66	\$ 108,065,511	\$ 36,470,006	\$ 144,535,517	\$ 51,332,483	73.79%
APFC Appropriation	\$ 218,517,400	28.63	\$ 122,217,580	\$ 42,611,711	\$ 164,829,291	\$ 53,688,109	75.43%
Legislative Appropriation	\$ 9,365,200	1.23	\$ 9,365,200	\$ -	\$ 9,365,200	\$ -	100.00%
AmHess Capital Inc. Acct.	\$ 9,000,000	1.18	\$ -	\$ 9,000,000.00	\$ 9,000,000	\$ -	100.00%
POMV Distribution	\$ 3,360,567,100	440.23	\$ 2,980,267,100	\$ 380,300,000	\$ 3,360,567,100	\$ -	100.00%
Total Appropriation	\$ 3,597,449,700	471.26	\$ 3,111,849,880	\$ 431,911,711	\$ 3,543,761,591	\$ 53,688,109	98.51%

5 year real rate of return (FY18-FY22): 5.86%

Corporate Operations Allocation

FY23 Budget	FY23 Actuals & Projected	Projected Surplus
\$22,649,400	\$20,293,774	\$2,355,626

Personal Services
Travel
Contractual Services
Commodities
Equipment

Personal Services

FY23 Budget	FY23 Actuals & Projected	Projected Surplus
\$17,813,700	\$16,067,759	\$1,745,941



Pers. Svcs. Vacancies

Vacancies (as of 5/1/2023)			
Investment			
	Filled	Vacant	Total
Investments (CIO)	2	1	3
Fixed Income	7	1	8
Public Equities	3	0	3
Real Estate	5	2	7
Private Equity	5	1	6
Private Income	3	0	3
Absolute Return	1	0	1
Cash & Risk Parity	1	0	1
Total	27	5	32
Middle Office	2.5	0.5	3
Operations			
Executive	6	0	6
Finance	7	1	8
Comms	2	0	2
Risk & Compliance	0	2	2
IT	6	1	7
HR	2	0	2
Admin Ops	4	2	6
Total	27	6	33
Grant Total	56.5	11.5	68

Travel

FY23 Budget	FY23 Actuals & Projected	Projected Surplus
\$800,000	\$584,866	\$215,134



Contractual Services

	FY23 Budget	FY23 Actuals & Projected	Projected Surplus
Audit, Legal, Consulting	632,550	739,544	(106,994)
Public Communications	343,745	183,087	160,658
Board Support and Meetings	79,100	49,064	30,036
Information Technology	1,340,000	1,234,081	105,919
HR and Recruitment	63,000	52,350	10,650
Training/Education	150,250	60,039	90,211
Office Support	781,155	696,849	84,306
TOTAL	\$3,389,800	\$3,015,014	\$374,786

Commodities

FY23 Budget	FY23 Actuals & Projected	Projected Surplus
\$195,900	\$184,704	\$11,196



Equipment

FY23 Budget	FY23 Actuals & Projected	Projected Surplus
\$450,000	\$441,431	\$8,569



Investment Management Allocation

FY23 Budget	FY23 Actuals & Projected	Projected Surplus
\$195,868,000	\$144,535,517	\$51,332,483

Investment Manager Fees
Investment Systems
Investment Due Diligence
Custody Fees

Investment Management Fees

	FY23 Budget	FY23 Actuals & Projected	Projected Surplus
Public Equity	137,457,595	101,797,213	35,660,382
Fixed Income Plus	8,464,907	\$219,062	8,245,845
Real Estate	3,594,200	3,209,179	385,021
Alternative Markets	29,796,208	27,651,461	2,144,747
Total	\$179,312,910	\$132,876,914	\$46,435,996

Investment Management

	FY23 Budget	FY23 Actuals & Projected	Projected Surplus
Investment Systems	8,891,700	7,329,531	1,562,169
Investment Due Diligence	5,763,390	2,967,741	2,795,649
Custody Fees	1,900,000	1,361,331	538,669
Total	\$16,555,090	\$11,658,603	\$4,896,487



Questions?



ALASKA PERMANENT
FUND CORPORATION

FY2024 Budget Authorization

FY2024 Proposed Budget

	Authorized	BOT Proposed	GOV Am	House	Senate CS2*
	FY2023	FY2024	FY2024	FY2024	FY2024
Operating Allocation	\$22,649,400	\$26,377,515	\$25,010,300	\$24,463,300	\$25,873,800
Personal Services	\$17,813,700	\$20,869,967	\$19,683,900	\$19,136,900	\$20,547,400
Travel	\$800,000	\$981,140	\$800,000	\$800,000	\$800,000
Services	\$3,389,800	\$3,640,838	\$3,640,800	\$3,640,800	\$3,640,800
Commodities	\$195,900	\$435,570	\$435,600	\$435,600	\$435,600
Equipment	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000
Investment Mgmt Allocation	\$195,868,000	\$192,863,590	\$192,863,600	\$192,863,600	\$192,863,600
Investment Mgmt Fees	\$179,312,910	\$173,151,000	\$173,151,000	\$173,151,000	\$173,151,000
Investment Systems	\$8,891,700	\$11,649,200	\$11,649,200	\$11,649,200	\$11,649,200
Due Diligence	\$5,763,390	\$5,763,390	\$5,763,400	\$5,763,400	\$5,763,400
Custody Fees	\$1,900,000	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000
Total Appropriation	\$218,517,400	\$219,241,105	\$217,873,900	\$217,326,900	\$218,737,400

*Pending further deliberation and passage



What Changed from BOT Proposed

- BOT proposed \$1.41mm increment for Merit and Targeted Salary Adjustments
 - The Governor provided partial funding of the increment in OMB's 3rd amendment package
 - House did not include Gov amendment (timing)
 - Senate Finance added the entire BOT proposed \$1.41mm increment
 - Potentially an item for Conf. Comm.
- BOT proposed full funding of Incentive Compensation: \$1.2mm inc. for inv. staff; \$.5mm inc. for ops staff
 - Full funding for inv. staff only accepted by Gov, House, and Senate
- BOT proposed \$.18mm increment to Travel not accepted
- No changes to BOT proposals re Investment Mgmt Fees (\$.3mm dec.), Contractual Services (\$.25mm inc.) and Commodities (\$.24mm inc.)

Personal Services Line

	Authorized	BOT Proposed	GOV Am	House	Senate CS2*
	FY2023	FY2024	FY2024	FY2024	FY2024
Personal Services	\$17,813,720	\$20,869,967	\$19,683,900	\$19,136,900	\$20,547,400
Base Salaries	\$11,506,561	\$11,506,561	\$11,506,500	\$11,506,500	\$11,506,500
Base Benefits	\$5,161,290	\$5,161,290	\$5,161,300	\$5,161,300	\$5,161,300
Benefits Adjustments	\$0	\$0	\$0	\$0	\$116,300
Board Merit + Targeted Salary Inc.	\$0	\$1,410,520	\$771,500	\$0	\$1,410,500
Incentive Comp. (Inv. Staff)	\$1,600,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000
Incentive Comp. (Ops. Staff)	\$0	\$500,000	\$0	\$0	\$0
Board Honorarium	\$24,443	\$31,300	\$31,300	\$31,300	\$31,300
Vacancy Factor (3%) + Other	-\$478,574	-\$539,704	-\$586,700	-\$362,200	-\$478,500

*Pending further deliberation and passage

APFC Actual Expenditures, FY18-FY23

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (est)
BOY PF Balance	\$59,785,097,000	\$64,894,345,000	\$66,300,267,000	\$65,302,202,000	\$81,896,795,000	\$76,337,171,000
APFC Corporate Operations (OMB #s)						
Personal Services	\$9,380,700	\$9,643,200	\$10,375,700	\$10,861,700	\$13,283,000	\$16,067,759
Travel	\$548,400	\$577,600	\$433,500	\$128,700	\$530,400	\$584,866
Constructual Services	\$1,526,600	\$3,257,900	\$2,938,600	\$2,743,800	\$2,857,400	\$3,015,014
Commodities	\$160,000	\$217,100	\$306,200	\$268,200	\$183,100	\$184,704
Equipment	\$73,700	\$334,100	\$368,300	\$364,600	\$538,100	\$441,431
Total	\$11,689,400	\$14,029,900	\$14,422,300	\$14,367,000	\$17,392,000	\$20,293,774
bps	1.96	2.16	2.18	2.20	2.12	2.66
APFC Investment Management Fees	\$128,238,400	\$116,928,300	\$105,337,400	\$154,365,200	\$126,236,700	\$144,535,517
bps	21.45	18.02	15.89	23.64	15.41	18.93
APFC Appropriation	\$139,927,800	\$130,958,200	\$119,759,700	\$168,732,200	\$143,628,700	\$164,829,291
Legislative Appropriation	\$7,159,000	\$8,783,000	\$7,792,000	\$8,444,000	\$9,281,000	\$9,365,200
AmHess Capital Income	\$43,395,000	\$22,329,000	\$20,492,000	\$50,116,000	\$24,002,000	\$5,700,000
POMV Distribution	\$760,000,000	\$2,722,842,518	\$2,933,084,121	\$3,091,492,927	\$3,069,296,016	\$3,360,567,100
Total Appropriation	\$950,481,800	\$2,884,912,718	\$3,081,127,821	\$3,318,785,127	\$3,246,207,716	\$3,540,461,591
bps	158.98	444.56	464.72	508.22	396.38	463.79
Lagging 5yr Real Rate of Return	7.59%	7.43%	5.54%	4.77%	9.94%	5.86%



Motion to Authorize Expenditure

SUBJECT: FY23 Budget Projections
FY24 Authorization

ACTION:

DATE: May 18, 2023

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 2023 budget allocations. The estimates are based on actual expenditures through March 31, 2023, and projections for 4Q 2023.

OPERATIONS COMPONENT

Total Corporate Operations	FY23 Budget	FY23 Actuals & Projected	Projected Surplus
	\$22,649,400	\$ 20,293,774	\$2,355,626

Total expenditures, actual plus projected, for corporate operations are expected to be within this year's budget. An analysis of the projected activity for each primary 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	FY23 Budget	FY23 Actuals & Projected	Projected Surplus
	\$17,813,700	\$16,067,759	\$1,745,941

The FY2023 budget added seven new positions, 5 investment and 2 operations (increment of \$1,572.6). APFC currently has 11 vacancies, most of which are or soon will be in the recruitment process. The projected surplus conservatively assumes all of these vacancies will be filled in FY2023. As this is unlikely, the year-end lapse will be higher than projected.

An increment of \$710.0 was added to the FY23 Personal Services primary object for investment officer incentive compensation bringing this component to \$1,600.0. The incentive compensation was fully distributed in 3Q FY23.

Increments for merit adjustments and 5% COLA totaling \$1,153.8 were also added to the FY23 Personal Services primary object.

Travel	FY23 Budget	FY23 Actuals & Projected	Projected Surplus
	\$800,000	\$584,866	\$215,134

As shown below, travel is still increasing coming out of the pandemic. But we have not returned to pre-pandemic travel levels, and so are projecting a lapse of \$215.1 (26.9%).

	FY21 Actuals	FY22 Actuals	FY23 Projected
Total Expenditure	\$71,405	\$436,148	\$584,866
Total Trips	88	224	281
Staff	69	203	245
Trustee	19	21	36

Contractual Services	FY23 Budget	FY23 Actual & Projected	Projected Surplus
	\$3,389,800	\$3,015,014	\$374,786

The Contractual Services primary object of expenditure encompasses all services provided to the Corporation by non-employees such as contractors, consultants, auditors, and attorneys.

Contractual Services	FY23 Budget	FY22 Actuals & Projected	Surplus
Audit, Legal, Consulting	632,550	739,544	(106,994)
Public Communications	343,745	183,087	160,658
Board Support/Meetings	79,100	49,064	30,036
Information Technology	1,340,000	1,234,081	105,919
HR and Recruitment	63,000	52,350	10,650
Training/Education	150,250	60,039	90,211
Office Support	781,155	696,849	84,306
Total	\$3,389,800	\$3,015,014	\$374,786

**Contractual Services for Investment Management Fees are included in the Investment Management section.*

In the FY2023 budget, APFC received two increments for Contractual Services totaling \$176.2. The purpose of these increments was to fund two projects: (1) a communications outreach regarding the Permanent Fund to Alaska youth through a grade-based curriculum (\$60.0), and (2) an analysis of APFC’s data processes, sources and analytical capabilities to help APFC determine its data future (\$116.2)

In general, the Contractual Services primary object will be underspent by about 10%, but there are differences in each component, with overspending in one component (Audit, Legal, Consulting), and underspending in others (Public Communications, Board Support and Meetings, and Training and Education).

Audit, Legal, Consulting – This component 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.

This component will be overspent by \$107.0 (16.9% over-budget) on account of additional expenses for the Funston Governance report, recruitment expenses related to the Executive Director search, and expenses for compensation analysis by McLagan.

Public Communications – This component will be underspent by \$160.7 (46.7%). In general, the communications plan for FY23 required adjustment on account of the transition in the executive director position. As such, communications initiatives for the year were scaled back somewhat. In the latter part of FY23, we focused on procuring a new communications contractor.

The planned youth education program is underway and a high school curriculum has been piloted. Savings in the amount of \$10.0 have been identified for this project. Additional

savings were realized in FY23 by in-sourcing work from the APFC’s communication contractor to staff.

Board Support and Meetings – This component includes meeting room expenses, audio support, catering, and transcription services. In FY23, more board meetings were hosted at state sites in Juneau and Anchorage than in the previous year. On account of the cost savings associated with less costly meetings, this component will lapse approximately \$30.0 (38%).

Information Technology (IT) – This component includes system and consulting services, software licensing and maintenance, and IT equipment repair. This component will lapse approximately \$106.0 (7.9%). Costs have run less than expected because much of the data analysis work contemplated by the FY23 increment was completed with FY22 funds.

In addition to the data project, an IT initiative underway is a conversion from the Cisco based phone system to a Microsoft Team based “soft phone” system. This will channel phone calls into MS Teams, which can be taken anywhere, and eliminating the need for the Cisco desk phone system. Another IT project is migration of APFC file directory to the MS Azure cloud. This will first require implementation of cloud-based backup software—this project will be taken up in FY24.

HR and Recruitment – This component includes recruitment notices and Department of Revenue inter-agency expenses. This component will lapse approximately \$10.7 (16.9%).

Training and Education – This component covers training and education for staff and trustees. This component is expected to lapse \$90.0 (60%). Finding time to focus on formal training remains a challenge. This is something that we will seek to promote for both staff and trustees in FY24.

Office Support – The majority of the expenditures in this component is the office lease (\$524.7), but also includes costs for state administrative chargebacks, copier costs, storage and furniture repair. This component is expected to lapse \$84.3 (10.8%).

Commodities	FY23 Budget	FY23 Actuals & Projected	Projected Surplus
	\$195,900	\$184,704	\$11,196

The Commodities primary object includes subscriptions, reference materials, office supplies, furniture, and IT equipment that cost less than \$5,000 per item. The spending in this component remains pretty much the same as last year.

Equipment	FY23 Budget	FY23 Actuals & Projected	Projected Surplus
	\$450,000	\$441,431	\$8,569

The Equipment primary object includes furniture and IT equipment that cost more than \$5,000 per item. In FY23, we added a car from the state’s equipment fleet (\$26.5) to help reduce costs related to travel in Juneau. Overall, the spending in this component has reduced by about \$100.0 from last year.

INVESTMENT MANAGEMENT COMPONENT

Investment Management	FY23 Budget	FY23 Actuals & Projected	Surplus
Investment Manager Fees	\$179,312,910	\$132,876,914	\$46,435,996
Public Equities	137,457,595	101,797,213	35,660,382
Fixed Income	8,464,907	219,062	8,245,845
Real Estate	3,594,200	3,209,179	385,021
Alternative Assets	29,796,208	27,651,461	2,144,747
Investment Systems	\$8,891,700	\$7,329,531	\$1,562,169
Investment Due Diligence	\$5,763,390	\$2,967,741	\$2,795,649
Custody Fees	\$1,900,000	\$1,361,331	\$538,669
Total	\$195,868,000	\$144,535,517	\$51,332,483

Note: This analysis includes a projection for investment management fees paid directly with corporate receipts. APFC has agreements in place in which management fees (including performance incentives and carried interest) 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. In FY22, the fees netted directly from assets under management totaled \$786.7mm.

Management fees are generally calculated in basis points and the dollar value of the fee depends primarily on investment performance. Accordingly, the dollar value of the fee cannot be predicted with much accuracy for the budget process. 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 substantial cushion is built in to ensure that the Corporation can honor the terms of the contracts with its investment partners. Consequently, we requested and obtained an increment of \$2,828.9 for FY23. Despite the increment, we project a lapse of \$51,332.5 (26.2%) in this allocation.

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. Incentive fees are contracted and paid based on managers outperforming their relative benchmark on a calendar year basis. Base fees are expected to come in at \$63,553.2, and incentive fees at \$38,244.0, leaving a projected lapse of \$35,660.4 (25.9%).

Fixed Income – In FY23, Fixed Income completely internalized management of this portfolio. While \$8,464.9 was budgeted, only \$219.0 was spent on external managers, leaving a projected lapse of \$8,245.8 (97.4%). In other word, bringing this work inside APFC saved close to \$8.5mm.

Real Estate – With projected spend at \$3,209.2, Real Estate fees for the fiscal year are somewhat less than last year. Real Estate is expected to lapse about \$385.0 (10.7%).

Alternatives – The FY23 budget budgeted spend of \$29,792.2 for external alternatives managers. We are projecting a lapse of \$2,144.7 (7.2%). The majority of fees in this component are paid to the Pathway Capital, the Private Equity gatekeeper.

Investment Systems – There is a projected lapse of \$1,562.2 (17.6%) in this component. Expenditures include consulting related to systems that support investment activity, such as Bloomberg, the BlackRock Aladdin system, and eFront, data feeds for investment systems that facilitate analytics and trading, and internet access fees.

Investment Due Diligence – This component is primarily used for diligence related to alternative investments not done by Pathway (third-party fiduciary advice, subject matter experts, and legal services). The amount of deployment in alternatives over the past couple years has been down, resulting in large lapses. The projected lapse this year is \$2,795.6 (48.5%).

Custody Fees – Bank of New York Mellon is the custodian of the Fund's assets. Custodian costs are expected to total \$1,361.3, with a lapse of \$538.7 (28.4%). Custody fees have been basically flat in dollar terms for over 10 years.

Increments and Decrements

FY2022 to FY2023						
APFC Operations						
APFC Operations	FY2022	FY2023	+ / -			
Personal Services	\$14,771.3	\$17,813.7	\$3,042.4	<i>Personal Services</i>		
Travel	\$800.0	\$800.0	\$0.0	PERS Adj	-\$482.1	
Contractual Services	\$3,213.6	\$3,389.8	\$176.2	Health Ins	\$84.7	<i>Contractual Svcs</i>
Commodities	\$201.1	\$195.9	-\$5.2	Incentive Comp Inv	\$710.0	Comms + IT \$71.0
Equipment	\$550.0	\$450.0	-\$100.0	Merit/COLA	\$438.4	Comms + IT \$105.2
				Bd Hon	\$3.4	Total \$176.2
Total	\$19,536.0	\$22,649.4	\$3,113.4	New Staff	\$1,572.6	<i>Commodities</i>
				5% COLA	\$715.4	Move to Svcs -\$5.2
PFT	59	67		Total	\$3,042.4	<i>Equipment</i>
PPT	2	0				Move to Svcs -\$100.0
TMP	2	2				
APFC Inv Mgmt Fees						
	FY2022	FY2023	+ / -			
Inv Mgmt Fees	\$177,221.5	\$179,312.9	\$2,091.4	<i>external mgr fees</i>		
Public Equities	\$131,895.7	\$137,457.6	\$5,561.9			
Fixed Income	\$9,755.8	\$8,464.9	-\$1,290.9			
Real Estate	\$3,114.4	\$3,594.2	\$479.8			
Alternatives	\$32,455.6	\$29,796.2	-\$2,659.4			
Investment Systems	\$8,080.9	\$8,891.7	\$810.8	<i>data feeds and platforms</i>		
Investment Due Diligence	\$6,136.7	\$5,763.4	-\$373.3			
Custody Fees	\$1,600.0	\$1,900.0	\$300.0			
Total	\$193,039.1	\$195,868.0	\$2,828.9			

FY2023 to FY2024						
APFC Operations						
	FY2023	FY2024 (SFin)	+ / -			
Personal Services	\$17,813.7	\$20,547.4	\$2,733.7	<i>Personal Services</i>		
Travel	\$800.0	\$800.0	\$0.0	PERS Adj	\$32.5	
Contractual Services	\$3,389.8	\$3,640.8	\$251.0	Health Ins	\$83.8	<i>Contractual Svcs</i>
Commodities	\$195.9	\$435.6	\$239.7	Merit + Targeted	\$1,410.5	Consult + IT \$251.0
Equipment	\$450.0	\$450.0	\$0.0	Bd. Hon	\$6.9	<i>Commodities</i>
				Incentive Comp Inv	\$1,200.0	Wrkstat Replace \$239.7
Total	\$22,649.4	\$25,873.8	\$3,224.4	Total	\$2,733.7	
PFT	67	67				
PPT	0	0				
TMP	2	2				
APFC Inv Mgmt Fees						
	FY2023	FY2024 (SFin)	+ / -			
Inv Mgmt Fees	\$179,312.9	\$173,151.0	-\$6,161.9			
Public Equities	\$137,457.6	\$137,457.0	-\$0.6			
Fixed Income	\$8,464.9	\$0.0	-\$8,464.9	<i>\$8.5mm decrease in fixed income ext mgr fees</i>		
Real Estate	\$3,594.2	\$3,594.0	-\$0.2			
Alternatives	\$29,796.2	\$32,100.0	\$2,303.8	<i>\$2.3mm increase in alternatives ext mgr fees</i>		
Investment Systems	\$8,891.7	\$11,649.2	\$2,757.5	<i>data vault</i>		
Investment Due Diligence	\$5,763.4	\$5,763.4	\$0.0			
Custody Fees	\$1,900.0	\$2,300.0	\$400.0	<i>increased custody fees</i>		
Total	\$195,868.0	\$192,863.6	-\$3,004.4			

FY2024 Proposed (SFin)

FY2024 BOY PF Balance (est)		\$76,500,000,000					
Corporate Operations	F2024 Proposed (SFin)	bps	Expenditures (as of)	Projected 4Q	Est. Total Expend.	Projected Unspent	% Expended
Personal Services	\$ 20,547,400	2.69					
Staff Salaries and Benefits	17,716,100	2.32					
Incentive Compensation	2,800,000	0.37					
Board: Honoraria	31,300	0.00					
Travel	\$ 800,000	0.10					
Staff	602,000	0.08					
Trustees	18,000	0.00					
Moving and Non-Employee	180,000	0.02					
Contractual Services	\$ 3,640,800	0.48					
Audit, Legal, Consulting	653,200	0.09					
Public Communications	395,300	0.05					
Board Support and Meetings	111,400	0.01					
Information Technology	1,490,000	0.19					
HR and Recruitment	65,100	0.01					
Training and Education	159,700	0.02					
Office Support	766,100	0.10					
Office Lease	520,000	0.07					
Commodities	\$ 435,600	0.06					
Equipment	\$ 450,000	0.06					
Corporate Operations Total	\$ 25,873,800	3.38					
Investment Management							
Investment Systems	\$ 11,649,200	1.52					
Investment Due Diligence	\$ 5,763,400	0.75					
Custody Fees	\$ 2,300,000	0.30					
Investment Manager Fees	\$ 173,151,000	22.63					
Public Equities	137,457,000	17.97					
Fixed Income	-	0.00					
Real Estate	3,594,000	0.47					
Alternative Markets	32,100,000	4.20					
Investment Management Total	\$ 192,863,600	25.21					
APFC Appropriation	\$ 218,737,400	28.59					
Legislative Appropriation	\$ 9,834,500	1.29					
SB 98 Fiscal Note	\$ 2,560,000	0.33					
AmHess Capital Inc. Acct.	\$ 29,283,600	3.83					
POMV Distribution	\$ 3,526,087,852	460.93					
Total Appropriation	\$ 3,786,503,352	494.97					
<i>5 year real rate of return (FY19-FY23 est.):</i>		<i>3.57%</i>					



SUBJECT: APFC Private Equity
Asset Class Update

ACTION: _____

DATE: May 18, 2023

INFORMATION: _____ X _____

Background:

The APFC Private Equity asset class update provides information on the APFC Private Equity Portfolio and the private equity landscape.

Status:

Allen Waldrop, Director of Private Equity, and Lara Pollock, Private Equity Associate, will provide an update on the APFC Private Equity portfolio as well as an overview on the private equity asset class and how APFC approaches private equity investing.



Private Equity - Asset Class Update

May 18, 2023

Contents

- I. Program Overview
- II. Portfolio Review
- III. Market Trends
- IV. FY 2024 Focus Areas

Private Equity Program

Objectives and Approach

- Build a diversified, global private equity portfolio, focusing on venture capital, growth equity, buyout and special situations opportunities through primary partnerships, secondaries, co-investments, and targeted direct investments in operating companies
- Achieve diversification across stage, industry, geography, and other factors
- Includes the ability to seek longer-term, high-conviction, theme-driven investments such as direct investments in venture capital and buyout deals, co-investments alongside general partners, and strategic stakes in promising investment firms

Investment Size	Underwriting Target (IRR)	Targeted Investment Horizon
\$25m - \$200m	15% - 25%+	3 - 10+ years

Private Equity Program (2)

Structures

Fund Commitments

- APFC's fund strategy emphasizes robust, long-term partnerships with exceptional investors applying specialized skills and insights to the companies or assets which they invest
- Identifying exceptional managers and succeeding with them over time is the key determinant of our long-term investment success

Co-investments

- The team evaluates and pursues targeted transactions alongside leading managers
- Co-investments enable the team to execute on APFC's thematic areas and also identify targeted exposures to certain sectors, investment types and geographies as we build a diversified portfolio

Direct Investments

- When our investment horizon, scale, and structural flexibility provide an advantage, we will make direct investments into promising growth companies and undervalued assets with differentiated themes and opportunities
- We concentrate our investments alongside other investors while maintaining a risk framework that ensures resilience if outcomes fall short of expectations

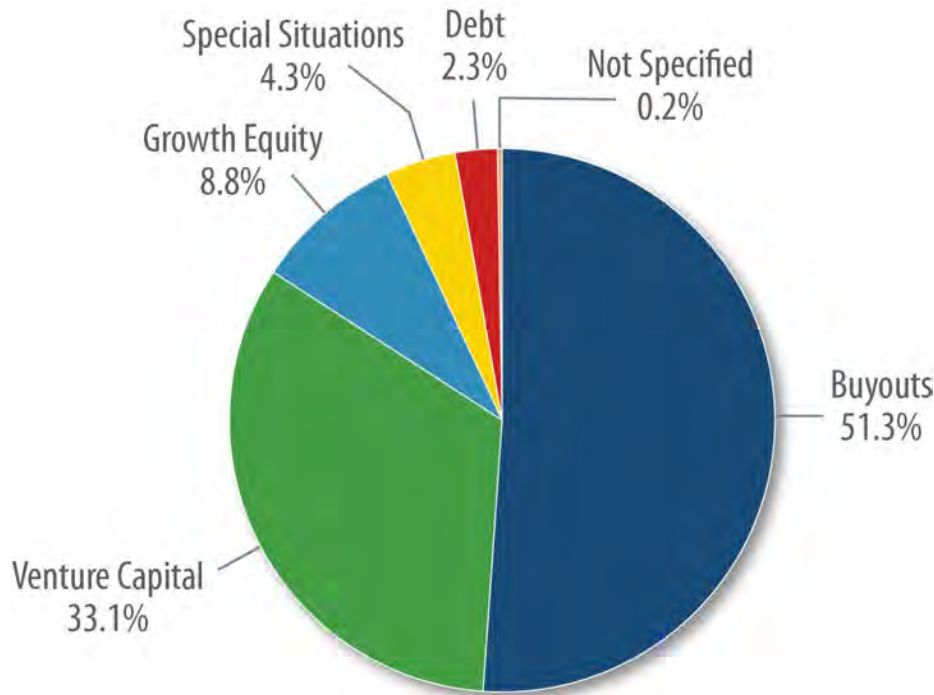
Portfolio – Overview

Strategy	Commit. Amount	Total Contrib.	Total Distrib.	Market Value	% of MV	Total Value	Gain/Loss	TVPI	DPI	IRR
Buyouts	\$8,675.5	\$7,374.3	\$6,786.2	\$6,005.8	39%	\$12,792.1	\$5,417.8	1.73x	0.92x	15.2%
Venture Capital	4,254.3	3,750.2	4,926.3	4,458.0	29%	9,384.3	5,634.1	2.50x	1.31x	24.8%
Growth Equity	1,492.7	1,146.3	1,101.6	1,242.4	8%	2,344.0	1,197.7	2.04x	0.96x	27.2%
Special Situations/ Other	6,491.0	5,425.5	4,413.6	3,555.4	23%	7,968.9	2,543.4	1.47x	0.81x	11.0%
Total	\$20,913.6	\$17,696.3	\$17,227.7	\$15,261.6	100%	\$32,489.3	\$14,793.0	1.84x	0.97x	17.0%

NOTES: Based on fund strategy. 11.5% of the portfolio's market value reflects roll-forward values and is subject to change. Amounts may not foot due to rounding.

- \$20.9bn committed to 545 partnerships / investments across ~160 managers (450 active partnerships / ~120 active managers), over 7,000 individual companies
- Contributions of \$17.7bn have generated total value of \$32.5bn resulting in \$14.8bn of gains, \$4.3bn remaining unfunded
- Special Situations/Other includes energy and other industry specific funds, as well as credit investments executed prior to separation of the Private Income portfolio

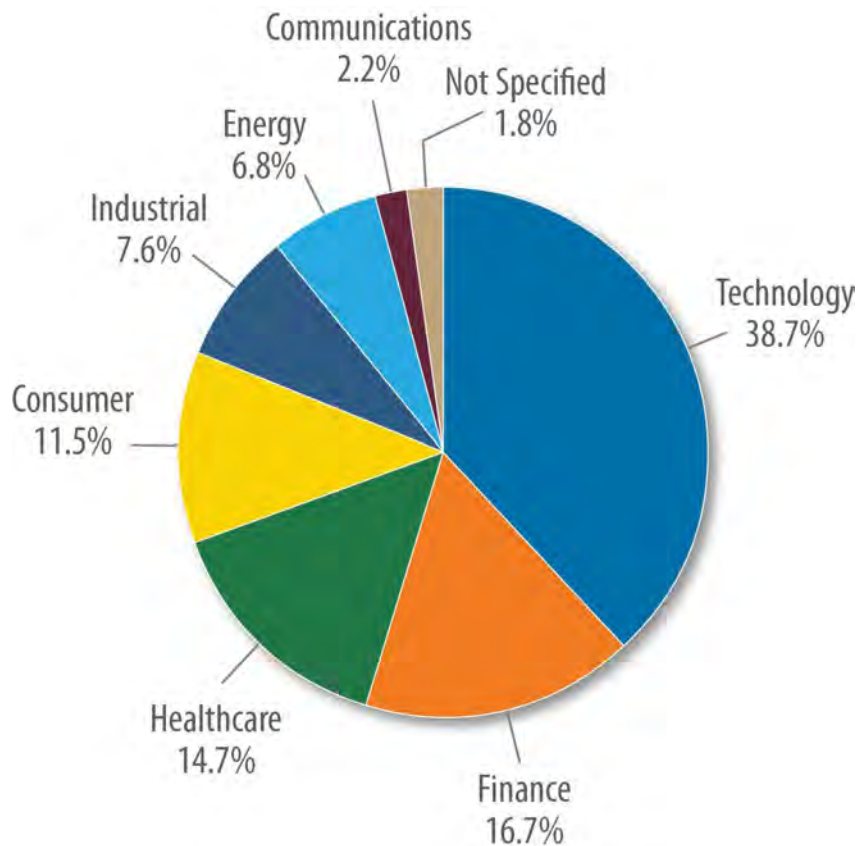
Portfolio – Strategy



NOTE: Based on company market value. 60.8% of market value presented is as of December 31, 2022; the remaining market value data is as of September 30, 2022.

- Venture Capital funds represented 20% of commitments but 33% of remaining market value at the company level, due to a combination of valuation increases and lack of distributions
- Venture Capital exposure expected to fall as valuations decline over the next several quarters and assets are eventually realized
- Debt investments will generally be made out of the Private Income portfolio, though some funds have flexibility to execute debt strategies

Portfolio – Industry

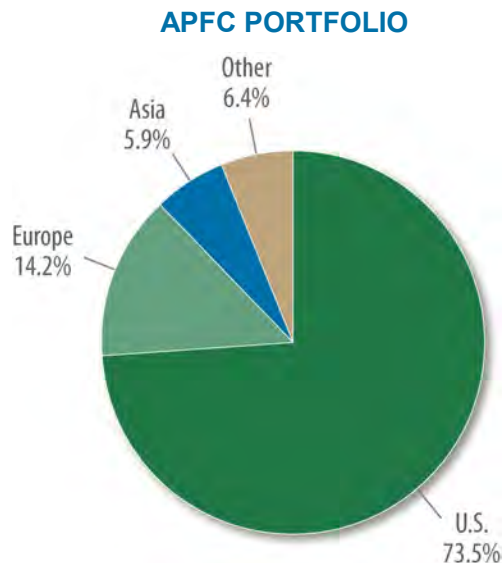


- Higher exposure to technology, healthcare, consumer and finance (82% in aggregate) reflects the changing importance / size in the overall private equity market
- Portfolio has benefited from technology exposure over the last five years, though current returns under pressure
- Healthcare includes biotech / life sciences
- Focus on increasing exposure to industrials and energy

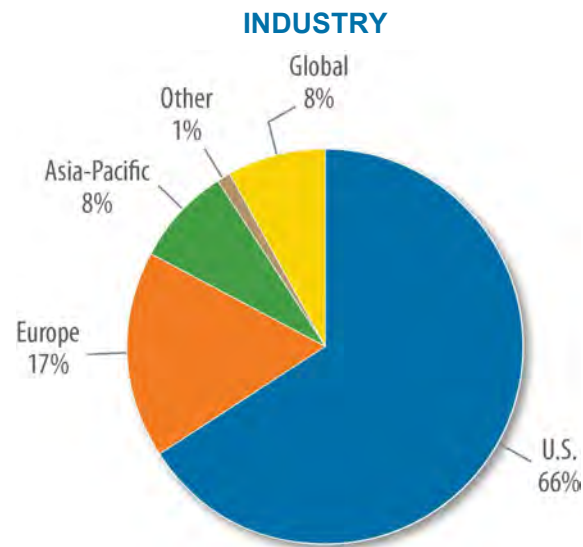
NOTE: Based on company market value. 60.8% of market value presented is as of December 31, 2022; the remaining market value data is as of September 30, 2022.

Portfolio – Geography

- Geographic exposure tilted towards more developed markets of the U.S. and Europe
- Asia exposure diversified across Japan, Korea, Australia and China
- Emerging Markets have not generated the premium needed to compensate for additional risk



NOTE: Based on company market value. 60.8% of market value presented is as of December 31, 2022; the remaining market value data is as of September 30, 2022.

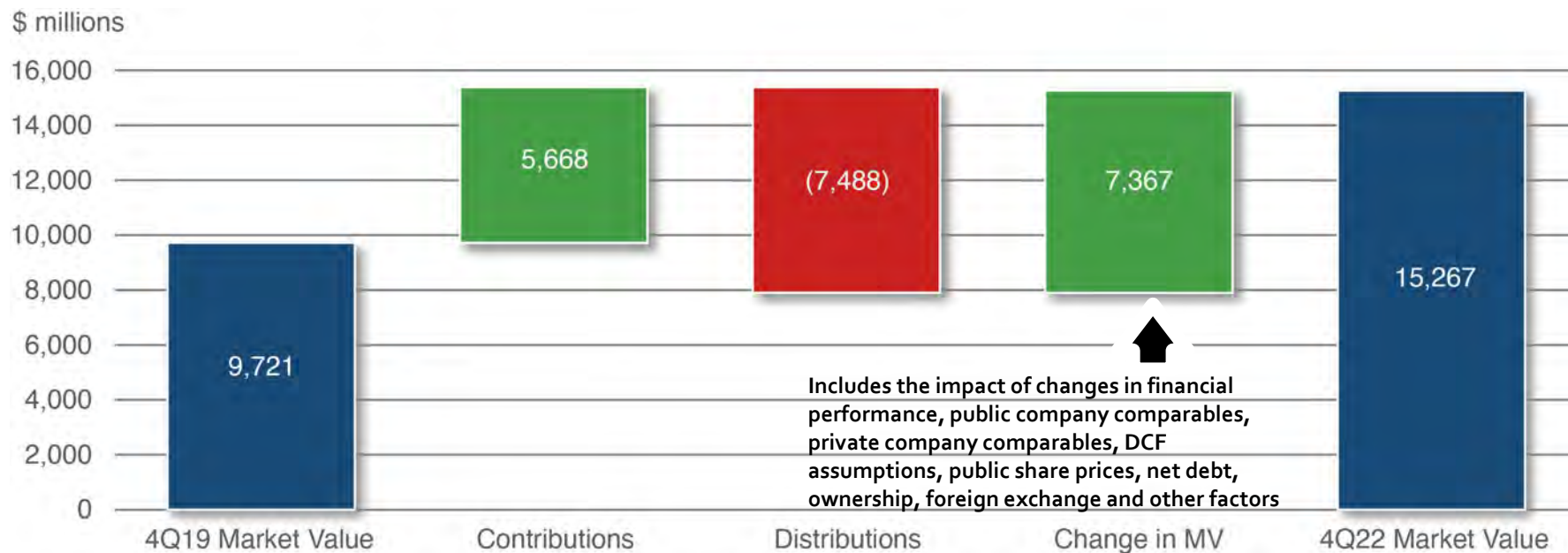


SOURCE: Cambridge Associates. Based on data for all funds (includes debt- and infrastructure-related strategies).

	No. of Funds	% of Funds with IRR >15%	Equal-Weighted IRR	Average IRR	Median IRR
Emerging Markets (All PE)	642	32.6%	12.9%	11.3%	8.6%
United States (All PE)	2,729	48.1%	15.1%	15.5%	14.3%

SOURCE: Cambridge Associates. Based on data for all private equity funds (excludes debt-related strategies) with vintage years from 2003 to 2022.

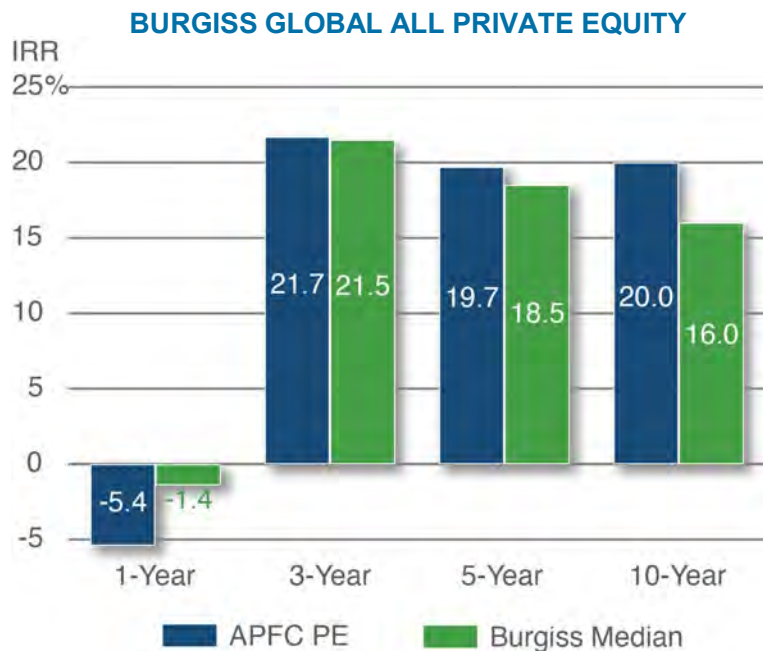
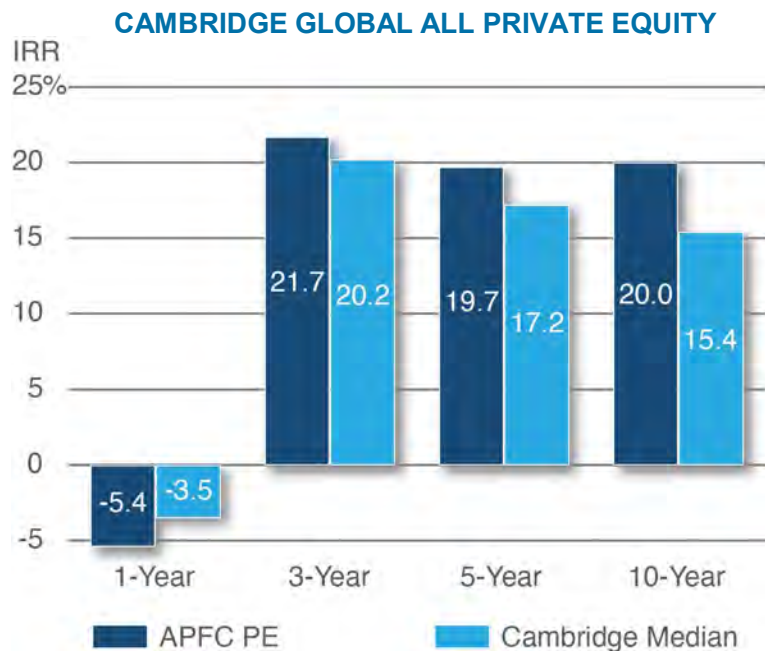
Portfolio – Net Asset Value



NOTE: 15.2% of the portfolio's market value reflects roll-forward values and is subject to change.

- Portfolio NAV increased from \$9.7bn at 12/31/19 to \$15.3bn at 12/31/22 driven by contributions and unrealized gains, which more than offset distributions

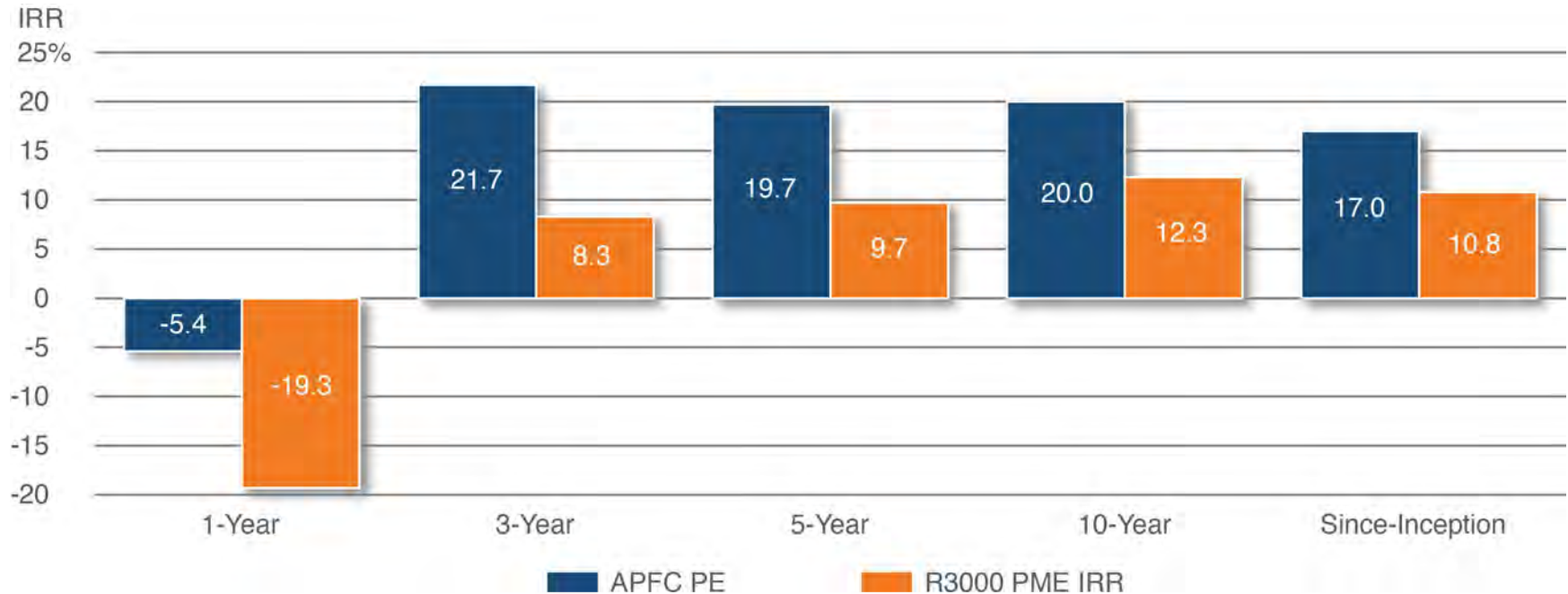
Performance – Private Equity Benchmarks



NOTE: 15.2% of the portfolio's market value reflects roll-forward values and is subject to change.
Cambridge median performance is based on Cambridge global all private equity return benchmark (excludes debt-related strategies), as of September 30, 2022.

- Portfolio has outperformed on a 3-, 5- and 10-year basis
- One-year performance has lagged due to relatively higher exposure to technology sector and earlier-stage companies

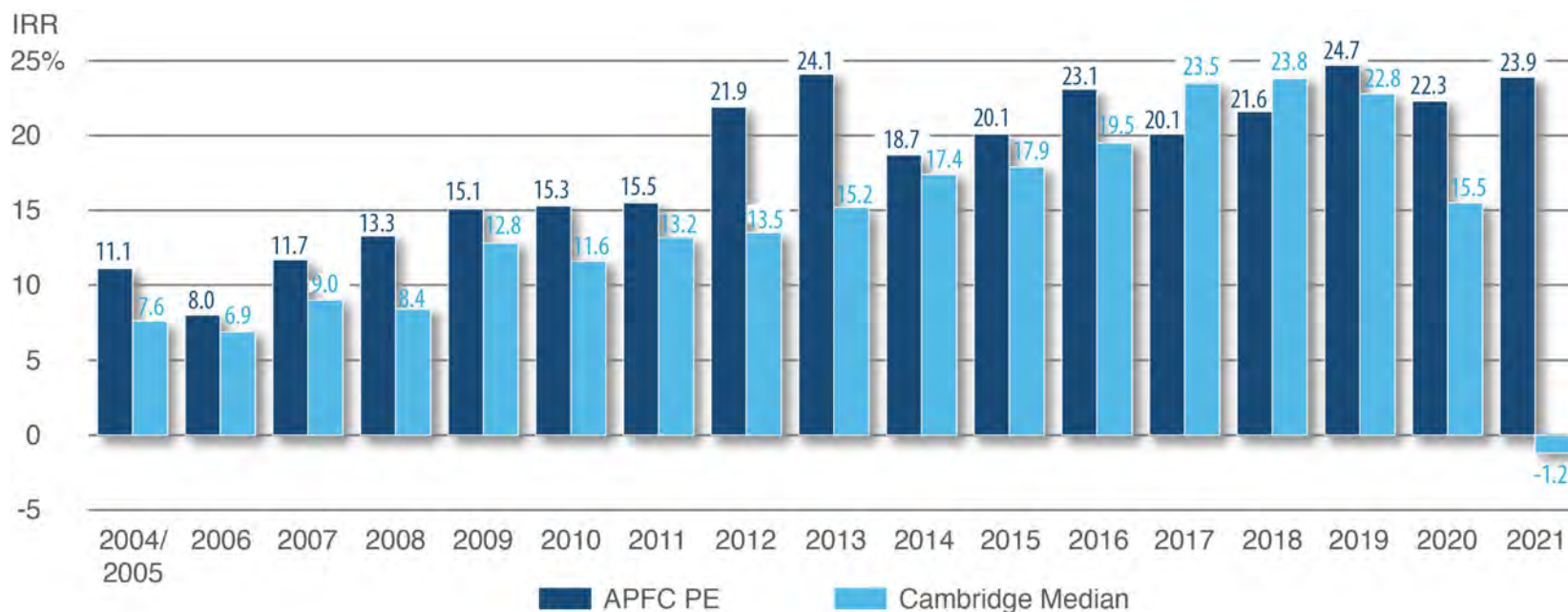
Performance – Public Equity Benchmarks



NOTES: 15.2% of the portfolio's market value reflects roll-forward values and is subject to change.
Performance based on daily cash flows.

- Outperformance against public benchmarks has been accelerating over the last five years, though those gaps are driven in part by timing of valuation adjustments

Performance – Vintage Year IRR



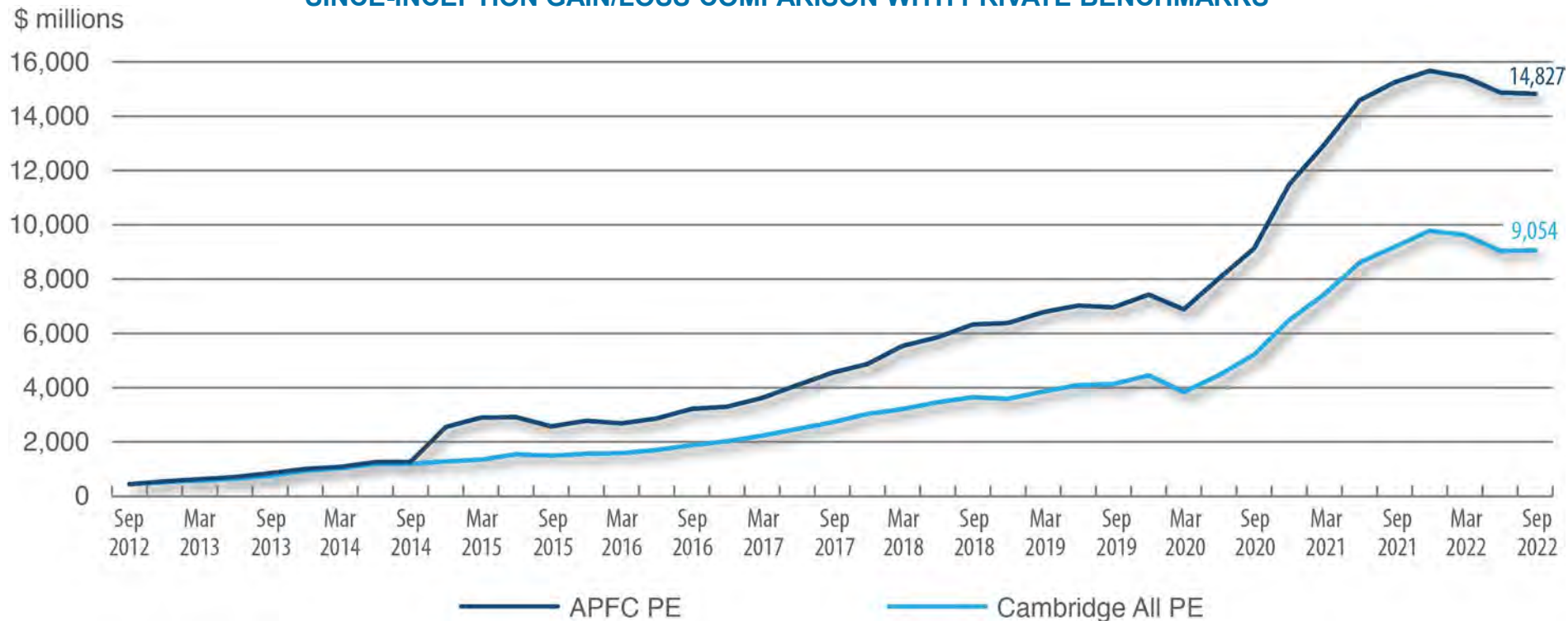
NOTES: 15.2% of the portfolio's market value reflects roll-forward values and is subject to change.

Pathway began constructing the APFC portfolio in the latter part of 2004 and made only two partnership commitments. Given this, the 2004 year has been combined with the 2005 year. Cambridge median performance is based on Cambridge global all private equity return benchmark (excludes debt-related strategies), as of September 30, 2022.

- Below median returns in 2017 and 2018 driven by underperformance of energy and credit fund investments relative to benchmark
- Outperformance in 2021 driven by two co-investments which generated \$92m of the total \$175m gain in the vintage year

Performance – Value Impact

SINCE-INCEPTION GAIN/LOSS COMPARISON WITH PRIVATE BENCHMARKS

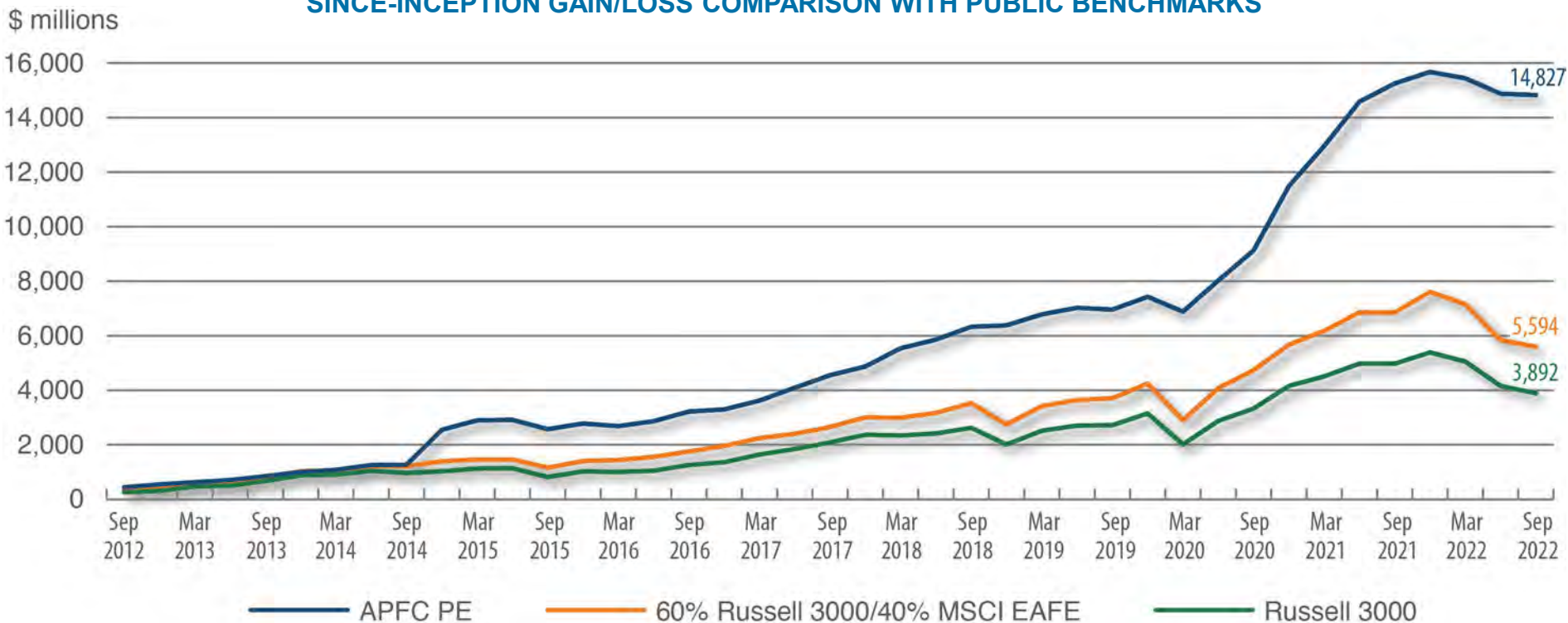


NOTES: Cambridge all private equity benchmark is based on pooled returns for all private equity funds (excludes debt-related strategies) with vintage years from 2004 to 2022. Based on quarterly cash flows.

- Outperformance against the median private equity returns has generated **\$5.8bn of additional value**

Performance – Value Impact (2)

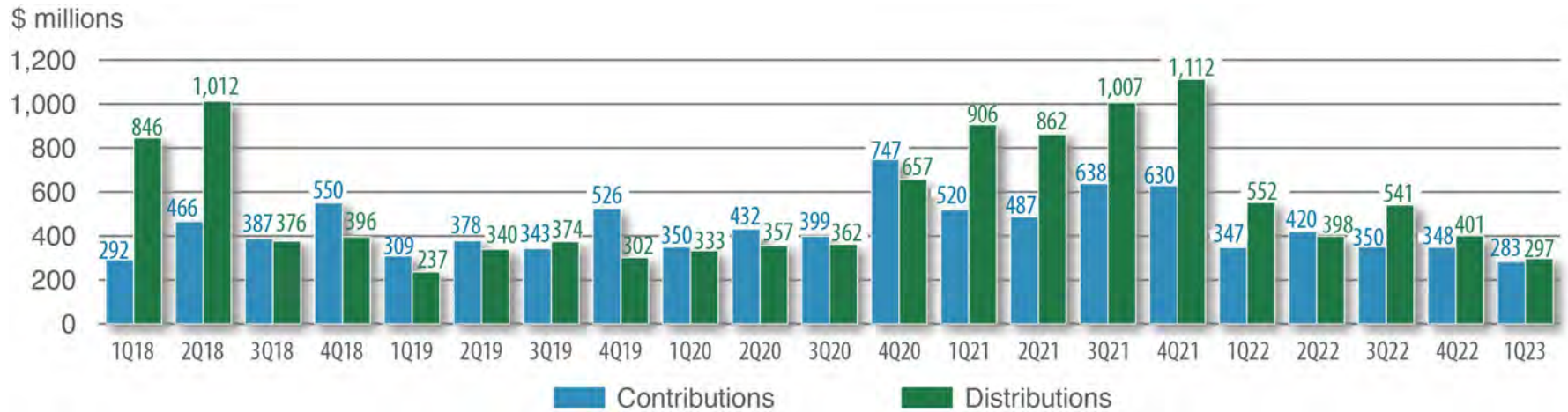
SINCE-INCEPTION GAIN/LOSS COMPARISON WITH PUBLIC BENCHMARKS



NOTE: Based on daily cash flows.

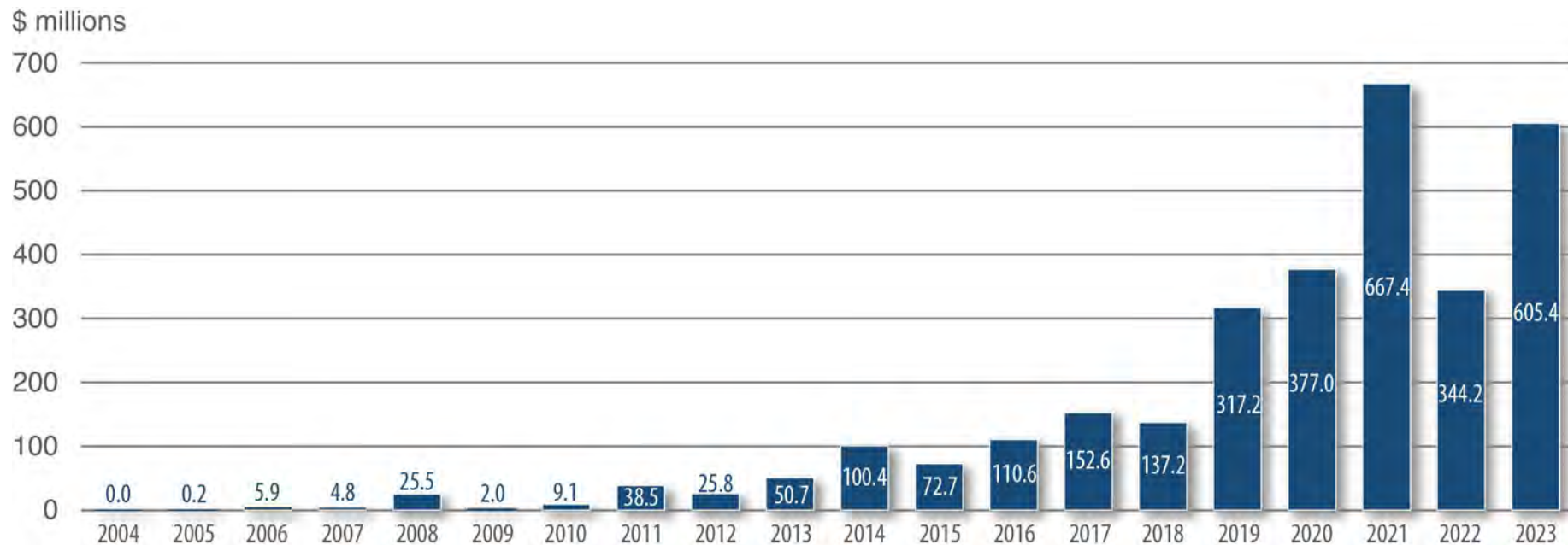
- Outperformance versus public market benchmarks drove **~\$1obn of additional value**

Liquidity – Quarterly Cash Flows



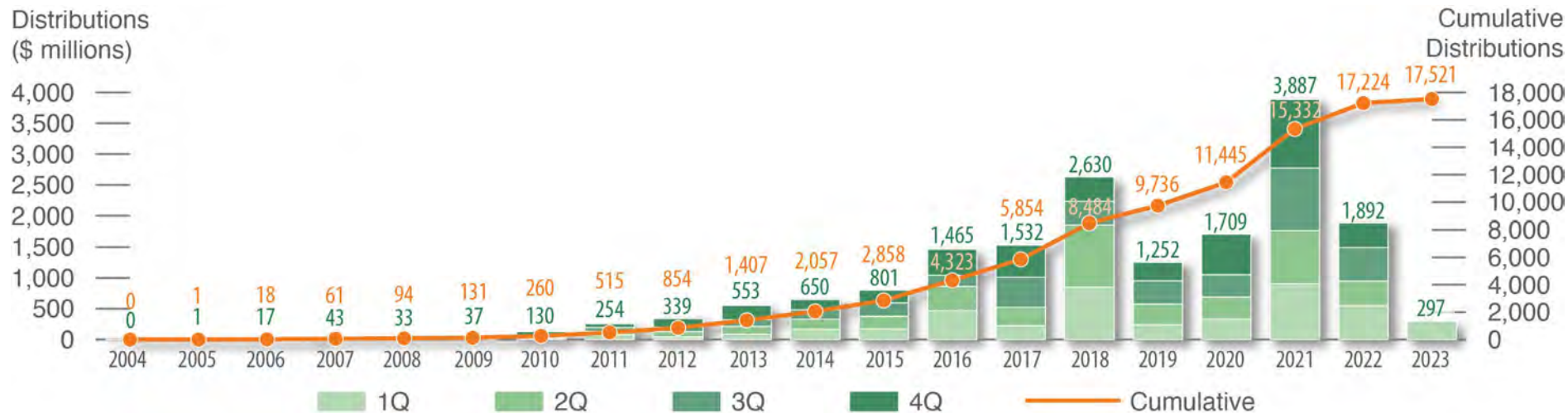
- Quarterly contribution / distributions declined from an average of \$578m / \$972m in 2021 to \$366m / \$477m in 2022, reflecting the slower investment / realization pace across the industry
- Q1 2023 trending downward on both fronts falling below \$300m since 2018 / 2019, but expected to climb in 2H 2023

Liquidity – Unfunded Commitments



- Unfunded commitments (“dry powder”) total \$4.2bn across the PE portfolio
- Amounts in 2018 – 2023 (\$3.3bn / 79%) generally used to execute on new opportunities, while older amounts tend to be reserved for follow-ons and fees
- Despite a lower annual commitment pace, our managers have capital to execute on new opportunities

Liquidity – Distributions



- Cumulative distributions from the PE portfolio reached \$17.5bn in Q1 2023
- Annual distributions fluctuate significantly depending on market conditions

Year in Review – FY 2023

APFC-PCM FYTD 2023 COMMITMENTS

Investment	Close Date	Commitment
Sentinel VII	7/14/22	\$15.0
Spectrum X	7/20/22	15.0
TCV XII	7/29/22	15.0
WestView Capital Partners V	12/15/22	15.0
Incline Equity Partners VI	12/16/22	15.0
GTCR XIV	12/16/22	15.0
HV IX Venture	12/21/22	7.9
HV IX Growth	12/21/22	7.9
Canaan XIII	1/6/23	15.0
Parthenon VII	3/14/23	15.0
Genstar XI	4/21/23	15.0
Mayfield XVII	5/5/23	8.4
Mayfield Select III	5/5/23	8.0
FYTD 2023:		\$167.3

APFC FYTD 2023 COMMITMENTS

Investment	Close Date	Commitment
Altitude Co-Inv ¹	7/18/22	\$10.0
Lee Equity IV	8/4/22	25.0
H.I.G. MM LBO Fund IV	9/30/22	25.0
Goodwater Infinity III	10/13/22	10.0
Goodwater V	10/13/22	15.0
Crestline AK Advisory III	12/7/22	100.0
GTCR XIV	1/12/23	40.0
Bain Asia V	2/24/23	25.0
TA XV	3/30/23	50.0
Vista VII/VIII - Avalara (Co-Inv)	3/31/23	25.0
Genstar XI	4/21/23	40.0
H&F XI	4/21/23	25.0
FYTD 2023:		\$390.0

NOTE: Commitments to non-USD denominated partnerships are calculated using exchange rates at the time of commitment.

¹Follow-on commitment.

- Expected pace of \$1bn in FY 2023 and annually over next several years across both funds and co-investments
- Focus on our top-performing managers going forward

Market Trends

- Private markets activity and valuations in 2021 were an aberration driven by a number of factors including low interest rates, post-Covid economic rebound and robust public equity markets
 - Investment activity slowing across private markets
 - Valuations declining, particularly in VC and growth equity
 - Liquidity drying up as M&A activity, lending and the IPO market slow
 - Private capital becoming more expensive as fundraising slows
- ***What does this mean for APFC?***
 - ***Our capital is more valuable, which requires us to be focused and selective***

Market Trends – Investment Activity

U.S. Buyout Investment Activity



Source: Refinitiv, Pathway Research, and PitchBook LCD.
^a Average PPM (as a multiple of trailing EBITDA) of all LBOs.

European Buyout Investment Activity



Source: Mergermarket and Pathway Research

- Buyout investment activity slowed significantly from 2021 across the U.S. and European markets due to rising interest rates and uncertain financial / economic conditions
- While the year-over-year decline was significant, activity remains relatively consistent with 2018 – 2020 levels
- EBITDA multiples remained relatively flat in the U.S., but declined more significantly in Europe falling below 2018-2020 levels

Market Trends – Investment Activity (2)

Buyout Market Conditions

	2007	2021	2022
U.S. Buyout Average Purchase-Price Multiple ¹	9.7x	11.4x	11.9x
U.S. Buyout Investment Activity ²	\$434 billion	\$503 billion	\$311 billion
% of Technology-Related Buyouts ² (Generally Trade at Higher Multiples)	8%	46%	55%
Average EBITDA/Cash Interest Coverage Ratio ¹	2.1x	3.5x	2.9x
Average Debt/EBITDA Ratio ¹	6.0x	5.8x	6.0x
Average Equity Contribution as a % of Total Capital ¹	30.9%	45.9%	45.8%
U.S. Buyout Fundraising ²	\$186 billion	\$257 billion	\$234 billion

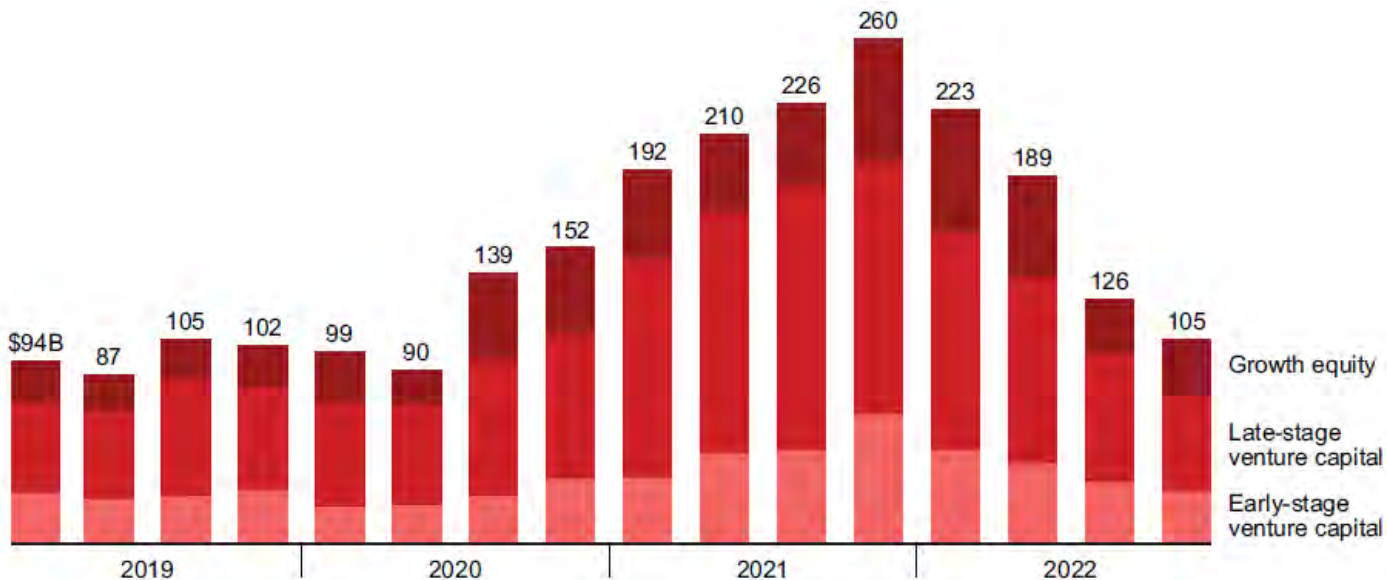
1. Source: Pathway LCD.

2. Source: Refinitiv and Pathway Research. Fundraising amounts are based on net amounts raised, which are adjusted for fund-size reductions

- Increase in purchase multiples largely driven by shift into technology-related deals
- Higher prices financed with increased equity contributions as debt levels remained flat

Market Trends – Investment Activity (3)

Global Growth Equity and Venture Capital Invested (Quarterly)



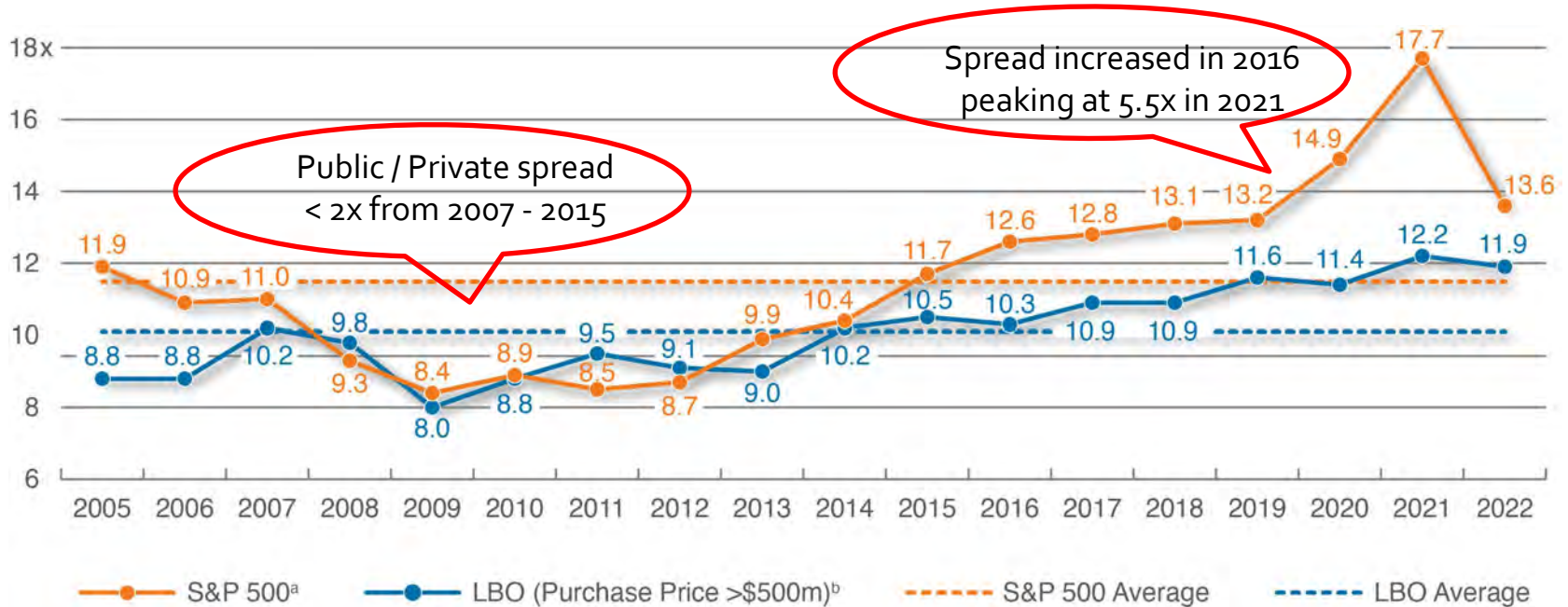
Notes: Late-stage venture capital defined as financing by a VC firm in Series B through Series Z+ rounds and/or more than five years after the company's founding date; growth equity defined as a noncontrol, equity investment by a PE firm into a company, with cash received by the company
Source: PitchBook

- Late-stage VC and growth equity activity declined rapidly in 2022, to pre-Covid levels
- High valuations combined with lack of exit options reduces deal flow

Market Trends – Valuations

Public Market vs. Private Market EV/EBITDA Multiples

At December 31, 2022



- Public market multiples returned to 2019 levels after a 34% increase from 2019 to 2021
- Private market multiples declined modestly in 2022 but generally remained consistent over the last four years

Market Trends – Liquidity

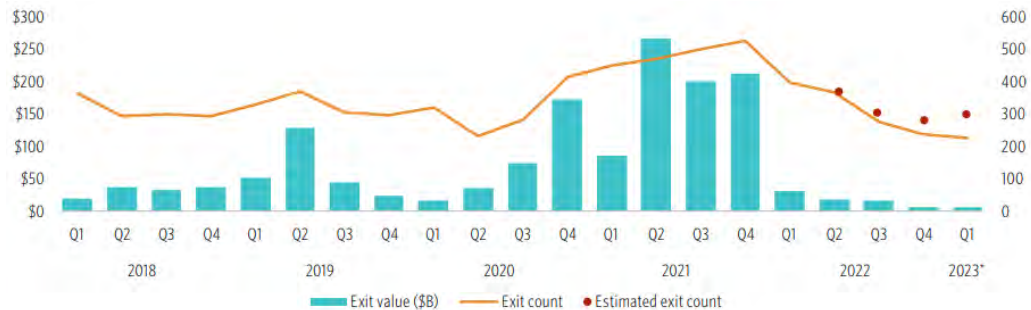
- PE-Backed M&A exits declined ~37% YoY in 2022, but are in line with 2017 – 2020 level in both value and number
- VC exit values declined by >90% in 2022, with Q1 2023 continuing the downward trend
- Tech M&A activity down significantly as traditional strategic acquirers focused internally, and valuations remained at elevated levels

Global PE-Backed M&A Exit Activity



Source: Mergermarket and Pathway Research

U.S. VC Exit Activity by Quarter

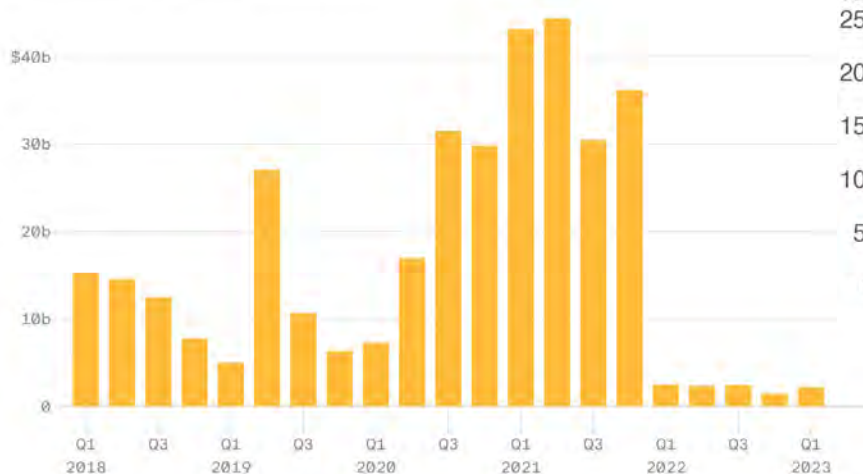


Source: Pitchbook-NVCA Venture Monitor (as of March 31, 2023)

Market Trends – Liquidity (2)

U.S.-listed Traditional IPO Deal Value

By announcement date; Quarterly, Q1 2018 to Q1 2023

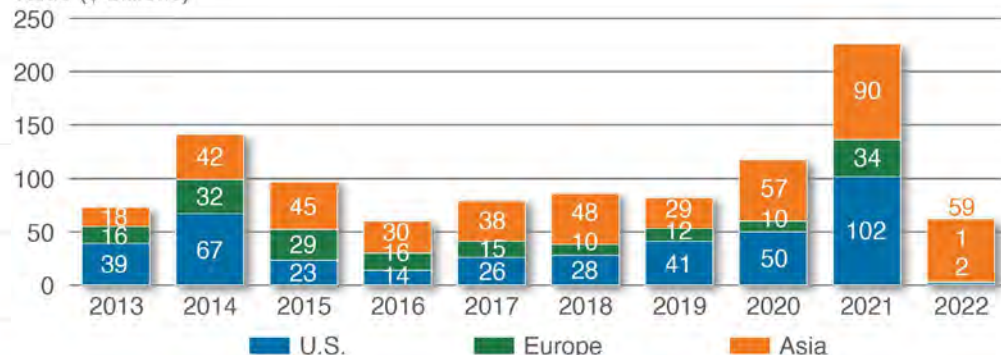


Data: Dealogic; Chart: Axios Visuals

Global PE-Backed IPO Issuance

At December 31, 2022

Value (\$ billions)



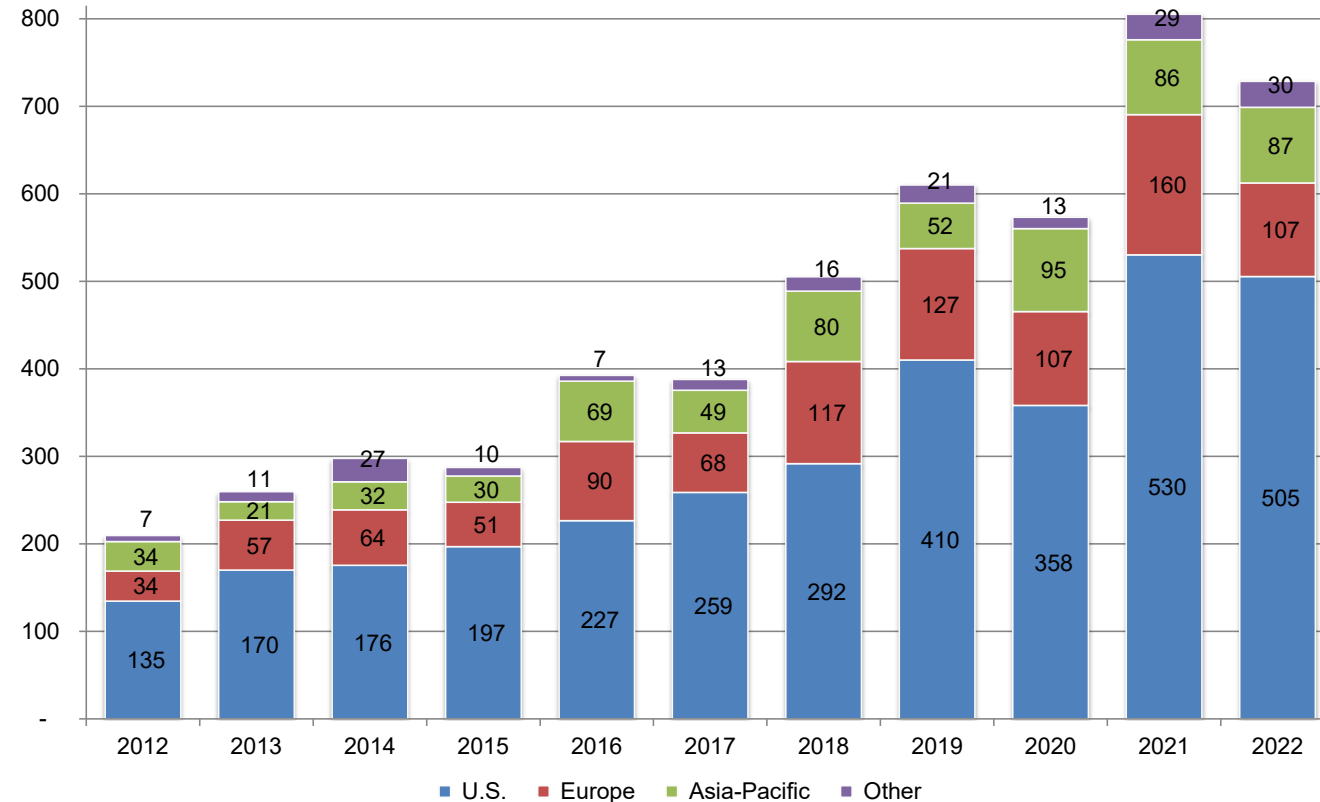
Source: Bloomberg, Renaissance Capital, and Pathway Research.

- The IPO market effectively closed in 2022 and is expected to remain challenged through 2023, particularly in the U.S. and Europe
- Profitable growth will lead recovery, “growth and any price” will remain challenged
- Lack of robust M&A and IPO markets will drive longer hold periods, increased need for follow-on rounds and higher failure rates

Market Trends – Fundraising

Annual Fundraising by Region

\$ in billions



Source: Refinitiv and Pathway research

Notes: Fundraising totals based on net amounts raised, adjusted for fund size reductions
Data subject to change, amounts may not foot due to rounding

295 of 403

- Global fundraising activity declined in 2022 after peaking in 2021, but was the second highest year on record
- While there is a large pipeline of funds in and coming to market in 2023, a lack of realizations and LP allocation constraints could slow the market significantly

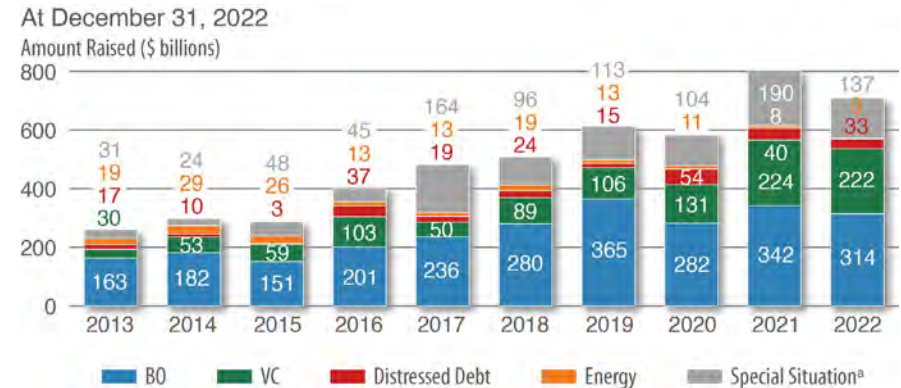
Market Trends – Fundraising (2)

GLOBAL PRIVATE EQUITY FUNDRAISING—BY REGION



SOURCE: Refinitiv and Pathway Research.
 NOTES: Fundraising amounts are based on net amounts raised, which are adjusted for fund-size reductions.
 Comprises buyouts, venture capital, distressed debt, energy, and other fund strategies.
 Data is continuously updated and is therefore subject to change.

GLOBAL PRIVATE EQUITY FUNDRAISING—BY STRATEGY



SOURCE: Refinitiv and Pathway Research.
 NOTES: Fundraising amounts are based on net amounts raised, which are adjusted for fund-size reductions. Amounts may not foot due to rounding.
^aComprises generalist, special situations, and other fund strategies not classified as buyout-, venture capital-, distressed-, or energy-focused.

- The U.S. and Asia increased their share of total fundraising at the expense of Europe, likely driven by reduced investment activity and the impacts of geopolitical uncertainty
- VC fundraising remained consistent from 2021 to 2022, but could be in for significant declines going forward

Focus Areas – FY 2024

- Fund Commitments
 - Disciplined and concentrated approach targeting our highest performing existing relationships
 - Target select new relationships in high conviction established managers
 - Shift exposure toward growth equity and buyout, reducing relative venture exposure
 - Reduce “overdiversification” by identifying “best in each category” and concentrating commitments
 - Technology exposure expected to decline as valuations decrease
 - Focus on developed markets of U.S., Europe and selectively Asia (Korea, Japan, Australia)

Focus Areas – FY 2024 (2)

- Co-investments
 - Systematically evaluate opportunities with our highest performing partners to drive outperformance
 - Substantial deal flow across portfolio, less LP activity due to overallocations
 - Reduce pace of direct investments / co-investments into biotech
- Secondaries
 - Market dynamics
 - Sellers – Denominator effect persists, portfolio NAVs remain flat, distributions are limited, resulting in pressure on allocations
 - Buyers – Less leverage available and at higher cost, but lots of dry powder
 - Certain segments could be particularly interesting
 - Energy – Forced selling out of portfolios following valuation rebound
 - Asset Specific / Continuation Vehicles – Market dynamics and situation / asset specific deals create opportunities



ALASKA PERMANENT
FUND CORPORATION

Integrity • Stewardship • Passion

SUBJECT: Private Equity Presentation
KPS Capital Partners

ACTION: _____

DATE: May 18, 2023

INFORMATION: X

Background:

KPS Capital Partners, LP, focuses on making controlling equity investments in manufacturing and industrial companies across a range of industries, including basic materials, branded consumer, healthcare and luxury products, automotive parts, capital equipment and general manufacturing.

The firm has successfully developed and executed a strategy of creating new companies to acquire assets or businesses from large corporations, businesses owned by families or entrepreneurs, and businesses presented for sale in connection with financial restructurings, including companies owned by former creditor groups. KPS then transforms these businesses into independent, world-class, industry-leading enterprises by structurally improving their strategic position, competitiveness, and profitability.

Presenter Biography:

Ryan Baker – Partner, KPS Capital Partners LP

Ryan Baker is a Partner of KPS. Prior to joining KPS in 2007, Mr. Baker was an associate at Paul, Weiss, Rifkind, Wharton & Garrison in their Mergers & Acquisitions Group. Mr. Baker graduated from the University of Toronto's Joseph L. Rotman School of Management with an M.B.A and the Faculty of Law with a J.D. Mr. Baker graduated from the University of Western Ontario with a B.S. in computer science and statistical sciences.

Mr. Baker currently serves on the Board of Directors of the following KPS portfolio companies: AM General, Briggs & Stratton, Eviosys, Lufkin Industries, Oldcastle BuildingEnvelope, Primient and Speira.



KPS
CAPITAL PARTNERS, LP

KPS Overview

Disclosures

KPS Special Situations Overview

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Performance information included in this document is presented for illustrative purposes only and is not indicative of the future returns of funds managed by KPS and there can be no assurance that such funds will achieve comparable results, be able to avoid losses or be able to implement their investment strategies. The historical risk / return characteristics of the fund complexes known as KPS Special Situation Fund (“Fund I Main”), KPS Special Situations Fund (Supplemental) (“Fund IS” and, collectively with Fund I Main, “Fund I”), KPS Special Situations Fund II (“Fund II”), KPS Special Situations Fund III (“Fund III”), KPS Special Situations Fund III (Supplemental) (“Fund IIIS”), collectively with Fund III (“Fund III / IIIS”) and KPS Special Situations Fund IV (“Fund IV”) (together with each of KPS Special Situations Fund V (“Fund V”) and collectively with each of the foregoing, the “KPS Flagship” funds) and KPS Special Situations Mid-Cap Fund (“Mid-Cap Fund I”, and collectively with the KPS Flagship funds, and any future investment funds formed and sponsored by KPS, the “KPS Funds”) may be significantly different from those of the other portfolios managed or advised by the professionals of KPS. All opinions and estimates are based on assumptions, all of which depend on numerous external factors, including in many cases future events that are difficult to predict or are beyond the control of KPS. In addition, any calculations used to generate the estimates were not prepared with a view towards public disclosure or compliance with any published guidelines.

The recipient should make its own investigations and evaluations of the information contained in this document and should note that such information may change materially. The recipient acknowledges and agrees that the recipient is a sophisticated investor with such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the opportunities described herein. The recipient agrees that the recipient shall independently and without reliance upon KPS, the KPS Funds or any of their related persons and based on such documents and information as the recipient has deemed appropriate and on consultations with the recipient’s own legal, tax, regulatory, accounting, investment and financial advisors, make its own appraisal of, and investigation into the business, operations, property, financial and other conditions, creditworthiness, likelihood of success, merits and consequences of the opportunities described herein.

Certain information contained herein, particularly in respect of economic, market and performance data, has been obtained from, or is based on or derived from information provided by, company management and other third parties, and in certain cases has not been updated through the date hereof. While these third party sources are believed to be reliable, KPS, its affiliates and their respective partners, members, employees, officers, directors, agents and representatives has not verified and is not responsible for any inaccuracies, omissions and dated information contained in such information and make no representation or warranty, express or implied, with respect to the accuracy, fairness, reasonableness or completeness of any of the information contained herein (including but not limited to information obtained from third parties), and expressly disclaim any responsibility or liability therefor.

The information contained herein also includes forward-looking statements regarding returns, performance, opinions, the KPS Funds, their portfolio companies or other events. Forward-looking statements include a number of risks, uncertainties and other factors beyond KPS’ control, or the control of the KPS Funds or their portfolio companies, which may result in material differences in actual results, performance or other expectations. References to a particular portfolio company’s opportunities (including potential add-on acquisitions), position with respect to trends, availability of synergies or similar concepts are forward-looking statements representing the views, plans or expectations of KPS. Successful execution will depend on numerous other factors. There can be no guarantee any expectations with respect to any portfolio company will materialize. The opinions, estimates and analyses contained herein reflect KPS’ current judgment as of the date of this presentation. References to “near-term” generally describe expectations within a 24 month time horizon. In preparing this document, KPS has relied upon and assumed, without independent verification, the accuracy and completeness of all information including information provided by the management professionals of the portfolio companies of the KPS Funds. Unless otherwise noted, the information reflected in the tables, graphs and charts contained herein was provided by the management professionals of the portfolio companies of the KPS Funds.

Disclosures (Cont'd)

KPS Special Situations Overview

Tables, graphs or charts relating to past performance included in this presentation are intended only to illustrate the performance during the historical periods shown and are not intended to predict future performance. Pie charts may not add up to 100% due to rounding. None of the information contained herein should be used as the basis for an investment decision or a decision regarding selection of advisory services. KPS believes that the information provided herein is reliable; however, it does not warrant its accuracy or completeness.

Case studies of select prior investments made by KPS as presented herein are for illustrative purposes only, have been selected in order to illustrate KPS' investment management strategy and processes as applied to the investments of prior KPS Funds, and do not purport to be a complete list thereof or KPS' full track record. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described herein. Further, references to the investments included in the illustrative case studies should not be construed as a recommendation of any particular investment or security. Past performance is not necessarily indicative of future results.

Certain information was provided by third parties and certain statements reflect KPS' beliefs as of the date hereof based on prior experience and certain assumptions that KPS believes are reasonable, but may prove incorrect. The full impact of certain macroeconomic challenges discussed herein, such as the inflation shock and COVID-19, are particularly uncertain and difficult to predict; therefore, any forward-looking statements related thereto do not reflect their ultimate potential effects, which may substantially and adversely impact a KPS Fund's execution of its investment strategy. References herein to the impact of such macroeconomic challenges should be understood to refer to the impact of such challenges as of the date hereof, and not as of any future dates. Potential investors are urged to read the statement of risks associated with an investment in the applicable KPS Fund set forth in such KPS Fund's private placement memorandum ("PPM"), as and when available, for a description of certain factors that may affect the performance of the relevant KPS Fund and that should be considered before making an investment in such KPS Fund.

The information contained herein also includes forward-looking statements regarding returns, performance, opinions, the KPS Funds, their portfolio companies ("Portfolio Companies") or other events. Forward-looking statements include a number of risks, uncertainties and other factors beyond KPS' control, or the control of the KPS Funds or their Portfolio Companies, which may result in material differences in actual results, performance or other expectations. References to a particular Portfolio Company's opportunities (including potential add-on acquisitions), position with respect to trends, availability of synergies or similar concepts are forward-looking statements representing the views, plans or expectations of KPS.

Any environmental, social and governance ("ESG") considerations and goals to the extent discussed herein with respect to any portfolio company are aspirational and not guarantees or promises that all goals will be met. Statistics and metrics relating to ESG matters are estimates and may be based on assumptions or developing standards (including KPS' internal standards and policies). There can be no assurance that KPS' ESG policies and procedures will continue throughout the life of any KPS Fund, and KPS' ESG policies and procedures could change, even materially. ESG factors are only some of the many factors KPS considers in making an investment, and there is no guarantee that consideration of ESG factors will enhance long-term value and financial returns for limited partners. KPS is permitted to determine in its discretion that it is not feasible or practical to implement or complete certain of its ESG initiatives based on cost, timing or other considerations. To the extent KPS engages with portfolio companies on ESG-related practices and potential enhancements thereto, there is no guarantee that such engagements will improve the financial or ESG performance of the investment. In addition, the objectives of the KPS Funds are to seek to maximize risk-adjusted returns for investors consistent with the investment objectives of each KPS Fund set forth in its governing documents. ESG activities are generally aimed at identifying or enhancing value opportunities or sought out in furtherance of pursuing favorable investment outcomes, in line with the investment objectives of the relevant KPS Fund.

Additionally, terms such as "ESG", "impact" and "sustainability" can be subjective in nature, and there is no representation or guarantee that these terms will reflect the beliefs, policies, frameworks or preferred practices of any particular investor or other third-party or reflect market trends. Any ESG, climate or impact goals, commitments, incentives and initiatives discussed herein are, unless explicitly stated otherwise purely voluntary, not binding on our business and/or management and do not constitute a guarantee, promise or commitment regarding actual or potential positive impacts or outcomes. Unless otherwise stated, references to ESG initiatives and performance at portfolio companies are not intended to indicate that KPS has materially contributed to such initiatives or performance. Any ESG outcomes, commitments, incentives or initiatives referenced in any information, reporting or disclosures published by KPS are not being promoted and do not bind any investment decisions made in respect of, or stewardship of, any funds managed and/or advised by KPS for the purposes of Article 8 of Regulation (EU) 2019/2088.

Third-party logos included herein are provided for illustrative purposes only. Inclusion of such logos does not imply affiliation with or endorsement by such firms or businesses. There is no guarantee that the KPS or its Portfolio Companies will work with any of the firms or businesses whose logos are included herein in the future.



INTRODUCTION

Introduction

Firm Overview	<ul style="list-style-type: none">▪ KPS Capital Partners, LP (“KPS”) is a leading global private equity firm that makes controlling equity investments in manufacturing and industrial companies across a diverse array of industries▪ Approximately \$14.9 billion of assets under management (as of December 31, 2022)▪ KPS raised \$6.0 billion for KPS Special Situations Fund V (“Fund V”) and \$1.0 billion for KPS Special Situations Mid-Cap Fund (“Mid-Cap Fund I”) in October 2019
KPS Team	<ul style="list-style-type: none">▪ Co-Founders and Managing Partners, Michael Psaros and David Shapiro have worked together as a team for over 31 years, with Managing Partner Raquel Palmer for over 28 years▪ KPS believes the stability, complete continuity and shared sense of purpose of the KPS Partners and senior investment team over decades are critical factors in the Firm’s success, and a significant competitive advantage and differentiator▪ The Managing Partners have been ultimately responsible for every investment made by KPS since the formation of the Firm▪ The KPS Partners, working together as a team, have a combined 185 years of shared investment experience and have successfully invested across economic, financial and industrial cycles over decades
Investment Strategy	<ul style="list-style-type: none">▪ KPS’ successful investment strategy is based on seeing value where others do not, buying right and making businesses better▪ KPS is an opportunistic “micro” investor focused on individual companies – not a macro, cycle or thematic investor▪ KPS creates value by structurally improving the strategic position, competitiveness and profitability of its portfolio companies, rather than primarily relying on financial leverage▪ KPS creates value almost exclusively through operational and performance improvement, and has employed the same investment strategy for over 30 years▪ KPS is one of the world’s leading turnaround firms
Demonstrated Long-Term Success	<ul style="list-style-type: none">▪ KPS’ realized funds have consistently outperformed its peers over the Firm’s 25-year history▪ KPS has maintained its high return standards, as it has grown each KPS Fund
Global Firm	<ul style="list-style-type: none">▪ KPS’ portfolio companies generate aggregate annual revenues of approximately \$22.3 billion, operate 233 manufacturing facilities in 27 countries and have approximately 53,000 employees^a▪ KPS has offices in New York (2), Chicago, Frankfurt and Amsterdam▪ KPS’ Investors include the world’s leading institutional investors from 26 countries

^a As of December 31, 2022, pro forma for recent acquisitions and exits

Introduction

Demonstrated Ability to Capitalize on Volatile Market Conditions

- KPS demonstrated the power of its global franchise in 2023, 2022, 2021 and 2020
 - ◆ Acquired 12 platform companies and completed 21 add-on acquisitions since June 30, 2020 with a combined enterprise value of approximately \$13.6 billion – approximately \$7.3 billion in Europe and \$6.3 billion in North America^a
 - ◆ Invested over \$4.7 billion, including capital from KPS Co-Investors, seller rollover equity and Management co-invest, and over \$3.7 billion of equity capital from Fund IV, Fund V and Mid-Cap Fund I^b

New Investment Platforms Since June 30, 2020

The grid displays 12 acquisition announcements from KPS Capital Partners, LP:

- Lufkin Rod Lift Solutions (LUFKIN)
- Speira Holdings, LP (speira)
- Hussey Copper (Hc)
- Briggs & Stratton Corporation (BRIGGS & STRATTON)
- Eviosys (EVIOSYS)
- Siderforgerossi Group S.p.A. (SIDERFORGEROSS)
- Tate & Lyle's Primary Products Business in North America and Latin America (Primient)
- Metra Holding S.p.A. and Metra S.p.A. (METRA and PROFILE)
- Oldcastle Building Envelopes from CRH plc (Oldcastle Building Envelopes)
- Percelain Enamel, Glass Coatings and Forehearth Colours Business of Prince International Corporation (PEMCO)
- Princess Yachts (Princess)

Portfolio Companies Completed 21 Add-On Acquisitions Since June 30, 2020

Recent Exits^c

The grid displays 4 exit announcements from KPS Capital Partners, LP:

- Taylor Made Golf Company, Inc. (TaylorMade)
- DeKko Global Inc. (DeKko)
- Howden (Howden)
- Chart Industries, Inc. (NYSE: GTLS) (Chart Industries, Inc.)

Recent Recaps^{d,e}

The grid displays 4 recapitalization announcements from KPS Capital Partners, LP:

- AUTOKINITON
- AI5 GLOBAL
- EVIOSYS
- IKG (two)
- Primient

^a Refers to combined enterprise value of Flagship and Mid-Cap portfolio companies as of the date of initial acquisition or signing. Includes all platform investments and add-on acquisitions. Enterprise value excludes Princess Yachts, which closed on March 15, 2023

^b As of March 31, 2023

^c On March 17, 2023, KPS sold Howden to Chart Industries, Inc.

^d Primient distributions from free cash flow in September and November 2022

^e Eviosys distributions from free cash flow in April and October 2022, and one dividend recapitalization in March 2023

The select investments presented herein are provided for illustrative purposes only and may not be representative of all transactions of a type or types of investments generally and should not be relied on in any manner as legal, tax, regulatory or investment advice and should not be considered a specific recommendation of any particular security or portfolio company. Past performance is not necessarily indicative of future results and there can be no assurance that KPS will be able to achieve its investment objectives

Introduction

Why Invest With KPS – The Market Opportunity

- KPS believes it continues to see every relevant investment opportunity in North America and Europe
- KPS consistently pursues a full spectrum of investment opportunities in North America and Europe in connection with corporate carve-outs and restructuring opportunities
- Potential Distressed Cycle
 - ◆ KPS has only acquired four companies in connection with financial restructuring or bankruptcy transactions over the past decade, including Briggs & Stratton in 2020 (Fund V), Hussey Copper and Princess Yachts (both Mid-Cap Fund I) in 2020 and 2023^a
 - ◆ KPS believes it may have the opportunity to capitalize on the first distressed cycle involving the manufacturing and industrial sector in two decades. KPS believes a distressed cycle may be probable for a combination of the following reasons:^b
 - Over the past five years, buyout valuations were high and financial leverage was pushed to its limits
 - Corporate profits and cash flows have been negatively impacted by severe inflation shock, energy shocks, acute labor shortages (in the U.S.) and global supply chain chaos in the Post COVID-19 Pandemic Period
 - A probable recession in the U.S. and Europe will materially impact corporate profitability as revenues decline due to global demand destruction
 - Increases in interest rates have materially increased the cash interest expense/burden of corporate borrowers utilizing floating-rate debt. Many corporate borrowers will now have to prioritize remaining solvent and will struggle to maintain covenant compliance (increasing cash interest expense results in fixed charge coverage ratios being negatively impacted/reduced), thereby reducing cash available for capital investment and growth
 - For global companies with U.S. dollar denominated financial statements, corporate profits will be negatively impacted by the strong U.S. dollar
 - Real-time confirmation – KPS acquired Princess Yachts in connection with an out-of-court financial restructuring / change of control transaction, whereby the former private equity owners of the company sought KPS to provide immediate liquidity needs and execute an operational transformation of the company

We believe these factors may result in the first distressed cycle involving the manufacturing and industrial sector in two decades

KPS believes there are few private equity firms with its expertise, skill set, experience and reputation, that also have the ability to invest over \$1 billion in a single investment. KPS is capitalizing on a space occupied by very few private equity firms in the world

^a In November 2013, KPS created HHG through a section 363 sale of assets under the U.S. Bankruptcy Code. HHG later filed for bankruptcy protection on July 29, 2018

^b There can be no assurance that historical trends will continue or that any expected opportunity will be available for investment. Actual results may differ materially from any forward-looking statements herein. The full impact of COVID-19 is particularly uncertain and difficult to predict, but could have an adverse effect on the future aggregate investment performance of the KPS Funds and certain or all of the individual investments thereof. The information contained herein has been determined by KPS based on third party research and data that KPS believes to be reasonable. Although KPS believes that such determinations are reasonable, they are inherently subjective in nature. Other market participants may make different determinations relating to sector characterization and size based on the same underlying data

Information herein reflects current beliefs of KPS as of the date hereof and is based on a variety of assumptions and estimates that are subject to various risks. There can be no assurance that any plans described herein will be realized on the terms expressed herein or at all, and all such plans are subject to uncertainties and risks

Introduction

KPS' Recent Sales – Full Exits

- Recent exits demonstrate that KPS has maintained its high return standards as KPS investment size has increased

The image displays ten separate exit announcements from KPS Capital Partners, LP, arranged in two rows of five. Each announcement follows a similar format: the KPS logo, the name of the portfolio company, a brief description of the company, the date of the exit, and the KPS logo again. The companies listed are:

- Howden (September 30, 2019)
- Dexko Global Inc. (October 4, 2021)
- Taylor Made Golf Company, Inc. (August 3, 2021)
- Centroid Investment Partners (August 3, 2021)
- Chassis Brakes International Group (October 11, 2019)
- Hitachi Automotive Systems, Ltd. (October 11, 2019)
- Angeles Equity Partners, LLC (November 1, 2019)
- International Equipment Solutions, LLC (November 1, 2019)
- Electrical Components International, Inc. (June 26, 2018)
- Cerberus Capital Management (June 26, 2018)
- Paladin and Pango Business Units (March 9, 2019)
- Stanley, Black and Decker, Inc. (March 9, 2019)
- NPK Construction Equipment, Inc. (May 16, 2019)
- Expera Specialty Solutions, LLC (October 16, 2018)
- Ahlstrom-Munksjö Oyj (October 16, 2018)
- American & Efird Global (May 1, 2018)
- Platinum Equity Capital Partners (May 1, 2018)

Single platform executed through the sale of three business units in separate sale processes

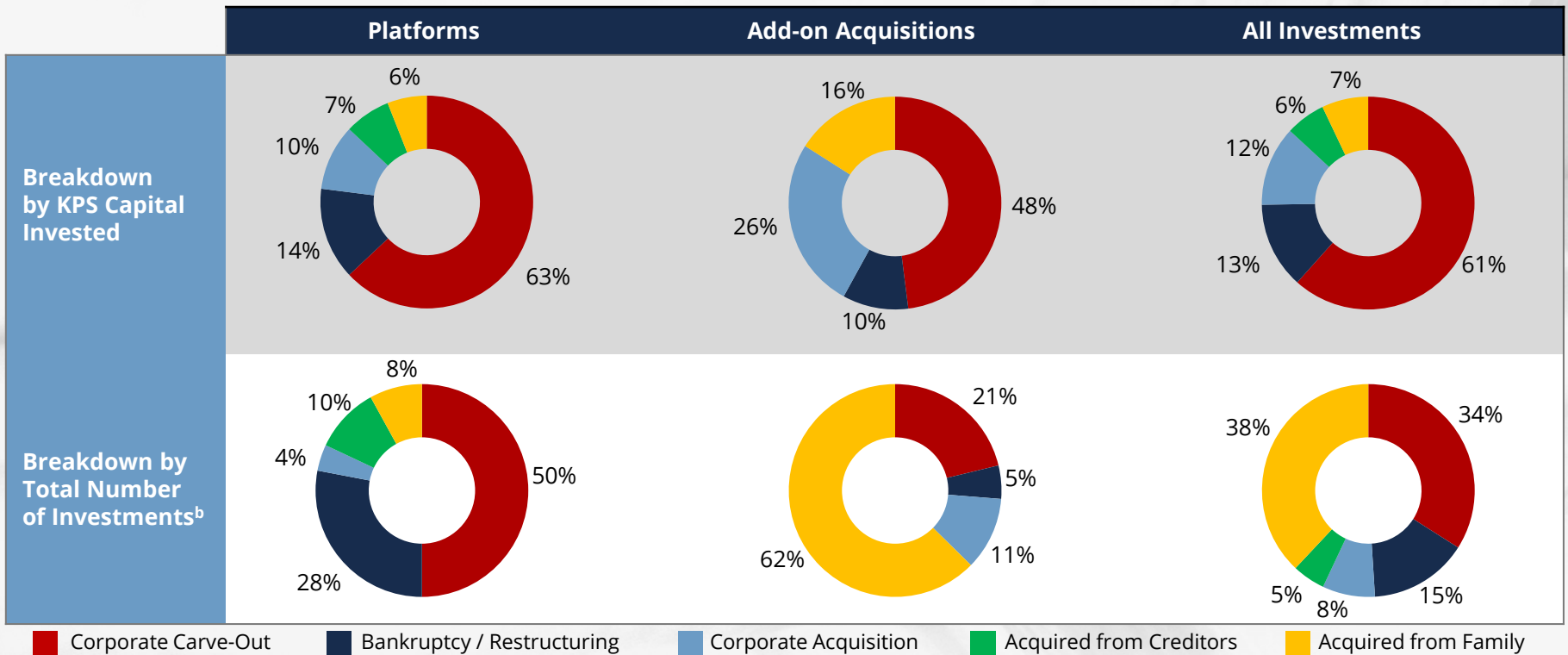


INVESTMENT STRATEGY

Investment Strategy

KPS Funds Investment History – by Investment Category^a

- KPS believes its deal flow is “self-selecting” and that the Firm is known as one of very few private equity firms which seek to generate investment returns by structurally improving or transforming the business and operations of companies, rather than by primarily relying on financial leverage
- KPS believes it has a competitive advantage approaching investments that require a highly complex corporate carve-out (particularly those completed on a global scale) or a true operational turnaround
- KPS’ deal flow is not dependent on economic, financial or industry cycles
- KPS is an opportunistic “micro” investor focused on individual companies – not a macro, cycle or thematic investor



^a Includes closed and pending (as applicable) Fund I, Fund II, Fund III / IIS, Fund IV, Fund V and Mid-Cap Fund I investments as of March 15, 2023. May not sum to 100% due to rounding

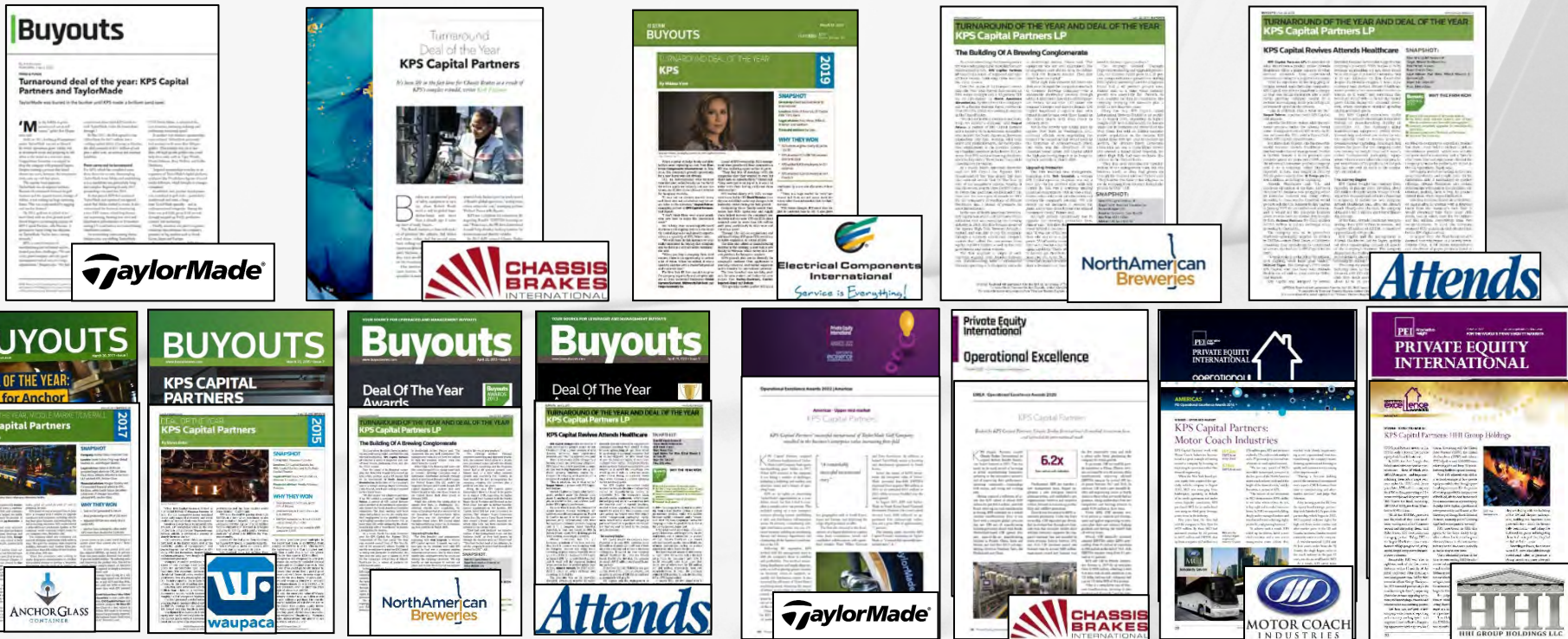
^b Inclusive of add-on acquisitions that did not require KPS equity

Portfolio composition is provided solely for illustrative purposes, and there can be no assurance that future investments will be similar to those set forth herein. There can be no assurance that any target investment opportunities will be available for investment or ultimately be consummated by the Fund

Investment Strategy

KPS' Ability to See Value Where Others Do Not

- KPS won Buyouts' Turnaround Deal of the Year Award for deals exited in 2021, 2019, 2018, 2012 and 2011^a
 - ◆ KPS has won an unprecedented five times
- KPS won Buyouts' overall global Deal of the Year Award for deals exited in 2016, 2014, 2012 and 2011^b
 - ◆ KPS has won an unprecedented four times
- KPS won Private Equity International's Operational Excellence Award for deals exited in 2021, 2019, 2015 and 2012^b
 - ◆ KPS has won an unprecedented four times^c



^a As of January 2023. Turnaround Deal of the Year awards are given by editors of Buyouts based on criteria communicated by Buyouts. Awards are given for various categories based on transaction structure and size. For 2022, criteria evaluated included origination, innovation, timeliness, finance structure, success of add-on transactions, operational and personnel improvements and exit. KPS believes that prior years used similar criteria. To be considered, the original purchase must have involved a majority stake purchase in a U.S. transaction; full or partial private equity sponsorship; the resultant company must have been private; and the sponsor must have exited at least the majority of its equity position. The receipt of such awards by KPS is no assurance that any KPS Fund's investment objectives will be achieved. Further, such awards are not, and should not be deemed to be, a recommendation or evaluation of KPS' investment management business. There can be no assurance that other providers or surveys would reach the same conclusions as the foregoing. The full extent of the scope of firms and data included in the related valuations is unknown

^b As of January 2023. The receipt of such awards by KPS is no assurance that any KPS Fund's investment objectives will be achieved. Further, such awards are not, and should not be deemed to be, a recommendation or evaluation of KPS' investment management business. There can be no assurance that other providers or surveys would reach the same conclusions as the foregoing. The full extent of the scope of firms and data included in the related valuations is unknown

^c KPS has won an unprecedented four times within the Americas - Upper Mid-Market category

Investment Strategy

Demonstrated Ability to Execute Highly Complex Corporate Carve-outs on a Global Scale

- Create new portfolio companies to acquire non-core assets or businesses of large corporations
- Work with management teams to complete highly-complex carve-outs, often on a global basis
- KPS believes sellers view KPS as the “right buyer” for many reasons, including:
 - ◆ View KPS as a peer manufacturer / strategic buyer rather than a private equity firm / financial buyer
 - ◆ View KPS as an experienced and accomplished buyer to execute highly complex global corporate carve-outs
 - ◆ Many sellers either sell products back to the same customers as the divested company, or are supplied by the divested company, therefore KPS’ operating credential is critical
 - ◆ Recognize KPS’ value system and reputation for integrity, character and veracity
 - ◆ Recognize the power of KPS’ unique and constructive relationship with unions in North America and Europe
 - ◆ Value having a KPS Partner(s) with full decision-making authority to lead and directly negotiate every aspect of the acquisition process
 - ◆ Observe and comment on the confidence placed in KPS, because KPS conducts thorough due diligence, interacts directly with the seller at every level, personally visits manufacturing facilities, and does not simply contract out work to a brand name consulting firm
 - ◆ Recognize and appreciate KPS’ focus on employee safety as a critical focus in its due diligence
- Provide access to KPS’ expertise, global network, capital and resources to build world-class enterprises



Corporate carve-outs represent over 60% of KPS platform investments

Third party logos do not indicate affiliation with or endorsement by the such companies. The "Select Corporate Carve-Out Sellers" are select sellers with which KPS transacted with in carve-out transactions. It is not purported that any entities referenced herein are prospective or current portfolio companies of KPS. There can be no assurance that any future investments and transactions will be comparable in quality or outcome to those referenced herein

Investment Strategy

Buy and Build Companies Through Strategic Synergistic Acquisitions

- KPS seeks to aggressively grow its portfolio companies, both organically and through strategic acquisitions in furtherance of industry consolidation, and/or to expand into product, industry or geographic adjacencies

Fund IV

Ten Platform Companies



Twenty-Nine Add-on Acquisitions



Fund V

Six Platform Companies



Three Add-on Acquisitions



Mid-Cap Fund I

Seven Platform Companies



Six Add-on Acquisitions





INVESTMENT TEAM

Investment Team

KPS Investment Team and Firm Culture – Competitive Advantage

- KPS believes its Partners and Senior Investment Team are among the longest tenured and most accomplished in private equity investing
- KPS believes the continuity of the Partners and the Firm's culture are a critical competitive advantage and significant differentiator
- Co-Founders and Co-Managing Partners, Michael Psaros and David Shapiro, have worked together as a team for over 31 years, with Co-Managing Partner, Raquel Palmer for over 28 years, with Jay Bernstein for over 23 years, with Flagship Partners Ryan Baker and Kyle Mumford for over 14 years and Rahul Sevani for over 11 years
 - ◆ Mid-Cap Partners Pierre de Villeméjane and Ryan Harrison have worked with KPS for 20 and 14 years, respectively^a
- The Managing Partners have been ultimately responsible for every investment made by KPS since the formation of the Firm, from leading acquisitions to direct engagement with its portfolio companies and Management teams
- The shared experience of the KPS Partners is KPS' single most critical competitive advantage
 - ◆ The Partners have invested and managed through multiple economic, financial and industrial cycles across three decades
 - ◆ The Partners have completed 110 investments, including add-on acquisitions, with full or partial realizations achieved on most investments using multiple exit strategies
- The entire careers of the Partners have focused on creating, acquiring and then building world-class, industry-leading manufacturing companies by structurally improving each company's strategic position, competitiveness and profitability
- KPS has over 100 professionals across five offices globally^b
- The KPS Investment Team acts as a catalyst to make businesses better. This requires a very specialized set of skills, abilities and judgement, and often depends on drawing from KPS' collective experience across decades

The KPS team is focused on generating traditional private equity returns, and we are proud of our ability to generate significant absolute dollar value creation – generating true alpha – and monetizing that value for distribution to our Investors using multiple exit strategies

Information herein reflects current beliefs of KPS as of the date hereof and is based on a variety of assumptions and estimates that are subject to various risks. There can be no assurance that any historical trends will continue or that any expected opportunities will be available for investment. Actual results may differ from any forward-looking statements

^a Pierre de Villeméjane's tenure is inclusive of years spent at KPS portfolio companies

^b As of December 31, 2022

Investment Team - Partners

KPS Investment Team and Firm Culture – Competitive Advantage

Firm Managing Partners



Michael Psaros
Co-Founder – Age: 55
Age at start date: 23



David Shapiro
Co-Founder – Age: 61
Age at start date: 29



Raquel Palmer
Age: 50
Age at start date: 21

Flagship Fund



Jay Bernstein
Partner – Age: 47
Age at start date: 24



Ryan Baker
Partner – Age: 45
Age at start date: 30



Kyle Mumford
Partner – Age: 39
Age at start date: 24



Rahul Sevani
Partner – Age: 34
Age at start date: 23

Mid-Cap Fund



Pierre de Villeméjane
Partner and Co-Head – Age: 56
Age at start date: 36^a



Ryan Harrison
Partner and Co-Head – Age: 44
Age at start date: 26

Average age of the Partners is 48 years
Shared investment experience of the Partners is 187 years

^a Reflective of tenure at KPS portfolio companies. As of March 31, 2023

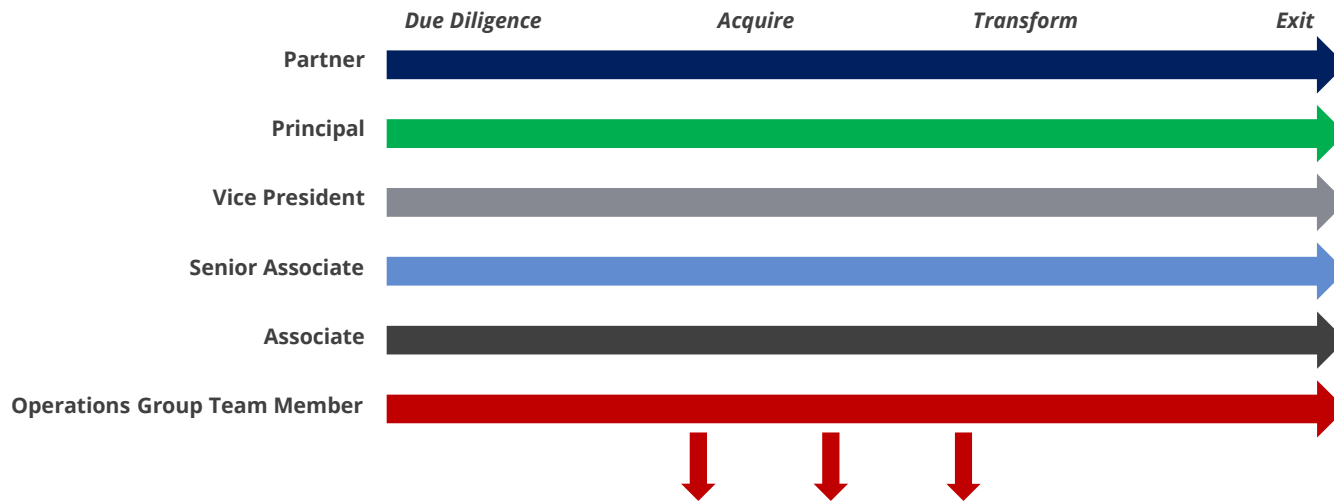
Investment Team

How We Work

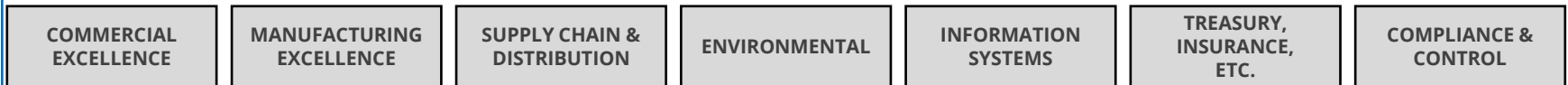
- A KPS Partner leads an Investment Team throughout the entire lifecycle of an investment, from conducting initial due diligence, through developing the transformation plan, acquiring the business, executing the value creation and exiting the portfolio company
- The Partner leads a team comprising:
 - ◆ A Principal, Vice President, Senior Associate and Associate
 - ◆ A member of the Operations Group
 - ◆ Additional KPS Investment Team Members include KPS' Tax, Legal and Compliance professionals
- The Investment Team may use one or more additional members of the Operations Group, as needed, based on the required discipline to be employed
- KPS Partners serve as Board Members to all KPS portfolio companies

KPS Investment Team Composition

Core KPS Team Engaged Throughout Lifecycle of Investment



Select KPS Operations Group Disciplines Engaged on an As-Needed Basis





UNION RELATIONSHIPS

Union Relationships

Power of the KPS Franchise

Briggs & Stratton

- KPS' long-standing relationship with the USW helped position KPS to acquire Briggs & Stratton
- In advance of the Chapter 11 bankruptcy process, KPS acquisition company and the USW negotiated a new, exclusive collective bargaining agreement ("CBA")
 - ♦ Any potential alternative bidder would have needed to negotiate a new CBA with the USW to be released of liability to legacy liabilities
- The USW-represented employees overwhelmingly ratified the new CBA and the USW provided very public support for KPS' acquisition of Briggs & Stratton
- **The ratified CBA and USW support provided KPS with a significant competitive advantage in the sale process**

Eviosys

- Approximately 5,500 Eviosys employees are represented by works councils, predominantly in Europe
- Crown's sale of the company required consultations with works councils in seven countries, including France, Spain, Germany, the Netherlands, Italy, the United Kingdom and Switzerland as well as the overarching European Works Council
- KPS' direct participation in these meetings and active role in responding to subsequent follow up was critical to completing the consultation processes efficiently
- Works council representatives consistently provided positive feedback regarding KPS' direct involvement throughout the various consultation processes
- KPS' involvement helped establish a constructive working relationship with these key stakeholders at an early stage, prior to the closing of the acquisition

Speira

- KPS' relationship with European unions, including IG Metall and IG BCE, was critical to the acquisition of Speira
- Hydro's largest shareholder is the Norwegian Government (42%), making it very important to find a buyer with a reputation as a constructive investor¹
- Within a few hours after the acquisition was announced, the German-level Supervisory Board of Directors unanimously approved the KPS acquisition
- Shortly after closing, KPS signed a Fair Owner Agreement with IG Metall and IG BCE that is consistent in form and substance to the pre-established standing Framework Agreements but specific to the assets, operations and employees of Speira
- KPS met with and presented KPS to the President of the Norwegian Confederation of Trade Unions, Norway's largest labor organization, at its request

AM General

- Prior to KPS' ownership, AM General did not prioritize its relationship with key stakeholders, including the UAW, at either the national or local level
- KPS, leveraging our over 30-year relationship with the UAW and in partnership with Management, is leading the effort to strengthen AM General's relationship with the UAW and to align on mutual objectives
- AM General and the UAW have a common goal of maximizing funding and increasing production volumes for the Humvee, which will lead to increased employment at AM General
- Management, UAW leadership and KPS have met in-person to align on strategy for maximizing funding for the vehicle program, including leveraging Executive Branch, Department of Defense and Congressional relationships with key constituents in Washington, D.C.
- The stronger relationship with key constituents and partnership approach has contributed to the highest level of U.S. Government funding for the Humvee in ten years

¹ Including the Norwegian Ministry of Trade, Industry and Fisheries and the Government Pension Fund of Norway, as of December 31, 2020

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KPS MID-CAP INVESTMENTS

KPS Mid-Cap Executive Summary

KPS Mid-Cap Vision and Competitive Advantage

- In April 2019, KPS launched KPS Mid-Cap Investments (“KPS Mid-Cap”) to allow investors to capitalize on KPS’ deal flow, skill set, expertise and extensive knowledge of the lower end of the middle market
- On October 15, 2019, the KPS Special Situations Mid-Cap Fund, LP (“Mid-Cap Fund I” or the “Fund”) held a first and final closing with \$1.0 billion of investor capital commitments^a
- KPS Mid-Cap is “back to the future” for KPS and created the ability to invest in smaller investment opportunities using the KPS investment strategy
 - ◆ KPS passed on qualified investment opportunities in this market because of size for over a decade
- Led by KPS veterans Pierre de Villeméjane and Ryan Harrison
- Investment Committee is involved in all aspects of the KPS Mid-Cap franchise and investment activities
 - ◆ Includes Michael Psaros, David Shapiro, Raquel Palmer and Jay Bernstein

April 2019	October / November 2019	January / February 2020	December 2020	June / July 2021	April 2022	June 2022	March 2023
<ul style="list-style-type: none"> ▪ KPS launched KPS Mid-Cap franchise with Pierre de Villeméjane and Ryan Harrison as Partners and Co-Heads 	<ul style="list-style-type: none"> ▪ Mid-Cap Fund I held first and final closing with \$1.0 billion of capital commitments (met self-imposed hard cap, heavily oversubscribed) ▪ Completed acquisition of first portfolio company - AIS Global, LP - from TransDigm Group Incorporated (NYSE: TDG) in a highly complex, global carve-out^b 	<ul style="list-style-type: none"> ▪ Completed acquisition of the IKG business (“IKG”) from Harsco Corporation (NYSE: HSC) in a highly complex, global carve-out ▪ KPS Mid-Cap established its own dedicated office in 2 Grand Central Tower 	<ul style="list-style-type: none"> ▪ Completed acquisition of third portfolio company, Hussey Copper, from a group of creditors and shareholders 	<ul style="list-style-type: none"> ▪ Completed acquisition of Profile Custom Extrusions, LLC on June 30^c ▪ Completed acquisition of first Italian portfolio company, Metra Holding S.p.A., from four multi-generational Italian family owners on July 13 ▪ Completed acquisition of second Italian portfolio company, Siderforgerossi, from four multi-generational Italian family owners on July 30 	<ul style="list-style-type: none"> ▪ Completed acquisition of sixth portfolio company, PEMCO International, in a highly complex, global carve-out driven by a forced divestiture by regulatory authorities 	<ul style="list-style-type: none"> ▪ Completed Siderforgerossi’s transformative add-on acquisition of Euskal Forging 	<ul style="list-style-type: none"> ▪ Completed the acquisition of seventh portfolio company, Princess Yachts (Holdings) Limited, on March 15, 2023

^a Excludes KPS General Partner

^b On September 20, 2019, KPS, through a special-purpose vehicle (the “SPV”) established by affiliates of KPS, completed the acquisition of Esterline Interface Technologies (“EIT”) through its holding company, AIS Global, LP, from TransDigm Group Incorporated. On November 26, 2019, Mid-Cap Fund I acquired interests in the SPV to acquire EIT

^c Add-on acquisition completed prior to closing Metra Holding S.p.A.

KPS Mid-Cap Executive Summary

KPS Mid-Cap Investment Team Leadership



Pierre de Villeméjane
Partner and Co-Head

Mr. de Villeméjane has been associated with KPS since 2003, serving as Chief Executive Officer of three KPS Portfolio Companies: Speedline Technologies, Inc., WWRD Holdings, and Heritage Home Group. Mr. de Villeméjane was previously responsible for mergers & acquisitions and strategic planning for nine years at Cookson Group. Prior to that, Mr. de Villeméjane was responsible for the global product management and marketing strategy of Kérastase, a division of L'Oréal.

Mr. de Villeméjane currently serves on the Board of Directors of the following KPS Portfolio Companies: AIS Global (Chairman), IKG, Hussey Copper, Metra (Chairman), Siderforgerossi and PEMCO (Chairman). Mr. de Villeméjane graduated from Hautes Etudes Commerciales (HEC) with a degree in Marketing and Finance.



Ryan Harrison
Partner and Co-Head

Mr. Harrison first became associated with KPS in 2005, and has extensive experience investing in the Americas and Europe. He has worked on investments globally as an investment professional in both KPS' New York and Frankfurt offices. Prior to joining KPS in 2005, Mr. Harrison was an investment banker at Credit Suisse.









Mr. Harrison currently serves on the Board of Directors of the following KPS Portfolio Companies: AIS Global, IKG (Chairman), Hussey Copper (Chairman), Metra, Siderforgerossi (Chairman) and PEMCO. Mr. Harrison received his Master of Business Administration from the University of Cambridge and graduated from the Richard Ivey School of Business at the University of Western Ontario with an Honors Business Administration degree.

Shared investment experience of the KPS Mid-Cap Partners is over 30 years

KPS Mid-Cap Executive Summary

KPS Franchise Provides a Material Competitive Advantage

- As part of the KPS franchise, KPS Mid-Cap benefits from KPS' global platform, reputation, track record, deal flow, infrastructure, best practices and the collective knowledge, skill set and experience of the KPS Partners and Investment Team. We believe:
 - Sellers choose to sell to "KPS" not "KPS Mid-Cap"
 - Sellers take comfort from KPS' long-term track record of success and reputation as a constructive investor
 - Management teams trust KPS to be a hands-on partner and to work alongside them to add value to their operations
- KPS Mid-Cap has experienced the power of the KPS franchise, as demonstrated by the global and complex nature of investments Mid-Cap Fund I has executed:

Portfolio Company	Investment Overview	Why KPS Won
	On March 15, 2023, KPS completed the acquisition of Princess Yachts in a highly complex global out-of-court financial restructuring, change of control transaction	<ul style="list-style-type: none"> Demonstrated track record of completing highly complex out-of-court financial restructurings The former private equity owners of the company sought KPS to provide immediate liquidity needs and execute an operational transformation of the company
	On April 29, 2022, KPS completed the acquisition of PEMCO from Prince International in a highly complex global corporate carve-out	<ul style="list-style-type: none"> Proven partner for corporate sellers in acquisitions that involve regulatory bodies Demonstrated track record of successfully operating manufacturing and industrial companies on a global scale
 	On June 30, 2022, KPS and Siderforgerossi completed the highly complex global acquisition of Euskal Forging from a Spanish family. The highly synergistic acquisition included a significant new equity investment from KPS	<ul style="list-style-type: none"> Extensive experience in owning and operating metals-related businesses with a commitment to growth Proven to be a preferred partner for family and founder sellers
	On July 30, 2021, KPS completed the highly complex global acquisition of Siderforgerossi from four Italian families	<ul style="list-style-type: none"> Extensive experience in owning and operating metals-related businesses with a commitment to growth Proven to be a preferred partner for family and founder sellers
	On July 13, 2021, KPS completed the highly complex global acquisition of Metra from four Italian families	<ul style="list-style-type: none"> Extensive experience in owning and operating metals-related businesses with a commitment to growth Proven to be a preferred partner for family and founder sellers
	On December 23, 2020, KPS completed the acquisition of Hussey Copper from a group of creditors and shareholders	<ul style="list-style-type: none"> Demonstrated track record of successful acquisitions from creditors and lenders Extensive experience in owning and operating metals-related businesses with a commitment to growth
	On January 31, 2020, KPS completed the acquisition of IKG from Harsco Corporation (NYSE: HSC) in a highly complex global corporate carve-out	<ul style="list-style-type: none"> Demonstrated track record of successful acquisitions from large, global publicly-traded companies Extensive experience in owning and operating metals-related businesses with a commitment to growth
	On September 20, 2019, KPS completed the acquisition of AIS Global from TransDigm Group Incorporated (NYSE: TDG) in a highly complex global corporate carve-out ^a	<ul style="list-style-type: none"> Demonstrated track record of successful acquisitions from large, global publicly-traded companies Demonstrated track record of successfully operating manufacturing and industrial companies on a global scale

^a On September 20, 2019, KPS, through a special-purpose vehicle (the "SPV") established by affiliates of KPS, completed the acquisition of Esterline Interface Technologies ("EIT") through its holding company, AIS Global, LP, from TransDigm Group Incorporated. On November 26, 2019, Mid-Cap Fund I acquired interests in the SPV to acquire EIT. There can be no assurance that historical trends or practices will continue. Actual results may differ materially from any projections or forward-looking estimates herein. The select investments presented herein are provided for illustrative purposes only and may not be representative of all transactions of a type or types of investments generally and should not be relied on in any manner as legal, tax, regulatory or investment advice and should not be considered a specific recommendation of any particular security or portfolio company. Past performance is not necessarily indicative of future results and there can be no assurance that KPS will be able to achieve its investment objectives.

Appendix: Portfolio Company Key

Fund III / IIIS Portfolio Company	Abbreviation	Holding Company
American & Efird Global	A&E	Nima Global, LP
Chassis Brakes International Group	CBI	Frena Ultimate Holdings, L.P.
Expera Specialty Solutions	Expera	Specialty Paper Holdings, LP
Global Brass and Copper Holdings ^a	GBC	Halkos Holdings, LLC
Heritage Home Group	HHG	HH Group Holdings, L.P.
HHI Group Holdings	HHI	HHI Group Holdings, LLC
International Equipment Solutions	IES	IES Alberta AIV, LP
Motor Coach Industries International	MCI	Motor Coach Holdings, LP
North American Breweries ^a	NAB	North American Breweries Holdings, LLC
United Copper Industries	UCI	United Copper Holdings, LP
Waupaca Foundry	Waupaca	WFI Holdings, LP
WWRD Holdings Limited ^a	WWRD	WWRD Group Holdings Limited
Fund IV Portfolio Company	Abbreviation	Holding Company
Anchor Glass Container Corporation	Anchor Glass	AG Acquisition Cayman Holdings, LP
Autokiniton Global Group ^b	Autokiniton	Autokiniton Global Group (Alberta) LP
C&D Technologies ^b	C&D	Ampere Alberta Holdings, LP
DexKo Global	DexKo	DexKo Global Holdings Inc.
Electrical Components International	ECI	ECI Cayman Holdings, LP
Howden	Howden	Granite Holdings, LP
Life Fitness ^b	Life Fitness	Lumos Holdings Alberta, L.P.
Lufkin Industries ^b	Lufkin	Ravdos Holdings, L.P.
TaylorMade Golf	TaylorMade	19 th Holdings, LP
WHA Holding SAS	Winoa	Elastikos Alberta, LP
Debt Trading Positions	Debt Trading Positions	Poseidon Holdings LP
Fund V Portfolio Company	Abbreviation	Holding Company
AM General LLC ^b	AM General	PM General Aggregator LP
Briggs & Stratton Corporation ^b	Briggs & Stratton	Bucephalus HoldCo 1, LP
Eviosys ^b	Eviosys	Titan Holdings, LP
Oldcastle BuildingEnvelope ^b	OBE	Oscar Holdings, LP
Speira ^b	Speira	Speira Holdings, LP
Primient ^b	Primient	Gemini Holdings, LP
Debt Trading Positions	Debt Trading Positions	Poseidon Holdings V LP
Mid-Cap Fund I Portfolio Company	Abbreviation	Holding Company
AIS Global ^b	AIS Global	AIS Global Group Holdings, LP
Hussey Copper ^b	Hussey Copper	Kokkino, LP
IKG ^b	IKG	Sidero, LP
Metra ^b	Metra	Fengari Holdings, LP
PEMCO International ^b	PEMCO	Smalto Holdings Alberta, LP
Siderforgerossi ^b	Siderforgerossi	Hephaestus Holdings, LP
Princess Yachts ^b	Princess Yachts	Mayflower Alberta Holdings, LP

^a Fund III investment only
^b Active portfolio company

SUBJECT: Private Equity Presentation
GTCR

ACTION: _____

DATE: May 18, 2023

INFORMATION: ____X____

Background:

GTCR pursues control buyouts of mature, cash flow positive, middle market companies located primarily in North America across a range of sectors, including business & consumer services, financial services & technology, healthcare, and technology, media, & telecom. The firm attempts to create value through strategic and operational improvements in under-managed or under-capitalized assets. Strategic transformation is driven through accretive add-on acquisitions as well as leveraging the broader Portfolio Resources Group. Operational initiatives focus on improving the fundamental operating performance of portfolio companies in key areas such as strengthening sales execution, streamlining cost, upgrading processes, and upgrading value from corporate carveouts.

Presenter Biographies:

Jodi Rubenstein – Managing Director, GTCR

Jodi Rubenstein is Managing Director of Investor Relations at GTCR. She is responsible for overseeing all of the firm’s investor relations and fundraising activities. She joined GTCR from Goldman Sachs where she most recently served as Managing Director and Head of Midwest Private Wealth Management based in Chicago. Previously, Jodi was Head of Goldman Sachs’ Alternative Capital Markets group in the Americas, based in New York.

She holds an MBA from New York University and a BBA in Business Administration from the University of Michigan.

Jim Bonetti – Managing Director, GTCR

Jim is a Managing Director of the firm and head of GTCR’s Capital Markets Group. In this role, Jim leads the firm’s capital markets activities as part of the transaction teams and manages key financing and banking relationships. Prior to joining GTCR, Jim was a Managing Director and Co-Head of the North American Leveraged & Acquisition Finance Group at Morgan Stanley. Jim also functioned as the Head of the North American Syndicate Desk. Prior to Morgan Stanley, he was an analyst in the Equity Capital Markets and Asset Management Groups at Goldman, Sachs & Co.

Jim holds an MBA from the Harvard Business School and a BS in Business Administration summa cum laude from Northeastern University.



GTCR

Firm Overview Presentation to Alaska Permanent Fund

May 2023

This Firm Overview is being provided in response to your specific request for information about private equity funds sponsored by GTCR or its affiliates (the "Funds") and their respective portfolio investments. Except as otherwise noted, references to a specific Fund include each of such Fund's parallel funds and alternative investment funds, and may not reflect the actual performance of any particular investor in such fund. This Firm Overview (including performance data herein) does not include information with respect to co-investment funds managed by GTCR or its affiliates or GTCR Capital Partners, L.P., a mezzanine debt fund founded by affiliates of GTCR in 1999 and terminated in 2011. See [Appendices A-B](#) for important information with respect to the Funds and the information contained in this Firm Overview.

This Firm Overview is not an offer to sell or a solicitation of an offer to buy an interest in any Fund or any other fund. A private offering of interests in a fund will only be made pursuant to the applicable fund's offering documents. The information contained in this Firm Overview may not be relied on in any manner as legal, tax or investment advice. Please refer to GTCR's Form ADV for additional important information regarding GTCR and the Funds.

Information provided in this Firm Overview with respect to any Fund and portfolio investments made by such Fund, including the past performance of such Fund and portfolio investments, is provided solely to illustrate GTCR's investment experience and certain processes and strategies used by GTCR in the past with respect to the Funds. Performance information relating to GTCR's prior investments is not intended to be indicative of any Fund's or any other fund's future performance and historical trends may not continue throughout the life of the Funds. There can be no assurance that any Fund or future fund will achieve comparable results or that investors in a fund will not lose any or all of their invested capital. Investments made in the future may not be comparable in quality or performance to the investments described herein.

Information provided in this Firm Overview with respect to certain ESG-DEI initiatives is provided for discussion purposes only. Except as set forth herein, GTCR makes no claim to adhere to any particular ESG-DEI framework and there is no assurance that GTCR will engage in any particular practice that other parties may implement. There can be no assurances that GTCR will be able to implement its ESG-DEI initiatives, or that the ESG-DEI initiatives will be successful. There can also be no assurance that projected ESG results will be attained within the proposed timing or manner set forth herein or at all, and actual results may be significantly different from such forward looking statements herein. GTCR's ability to influence and exercise control over the companies in which it invests may vary depending on the investment structure and terms. In cases where GTCR determines it has limited ability to conduct diligence or to influence and control the consideration of ESG issues in connection with an investment, GTCR will apply those elements that it determines to be practicable.

Economic and market conditions are may evolve as a result of the COVID 19 pandemic, and the ultimate impact of the outbreak could have a significant adverse impact and result in losses to the Funds and certain of its portfolio companies. To the extent conditions worsen, the effects of COVID 19 or a future pandemic may have a further adverse impact on asset prices, public and private markets, the availability of credit and other capital to businesses and overall economic and commercial conditions, all of which could impact the future performance of the Funds and certain of their respective portfolio companies. The ultimate impact of COVID 19 or a future pandemic on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, including individual portfolio companies, remains impossible to predict.

There can be no assurance as to the ultimate realized returns with respect to any unrealized investments set forth herein, as actual realized returns will depend on, among other things, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions on which the unrealized returns contained herein are based. In addition, this Firm Overview contains certain performance information reflecting the cumulative investment performance across multiple Funds. The cumulative performance information presented herein does not necessarily represent performance achieved by any investor, and reflects investments that were made across multiple Funds in different industries during different economic cycles, with different target investment sizes. Such stated performance, where applicable, reflects neither a specific investment Fund nor a group of investments managed as a single portfolio. The actual return realized by any investor in any Fund may differ materially.

Except as otherwise noted, all financial information with respect to the Funds is presented As of December 31, 2022. Certain information contained in this Firm Overview represents or is based upon forward-looking statements or information which can be identified by the use of terms such as "may," "will," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "projects," "future," "targets," "intends," "plans," "believes," "estimates" (or the negatives thereof) or other variations thereon or comparable terminology. Any projections, forecasts or estimates contained herein are all forward-looking statements. Forward looking statements are subject to a number of risks and uncertainties, some of which are beyond the control of GTCR, including among other things, changing factors, such as those affecting the markets generally or those affecting particular industries or investments. Actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which GTCR is not currently aware also could cause actual results to differ. In light of these risks, uncertainties and assumptions, you should not place undue reliance on any forward-looking statements. Statements contained in this Firm Overview (including those relating to current and future market conditions and trends in respect thereof) that are not historical facts are based on current expectations, estimates, projections, opinions and/or beliefs of GTCR, and, along with the forward-looking events discussed in this Firm Overview, may not occur.

Certain information contained in this Firm Overview has been obtained from published and non-published sources and has not been independently verified by GTCR. Although GTCR believes this information to be accurate, it does not assume responsibility for the accuracy of such information. GTCR expressly disclaims any obligation or undertaking to update or revise any information contained in this Firm Overview. The pending transactions discussed herein, including transactions currently subject to definitive agreements, remain subject to a number of contingencies, including but not limited to customary closing conditions. The terms and expected proceeds of pending transactions reflect GTCR's current expectations based on the relevant transaction documents and other available information, but there can be no assurance that the pending investments or sales will be completed on GTCR's anticipated timeline or terms.

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I

Executive Summary

Firm Summary

- Founded in 1980, invested +\$24B during 40-year history across 14 equity funds
- GTCR Funds have generated cumulative Gross IRR of 35.6% and Net IRR of 26.3%¹
- Growth-oriented investor focused on being on right side of change, such as in technology and tech-enabled services and other areas of major change like medical technologies and life sciences
- Long tenured investment leadership group
 - Strong organizational consistency – Investment Committee averages 18 years at GTCR
 - Partnership model of governance, investment decision making and economic participation
 - Chicago HQ with offices in New York City and West Palm Beach
 - 80+² investment professionals with a collaborative, fact-based culture
 - Commitment to investment in and best practices for ESG and DEI
- Disciplined, rigorous, repeatable investment approach driven by The Leaders Strategy™



The Leaders Strategy™ – *Finding and partnering with exceptional management leaders in core domains to identify, acquire and build market-leading companies through transformational acquisitions and organic growth*

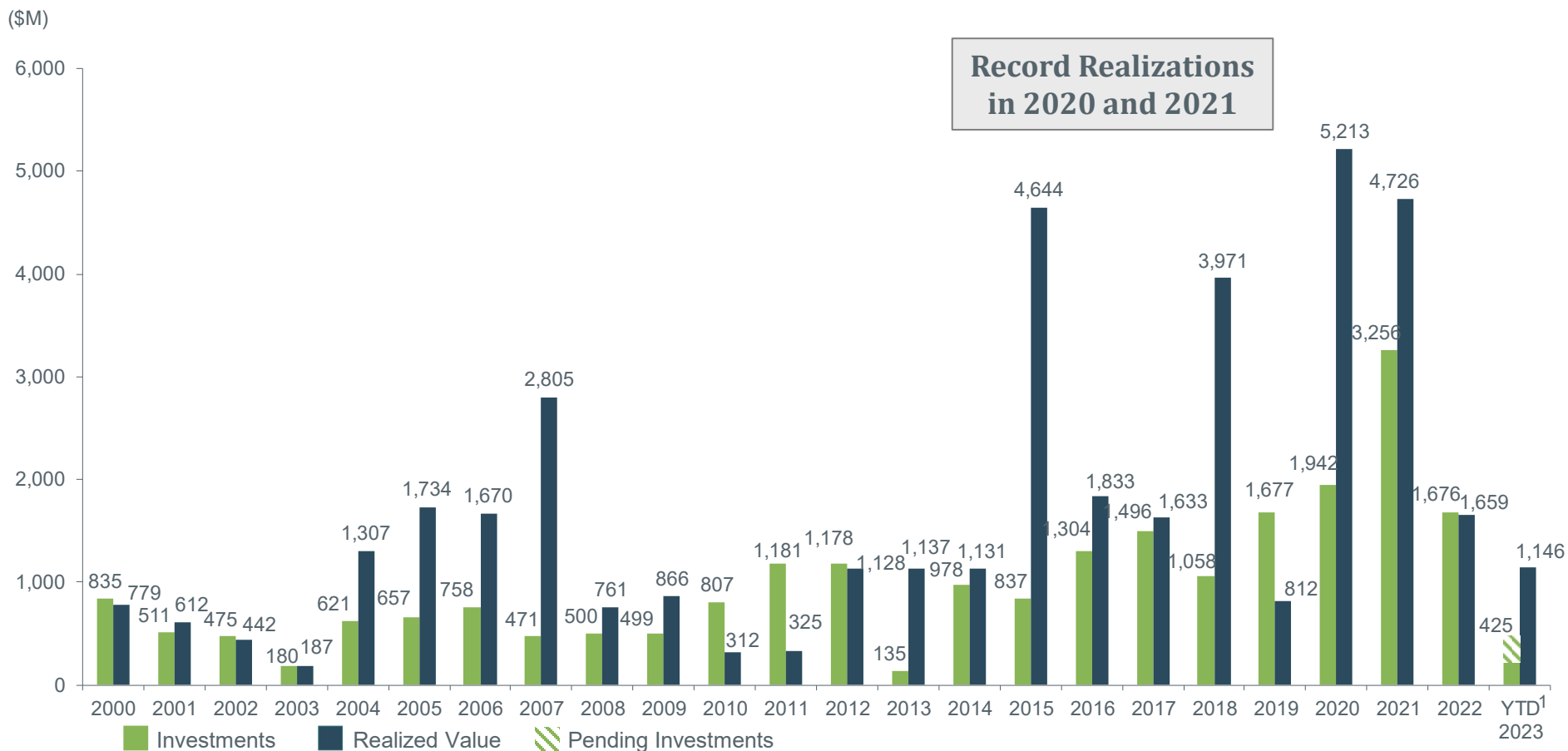
¹ Information above represents Hypothetical Performance. See [Appendix B](#) for additional information with respect to GTCR Funds, Gross IRR and Net IRR. The cumulative return data presented reflects investments that were made across multiple Funds as of December 31, 2022, in different industries during different economic cycles, with different target investment sizes and does not necessarily represent performance achieved by any investor. Such stated performance reflects neither a specific Fund nor a group of investments managed as a single portfolio. The actual return realized by any investor in the Funds may differ materially from those reflected or contemplated in the data presented in this Firm Overview. See [Appendix A](#) for additional information with respect to the performance of individual GTCR Funds. There can be no assurance that GTCR will be able to implement its ESG-DEI initiatives, or that the ESG-DEI initiatives will be successful.

² Headcount information pro forma for expected hires and departures as of Apr-23.

Past performance is not a guarantee of future results. Any investment in a fund entails a risk of loss. 331 of 403

Successful Track Record of Investments and Realizations Across Time and Through Economic Cycles

2000 - YTD 2023



¹ Investments include pending transactions. There can be no assurance that pending transactions will occur.

YTD 2023 as of April 6, 2023. See [Appendix B](#) for more information with respect to Investments and Realized Value. See [Appendix A](#) for more information with respect to Investments and Realized Value by Fund. Investments were made and Realized Value was achieved across multiple Funds, in different industries during different economic cycles, with different target investment sizes and stated performance reflects neither a specific Fund nor a group of investments managed as a single portfolio. The extent of the impact of COVID 19 on the Funds' ability to source, diligence and execute new investments, and to manage, finance and exit investments in the future, remains impossible to predict. *Past performance is not a guarantee of future results. Any investment in a fund entails a risk of loss.*

II

Investment Strategy

The Leaders Strategy™

The Leaders Strategy™ – Finding and partnering with exceptional management leaders in core domains to identify, acquire and build market-leading companies through transformational acquisitions and organic growth



- The Leaders Strategy™ has been at the core of our investment approach for decades
- Domain expertise helps lead to both unique investment thesis development and outstanding CEOs which, paired together, we believe help drive strategic transformation and equity value creation

Building Domain Expertise as the Foundation

1

Execute
Transformational
Opportunities

Drive Better
Investment
Results

Financial Services & Technology

- Global Payments
- Asset Management and Distribution
- Capital Markets, Market Data and Analytics
- Insurance, Insurance Technology and Distribution
- Financial Technology, Data and Software
- Mortgage / Housing

Healthcare

- Life Sciences
- Pharma & Specialty Chemicals
- Medtech / Medtech Services
- Healthcare Services & Payors
- Healthcare IT

Technology, Media & Telecommunications

- Software / Online Services
- Telecom & Networks
- Data / Info Services
- Marketing Technology / Digital Media
- Government Services / Aerospace & Defense

Business & Consumer Services

- Consumer Subscription Services
- Recurring Business Services
- Packaging / Specialty Materials



GTCR seeks to invest in growing, recession resilient industries with attractive margins, high cash flow conversion, recurring revenue and opportunities for strategic M&A

Forming “Management Start-Ups”



- Many GTCR investments begin as “Management Start-Ups”
- Partnerships built to find and execute transactions
- Recognized by CEOs as a key differentiator
- Dedicated commitment of CEO and GTCR time and resources to research, diligence and execute a Platform Acquisition
- Typically invest \$1 – 5 million over 12 – 36 months
- Forming these portfolio companies frequently can lead to proprietary platform deal opportunities
- 60+ Management Start-Ups¹ since 2000
- ~80% of Management Start-Ups execute on a Platform Acquisition



¹ Management Start-Ups in Funds VII–XIII and SGF as of December 31, 2022.

See [Appendix B](#) for additional information with respect to Platform Acquisition and Management Start-Ups. The portfolio companies identified are not representative of all active or prior GTCR portfolio companies and have been selected for illustrative purposes only in order to provide examples of investments formed through Management Start-Ups. For a complete list of all active and prior GTCR portfolio companies, including portfolio companies by industry sector, please visit www.gtcr.com.

Repeating with GTCR Management Teams

1

Execute Transformational Opportunities

Drive Better Investment Results

Michael Mulhern	AmSan	Fairmount Food Group	Sotera Health (Fund IX)	Sotera Health (Fund XI)	curia	Epselon
Jack Pearlstein	AppNet	digitalNet	SOLERA	Six3 Systems	CISION	
Ed Fiorentino	actient pharmaceuticals	crealta pharmaceuticals	TerSera therapeutics			
Tim Whall	CAMBRIDGE PROTECTION INDUSTRIES	HSM Electronic Protection Services	Protection1			
David Inns	greatcall	BLUCREST				
Chip Hance	Regatta Medical	BIOCOAT				
Jim Henderson	AssuredPartners (Fund X)	AssuredPartners (Fund XII)				
Bernd Brust	Cole-Parmer	antylia SCIENTIFIC				
Ed Evans	syniverse	Consumer Cellular				
Phil Spencer	RBI RURAL BROADBAND INVESTMENTS	MBI MEGA BROADBAND INVESTMENTS LLC				
Doug Bergeron	Verifone	opus				
Dan Slipkovich	PROVINCE HEALTHCARE	CAPELLA HEALTHCARE				
Ken Bajaj	AppNet	digitalNet				
Steve Kerrigan	Coinmach (Fund IV)	Coinmach (Fund VII)				
Bipin Shah	GenSar	GENPASS				

The list above represents the CEOs and CFOs of GTCR portfolio companies in Funds VII-XIII and SGF with whom GTCR has partnered with more than one time. This information is for illustrative purposes only. There is no guarantee that GTCR and/or a portfolio company management team will be able to achieve a stated objective or intended result, or that GTCR will be able to partner with any CEO and/or CFO more than one time.

Driving Value Through Transformation



Domain expertise, exceptional management leaders and a unique investment thesis can help lead to differentiated investment opportunities

Identify Under-Managed Businesses

- Identify and acquire non-core assets from corporate enterprises
 - Approximately 1/3 of capital invested since 2000¹ has been in companies that completed a corporate carve-out
- Create stand-alone enterprise and reposition within industry
- Accelerate growth by improving sales execution
- Improve efficiency by focusing on performance metrics and accountability
- Upgrade infrastructure and operations to position for public / strategic exit

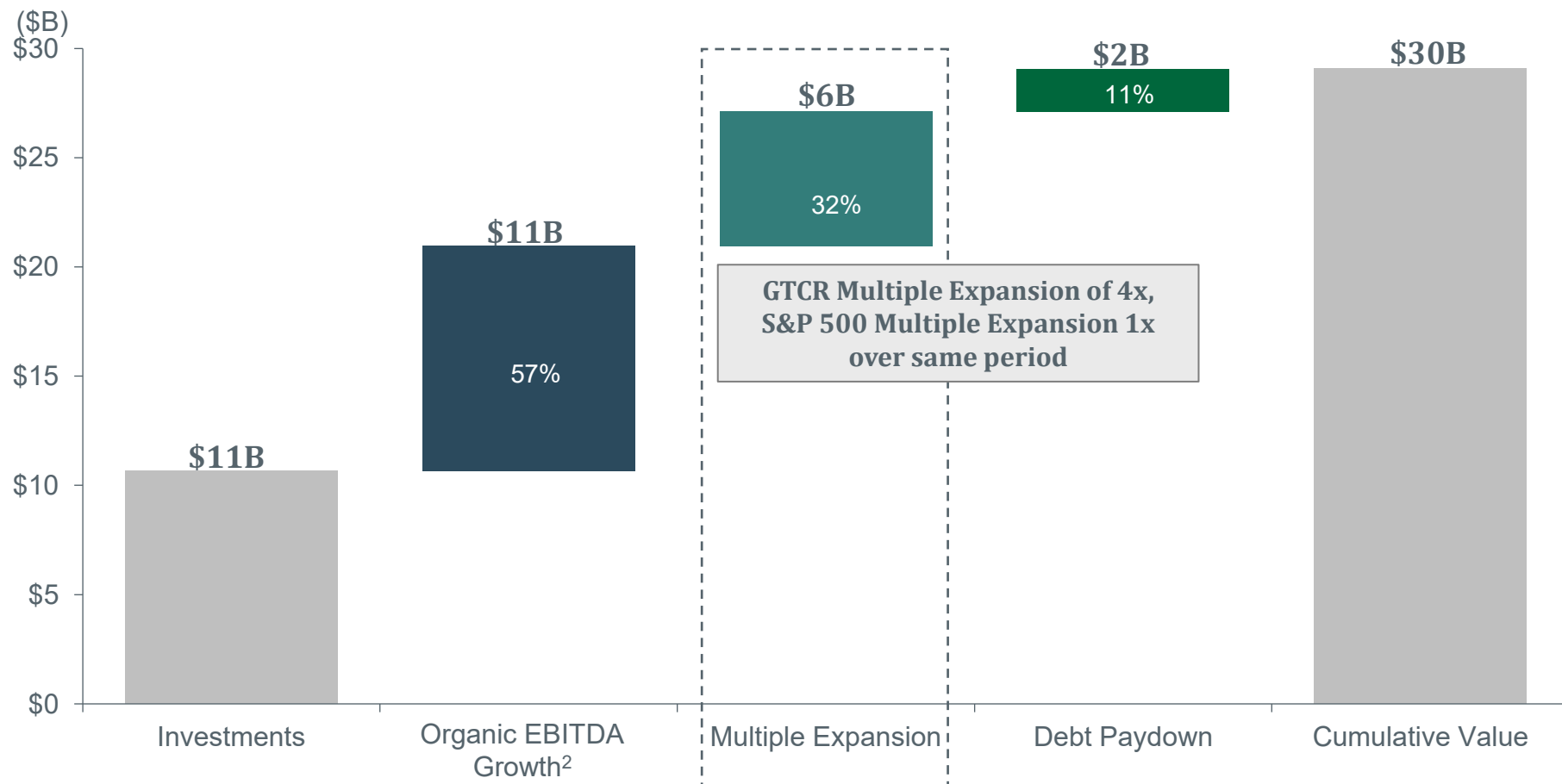
Add-On Acquisitions Build Strategic Significance

- Expand geographic, customer or product reach
- Enhance revenue growth
- Execute cost synergies
- Facilitate more efficient capital structures
- Bring world-class management leadership to lower-middle market companies

¹ Capital invested by Funds VII–XIII and SGF as of December 31, 2022. Excludes Discontinued Management Start-Ups and Management Start-Ups that have not completed an acquisition. This information is for illustrative purposes only. There is no guarantee that GTCR will be able to achieve the objectives or intended results.

Generating Investment Returns through Organic EBITDA Growth and Multiple Expansion

Realized Investments¹; As of December 31, 2022



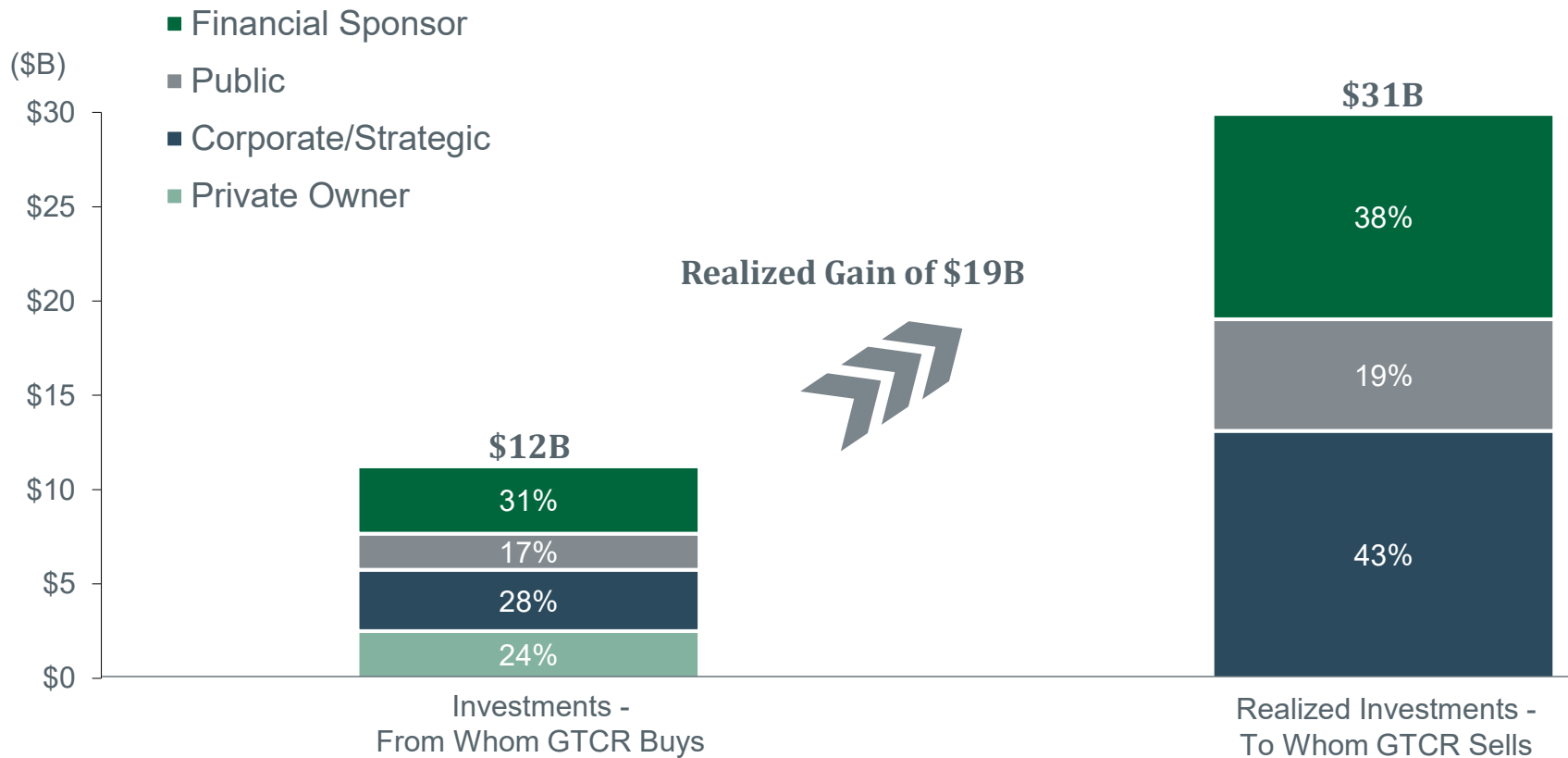
¹ Realized Investments: Funds VII–XIII and SGF, including any remaining Unrealized Value associated with remaining escrows or other contingent consideration. Excludes Discontinued Management Start-Ups, HomeBanc, Ironshore, PrivateBancorp and Triad, for which GTCR believes EBITDA was not an applicable valuation metric.

² Organic EBITDA Growth means EBITDA Growth excluding acquisitions and divestitures.

The above figures reflect GTCR's determinations as to the degree to which the foregoing elements contributed to equity value creation, including GTCR's estimation of Multiple Expansion compared to S&P 500 Multiple Expansion over the same period, and are presented on a gross basis. With respect to the calculation of S&P 500 Multiple Expansion, underlying information was obtained from S&P CapIQ through Dec-22. While GTCR has made these determinations in good faith, any such determinations are necessarily subjective. Were a similar analysis to be performed by another party, such party might assign different weightings to such elements, or might give weightings to elements not specified above. See [Appendix B](#) for additional information with respect to Investments, Realized Investments, Debt Paydown, Multiple Expansion, EBITDA Growth, Cumulative Value and S&P 500 Data. Realized Gain and Cumulative Value is reflected at the Fund level, before the deduction of Fund level management fees, expenses or any carried interest to the Funds' respective general partners, all of which in the aggregate may be substantial. This information is for illustrative purposes only. There is no guarantee that GTCR will be able to achieve its investment objectives or intended results. *Past performance is not a guarantee of future results. Any investment in a fund entails a risk of loss.*

Building Strategic Significance Helps Maximize Values on Exit

Realized Investments¹; As of December 31, 2022



¹Realized Investments: Funds VII–XIII and SGF, including any remaining Unrealized Value associated with remaining escrows or other contingent consideration. Excludes Discontinued Management Start-Ups. See [Appendix A](#) and [Appendix B](#) for additional information with respect to Investments, Realized Investments and Unrealized Value.

Realized Gain and Cumulative Value is reflected at the Fund level, before the deduction of Fund level management fees, expenses or any carried interest to the Funds' respective general partners, all of which in the aggregate may be substantial. This information is for illustrative purposes only. There is no guarantee that GTCR will be able to achieve its investment objectives or intended results. *Past performance is not a guarantee of future results. Any investment in a fund entails a risk of loss.*

III

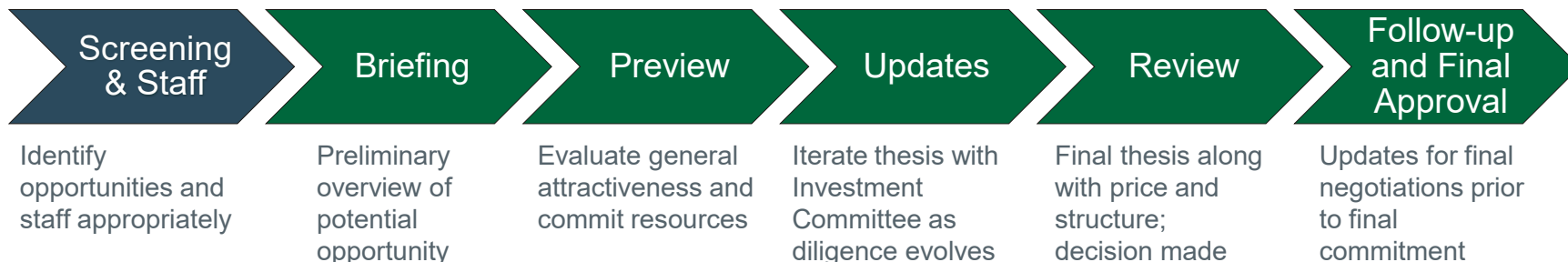
Investment Committee Process

Approaching the Investment Committee Process Comprehensively

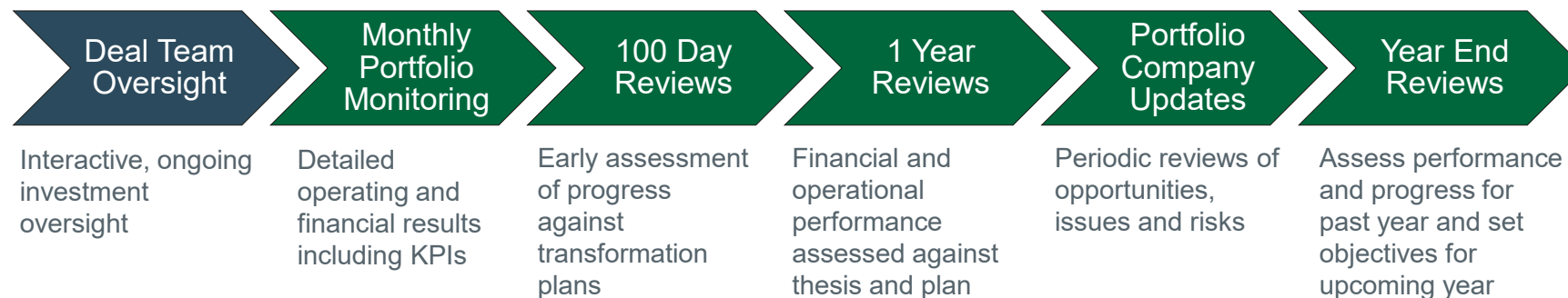


➤ *Underwriting and Portfolio Management include business, operations and financial reviews with applicable ESG components*

Underwriting



Portfolio Management



Rigorous

Repeatable

Consistent

Summary

Raised over \$30 billion across 14 investment funds during 40+ year history	Growth-oriented investor with a focus on outperformance	Enduring franchise with commitment to disciplined, rigorous, repeatable investment approach
Long-tenured investment leadership group	Robust, professional infrastructure across all firm operations	Persistent track record of strong investment returns across economic cycles



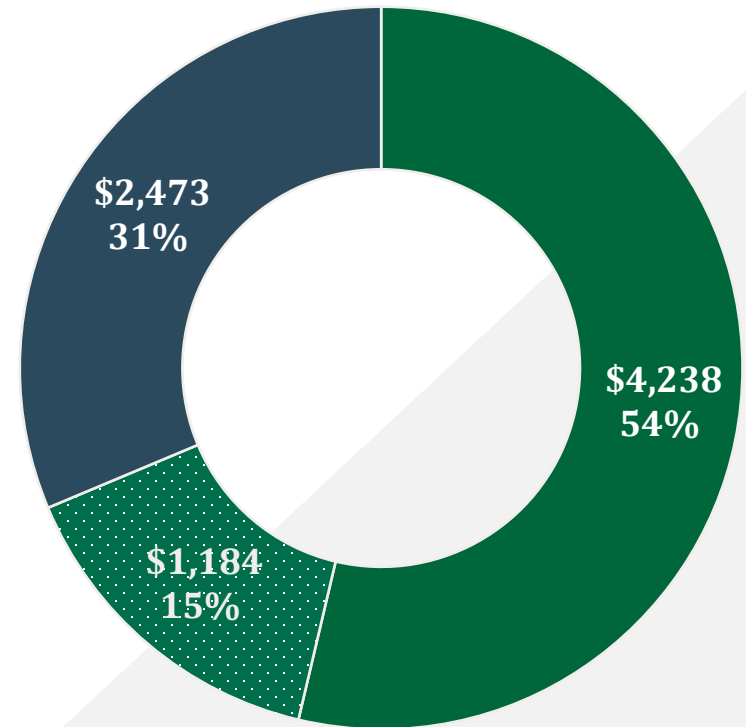
The Leaders Strategy™ – *Finding and partnering with exceptional management leaders in core domains to identify, acquire and build market-leading companies through transformational acquisitions and organic growth*

¹ As of December 31, 2022

Past performance is not a guarantee of future results. Any investment in a fund entails a risk of loss.

Fund XIII Status as of Apr-23

- 2020 Vintage
- \$7.9B in commitments
- Ten Platform Acquisitions and two Management Start-Ups actively pursuing opportunities
- 58% of commitments have been called¹ or recycled to date
- 2 of 10 Platform Acquisitions have achieved significant liquidity



- Committed Capital²
- Reserved for Follow-On Investments
- Uncommitted Capital

¹ Includes amounts on Fund XIII's revolving line of credit to be called.

² Committed Capital is inclusive of \$4.0B capital called, \$9M related to pending investments and the outstanding balance on Fund XIII's revolving line of credit of \$191M.

IV

Organization

Deep & Long-Tenured Bench of Senior Talent

11

Investment Committee

22

Managing Directors

700+

Acquisitions Completed
Since 2000

80+

Investment Team

70+

Non-Investment Team

150+

Total Firm

- **Long-tenured group** of Investment Committee Members, average tenure of **18 years**
- Experienced, skilled investment teams and **apprentice-style development**
- **Culture of respect, collaboration and individual impact** with a fact-based, consensus approach to investment decisions
 - Dedicated capital markets team leading all portfolio company debt financings
 - Finance and Accounting team heading IR, portfolio monitoring, valuations and financial reporting
 - In-house legal and compliance team responsible for deal support, portfolio company assistance and regulatory compliance as a registered investment advisor
 - Priority of continuing to enhance the diversity of our team to reflect varied experiences and perspectives
- **Strict adherence to rigorous investment committee process**

Senior Leadership Team

~300

Cumulative Years
at GTCR

18+ Years

Average GTCR Tenure
Fund XIII Investment
Committee

45+

Average Age

Fund XIII Investment Committee MDs

Name	Age ¹	Joined GTCR	Education	Prior Experience
Dean S. Mihas (Co-CEO / Healthcare group)	56	2001	Illinois-Chicago BS Harvard MBA	McKinsey, Delray Farms (Founder / CEO)
Collin E. Roche (Co-CEO / FST group)	52	1996	Williams College BA Harvard MBA	Everen Securities, Goldman Sachs
Mark M. Anderson (Co-Head of TMT group)	48	2000	Virginia BS Harvard MBA	Bowles Hollowell
James E. Bonetti (Head of Capital Markets)	45	2017	Northeastern BS Harvard MBA	Morgan Stanley, Goldman Sachs
Aaron D. Cohen (Head of FST group)	47	2003	Illinois BS	Hicks Muse, Salomon Smith Barney
Sean L. Cunningham (Co-Head of Healthcare group)	47	2001	Dartmouth AB and BE Wharton MBA	Boston Consulting Group
Ben J. Daverman (Co-Head of Healthcare group)	45	2008	Colgate BA Wharton MBA; UPenn MB	Alta Partners, J.P. Morgan
David A. Donnini (Head of BCS group)	58	1991	Yale BA Stanford MBA	Bain
Michael S. Hollander (FST group)	43	2008	Wharton BS	Welsh, Carson, Anderson & Stowe, Fremont Partners
Stephen J. Jeschke (TMT group)	41	2011	Illinois BA Harvard MBA	Bain
Anna May L. Trala (Chief Financial Officer)	56	2003	Goldey Beacom BS	Ernst & Young
John D. Kos (SGF)	41	2006	Illinois BS Harvard MBA	Citigroup
Luke J. Marker (Healthcare group)	38	2009	Kalamazoo College BA Harvard MBA	Lehman Brothers Barclays Capital
Stephen P. Master (SGF)	39	2008	Northwestern BA UChicago MBA	UBS
KJ McConnell (FST group)	37	2014	Indiana BS Harvard MBA	TPG Capital
Don McDonough (SGF)	48	2022	Princeton BS Columbia MBA	JLL Partners
Jeff B. Heh (Capital Markets)	43	2013	Richmond BS	J.P. Morgan
Travis J. Krueger (Portfolio Support & Data)	43	2005	Indiana BS UChicago MBA	PricewaterhouseCoopers
Melissa M. Mounce (Leadership Talent & Diversity)	54	2019	Illinois State BA Northern Illinois MBA	Baird Capital
Manoj Narayanan (Technology and Digitization)	46	2022	University of Calicut Indian Institute of Mgmt MBA	Vista Equity Partners
Jodi Rubenstein (Investor Relations)	38	2022	Michigan BBA NYU MBA	Goldman Sachs
Joe Rubino (Information Security)	45	2022	Saint Joseph's BS	CIA, Bloomberg Industry Group

Other MDs

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¹ Headcount information as of Apr-23.

Portfolio Company Resources

➤ Our functional leaders along with our new Portfolio Resources Group support our management teams

Functional Leaders

Functional leaders share best practices and integrate portfolio companies with GTCR expectations

Finance and Accounting
Anna May Trala

Legal & Compliance
Jeff Wright

Leadership and Diversity
Melissa Mounce

Marketing and Communications
Andrew Johnson

Information Technology
Faraz Ahmed

ESG - DEI
Akash Kar

Portfolio Resources Group (PRG)

Dedicated resources to provide support to portfolio companies in specific functional areas

Portfolio Support and Data
Travis Krueger

Technology and Digitization
Manoj Narayanan

Security and Data Privacy
Joe Rubino

Procurement
Katelyn Moorhead

To Be Added
Tax | Growth Enablement
Cost Optimization | PMO / Carve-outs

v

Case Studies

Regatta Medical / Resonetics

Medical Device Contract Manufacturing | Initial Investment Date: Nov-17 | Fund XII

Executive Chairman: Chip Hance | CEO: Tom Burns



RESONETICS

Investment Background

Leaders Strategy™ in Action

- **Management Start-Up** with Robert “Chip” Hance to build a market-leading medical device contract manufacturing organization (“CMO”)
- Completed Platform Acquisition in Feb-18 and **ten Add-On Acquisitions**
- **Leaders Strategy™** investment with Chip Hance, former CEO of Creganna Medical, a successful PE-backed medical device contract manufacturing organization
- Aggressively **pursue accretive, synergistic Add-On Acquisitions** to broaden capabilities and further penetrate the medical device customer base

Key Performance Highlights

- Add-On Acquisitions expanded capabilities to serve interventional medical device customer base
- Partial sale to Carlyle in Nov-21 for \$2.25 billion; GTCR retains co-control
- Adjusted EBITDA has grown by ~70% during Fund XII’s ownership, pro forma for acquisitions

Information presented above as of December 31, 2022. Case studies are presented for illustrative purposes only, have been selected in order to illustrate GTCR’s recent investment experience in each industry sector and do not purport to be a complete list thereof. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described herein. Information herein reflects the beliefs of GTCR and is subject to various risks and assumptions that are subject to change. *Past performance is not a guarantee of future results. Any investment in a fund entails risk of loss.*

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Investment Background

- Partnered with new CEO Joseph Sullivan, former Legg Mason Chairman and CEO, to evaluate **corporate carve-out** from Wells Fargo & Company
- **Significant complexity** to establish fully standalone operations over two-year transition period

Leaders Strategy™ in Action

- **Leaders Strategy™** partnership with strong, deep and diverse management team with a track record of successful value creation
- **Accelerate growth** through investment in technology, distribution and product innovation
- **Achieve operational efficiencies** to improve margins closer toward industry benchmarks

Key Performance Highlights

- Designed carve-out pre-close, including new strategic plan to transition to standalone operations
- Added management to execute new strategy, enhance technology solutions and drive growth
- Strong performance and substantial progress on carve-out provided for dividend recap in Jun-22

Information presented above as of December 31, 2022. Case studies are presented for illustrative purposes only, have been selected in order to illustrate GTCR's recent investment experience in each industry sector and do not purport to be a complete list thereof. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described herein. Information herein reflects the beliefs of GTCR and is subject to various risks and assumptions that are subject to change. *Past performance is not a guarantee of future results. Any investment in a fund entails risk of loss.*

Appendices

Appendix A

Performance Detail

As of December 31, 2022

(\$M) Fund	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII ²	XIII ²	SGF ²	GTCR Funds ³
Vintage Year	1980	1984	1987	1994	1996	1998	2000	2003	2006	2011	2014	2017	2020	2022	
Fund Size	\$60	\$100	\$235	\$312	\$521	\$870	\$2,000	\$1,837	\$2,750	\$3,233	\$3,941	\$5,408	\$7,895	\$2,217	\$31,378
Realized Investments															
Invested Capital	\$72	\$119	\$230	\$316	\$650	\$1,053	\$1,645	\$1,923	\$2,643	\$3,147	\$1,503	\$955	\$515	\$0	\$14,772
Realized Value	880	475	1,630	810	1,283	1,120	5,197	3,787	5,703	8,078	5,152	2,047	916	0	37,078
Unrealized Value	0	0	0	0	0	0	0	0	0	0	897	1,625	782	0	3,303
Cumulative Value	880	475	1,630	810	1,283	1,120	5,197	3,787	5,703	8,078	6,049	3,672	1,698	0	40,382
Gross Realized IRR	37.7%	27.1%	42.2%	37.3%	17.1%	4.0%	34.9%	41.9%	20.3%	29.3%	46.4%	54.6%	97.6%	n/m	35.6%
Gross Realized MOIC	12.3x	4.0x	7.1x	2.6x	2.0x	1.1x	3.2x	2.0x	2.2x	2.6x	4.0x	3.8x	3.3x	n/m	2.7x
Net Realized IRR	31.1%	18.4%	31.3%	25.7%	11.1%	-3.8%	25.7%	22.7%	13.9%	21.6%	37.3%	52.7%	143.7%	n/m	26.3%
Net Realized MOIC	11.7x	3.7x	5.6x	2.1x	1.8x	0.9x	2.4x	1.8x	1.8x	2.2x	3.2x	3.4x	3.0x	n/m	2.4x
Total Investments															
Invested Capital	\$72	\$119	\$230	\$316	\$650	\$1,053	\$1,645	\$1,923	\$2,643	\$3,147	\$3,403	\$4,900	\$4,105	\$519	\$24,725
Realized Value	880	475	1,630	810	1,283	1,120	5,197	3,787	5,703	8,078	8,984	3,729	1,232	0	42,908
Unrealized Value	0	0	0	0	0	0	0	0	0	0	5,591	6,567	4,170	513	16,841
Cumulative Value	880	475	1,630	810	1,283	1,120	5,197	3,787	5,703	8,078	14,575	10,295	5,402	513	59,749
Gross IRR	37.7%	27.1%	42.2%	37.3%	17.1%	4.0%	34.9%	41.9%	20.3%	29.3%	42.7%	31.7%	30.4%	n/m	35.6%
Gross MOIC	12.3x	4.0x	7.1x	2.6x	2.0x	1.1x	3.2x	2.0x	2.2x	2.6x	4.3x	2.1x	1.3x	n/m	2.4x
Net IRR	31.1%	18.4%	31.3%	25.7%	11.1%	-3.8%	25.7%	22.7%	13.9%	21.6%	34.3%	30.6%	44.8%	n/m	26.3%
Net DPI	11.7x	3.7x	5.6x	2.1x	1.8x	0.9x	2.4x	1.7x	1.8x	2.2x	2.0x	0.5x	0.2x	n/m	1.5x
Net MOIC	11.7x	3.7x	5.6x	2.1x	1.8x	0.9x	2.4x	1.8x	1.8x	2.2x	3.4x	1.9x	1.2x	n/m	2.1x
Upper Quartile Benchmark¹															
Net IRR	42.0%	30.2%	14.2%	13.7%	11.8%	14.7%	23.1%	16.3%	17.9%	21.0%	27.1%	33.1%	16.3%	n/m	n/m
Net DPI	5.8x	4.5x	2.3x	1.8x	1.8x	2.0x	2.2x	2.1x	2.2x	2.0x	1.4x	0.5x	0.0x	n/m	n/m
Net MOIC	5.9x	4.5x	2.3x	1.8x	1.8x	2.0x	2.3x	2.1x	2.2x	2.4x	2.3x	2.1x	1.2x	n/m	n/m

¹ Benchmark Data for "U.S. Buyouts" as of September 30, 2022 provided by Cambridge Associates for vintage years subsequent to 1986. See [Appendix B](#) for additional information with respect to Benchmark Data, including Benchmark Data for vintage years prior to 1986.

² For purposes of calculating Net IRR, Net DPI, Net MOIC, Net Realized IRR and Net Realized MOIC, GTCR uses the date on which capital calls are due from limited partners, which for Fund XII, Fund XIII and SGF only may be up to 270 days after the applicable investment date (as opposed to up to 90 days after the applicable investment date for Funds X and XI, and on or around the applicable investment date for Funds I-IX). As a result, Fund XII, Fund XIII and SGF figures above represent leveraged returns. Unlevered returns as of Dec-22 for Fund XII are 22.8%, 0.5x and 1.9x for Net IRR, Net DPI and Net MOIC, respectively. Unlevered returns as of Dec-22 for Fund XIII are 17.7%, 0.2x and 1.2x for Net IRR, Net DPI and Net MOIC, respectively. This hypothetical calculation estimates the Net IRR, Net DPI and Net MOIC of Fund XII and Fund XIII without the impact of a capital call line. Please see [Appendix B](#) for more information with respect to the calculation of Unlevered Net IRR. Please see Fund XII, Fund XIII and SGF Performance Data in [Appendix B](#) for additional information with respect to use of leverage.

³ Data represents aggregate Hypothetical Performance data for Funds I-XIII and SGF. Fund I-XIII and SGF investments were made in different industries during different economic cycles, with different target investment sizes and stated performance reflects neither a specific investment Fund nor a group of investments managed as a single portfolio. The actual return realized by any investor in the Funds may vary based on the timing of capital contributions and distributions and may differ materially from those reflected or contemplated in the data presented.

⁴ "n/m" indicates performance that is not calculable or meaningful for the applicable period.

See [Appendix B](#) for additional information with respect to Hypothetical Performance, Realized Investments, Realized Value, Unrealized Value, Cumulative Value, Gross Realized IRR, Gross Realized MOIC, Gross IRR, Gross MOIC, Net IRR, Net DPI, Net MOIC, Net Realized IRR and Net Realized MOIC, and with respect to Fund VII, Fund VIII, Fund IX, Fund X, Fund XI, Fund XII, Fund XIII and SGF Performance Data. See pages 2 and 6 for more information regarding the potential impact of COVID-19 on the Funds and their portfolio investments. The ultimate impact of COVID 19 on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, including individual portfolio companies, remains impossible to predict. *Performance is not a guarantee of future results. Any investment in a fund entails a risk of loss.*

Appendices

Appendix B

Definitions and Calculations

Active Portfolio Companies: All Fund investments excluding fully realized investments, companies in which GTCR has invested less than \$10 million and companies that have been written-off or written-down to a value of \$1.

Add-On Acquisitions: All acquisitions completed by a portfolio company subsequent to the Platform Acquisition.

Adj EBITDA: EBITDA adjusted primarily for the effects of nonrecurring or extraordinary items and expected synergies. Adjusted EBITDA is presented inclusive of all acquisitions and exclusive of all divestitures, and is generally calculated on an annualized basis based on available information during the applicable twelve-month measurement period. When EBITDA information is not available with respect to an initial investment (e.g., a corporate carve-out of an operating division that did not previously report stand-alone EBITDA, etc.), GTCR uses an EBITDA estimate that it deems reasonable and appropriate. EBITDA is a non-GAAP accounting metric and is not audited. There can be no assurance that expected synergies will be achieved.

Benchmark Data: For the vintage years subsequent to 1986, benchmark data for “U.S. Buyouts” as of September 30, 2022 is provided by Cambridge Associates. Cambridge Associate’s benchmarks are defined as follows: Net IRR – “Upper Quartile (%)” Net DPI - “Distribution to Paid In Capital Multiple (DPI) Upper Quartile” and Net MOIC - “Total Value to Paid In Capital Multiple (TVPI) Upper Quartile.” Cambridge Associates benchmark data is unavailable for the vintage years prior to 1986. As a result, for the vintage years prior to 1986, benchmark data for “U.S. Buyouts” is based upon information from Thomson Reuters (f/k/a Venture Economics) as of December 31, 2013. Thomson Reuters benchmark data is no longer available and, accordingly, has not been updated for periods subsequent to December 31, 2013. The Thomson Reuter’s benchmarks were defined as follows: Net IRR - “IRR upper,” Net DPI - “DPI Upper” and Net MOIC - “TVPI Upper.”

Investors generally cannot invest directly in the Cambridge Associates or Thomson Reuters benchmarks, which are presented for reference purposes only. The Cambridge Associates and Thomson Reuters benchmarks set forth the performance of collections of funds, selected by Cambridge Associates or Thomson Reuters, as applicable, which pursue a leveraged buyout private equity investment strategy. In addition to pursuing a leveraged buyout private equity investment strategy, some or all of these funds may also pursue other types of investments. The returns of the funds included in these benchmarks are net of all applicable fees and carried interest, which may differ from the applicable fees and carried interest charged to the Funds. Funds I–XIII and SGF pursue a leveraged buyout private equity investment strategy, but have made certain investments outside of this strategy and did not invest in the funds comprising the Cambridge Associates or Thomson Reuters benchmarks. GTCR selects the Cambridge Associates or Thomson Reuters vintage year to include based on the date the applicable Fund made its first investment in a portfolio company, not the date on which the first capital call was due from such Fund’s limited partners or any other date. For the foregoing and other reasons, Funds I–XIII and SGF and the Cambridge Associates and Thomson Reuters “U.S. Buyouts” benchmarks are not directly comparable and are provided for informational purposes only. The statistical data regarding the Cambridge Associates and Thomson Reuters benchmarks has been obtained from sources GTCR believes to be reliable.

Code: Internal Revenue Code of 1986, as amended.

Cumulative Value: Sum of (i) aggregate Realized Value and (ii) Unrealized Value.

Debt Paydown: With respect to each investment, GTCR’s calculation of the difference between Net Debt with respect to all acquisitions, including the impact of debt recapitalizations, and Net Debt at exit. Net Debt is based on information provided by the applicable portfolio company management and/or calculated by GTCR after deducting excess cash on the balance sheet. Debt Paydown is not audited and is presented solely to demonstrate GTCR’s estimate of the impact of Debt Paydown on the overall gain or loss with respect to Realized Investments. Additional information with respect to GTCR’s calculation of Debt Paydown is available upon request.

Discontinued Management Start-Up: Investments that have been discontinued, sold, transferred to another GTCR Fund or written off in accordance with IRC §165(g) prior to annual revenues exceeding \$5 million.

EBITDA: Earnings before interest, tax, depreciation and amortization.

Definitions and Calculations

EBITDA Growth / Decline: With respect to each investment, GTCR's calculation of the difference between Adj EBITDA at the beginning of the applicable period and Adj EBITDA at the end of the applicable period, pro forma for acquisitions and divestitures. EBITDA Growth / Decline is based on information provided by the applicable portfolio company management team and calculated by GTCR after making other adjustments it deems necessary or appropriate. Adj EBITDA acquired or sold during the period as a result of acquisitions or divestitures is generally included or excluded, respectively, on a pro forma basis, at the beginning of such period. EBITDA Growth is not audited and is presented solely to demonstrate GTCR's estimate of the impact of EBITDA Growth on the overall change in Cumulative Value with respect to the investment, or on the overall change in Portfolio Value with respect to the Fund, during the applicable period. Additional information with respect to GTCR's calculation of EBITDA Growth is available upon request.

Fund VII Performance Data: Performance information with respect to Fund VII represents the performance of GTCR Fund VII, L.P. and GTCR Fund VII/A, L.P. GTCR Fund VII/A, L.P. could only make an investment in an entity in which GTCR Fund VII, L.P. had also made an investment. Performance information with respect to Fund VII will vary to the extent an investor in GTCR Fund VII, L.P. is not also an investor in GTCR Fund VII/A, L.P.

Fund VIII Performance Data: Net IRR, Net DPI and Net MOIC performance information with respect to Fund VIII represents the performance of GTCR Fund VIII, L.P. and GTCR Fund VIII AIV, L.P. only. GTCR Fund VIII/B, L.P. ("Fund VIII/B") is a parallel fund established for non-U.S. and U.S. tax exempt investors which utilizes blocker corporations to reduce the likelihood of such investors being required to recognize income "effectively connected with the conduct of a trade or business within the United States" as defined in Section 864 of the Code. Fund VIII/B represents approximately 14.9% of total commitments to Fund VIII. As of December 31, 2022, Fund VIII/B had the same Gross IRR as GTCR Fund VIII, L.P. and a Net IRR of 21.7%.

Fund IX Performance Data: Net IRR, Net DPI and Net MOIC performance with respect to Fund IX represents the performance of GTCR Fund IX/A, L.P. and GTCR Fund IX/A AIV (Ironshore), L.P. only. GTCR Fund IX/B, L.P. is a parallel fund established for non-U.S. and U.S. tax exempt investors which utilizes blocker corporations to reduce the likelihood of such investors being required to recognize income "effectively connected with the conduct of a trade or business within the United States" as defined in Section 864 of the Code. GTCR Fund IX/B, L.P. and GTCR Fund IX/B AIV (Ironshore), L.P. (collectively "Fund IX/B") represent approximately 14.3% of total commitments to Fund IX. As of December 31, 2022, Fund IX/B had the same Gross IRR as Fund IX and a Net IRR of 13.3%.

Fund X Performance Data: Net IRR, Net DPI and Net MOIC with respect to Fund X represents the performance of GTCR Fund X/A LP, GTCR Fund X/B LP and GTCR Fund X/A AIV LP only. GTCR Fund X/C LP and GTCR Fund X/C AIV LP (collectively, "Fund X/C") are parallel funds established for non-U.S. and U.S. tax exempt investors which utilize blocker corporations to reduce the likelihood of such investors being required to recognize income "effectively connected with the conduct of a trade or business within the United States" as defined in Section 864 of the Code. Fund X/C represents approximately 22.3% of total commitments to Fund X. As of December 31, 2022, Fund X/C had the same Gross IRR as Fund X and a Net IRR of 21.5%.

Fund XI Performance Data: Net IRR, Net DPI and Net MOIC with respect to Fund XI represents the performance of GTCR Fund XI/A LP and GTCR Fund XI/B LP only. GTCR Fund XI/C LP ("Fund XI/C") is a parallel fund established for non-U.S. and U.S. tax exempt investors which utilize blocker corporations to reduce the likelihood of such investors being required to recognize income "effectively connected with the conduct of a trade or business within the United States" as defined in Section 864 of the Code. Fund XI/C represents approximately 20.1% of total commitments to Fund XI. As of December 31, 2022, Fund XI/C had a Gross IRR of 42.3% and a Net IRR of 33.7%.

Fund XII Performance Data: Net IRR, Net DPI and Net MOIC with respect to Fund XII represents the performance of GTCR Fund XII/A LP, GTCR Fund XII/B LP and GTCR Fund XII/A AIV LP only. GTCR Fund XII/C LP and GTCR Fund XII/C AIV LP (collectively, "Fund XII/C") are parallel funds established for non-U.S. and U.S. tax exempt investors which utilize blocker corporations to reduce the likelihood of such investors being required to recognize income "effectively connected with the conduct of a trade or business within the United States" as defined in Section 864 of the Code. Fund XII/C represents approximately 20.2% of total commitments to Fund XII. As of December 31, 2022, Fund XII/C had the same Gross IRR as Fund XII and a Net IRR of 30.3%. In accordance with the governing documents of Fund XII, GTCR may provide a capital call notice to investors up to 270 days (as opposed to up to 90 days for Funds X and XI, and on or around the applicable investment date for Funds I-IX) after an investment by Fund XII has been made. As a result Fund XII performance metrics (Net IRR, Net DPI and Net MOIC) represent leveraged return data. The net performance metrics presented herein may have been higher or lower if such leverage were not utilized.

Definitions and Calculations

Fund XIII Performance Data: Net IRR, Net DPI and Net MOIC with respect to Fund XIII represents the performance of GTCR Fund XIII/A LP and GTCR Fund XIII/B LP only. GTCR Fund XIII/C LP (“Fund XIII/C”) is a parallel fund established for non-U.S. and U.S. tax exempt investors which utilize blocker corporations to reduce the likelihood of such investors being required to recognize income “effectively connected with the conduct of a trade or business within the United States” as defined in Section 864 of the Code. Fund XIII/C represents approximately 27.5% of total commitments to Fund XIII. As of December 31, 2022, Fund XIII/C had the same Gross IRR as Fund XIII and a Net IRR of 43.3%. In accordance with the governing documents of Fund XIII, GTCR may provide a capital call notice to investors up to 270 days (as opposed to up to 90 days for Funds X and XI, and on or around the applicable investment date for Funds I-IX) after an investment by Fund XIII has been made. As a result Fund XIII performance metrics (Net IRR, Net DPI and Net MOIC) represent leveraged return data. The net performance metrics presented herein may have been higher or lower if such leverage were not utilized.

Gross IRR: Compounded annual internal rate of return based on Investments, Realized Value and Unrealized Value before payment of Fund-level management fees and expenses, income earned on cash and cash equivalents and any carried interest to the Funds’ respective general partners, all of which, in the aggregate, may be substantial, but after payment of expenses directly related to investments (as determined by such general partners). Gross IRR is calculated on a quarterly basis based on the actual quarter during which each Investment and Realized Value occurred and on the Unrealized Value at the end of each applicable quarter. Gross IRR may include Unrealized Values and, accordingly, no limited partner in such Fund has actually received such returns. The Funds may use a revolving line of credit to fund interim limited partner capital contributions in accordance with the governing documents of such Fund. For purposes of calculating Gross IRR, GTCR uses the dates on which the Fund made Investments, not the dates on which Fund capital calls are due from its limited partners. Where Gross IRR is presented for a Subset, Gross IRR is calculated on a quarterly basis based on the actual quarter during which each applicable Investment and Realized Value occurred and the Unrealized Value at the end of each applicable quarter for each applicable portfolio company included in such Hypothetical Performance. Subset Gross IRR is Hypothetical Performance subject to the risks and limitations described herein.

Gross MOIC: Multiple based on Investments, Realized Value and Unrealized Value before payment of Fund-level management fees and expenses, income earned on cash and cash equivalents and any carried interest to the Funds’ respective general partners, all of which, in the aggregate, may be substantial, but after payment of expenses directly related to investments (as determined by such general partners). The use of bridge financing in accordance with the terms of the governing documents of the applicable Fund, may increase the Gross MOIC with respect to a particular investment. Gross MOIC may include Unrealized Value and, accordingly, no limited partner in such Funds has actually received such returns. Where Gross MOIC is presented for a Subset, Gross MOIC is calculated on a quarterly basis based on the quotient of (i) the actual cumulative Realized Value and Unrealized Value and (ii) the cumulative Investments made to date across each applicable portfolio company included in such Subset. Subset Gross MOIC is Hypothetical Performance subject to the risks and limitations described therein.

Gross Realized IRR: Gross IRR, calculated with respect to Realized Investments.

Gross Realized MOIC: Gross MOIC, calculated with respect to Realized Investments.

GTCR Funds, or Funds: The Golder, Thoma Fund (“Fund I”); Golder, Thoma, Cressey Fund II, L.P (“Fund II”); Golder, Thoma, Cressey Fund III, Limited Partnership (“Fund III”); Golder, Thoma, Cressey, Rauner Fund IV, L.P (“Fund IV”); Golder, Thoma, Cressey, Rauner Fund V, L.P (“Fund V”); GTCR Fund VI, L.P (“Fund VI”); GTCR Fund VII, L.P and GTCR Fund VII/A, L.P (collectively, “Fund VII”); GTCR Fund VIII, L.P and GTCR Fund VIII/B, L.P (collectively, “Fund VIII”); GTCR Fund IX/A, L.P and GTCR Fund IX/B, L.P (collectively, “Fund IX”); GTCR Fund X/A LP, GTCR Fund X/B LP and GTCR Fund X/C LP (collectively “Fund X”); GTCR Fund XI/A LP, GTCR Fund XI/B LP and GTCR Fund XI/C LP (collectively “Fund XI”) and; GTCR Fund XII/A LP, GTCR Fund XII/B LP and GTCR Fund XII/C LP (collectively “Fund XII”); GTCR Fund XIII/A LP, GTCR Fund XIII/B LP and GTCR Fund XIII/C LP (collectively “Fund XIII”) and GTCR Strategic Growth Fund I/A LP, GTCR Strategic Growth Fund I/B LP and GTCR Strategic Growth Fund I/C LP (collectively, “SGF”), in each case (except where otherwise noted), together with any parallel funds and alternative investment funds. Excludes GTCR Capital Partners, LP, a mezzanine debt fund formed by affiliates of GTCR in 1999 and terminated in 2011. Market conditions, investment strategies and GTCR personnel have changed over the 40-year time period during which the various GTCR Funds have made investments. Past performance is not a guarantee of future results.

Definitions and Calculations

Investments: The aggregate amount of capital invested by the applicable Fund(s).

Hypothetical Performance: Any hypothetical performance has been provided for illustrative purposes only, and is not necessarily, and does not purport to be, indicative, or a guarantee, of future results. Hypothetical Performance includes Unrealized Value or other similar information, and represents performance results that no individual GTCR Fund or investor has actually achieved. The preparation of such information is based on underlying assumptions, and because it does not represent the actual performance of any GTCR Fund or investor, it is subject to various risks and limitations that are not applicable to non-Hypothetical Performance presentations. For example, because Hypothetical Performance may reflect different funds managed through various economic cycles, it is not, nor intended, to be representative of, the anticipated performance achieved by of an investor in a single GTCR Fund. Any preparation of Hypothetical Performances involves subjective judgments. Although GTCR believes any hypothetical performance calculations described herein are based on reasonable assumptions, the use of different assumptions would produce different results. For the foregoing and other similar reasons, the comparability of Hypothetical Performance to the prior (or future) actual performance of a GTCR Fund is limited, and prospective investors should not unduly rely on any such information in making an investment decision.

Management Start-Up: Start-up company formed and funded by GTCR or a Fund through which GTCR partners with a management team for the purpose of making acquisitions. The start-up capital funded by GTCR or a Fund typically will be used for the management team's overhead expenses for a period of time, including the management team's compensation and traditional due diligence expenses incurred pursuing acquisition opportunities. In certain cases, a Fund may invest start-up capital in a Management Start-Up, but the Management Start-Up will not have completed a Platform Acquisition towards the end of the investment period and/or capacity of such Fund. In other cases, GTCR may invest start-up capital in a Management Start-Up when an existing Fund is not expected to have investment capacity to consummate a Platform Acquisition and a subsequent Fund has not been formed or commenced investment activities. In either case, the Fund or GTCR, as applicable, may sell its interest in such Management Start-Up to a subsequent Fund, and the Fund or GTCR, as applicable, will seek reimbursement for any start-up capital invested in the Management Start-Up from the subsequent Fund. Any such sale is consummated after obtaining Advisory Board approval from the applicable Fund(s).

Multiple Expansion: With respect to each investment, GTCR's calculation of the difference between the Valuation Multiple with respect to all acquisitions, and the Valuation Multiple at exit. Multiple Expansion is based on multiples determined by GTCR and calculated by GTCR after making adjustments it deems necessary or appropriate. Multiple Expansion is not audited and is presented solely to demonstrate GTCR's estimate of the impact of Multiple Expansion on the overall gain or loss of Realized Investments. With respect to Protection1 (Fund IX) and GreatCall (Fund XI), GTCR used Steady State Net Operating Cash Flow instead of EBITDA in its calculation of equity value creation above. With respect to Opus Global (Fund X), GTCR used Annual Contract Value instead of EBITDA in its calculation of equity value creation above. Additional information with respect to GTCR's calculation of Multiple Expansion is available upon request.

Net Debt: Gross debt less excess cash. Net Debt includes accrued interest, where applicable.

Net Distributions to Paid in Capital ("Net DPI"): The quotient of (i) limited partner distributions (after accounting for applicable expenses, fees and carried interest), divided by (ii) limited partner contributions. An individual limited partner's Net DPI may vary based on the timing of capital contributions and distributions. Net DPI excludes the general partner's commitment to the Fund and its associated returns, which are not subject to management fees or carried interest.

Net IRR: Compounded annual internal rate of return based on limited partner capital contributions, limited partner distributions and Unrealized Value after deduction of Fund-level management fees and expenses, income earned on cash and cash equivalents and any carried interest to the Funds' respective general partners, as well as expenses directly related to investments (as determined by such general partners). An individual limited partner's Net IRR may vary based on the timing of capital contributions and distributions. Net IRR is calculated on a quarterly basis based on the actual quarter during which each limited partner capital contribution and limited partners distribution occurred and on the Unrealized Value at the end of each applicable quarter. Net IRR may include Unrealized Values and, accordingly, no limited partner in such Funds has actually received such returns. Net IRR excludes the general partner's commitment to the Fund and its associated returns, which are not subject to management fees or carried interest. The use of bridge financing in accordance with the terms of the governing documents of the applicable Fund may increase the Net IRR of such Fund. The Funds may use a revolving line of credit to fund interim limited partner capital contributions in accordance with the governing documents of such Fund. The interest expense and other costs of any such borrowings will be borne by the relevant Fund in accordance with the governing documents of such Fund and, accordingly, may decrease the Net IRR of such Fund. Further, the use of leverage may increase such Fund's Net IRR metrics due to the shorter period during which capital contributions are outstanding. For purposes of calculating Net IRR, GTCR uses the dates on which Fund capital calls are due from its limited partners, not the date on which a Fund draws on the revolving line of credit to make an investment in the applicable portfolio company (and the time periods between such capital calls and investment dates will vary in accordance with the governing documents of the applicable GTCR Fund).

Definitions and Calculations

Net MOIC: The quotient of (i) limited partner distributions (after deduction of Fund-level management fees and expenses, income earned on cash and cash equivalents and any carried interest to the Funds' respective general partners, as well as expenses directly related to investments (as determined by such general partners)) plus limited partner capital account balances as of the applicable date, divided by (ii) limited partner contributions. An individual limited partner's Net MOIC may vary based on the timing of capital contributions and distributions. Moreover, Net MOIC may include Unrealized Values and, accordingly, no limited partner in such Funds has actually received such returns. Net MOIC excludes the general partner's commitment to the Fund and its associated returns, which are not subject to management fees or carried interest. The use of bridge financing and/or "recycling" of capital, each in accordance with the terms of the governing documents of the applicable Fund, may increase the Net MOIC of such Fund. The Funds may use a revolving line of credit to fund interim limited partner capital contributions in accordance with the governing documents of such Fund. The interest expense and other costs of any borrowings on the revolving line of credit of a Fund in accordance with the terms of the governing documents of the applicable Fund will be borne by the relevant Fund and, accordingly, may decrease the Net MOIC of such Fund. Where Net MOIC is presented for a Subset, Net MOIC is calculated as Gross MOIC multiplied by the historic percentage difference between Gross MOIC and Net MOIC across all GTCR Funds to date. While GTCR believes these assumptions are reasonable to calculate a hypothetical Subset Net MOIC, precise net multiples for Subsets such as Subset Net MOIC cannot be calculated because of the arbitrary allocation of fees, expenses, and carried interest to each investment at the fund level. Subset Net MOIC is Hypothetical Performance subject to the risks and limitations described therein.

Net Realized IRR: Net IRR, adjusted by the current percentage difference between Gross IRR and Gross Realized IRR on a weighted average basis across the applicable GTCR Fund(s). While GTCR believes these assumptions are reasonable to calculate a hypothetical Net Realized IRR, precise net returns for Subsets such as Net Realized IRR cannot be calculated because of the arbitrary allocation of fees, expenses, and carried interest to each investment at the fund level. Further, there is no guarantee such assumptions will accurately reflect the ultimate allocation of expenses and other costs across Realized Investments, as the ultimate allocation of expenses across currently unrealized investments will depend, among other things, on future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale. The actual Net Realized IRR by any investor may differ materially from the Net Realized IRR stated herein. The estimated net performance numbers do not necessarily replicate the performance experienced by a hypothetical investor that had exposure to each investment in the Subset.

Net Realized MOIC: Net MOIC, adjusted by the current percentage difference between Gross MOIC and Gross Realized MOIC on a weighted average basis across the applicable GTCR Fund(s). While GTCR believes these assumptions are reasonable to calculate a hypothetical Net Realized MOIC, precise net multiples for Subsets such as Net Realized MOIC cannot be calculated because of the arbitrary allocation of fees, expenses, and carried interest to each investment at the fund level. Further, there is no guarantee such assumptions will accurately reflect the ultimate allocation of expenses and other costs across Realized Investments, as the ultimate allocation of expenses across currently unrealized investments will depend, among other things, on future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale. The actual Net Realized MOIC by any investor may differ materially from the Net Realized MOIC stated herein. The estimated net performance numbers do not necessarily replicate the performance experienced by a hypothetical investor that had exposure to each investment in the Subset.

Realized Investments: Investments that have been sold, either through a substantial partial sale or full sale, written off in accordance with Section 165(g) of the Code or companies that have been written-off or written-down to a value of \$1. Excludes Discontinued Management Start-Ups, Management Start-Ups that have not completed a Platform Acquisition and publicly-traded investments with respect to which the applicable Funds have sold less than 50% of such Funds' Initial Ownership. For purposes of page 13, with respect to investments that have been partially sold, GTCR calculated Debt Paydown, Multiple Expansion and EBITDA Growth based on the percentage of the applicable Fund's ownership interest that has been sold applied to the Realized Value with respect to such investment. Realized Investments are calculated at the Fund level, before deduction of Fund level management fees, expenses or any carried interest to the Funds' respective general partners, all of which in the aggregate may be substantial.

Realized Value: The total amount received by the applicable Fund(s), which may include advisory fees, transaction fees and tax distributions. Realized Value is calculated at the Fund level, before deduction of Fund-level management fees and expenses and any carried interest to the Funds' respective general partners, all of which, in the aggregate, may be substantial. The actual return realized by any investor in the applicable Fund may differ materially from the Realized Value stated herein.

Definitions and Calculations

SGF Performance Data: Net IRR, Net DPI and Net MOIC with respect to SGF represents the performance of GTCR Strategic Growth Fund I/A LP and GTCR Strategic Growth Fund I/B LP only. GTCR Strategic Growth Fund I/C LP (“SGF I/C”) is a parallel fund established for non-U.S. and U.S. tax exempt investors which utilize blocker corporations to reduce the likelihood of such investors being required to recognize income “effectively connected with the conduct of a trade or business within the United States” as defined in Section 864 of the Code. SGF I/C represents approximately 23.1% of total commitments to SGF. In accordance with the governing documents of SGF, GTCR may provide a capital call notice to investors up to 270 days (as opposed to up to 90 days for Funds X and XI, and on or around the applicable investment date for Funds I-IX) after an investment by SGF has been made. As a result SGF performance metrics (Net IRR, Net DPI and Net MOIC) represent leveraged return data. The net performance metrics presented herein may have been higher or lower if such leverage were not utilized. The track record of SGF includes investments that are only a subset of the target size investments of the other GTCR Funds. Therefore, the performance of the Strategic Growth Fund is not directly comparable.

Steady State Net Operating Cash Flow (SSNOCF): Steady State Net Operating Cash Flow calculated on a monthly basis based on information provided by the applicable portfolio company management team, and is presented inclusive of all acquisitions and exclusive of all divestitures. SSNOCF is a non-GAAP accounting metric and is not audited. Additional information with respect to the calculation of SSNOCF is available upon request.

Subset: A subset of multiple Funds or a subset of portfolio companies held by a single Fund or multiple Funds.

S&P 500 Data: The Standard & Poors (“S&P”) 500 Index is a stock market index comprised of the 500 largest U.S. publicly traded companies. All components of the S&P 500 are further assigned to one of the eleven “Select Sector Indices”, which seek to track major economic segments and are highly liquid benchmarks (collectively, the “S&P 500 Indices”). Information about the S&P 500 Indices has been obtained from sources believed to be reliable. The S&P 500 Indices are presented for reference purposes only and an investment in a private investment fund such as the Funds is unlike an investment in an index of securities. The Funds will not invest in all (or any) of the instruments represented the S&P 500 Indices, and the Funds may also make investments in certain types of instruments not represented in the S&P 500 Indices. In addition, the criteria for including particular instruments in any given S&P 500 Index is different from GTCR’s criteria for choosing investments for its Funds. The S&P 500 Indices are generally not representative of the investments made by any Fund, and the performance of a Fund generally is not comparable to the performance of these Indices. For the foregoing and other reasons, the results of any Fund and the S&P 500 Indices are not directly comparable.

Unrealized Value: With respect to the applicable Fund and/or portfolio company, the estimated fair market value of the applicable investment(s) as of the relevant date, as estimated by GTCR. Such estimates are made by GTCR using assumptions that GTCR believes are reasonable under the circumstances, relating to each particular investment. There can be no assurance that unrealized investments will be realized at the valuations indicated herein, and used to calculate the IRRs, MOICs and DPIs contained herein, and transaction costs connected with such realizations remain unknown and, therefore, are not factored into such calculations. Estimates of unrealized value are subject to numerous variables that change over time (e.g., future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, the timing and manner at sale, etc.) and, therefore, amounts actually realized in the future (if any) will vary (in some cases materially) from the estimated gross “unrealized values” used in connections with calculations referenced herein.

Valuation EBITDA: Adj EBITDA used in GTCR’s valuation for the applicable period, unless otherwise noted.

Valuation Multiple: With respect to each investment, the quotient of (i) Enterprise Value, divided by (ii) Valuation EBITDA.

Memo

To: Ethan Schutt, Chair, APFC Board of Trustees

Through: Deven Mitchell, Executive Director

From: Mike Barnhill, Chief Operations Officer

Date: May 10, 2023

Re: Anchorage and Additional Offices:
Implementation Considerations

Executive Summary

- Strategic Plan: In its FY2020-2025 strategic plan, the Board directed the opening of an Anchorage office as a strategy to address recruitment and retention.
- Location: Midtown may be preferable in terms of cost, dedicated parking, proximity to the airport, Legislative building, educational institutions as well as residential areas.
- Size and Cost: Staff estimates the initial costs of an Anchorage office for a 3,000 sq ft office to be \$680k-\$850k, with ongoing costs of \$150k-\$170k.
- Implement in FY2024: While there are a number of issues that APFC management recommends the Board consider, APFC will seek to implement the Board's direction in FY2024.
- Issues for the Board's consideration:
 - Historic turnover at APFC appears to be correlated with changes in the Executive Director position.
 - The FY2024 budget did not increase the Contractual Services primary object of expenditure to accommodate additional lease costs.
 - The Board can authorize moving authority within the Contractual Services primary object to accommodate new lease costs if there is excess authority sufficient to provide for the defined cost.

- APFC senior management recommends APFC provide notice to OMB and the Legislature of this new expenditure and seek a supplemental appropriation for it.
- Relocation costs. The Board needs to determine if relocation costs of staff that choose to move to Anchorage would be provided. Further, if this would be a one-time opportunity or if the Corporation would pay for moves between office locations when employees determined they would prefer to move in the future.
- Target for recruitment. An Anchorage office could give APFC the opportunity to adjust its recruitment to include a larger population of Alaska based candidates.
- Stakeholder communications. There are a number of stakeholders who may expect pro-active engagement and communication from the Board regarding this effort. The APFC has sought to be consistently transparent and pro-active with stakeholder communications and to steward these important relationships.
- Alternative work policies. During the pandemic, APFC adopted a number of alternative work practices: (1) hybrid remote work at the duty station; (2) temporary flexible work from anywhere (“Professional Flexibility”); and (3) permanent work from anywhere with relocation of duty station outside of Alaska. These policies should be fully documented. Consideration should be given to consistency of implementation of these policies.
- Other implementation issues. APFC senior management recommends we start an organization-wide conversation about how this initiative will be implemented:
 - How is the decision made regarding who can move to the Anchorage office?
 - What expectations, if any, are there for travel to the Juneau office?
 - How do we maintain a cohesive “one team” organizational culture?
 - How do the alternative work policies apply to the Anchorage office?
- Additional offices. APFC senior management recommends that we focus on stabilizing the organization, the culture, and the alternative work policies before we open additional offices, including offices outside of Alaska. The Board should engage in further strategic planning discussions.

- Issues that would benefit from extended Board discussion and deliberation could be taken up in a strategic plan update session.

Background

In its FY2020-FY2025 strategic plan, the APFC Board of Trustees set a goal of enhancing staff motivation, talent recruitment and retention for the corporation. As strategies for achieving this goal, the Board directed opening an office in Anchorage by September 2020, as well as subsequent annual analysis and recommendations with respect to opening additional offices.

Multiple major events occurred subsequent to the adoption of the Board's strategic plan: global pandemic, global upheaval in standard workplace practices, and termination of the prior executive director. While the first and the third events are now mostly in the past, there is no longer any common societal understanding of the role of the physical workplace. Hybrid remote work may be emerging as a standard, particularly in professional workplaces, but there is a concerted effort underway by management in many prominent corporations to end or limit remote work.

In any event, it is an understatement to say “a lot has changed” since the Board adopted the current strategic plan. APFC senior management acknowledges the Board's continued desire to open an Anchorage office, and will seek to honor that desire. But the world of work has changed considerably since 2020. The Board's assumption in 2020 that a physical office in Anchorage would materially improve recruitment and retention may need to be re-visited.

Anchorage Office Location

There are two basic options for location of an office in Anchorage: Downtown and Midtown. The costs for Downtown space are somewhat higher than Midtown space (\$3.68/sqft v. \$3.05/sqft). At Midtown locations, parking tends to be dedicated and adjacent to the building. Buildout and other costs, previously estimated at \$544k, have increased because of substantial construction inflation in Anchorage. We are now estimating buildout and other costs at \$680k-\$850k. A Downtown location would provide better proximity to other State of Alaska offices, while a Midtown location would provide better proximity to other state corporations (AHFC, AIDEA, AGDC), the Alaska legislative building, as well as the University of Alaska Anchorage campus and Alaska Pacific University.

Currently there are two state spaces that have available rentals: Frontier Building (midtown) and the ConocoPhillips small tower downtown. The Frontier Building has a shared conference room space on the first floor that is approximately the same

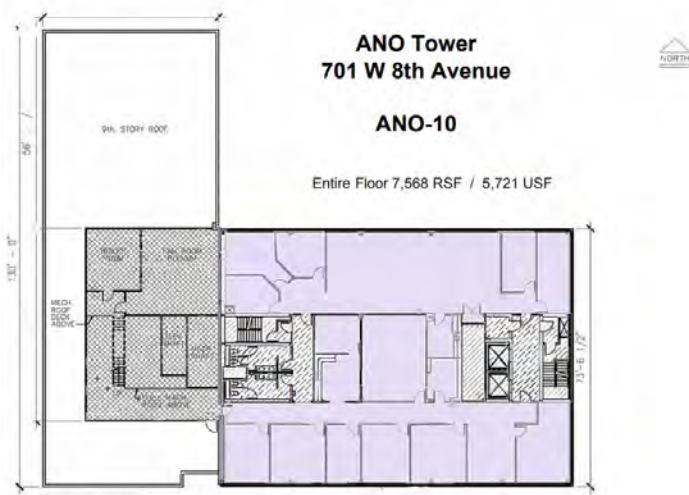
size as the Atwood Building shared conference room space. The ConocoPhillips building has various spaces into which a conference room can be built. The ConocoPhillips building is also next door to the Convention Center, and a block from the Atwood Building.

Recommendation: Either. A Midtown location may be preferable for cheaper cost, closer access to the airport, more available parking, and potentially shorter commute times. A Downtown location provides the option for a dedicated boardroom.

Office Size

The size of an Anchorage office should be scaled to the number of expected staff that would work in Anchorage as well inclusion of or access to a conference room that is appropriately sized and equipped to accommodate the Board, plus staff and stakeholder presence. Based on the most recent survey, it appears that 5 staff may choose to re-locate at this time. An office size that can accommodate this number of staff (in a building that could permit further growth if needed), plus a conference room or access to a conference room could be the place to start—this would be about 3,000 sqft.

For what it is worth, there is a 7,000 sqft. space currently available in the small ConocoPhillips tower downtown (10th floor). It has a board room space that is suitably sized for the APFC board, along with nine offices. Lease costs are \$3.68/sqft, and buildout costs are estimated at \$175/sqft, with a \$60/sqft tenant improvement credit (total buildout + initial costs approx. \$1.1mm). Parking is at the 6th Ave. parking garage or the LPPG. There is currently an Alaska Club facility onsite, with a new food establishment coming in the next year.



Recommendation: 3,000 sq ft. At this size, initial costs are likely to be about \$680-\$850k with ongoing lease costs of \$150-\$170k.

Issues for Board Consideration

APFC Staff Turnover.

APFC has had relatively high turnover since inception. During the entire life of the APFC (FY1983-FY2023), annual turnover has averaged 17%. In its first two decades, APFC's annual turnover was higher--averaging about 20%. Turnover decreased thereafter. For the most part, higher levels of turnover correspond with changes in the Executive Director position. Over the past decade, APFC and State of Alaska turnover averaged about 14%.

Turnover by decade:

1983-1992: 19.5%

1993-2002: 20.5%

2003-2012: 12.6%

2013-2022: 14.3%

Since inception: 16.7%

The year-by-year statistics are attached as an appendix. APFC's lowest levels of turnover were during the tenure of Mike Burns.

Turnover can be the product of multiple causes. Macro-economic conditions can increase or decrease turnover. Similarly, senior management style, recruitment methods and objectives, organizational structure and the ratio of senior positions to entry-level positions, compensation structure, and organizational culture can all increase or decrease turnover. Taken together, these factors can and probably will offset with one factor or another being more causal in nature over different periods of time.

Higher levels of turnover can raise legitimate concerns about organizational stability, continuity of culture and retention of important institutional expertise. On the other hand, higher turnover in smaller organizations may not necessarily be unusual because there are fewer promotion paths. A goal of retaining experienced senior staff can lead to turnover of midlevel staff who seek greater responsibility through promotion.

APFC has an established practice of seeking talented recruits from outside of Alaska. While many of these recruits have embraced Alaska and remained for the long term, on balance, this recruitment practice has likely produced higher turnover.

Sometimes turnover can produce positive outcomes. New staff can bring new ideas and energy (Swenson, *Pioneering Portfolio Management*, p. 302).

On balance, some turnover is unavoidable, some turnover is bad, and some turnover can be good. The key is seeking to optimize turnover. For APFC, optimizing turnover may come through some combination of maintaining senior management stability, increasing lower and mid-level recruitment from Alaska, and maintaining a high-performing and high morale organizational culture. Additional offices potentially can help with reducing turnover, but as expectations around remote work outside of the physical office have increased, there may be some limit to how much the addition of physical offices will improve or optimize turnover.

Budget.

As noted above, staff estimates that the initial costs of outfitting an office in Anchorage will be about \$680k-\$850k, with ongoing lease costs of \$150k-\$170k. The FY2024 APFC Contractual Services primary object of expenditure was not increased to include this additional amount. In the Board's FY2024 budget, Contractual Services was increased by approximately \$251k for the IT and Communications components, while the Office Support component was slightly decreased.

The Board and staff may move authorization within a primary object (within the Contractual Services primary object for instance). With OMB permission, the Board may move authorization between primary objects (from Commodities to Contractual Services for instance). While permissible, the legislature has historically frowned on moving authority to and from the Personal Services primary object because it undermines budgeting transparency, and the APFC has not engaged in that practice. The Board may also move authorization between allocations (from APFC Investment Management Fees to APFC Operations) with OMB permission. The Board has historically avoided that approach as well. See APFC Resolution 98-4; AS 37.07.080(e).

As a matter of budget practice, APFC has been careful to maintain transparency and communication with OMB and the legislative finance committees. While permissible, unilaterally moving authorization within the Contractual Services primary object of expenditure to fund a new lease could potentially impair APFC's credibility with OMB and Finance Committee members. As such, APFC senior management recommends that there be communication with OMB and the Finance Committees in advance of any expenditure in connection with a new lease, and that APFC seek a supplemental appropriation in FY2024 for this item.

Relocation Costs.

A previous presentation to the Board (in 2020) assumed that APFC would pay relocation costs for staff moving to Anchorage, and estimated that cost at \$11k/staff. We think this estimate remains roughly accurate. It is a policy call for the Board whether to pay these costs.

Recruitment.

For the past two decades, APFC has sought to recruit talented investment and other staff from outside of Alaska. While this has undoubtedly brought significant talent to APFC, it has likely also contributed to turnover, as staff recruited from outside Alaska are more likely to leave. With the opening of an Anchorage office, there may be an increased opportunity to recruit in-state staff.

Stakeholder Communications and Relationships.

A broad swath of Alaskans and Alaskan stakeholders feel a strong sense of ownership in APFC and the PF. To some extent that sense of ownership for some stakeholders extends to where APFC operations are located. APFC senior management completely acknowledges the Board's plenary authority over this issue (subject to legislative appropriation). Nevertheless, APFC action without consultation and frank discussion with these stakeholders risks jeopardizing these important relationships. APFC senior management recommends that Board members personally participate in and lead these stakeholder discussions. APFC senior management will actively support these discussions, including assembling briefing information and packets.

Alternative Work Policies.

In conjunction with opening an Anchorage office, APFC should fully document all of its alternative work practices related to working away from the physical workplace, if only to make clear what application these policies have to employees working in the Anchorage office. In general, APFC recognizes the importance of work flexibility to APFC staff, and recommends continuing all of the existing practices (with potentially some modifications), and making them available for purposes of consistency to Anchorage office workers.

Shortly before the pandemic, APFC adopted a basic remote work policy. The early adoption of this policy helped APFC quickly migrate to full-time remote work in the spring of 2020. During the pandemic the use of remote work and the types of remote work substantially expanded. The existing policy should be updated to fully document the policies around each type of alternative work practice.

Worldwide, the broad adoption of remote work during the pandemic has been the most impactful development to workforce culture since the advent of the 5-day workweek nearly 100 years ago. Many professional employees quickly embraced the flexibility of remote work and the elimination of commutes to the office.

Management of several prominent large corporations, however, have expressed concern about perpetuating remote work because of impacts to workplace culture, onboarding new employees, and difficulty with managing and sustaining productivity in a remote environment. As a compromise, many workplaces appear to be settling on optimizing hybrid approaches, with some percentage of time spent in the physical workplace and some percentage of time working remotely.

At this time, given the lack of any consensus workplace standard, this issue may remain in flux both in terms of employees' expectations, office policies, and management expectations. Whatever APFC decides to do now may need to be revisited multiple times until some new standard emerges.

As noted, during the pandemic APFC alternative work practices expanded in significant ways. At this time, APFC has three distinct alternative work practices:

- **Hybrid Work Week.** Staff work a certain number of days at home, and a certain number of days in the office. Fifteen staff have elected a hybrid work week over the past year. APFC does not have a fixed ratio of home:office days, and currently the practice ranges from one day/week at home up to three days/week at home.
- **Professional Flexibility.** On a temporary basis, staff can work from anywhere. For instance, staff can use this to temporarily care for a family member outside of Alaska. The duty station remains in Juneau, and APFC does not cover travel costs. Thirty-three staff have participated in Professional Flexibility outside of Juneau over the past year. Forty-one staff have participated in Professional Flexibility from Juneau over the past year.
- **Permanent Work from Anywhere (WFA).** Corporation directors can authorize employees to establish duty stations outside of Alaska. The policy requires that such employees spend two weeks each quarter at the Juneau office. The current practice has APFC paying for the travel and lodging costs for such trips. Because authorization for this practice rests at the director level, there are different approaches to it. Six full-time and one part-time staff participate in Permanent Work from Anywhere.

A common thread connecting these work practices is enhanced recruitment and retention. In general, while we recommend continuation of all of these practices in some form, we think that they need to be fully documented in a standard set of policies, with some effort to harmonize how they are implemented, with thought and discussion given to how they work within the “one team” objective.

There are a number of issues with the current implementation of these work practices that should be addressed in the fullness of time.

The first issue is the differential approach amongst directors as to how these practices are implemented. At the outset, APFC management recognizes that there are important differences in how APFC portfolios and operations sections are managed. Some APFC sections require regular travel outside of Alaska for diligence or other purposes. Other APFC sections rely on the close physical proximity of staff for regular communication throughout the day. In tension with these considerations is that they can produce different personnel decisions regarding access to alternative work arrangements. This can impact office morale.

At this point, APFC senior management has embraced a “go slow” approach to resolving this issue. We will seek input across the organization and look for a resolution that balances the legitimate concerns in an appropriate manner.

The second issue is that under the Permanent Work from Anywhere practice, APFC pays the travel costs for staff to return to Juneau for two weeks each quarter. Our understanding is that subsidizing travel costs to and from Juneau was intended to be piloted for one year to determine if APFC was saving costs. This practice and the travel cost pilot is not fully documented in a policy.

Evaluation of the travel costs subsidy remains to be completed. In any event, despite the lack of any consensus standards on Permanent Work from Anywhere, subsidy of travel costs to the home office may ultimately be a non-standard approach.¹ In general, Work from Anywhere is largely viewed as the most flexible workplace arrangement and is primarily for the employee’s benefit. Following completion of the analysis of WFA travel costs, we recommend a discussion (perhaps in the context of a strategic plan update) of whether the APFC subsidy of

¹ The WFA literature reports that one of the oldest WFA programs (US Patent Trade Office WFA program which started in 2012) requires WFA staff to pay for the travel costs associated with required time at the main office, which is not to exceed 12 days/year. On the other hand, some employers have paid for WFA staff to travel to the main office for periodic socialization events, in an effort to maintain office culture and teamwork. Harvard Business Review, *The Future of Work* (2021) at 7, 21.

WFA travel costs should continue. In the event this discussion results in making a change to this subsidy, we would recommend a relatively long transition period in recognition of the impact to our WFA staff.

The third issue relates to harmonization between the Hybrid Work Week practice and the Professional Flexibility practice. For employees working under both of these practices, the duty station is in Juneau. Under the Hybrid Work Week practice an employee working a 3/2 (home:work) week has the ability to work up to 156 (3*52) days out of the office. But employees working under the Professional Flexibility practice are informally capped at approximately 40-60 days per year.

Perhaps the easiest way to harmonize these policies is to just make them both available to all employees. This approach, however, may cause disruption in the management of some APFC sections, as noted above. Another solution is to make only the Professional Flexibility practice available to all employees with a maximum number of days set at 40 days/year (or some other reasonable number). Here too, APFC senior management has adopted a “go slow” approach. We recommend this policy be re-visited periodically. This issue also lends itself to Board discussion in the context of a strategic plan update.

Before we leave this issue, while the recommendations above are designed to eventually bring some measure of standardization to alternative work policies, we do see the need to preserve management discretion in exceptional cases. In such cases, we think the policy should permit the Executive Director to grant case-by-case exceptions for the purposes of recruitment and retention.

Additional Offices

With respect to the addition of offices outside of Juneau and Anchorage, we recommend some amount of additional Board discussion, analysis and introspection regarding organizational objectives (again, possibly in conjunction with a strategic plan update), as well as pro-active engagement with stakeholders. Below are questions to start the discussion.

- Is the goal of additional offices solely staff recruitment and retention?
- Is the organization seeking to scale up in size? If so, what’s the goal?
- What model of institutional organization are we seeking to create?
 - Elite endowment (UTIMCO, Yale, Stanford)?
 - Hybrid Public/Endowment?
 - Other?

- What level of in-state recruiting is ideal? What kind of employees are we seeking to hire?
- What competitive edge are we seeking to create/improve?
- What amount of turnover is acceptable?
 - Are there areas of the corporation where less turnover is preferable?
 - Are there areas of the corporation where more turnover is preferable?
- In lieu of establishing new office space, could less costly alternatives like “WeWork” be sufficient?
- What kind of office culture are we seeking to create? Is the “one team” approach working? Will adding multiple new offices necessarily mean we have a different culture?

Appendix

APFC Historic Turnover Rates											
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	Average
Turnover	10.53%	11.76%	0.00%	9.52%	40.00%	11.76%	38.46%	16.67%	6.25%	50.00%	19.50%
CEO	Rose	Rose	Rose	Rose	Rose	Rose	Rose	Rose	Rose	Scott	
CIO	Means	Means	Means	Means	Means	Means	Means	Means	Means	Means	
Turnover	14.29%	20.51%	30.00%	22.22%	13.95%	8.33%	31.11%	40.00%	17.39%	7.41%	20.52%
CEO	Scott	Scott	Mallott	Mallott	Mallott	Mallott	Mallott	Storer	Storer	Storer	
CIO	Brown	Brown	Brown	Brown	Brown	Brown	Brown	Brown	Moore	Moore	
Turnover	30.77%	4.08%	26.42%	8.33%	10.34%	7.14%	10.91%	14.81%	6.67%	6.67%	12.61%
CEO	Storer	Burns	Burns	Burns	Burns	Burns	Burns	Burns	Burns	Burns	
CIO	Moore	Shafer	Shafer	Shafer	Shafer	n/a	Scott	Scott	Scott	Willoughby	
Turnover	15.87%	11.05%	5.22%	15.38%	14.12%	18.70%	15.80%	12.80%	18.60%	15.50%	14.30%
CEO	Burns	Burns	Burns	Rodell	Rodell	Rodell	Rodell	Rodell	Rodell	Rodell	
CIO	Willoughby	Willoughby	Willoughby	Read	Read	Read	Frampton	Frampton	Frampton	Frampton	
APFC Average Turnover, 1983-2022:											16.73%
SQA Department	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Governor	14.9%	11.9%	34.1%	15.0%	9.2%	15.7%	43.0%	10.7%	12.9%	22.4%	18.99%
Administration	12.6%	12.4%	13.5%	12.8%	13.3%	14.0%	15.0%	12.6%	12.5%	16.5%	13.52%
Commerce CED	11.5%	14.3%	15.5%	15.2%	13.2%	18.4%	13.2%	16.5%	17.3%	22.9%	15.81%
Corrections	11.5%	11.8%	12.0%	15.6%	12.1%	13.7%	13.2%	11.7%	12.8%	17.9%	13.23%
Educ and ED	10.2%	11.0%	16.3%	16.0%	11.8%	16.2%	14.3%	12.5%	14.0%	12.1%	13.44%
Env Cons	13.1%	12.4%	12.5%	14.2%	9.0%	13.2%	13.6%	15.2%	10.6%	15.3%	12.90%
Fish and Game	10.7%	10.4%	12.8%	14.5%	13.6%	16.2%	18.0%	11.7%	15.8%	18.4%	14.21%
Health and Soc Svcs	14.1%	12.6%	14.3%	15.5%	16.3%	16.8%	19.1%	18.8%	16.4%	18.5%	16.24%
Labor and WD	9.3%	12.4%	12.7%	18.2%	14.8%	15.8%	18.2%	12.5%	13.4%	18.9%	14.64%
Law	10.5%	12.3%	12.5%	9.7%	14.1%	15.5%	15.9%	11.9%	16.8%	19.9%	13.90%
Military and Vet Aff.	17.0%	15.5%	22.3%	16.1%	10.5%	16.2%	20.1%	15.7%	19.1%	20.5%	17.30%
Natural Resources	8.9%	9.1%	11.2%	11.8%	13.3%	14.3%	13.5%	12.9%	10.7%	17.3%	12.29%
Public Safety	12.1%	8.3%	12.6%	12.2%	11.3%	11.5%	11.3%	13.8%	11.1%	14.2%	11.84%
Revenue	12.3%	11.4%	13.6%	12.3%	10.5%	14.0%	11.8%	11.1%	13.9%	16.0%	12.68%
Transp and PF	11.3%	11.4%	12.5%	11.8%	11.8%	13.5%	14.0%	12.7%	13.2%	16.4%	12.86%
Total Exec. Branch	11.9%	11.6%	13.4%	13.3%	13.1%	14.8%	15.7%	13.9%	14.0%	17.5%	13.94%

SUBJECT: Legislative Update

ACTION:

DATE: May 18, 2023

INFORMATION: X

The Director of Communication's presentation is designed to provide a legislative update focusing on –

- Budget Resources & Appropriations
- Legislation: Corporate Management
- Fund Structure and ERA Draw Durability



ALASKA PERMANENT
FUND CORPORATION

Legislative Update

Board of Trustees Quarterly Meeting

May 2023

Legislative Communications

Update

Budget Resources and Appropriations
Legislative Proposals - Corporate Management
Fund Structure and ERA Draw Durability



Uphold & Affirm

Independence -Interdependence
Integrity
Stewardship

Educate

Intergenerational Benefit
Investment & Performance
Sustainability, Inflation Proofing & Real Return



Secure Resources

Board Priorities
FY24 Operating Budget
Fund Appropriations

Monitor & Respond

Legislative Inquiries
Committee Presentations & Hearings
Bills & Resolutions



Budget Resources and Appropriations

We are appreciative of the continued resource support for APFC's professional staff and the effective management and investment of the Fund.

FY24 APFC Operating Budget Appropriations

Detail provided in the separate budget presentation

FY24 Appropriations To the Permanent Fund

\$430,383,300 Constitutional Royalties to Principal

\$76,416,000 Statutory Royalties to Principal

\$1,413,000,000 Inflation Proofing to Principal – *capped*

FY24 Appropriations From the Permanent Fund

\$3,526,087,852 POMV 5% Draw from the ERA

\$~29,283,600 AHess Earnings to Capital Income Fund

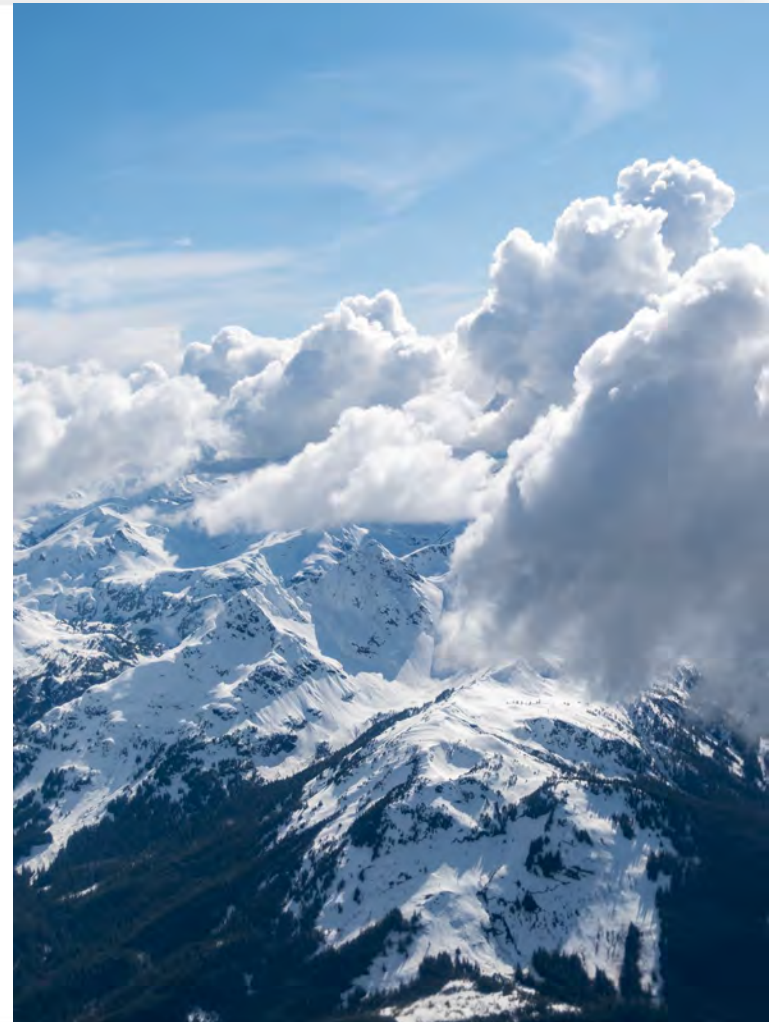
Legislative Proposals

Corporate Management

SB 98 – Power Cost Equalization Endowment (PCE) transfer to APFC Management

Pending final passage and enactment:

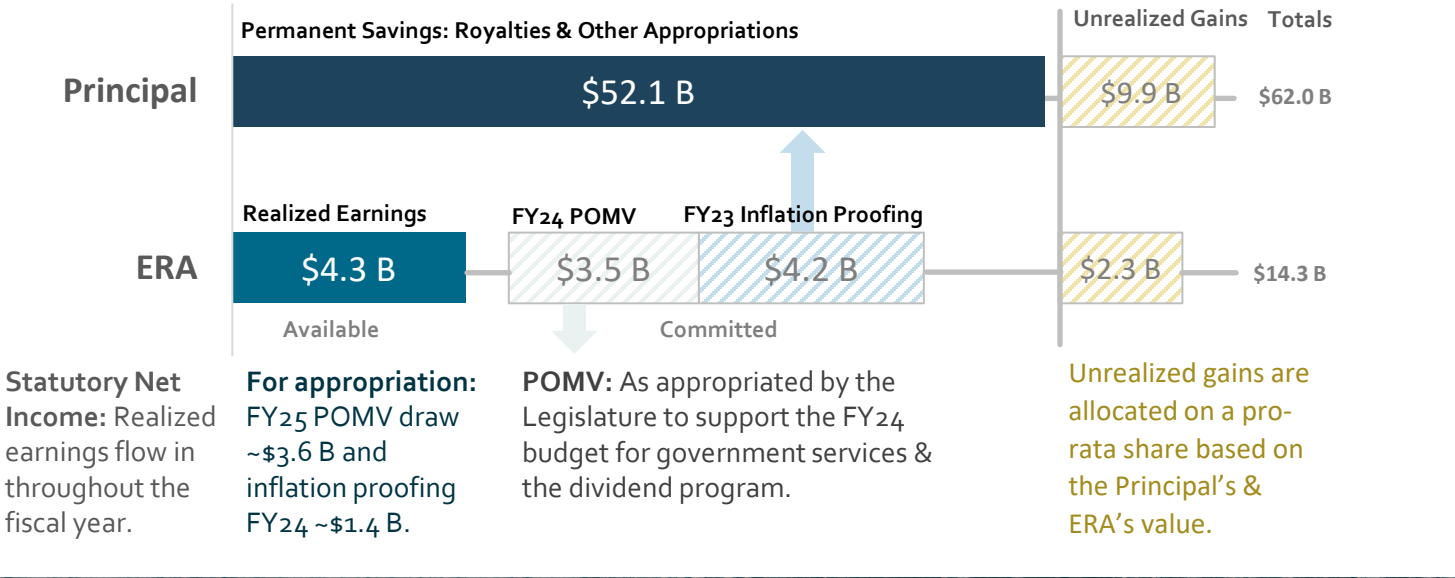
- PCE fund of ~\$1.0 billion to be managed as part the Permanent Fund's existing asset allocation with the same investment objective
- Quarterly and annual reporting
- Annual third-party audit
- Annual financial calculations based on market value and earnings
- APFC to transfer funds based on appropriation to AEA for program distribution



Fund Structure and ERA Draw Durability

TOTAL FUND VALUE **\$76,378,800,000**

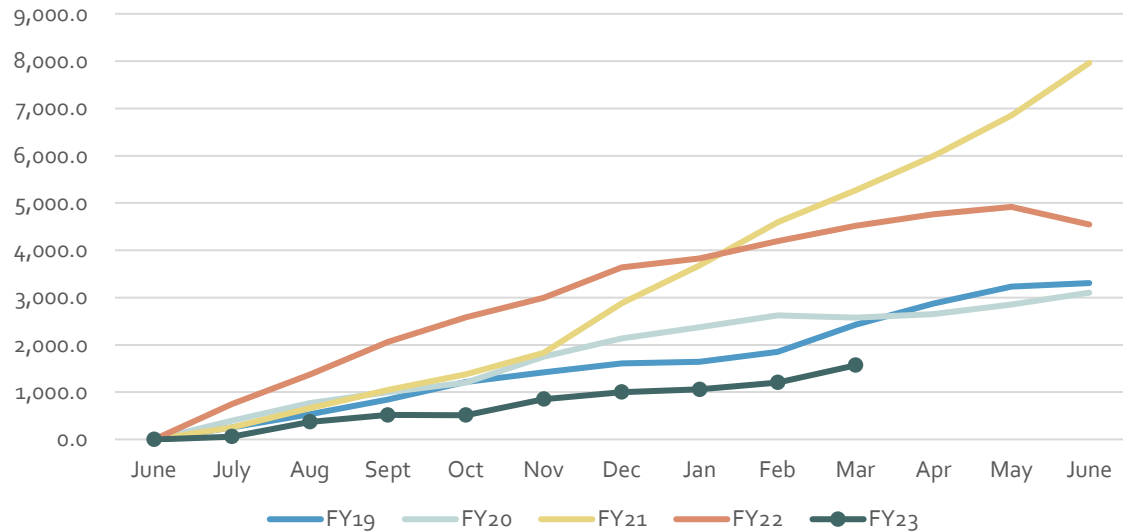
Unaudited as of March 31, 2023



Statutory Net Income

Fiscal Years 2019 – 2023, in millions

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 \$3.3 billion
FY20 \$3.1 billion
FY21 \$8.0 billion
FY22 \$4.5 billion
FY23 \$1.6 billion to date

Looking Forward

Special Session?

– *Fiscal Policy*

2nd Regular Session

– *Legislative Initiatives*



The logo for the Alaska Permanent Fund Corporation (APFC) consists of the letters 'APFC' in a bold, serif font, enclosed within a white rectangular box. The background of the slide is a teal-tinted photograph of a coastal landscape with mountains and water.

APFC

ALASKA PERMANENT
FUND CORPORATION

Public trust is earned over time and requires an ongoing commitment of consistent, capable leadership to uphold and preserve.

SUBJECT: FY 2024 Real Estate, Private Equity,
and Private Income Investment Pacing

ACTION: X

DATE: May 18, 2023

INFORMATION: _____

BACKGROUND:

Each May, APFC Staff provides updates to the Board of Trustees on current portfolio exposure, targets, and projections for the next fiscal year’s activity in the Real Estate, Private Equity, and Private Income 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 2023 and historical commitment activity;
- Projection models with recommended pacing for FY 2024 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 Real Estate, Private Equity, and Private Income portfolios.

Staff will summarize a plan to deploy \$650 million annually in the Real Estate portfolio. Staff seeks to maintain flexibility to increase pacing amounts up to an additional \$130 million beyond the target based on market conditions, opportunistic deal flow, and transaction timing at CIO discretion. No minimum pacing amount is being proposed. The FY 2024 target represents a 7% decrease in pacing (in absolute dollar terms though not as a percentage of the overall fund) from the FY 2023 target of \$700 million.

Additionally, Staff will summarize a plan to invest or commit approximately \$1.0 billion under the Private Equity portfolio to a combination of funds, co-investments, and direct investments in FY 2024. Staff seeks to maintain flexibility to increase pacing amounts up to an additional \$200 million beyond the target based on market conditions, opportunistic deal flow, and transaction timing at CIO discretion. No minimum pacing amount is being proposed. The FY 2024 target represents a steady pace in line with the revised FY 2023 target of \$1.0 billion.

Finally, Staff will summarize a plan to invest or commit approximately \$1.0 billion under the Private Income portfolio to a combination of funds, co-investments, and direct investments in FY 2024. Staff seeks to maintain flexibility to increase pacing amounts up to an additional \$200 million beyond the target based on market conditions, opportunistic deal flow, and transaction timing at CIO discretion. No minimum pacing amount is being proposed for FY 2024. The FY 2024 target represents a 10% decrease in pacing (in absolute dollar terms though not as a percentage of the overall fund) from the FY 2023 target of \$1.1 billion.

The following slides summarize the proposed pacing plans for the Real Estate, Private Equity, and Private Income portfolios, and seek Board approval.



ALASKA PERMANENT
FUND CORPORATION

FY 2024 Proposed Pacing Plans

Real Estate, Private Equity, and Private Income

May 18, 2023

Summary – Alternatives Pacing

- Real Estate, Private Equity, and Private Income are long-term, illiquid asset classes that require long-term planning.
- APFC navigates towards long-term allocation targets
 - 13% for Real Estate
 - 15% for Private Equity
 - 9% for Infrastructure, Private Credit, and Income Opportunities (together, “Private Income”)
- APFC revisits and refreshes commitment pacing plans annually in May.
- Staff proposes FY 2024 pacing for **Real Estate** that is 7% lower than FY 2023
 - \$650 million proposed target deployment, with a band of \$0 to \$780 million depending on opportunity set and CIO approval
- Staff proposes FY 2024 pacing for **Private Equity** that is in line with FY 2023
 - \$1.0 billion proposed target deployment, with a band of \$0 to \$1.2 billion depending on opportunity set and CIO approval
- Staff proposes FY 2024 pacing for **Private Income** that is 10% lower than FY 2023
 - \$1.0 billion proposed target deployment, with a band of \$0 to \$1.2 billion depending on opportunity set and CIO approval

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 "Real Estate" is centered in a white, sans-serif font.

Real Estate

Real Estate Portfolio Strategy

- 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.
 - APFC historically has pursued a strategy of holding high quality, generally Class A, properties on a direct basis.
 - In recent years, open-ended funds, debt investments, and joint venture multi-family developments have been a focus. This focus is complemented by continued direct purchases.
 - 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 three 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 and industrial developments
 - Open-ended multi-family and industrial focused Real Estate funds
 - Adding to REITs when pricing is attractive
 - Direct property purchases when highly attractive properties become available

Real Estate IRRs of Investments Made Since 2018

(\$ in millions)

Investment Type	Commitment or Initial Investment	Invested	Net Returns			
			Distributed	Current NAV	IRR	MOIC
Opportunistic Funds	\$500	\$393	\$55	\$455	12.18%	1.3x
Debt	\$750	\$596	\$354	\$341	12.04%	1.2x
Directs	\$536	\$536	\$170	\$563	40.32%	1.4x
Build-to-Core	\$359	\$318	\$1	\$398	26.42%	1.3x
Open-end Funds	\$950	\$718	\$28	\$918	21.34%	1.3x
Direct Managed	\$137	\$137	\$99	\$261	69.56%	2.6x
REITs	\$890	\$891	\$0	\$1,116	9.78%	1.3x
Total	\$4,122	\$3,589	\$707	\$4,051	18.47%	1.3x
Total (ex REITs)	\$3,232	\$2,698	\$707	\$2,935	23.39%	1.3x
Total (ex developments)	\$3,763	\$3,271	\$705	\$3,653	18.10%	1.3x

Note: All values based on 12/31/22 NAVs. FY '23 investments made after 12/31/21 are not included.

Commitment Pacing for Real Estate

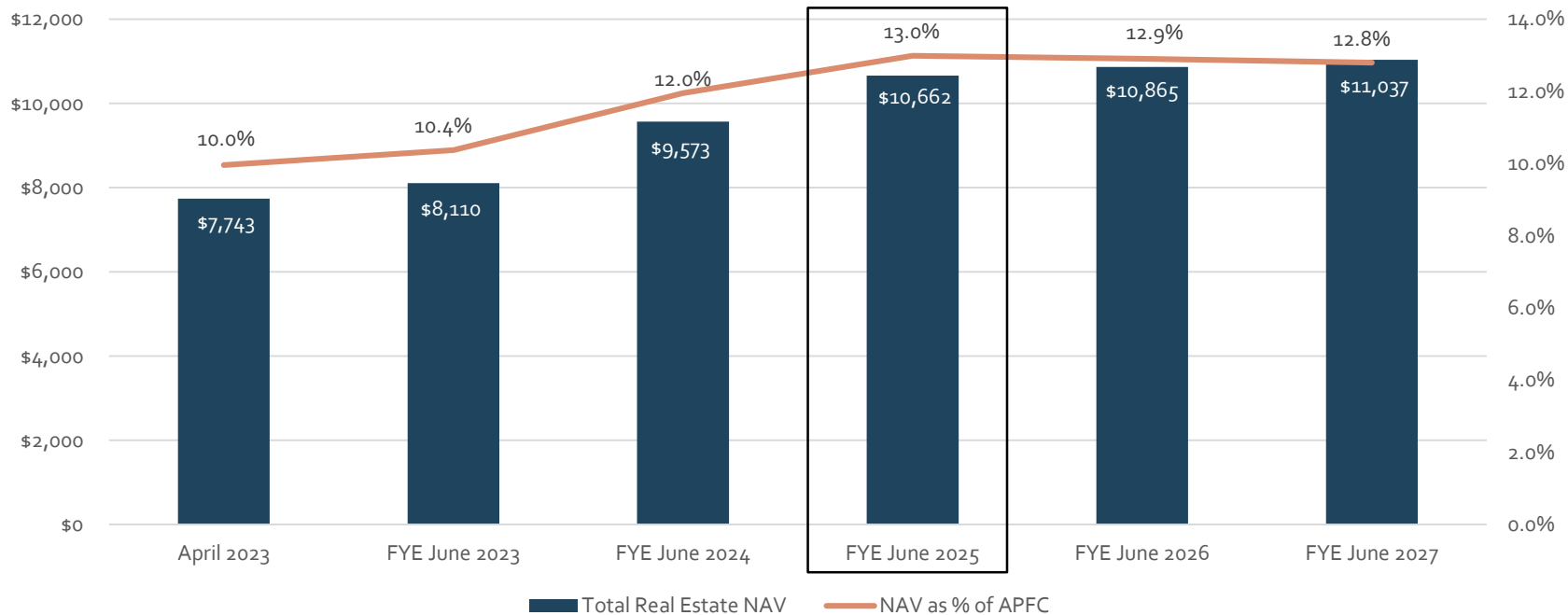
- As of April 30, 2023, \$1.05 b has been deployed to the Real Estate asset class in FY 2023 (versus the annual target of \$700 million +/- \$500 million approved by the Board in May 2022).
- Staff proposes a target FY 2024 deployment for Real Estate of \$650 million.
- Staff believes that there is flexibility to adjust pacing amounts up to an additional \$130 million above the target depending on the opportunity set and with CIO approval. No minimum pacing amount is being proposed. Therefore, a **\$650 million** target is proposed with a pacing range of **\$0 to \$780 million** in order to achieve the ultimate target allocation (13%) by FYE 2025.

Pacing Methodology

- 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 growth	2.5%
Investment Pace (FY '24 & '25)	\$650 million per year
NAV growth	0% - 2% depending on asset type
% of Portfolio in REITs	15% constant over forecast

Projected Path to 13% Real Estate Allocation



Sensitivity Analysis

- FY '25 Target Allocation: 13%
- FY '25 Green Zone: 10 – 16%
- FY '25 Yellow Zone: 7 – 10% ; 16 – 19%

Annual Net Fund Growth and Total Fund Value - FY '25

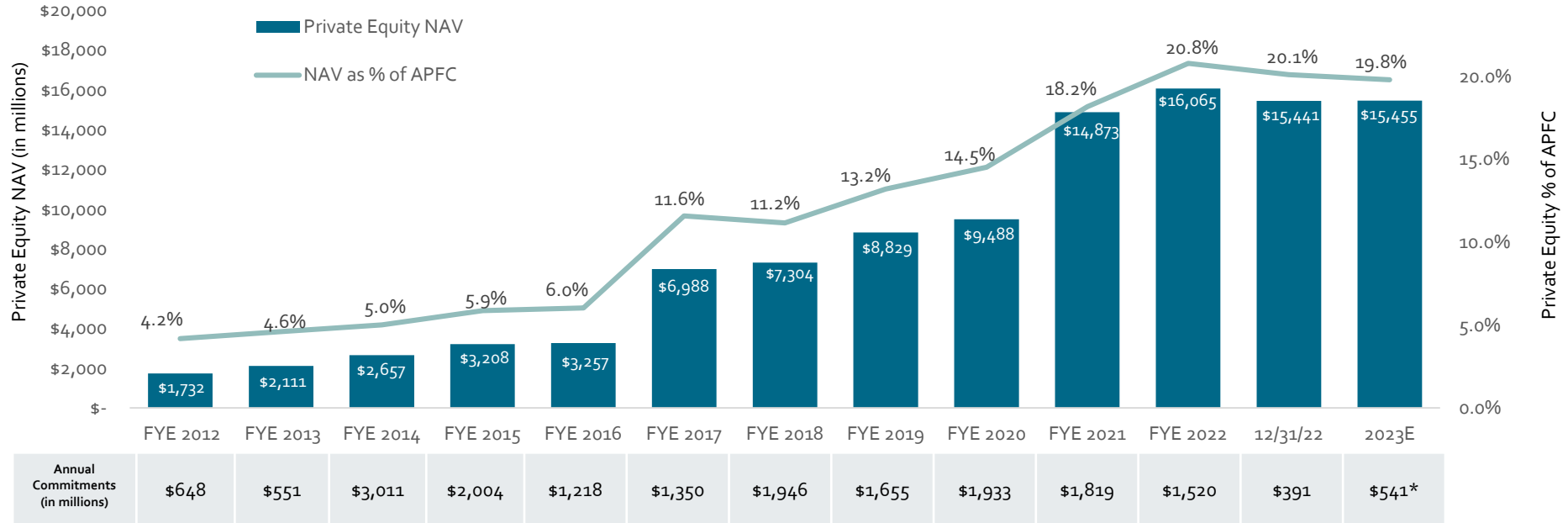
	\$61,724	\$65,534	\$69,475	\$73,549	\$73,964	\$77,758	\$81,662	\$82,103	\$86,585	\$91,207	\$95,969	
	-10.00%	-7.50%	-5.00%	-2.50%	-2.25%	0.00%	2.25%	2.50%	5.00%	7.50%	10.00%	
Annual Deployment (\$ millions)	\$1,200	19.4%	18.3%	17.2%	16.3%	16.2%	15.4%	14.7%	14.6%	13.8%	13.1%	12.5%
	\$1,100	19.0%	17.9%	16.9%	16.0%	15.9%	15.1%	14.4%	14.3%	13.5%	12.9%	12.2%
	\$1,000	18.6%	17.5%	16.5%	15.6%	15.5%	14.8%	14.1%	14.0%	13.3%	12.6%	12.0%
	\$900	18.2%	17.2%	16.2%	15.3%	15.2%	14.5%	13.8%	13.7%	13.0%	12.3%	11.7%
	\$800	17.9%	16.8%	15.9%	15.0%	14.9%	14.2%	13.5%	13.4%	12.7%	12.1%	11.5%
	\$700	17.5%	16.5%	15.5%	14.7%	14.6%	13.9%	13.2%	13.1%	12.5%	11.8%	11.2%
	\$650	17.3%	16.3%	15.3%	14.5%	14.4%	13.7%	13.1%	13.0%	12.3%	11.7%	11.1%
	\$600	17.1%	16.1%	15.2%	14.3%	14.3%	13.6%	12.9%	12.8%	12.2%	11.6%	11.0%
	\$500	16.7%	15.7%	14.8%	14.0%	13.9%	13.3%	12.6%	12.6%	11.9%	11.3%	10.7%
	\$400	16.3%	15.4%	14.5%	13.7%	13.6%	12.9%	12.3%	12.3%	11.6%	11.0%	10.5%
	\$300	15.9%	15.0%	14.1%	13.4%	13.3%	12.6%	12.0%	12.0%	11.4%	10.8%	10.2%
	\$200	15.5%	14.6%	13.8%	13.0%	13.0%	12.3%	11.7%	11.7%	11.1%	10.5%	10.0%
	\$100	15.2%	14.3%	13.5%	12.7%	12.6%	12.0%	11.5%	11.4%	10.8%	10.3%	9.7%
	\$0	14.8%	13.9%	13.1%	12.4%	12.3%	11.7%	11.2%	11.1%	10.5%	10.0%	9.5%

Green Zone (< 10%); Yellow Zone (10% - 16%); Red Zone (> 16%)



Private Equity

Historical Private Equity Exposure and Commitments



Source: Pathway & APFC. APFC Fiscal Year ends on June 30.

*Note: \$541 m represents commitments closed in FY 23 through April 2023

Pacing Methodology: Private Equity & Private Income

- Key variables include: APFC total fund growth, RVPI (residual value of paid-in-capital), DPI (distributions to paid-in-capital), and yearly draw-down pace. DPI, RPI, and draw-down pace variables are constructed around statistical model based on strategy, vintage year, and co-investment vs. fund commitment.
- Current Private Equity portfolio NAV is ~10% higher today than would be predicted by historical relationships (i.e. a premium over predicted RVPI). We have modeled the forecasted period in two ways:
 1. Assumes this premium reverts to predicted levels (smoothed) over 5 years
 2. Assumes this premium remains into perpetuity (no smoothing)
- A “smoothed” model predicts lower portfolio NAVs going forward. Staff prefer to use the “no smoothing” version which results in slightly more conservative annual deployment levels. Sensitivity analyses of both models are provided.
- Certain existing investments modeled as line items to account for unique holding or exit characteristics.
- No exits assumed via secondary sales.
- Sub-asset class allocation targets based on historical averages and staff targets.

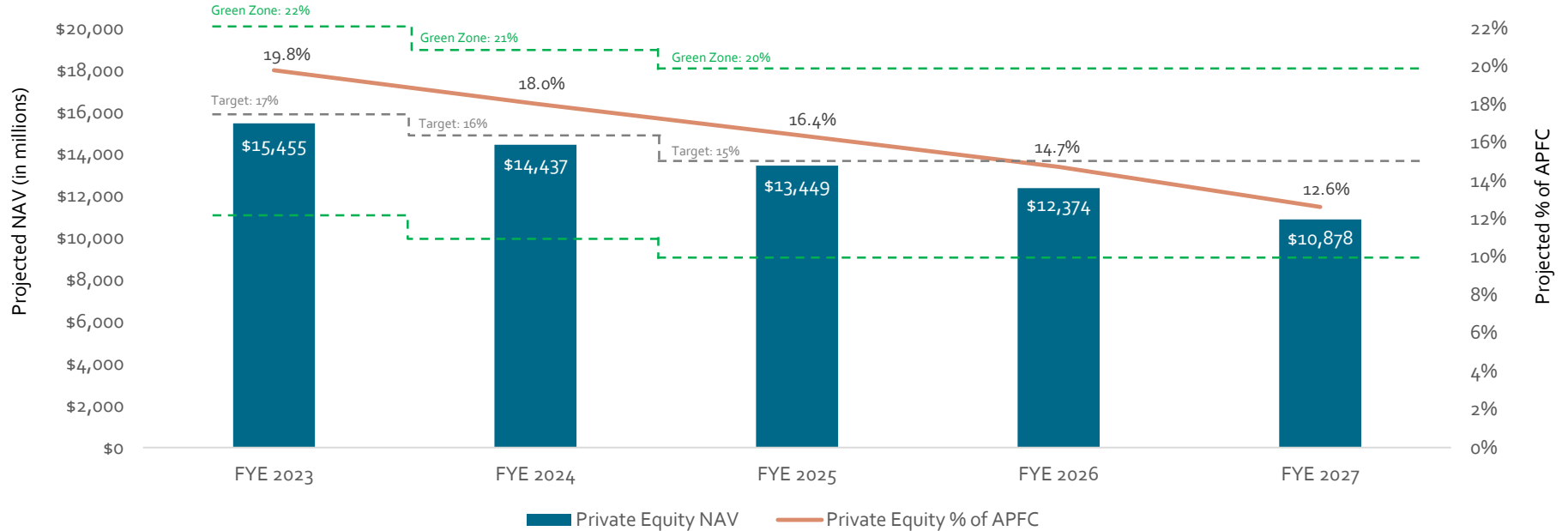
Metric	Pacing Model
APFC Net Fund growth	2.5%
Investment Pace (FY '24 & '25) – Private Equity	\$1.0 billion per year
Investment Pace (FY '24 & '25) – Private Income	\$1.0 billion per year

Commitment Pacing for Private Equity

- As of April 30, 2023, \$541 million has been deployed into Private Equity in FY 2023 (versus the annual target of \$1.2 billion +/- \$550 million approved by the Board in May 2022).
- Staff proposes a target FY 2024 deployment for Private Equity of \$1.0 billion.
- Staff believes that there is flexibility to adjust pacing amounts up to an additional \$200 million above the target depending on the opportunity set and with CIO approval. No minimum pacing amount is being proposed. Therefore, a **\$1.0 billion** target is proposed with a pacing range of **\$0 to \$1.2 billion** in order to achieve the ultimate target allocation (15%).

Projected Path - Private Equity Allocation

- Projection based on APFC Staff's recommended **\$1.0 billion** commitment target for FY 2024



Sensitivity Analysis

- Base case scenario of 2.5% APFC growth, annual commitments of \$1.0 billion, and no smoothing of current portfolio premium over RVPI.
- Broad range of potential outcomes that would not result in a breach of green zone limits.
- Private Equity Target FY 2025 – 15%

No smoothing scenario

		Annual Net Fund Growth and Total Fund Value - FY '25										
		\$61,881	\$65,666	\$69,572	\$73,600	\$74,009	\$77,750	\$81,950	\$82,023	\$86,419	\$90,939	\$95,583
		-10.00%	-7.50%	-5.00%	-2.50%	-2.25%	0.00%	2.25%	2.50%	5.00%	7.50%	10.00%
Annual Deployment Pace (in millions)	\$1,500	22.0%	20.8%	19.6%	18.5%	18.4%	17.5%	16.7%	16.6%	15.8%	15.0%	14.3%
	\$1,400	22.0%	20.7%	19.5%	18.5%	18.4%	17.5%	16.7%	16.6%	15.7%	14.9%	14.2%
	\$1,300	21.9%	20.6%	19.5%	18.4%	18.3%	17.4%	16.6%	16.5%	15.7%	14.9%	14.2%
	\$1,200	21.8%	20.6%	19.4%	18.4%	18.3%	17.4%	16.6%	16.5%	15.6%	14.9%	14.1%
	\$1,100	21.8%	20.5%	19.4%	18.3%	18.2%	17.3%	16.5%	16.4%	15.6%	14.8%	14.1%
	\$1,000	21.7%	20.5%	19.3%	18.3%	18.2%	17.3%	16.5%	16.4%	15.6%	14.8%	14.1%
	\$900	21.7%	20.4%	19.3%	18.2%	18.1%	17.3%	16.4%	16.4%	15.5%	14.8%	14.0%
	\$800	21.6%	20.4%	19.2%	18.2%	18.1%	17.2%	16.4%	16.3%	15.5%	14.7%	14.0%
	\$700	21.6%	20.3%	19.2%	18.1%	18.0%	17.2%	16.4%	16.3%	15.4%	14.7%	14.0%
	\$600	21.5%	20.3%	19.1%	18.1%	18.0%	17.1%	16.3%	16.2%	15.4%	14.6%	13.9%
	\$500	21.4%	20.2%	19.1%	18.0%	17.9%	17.1%	16.3%	16.2%	15.4%	14.6%	13.9%
	\$400	21.4%	20.2%	19.0%	18.0%	17.9%	17.0%	16.2%	16.1%	15.3%	14.6%	13.8%
	\$300	21.3%	20.1%	19.0%	17.9%	17.8%	17.0%	16.2%	16.1%	15.3%	14.5%	13.8%
\$200	21.3%	20.1%	18.9%	17.9%	17.8%	16.9%	16.1%	16.1%	15.2%	14.5%	13.8%	
\$100	21.2%	20.0%	18.9%	17.8%	17.7%	16.9%	16.1%	16.0%	15.2%	14.4%	13.7%	
\$0	21.2%	19.9%	18.8%	17.8%	17.7%	16.8%	16.1%	16.0%	15.2%	14.4%	13.7%	

Smoothing scenario

		Annual Net Fund Growth and Total Fund Value - FY '25										
		\$61,881	\$65,666	\$69,572	\$73,600	\$74,009	\$77,750	\$81,950	\$82,023	\$86,419	\$90,939	\$95,583
		-10.00%	-7.50%	-5.00%	-2.50%	-2.25%	0.00%	2.25%	2.50%	5.00%	7.50%	10.00%
Annual Deployment Pace (in millions)	\$1,500	20.5%	19.4%	18.3%	17.3%	17.2%	16.3%	15.6%	15.5%	14.7%	14.0%	13.3%
	\$1,400	20.5%	19.3%	18.2%	17.2%	17.1%	16.3%	15.5%	15.5%	14.7%	13.9%	13.3%
	\$1,300	20.4%	19.2%	18.2%	17.2%	17.1%	16.3%	15.5%	15.4%	14.6%	13.9%	13.2%
	\$1,200	20.4%	19.2%	18.1%	17.1%	17.0%	16.2%	15.4%	15.4%	14.6%	13.9%	13.2%
	\$1,100	20.3%	19.1%	18.1%	17.1%	17.0%	16.2%	15.4%	15.3%	14.5%	13.8%	13.1%
	\$1,000	20.3%	19.1%	18.0%	17.0%	16.9%	16.1%	15.4%	15.3%	14.5%	13.8%	13.1%
	\$900	20.2%	19.0%	18.0%	17.0%	16.9%	16.1%	15.3%	15.2%	14.5%	13.7%	13.1%
	\$800	20.1%	19.0%	17.9%	16.9%	16.8%	16.0%	15.3%	15.2%	14.4%	13.7%	13.0%
	\$700	20.1%	18.9%	17.9%	16.9%	16.8%	16.0%	15.2%	15.1%	14.4%	13.7%	13.0%
	\$600	20.0%	18.9%	17.8%	16.8%	16.7%	15.9%	15.2%	15.1%	14.3%	13.6%	13.0%
	\$500	20.0%	18.8%	17.8%	16.8%	16.7%	15.9%	15.1%	15.1%	14.3%	13.6%	12.9%
	\$400	19.9%	18.8%	17.7%	16.7%	16.6%	15.8%	15.1%	15.0%	14.3%	13.5%	12.9%
	\$300	19.9%	18.7%	17.7%	16.7%	16.6%	15.8%	15.1%	15.0%	14.2%	13.5%	12.9%
\$200	19.8%	18.7%	17.6%	16.6%	16.5%	15.8%	15.0%	14.9%	14.2%	13.5%	12.8%	
\$100	19.7%	18.6%	17.6%	16.6%	16.5%	15.7%	15.0%	14.9%	14.1%	13.4%	12.8%	
\$0	19.7%	18.5%	17.5%	16.5%	16.5%	15.7%	14.9%	14.8%	14.1%	13.4%	12.7%	

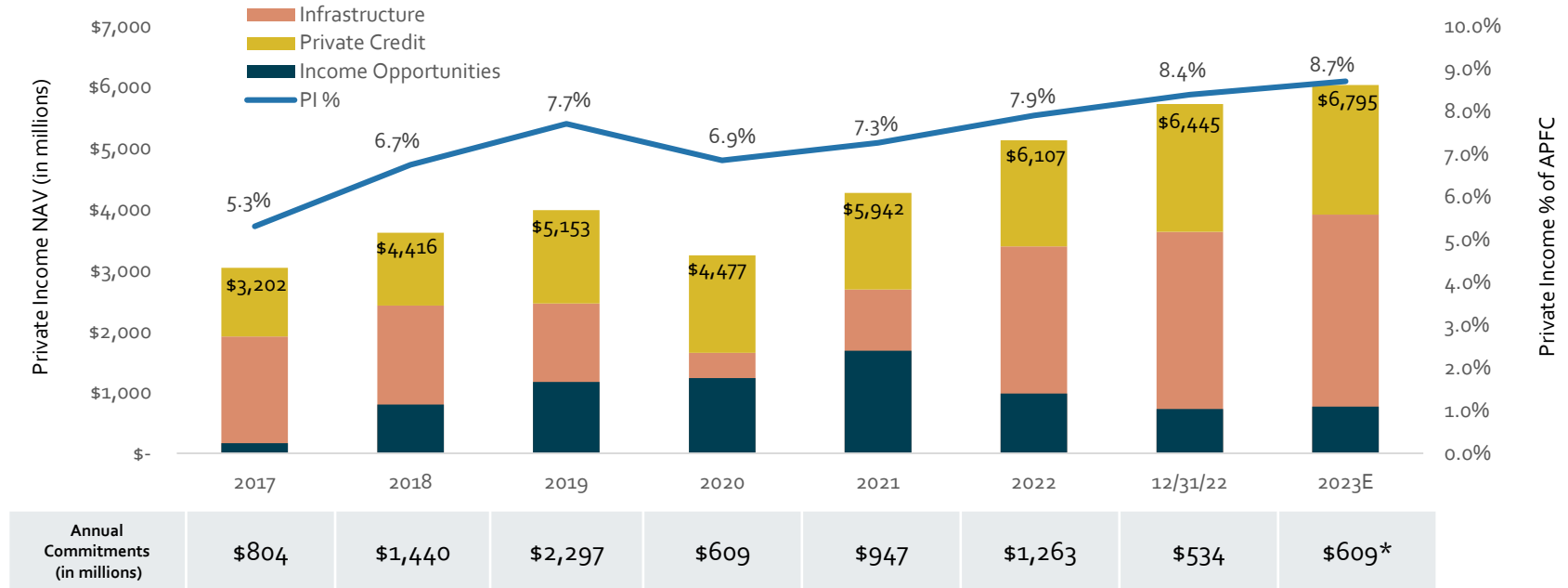
Green zone (+/-5% of 15% target); Yellow zone (0-5% beyond Green Zone); Red Zone (>10% beyond Green Zone)



Private Income

Infrastructure, Private Credit, and Income Opportunities

Historical Private Income Exposure and Commitments



Source: Pathway & APFC. APFC Fiscal Year ends on June 30.

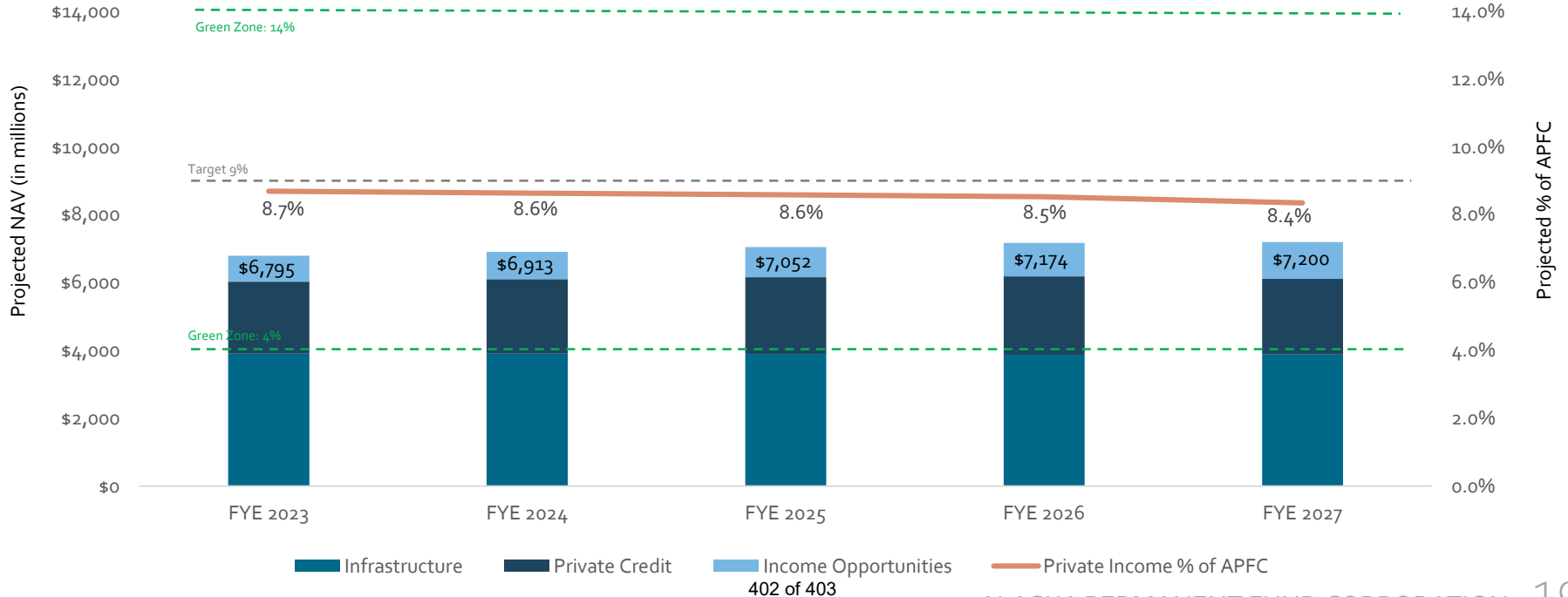
*Note: \$609 m represents commitments closed in FY 23 through April 2023

Commitment Pacing for Private Income

- Same pacing methodology as for Private Equity.
- As of April 30, 2023, \$609 million has been deployed to Private Income in FY 2023 (versus the annual target of \$1.1 billion +/- \$400 million approved by the Board in May 2022).
- Staff proposes a target FY 2024 deployment for Private Income of \$1.0 billion.
- Staff believes that there is flexibility to adjust pacing amounts up to an additional \$200 million above the target depending on the opportunity set and with CIO approval. No minimum pacing amount is being proposed. Therefore, a **\$1.0 billion** target is proposed with a pacing range of **\$0 to \$1.2 billion** in order stay near the allocation target of 9% which is constant across the forecast.

Projected Path - Private Income Allocation

- Projection based on APFC Staff's recommended **\$1.0 billion** commitment target for FY 2024



Sensitivity Analysis

- Base case scenario of 2.5% APFC growth, annual commitments of \$1.0 billion, and no smoothing of current portfolio premium over RVPI.
- All potential outcomes of sensitivity analysis would not result in a breach of green zone limits.
- Private Income Target FY 2025 – 9%

No smoothing scenario

Smoothing scenario

Annual Net Fund Growth and Total Fund Value - FY '25

	\$61,881	\$65,666	\$69,572	\$73,600	\$74,009	\$77,750	\$81,950	\$82,023	\$86,419	\$90,939	\$95,583
	-10.00%	-7.50%	-5.00%	-2.50%	-2.25%	0.00%	2.25%	2.50%	5.00%	7.50%	10.00%
\$1,500	11.9%	11.3%	10.6%	10.0%	10.0%	9.5%	9.1%	9.0%	8.6%	8.1%	7.7%
\$1,400	11.8%	11.2%	10.5%	10.0%	9.9%	9.4%	9.0%	8.9%	8.5%	8.1%	7.7%
\$1,300	11.7%	11.1%	10.4%	9.9%	9.8%	9.3%	8.9%	8.8%	8.4%	8.0%	7.6%
\$1,200	11.6%	10.9%	10.3%	9.8%	9.7%	9.2%	8.8%	8.8%	8.3%	7.9%	7.5%
\$1,100	11.5%	10.8%	10.2%	9.7%	9.6%	9.2%	8.7%	8.7%	8.2%	7.8%	7.4%
\$1,000	11.4%	10.7%	10.1%	9.6%	9.5%	9.1%	8.6%	8.6%	8.2%	7.8%	7.4%
\$900	11.3%	10.6%	10.0%	9.5%	9.4%	9.0%	8.6%	8.5%	8.1%	7.7%	7.3%
\$800	11.2%	10.5%	9.9%	9.4%	9.3%	8.9%	8.5%	8.4%	8.0%	7.6%	7.2%
\$700	11.1%	10.4%	9.8%	9.3%	9.3%	8.8%	8.4%	8.3%	7.9%	7.5%	7.2%
\$600	11.0%	10.3%	9.7%	9.2%	9.2%	8.7%	8.3%	8.3%	7.8%	7.5%	7.1%
\$500	10.8%	10.2%	9.6%	9.1%	9.1%	8.6%	8.2%	8.2%	7.8%	7.4%	7.0%
\$400	10.7%	10.1%	9.6%	9.0%	9.0%	8.5%	8.1%	8.1%	7.7%	7.3%	7.0%
\$300	10.6%	10.0%	9.5%	8.9%	8.9%	8.5%	8.1%	8.0%	7.6%	7.2%	6.9%
\$200	10.5%	9.9%	9.4%	8.8%	8.8%	8.4%	8.0%	7.9%	7.5%	7.2%	6.8%
\$100	10.4%	9.8%	9.3%	8.8%	8.7%	8.3%	7.9%	7.9%	7.5%	7.1%	6.7%
\$0	10.3%	9.7%	9.2%	8.7%	8.6%	8.2%	7.8%	7.8%	7.4%	7.0%	6.7%

Annual Net Fund Growth and Total Fund Value - FY '25

	\$61,881	\$65,666	\$69,572	\$73,600	\$74,009	\$77,750	\$81,950	\$82,023	\$86,419	\$90,939	\$95,583
	-10.00%	-7.50%	-5.00%	-2.50%	-2.25%	0.00%	2.25%	2.50%	5.00%	7.50%	10.00%
\$1,500	11.7%	11.0%	10.4%	9.9%	9.8%	9.3%	8.9%	8.8%	8.4%	8.0%	7.6%
\$1,400	11.6%	10.9%	10.3%	9.8%	9.7%	9.2%	8.8%	8.8%	8.3%	7.9%	7.5%
\$1,300	11.5%	10.8%	10.2%	9.7%	9.6%	9.2%	8.7%	8.7%	8.2%	7.8%	7.4%
\$1,200	11.4%	10.7%	10.1%	9.6%	9.5%	9.1%	8.6%	8.6%	8.2%	7.8%	7.4%
\$1,100	11.3%	10.6%	10.0%	9.5%	9.4%	9.0%	8.6%	8.5%	8.1%	7.7%	7.3%
\$1,000	11.2%	10.5%	9.9%	9.4%	9.3%	8.9%	8.5%	8.4%	8.0%	7.6%	7.2%
\$900	11.1%	10.4%	9.8%	9.3%	9.3%	8.8%	8.4%	8.3%	7.9%	7.5%	7.2%
\$800	11.0%	10.3%	9.7%	9.2%	9.2%	8.7%	8.3%	8.3%	7.8%	7.5%	7.1%
\$700	10.8%	10.2%	9.6%	9.1%	9.1%	8.6%	8.2%	8.2%	7.8%	7.4%	7.0%
\$600	10.7%	10.1%	9.5%	9.0%	9.0%	8.5%	8.1%	8.1%	7.7%	7.3%	7.0%
\$500	10.6%	10.0%	9.5%	8.9%	8.9%	8.5%	8.1%	8.0%	7.6%	7.2%	6.9%
\$400	10.5%	9.9%	9.4%	8.8%	8.8%	8.4%	8.0%	7.9%	7.5%	7.2%	6.8%
\$300	10.4%	9.8%	9.3%	8.7%	8.7%	8.3%	7.9%	7.9%	7.5%	7.1%	6.7%
\$200	10.3%	9.7%	9.2%	8.7%	8.6%	8.2%	7.8%	7.8%	7.4%	7.0%	6.7%
\$100	10.2%	9.6%	9.1%	8.6%	8.5%	8.1%	7.7%	7.7%	7.3%	6.9%	6.6%
\$0	10.1%	9.5%	9.0%	8.5%	8.4%	8.0%	7.6%	7.6%	7.2%	6.9%	6.5%

Green zone (+/-5% of 9% target); Yellow zone (0-5% beyond Green Zone); Red Zone (>10% beyond Green Zone)