

## News Release

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### **BOARD OF TRUSTEES VOTES TO ADOPT FOUR-YEAR STRATEGIC PLAN AND TRUSTEE PAPER #10 DURING QUARTERLY MEETING**

**JUNEAU** – The Board of Trustees of the Alaska Permanent Fund Corporation (APFC) held its quarterly meeting in Juneau and via webinar on February 15 and 16, 2024. Board action items included the adoption of the 2024 Strategic Plan and Trustee Paper #10. Additionally, the Board considered the Fund's second-quarter investment performance, associated capital markets insights, updates on the Private Income and Private Credit portfolios from internal and external managers, and perspectives on risk thresholds.

“I appreciate the positivity and rapport demonstrated by our Trustees as they navigated through difficult dialogues to make decisions for the betterment of the Fund and Corporation,” remarked Deven Mitchell, Executive Director & CEO.

#### **TRUSTEE PAPER #10**

The Board of Trustees voted to adopt Trustee Paper #10 with an addendum provided by Callan to inform the Board's discussion.

“Our responsibility is to educate Alaskans and respectfully provide policymakers with the necessary tools and options for their consideration given known concerns. Trustee Paper #10 identifies issues, explores options, and provides a menu of timely solutions,” noted Ethan Schutt, Chair of the Alaska Permanent Fund Corporation.

The paper will be published in the coming weeks and made available to our Alaskan stakeholders. It includes a history and overview of the Fund's structure, insights into the durability issues under the current construct, and potential solutions to bring the Fund in line with modern endowment practices.

#### **STRATEGIC PLAN**

An amended version of the 2024 Strategic Plan was adopted by the Board of Trustees. The amendment limited the use of Fund-level Leverage to \$4 billion. In *Building an Organization that Sets the Standard for Endowment-Style Sovereign Wealth Funds*, the Trustees adopted a four-year strategic plan to achieve best-in-class performance utilizing skill, expertise, and prudent portfolio management strategy to invest the Fund to benefit Alaskans and committed to ongoing education.

“Thank you to Alaskans who weighed in on the strategic plan during the public comment period. We appreciate your engagement and share in your belief in safeguarding the Fund. At the end of the day, our goal is clear - to maximize returns and protect the Principal for generations of Alaskans. The plan we approved today is aligned with our mission,” said Ethan Schutt, Chair of the Alaska Permanent Fund Corporation.

## PERFORMANCE

Total return for the second quarter of Fiscal Year 2024 was 3.54%, an underperformance against the performance benchmark of 4.10% by 56 basis points, and against the passive benchmark of 6.43% by 289 basis points. Within individual asset classes, the Fund beat performance benchmarks in five out of seven asset classes but underperformed overall, largely due to write-downs in private market investments.

As of December 2023, the Fund's net asset value stood at \$77.4 billion. Year-to-date, the Fund generated \$1.7 billion in statutory or realized, net income. Of note during the meeting were discussions around the Fund's unrealized gains, largely a function of the illiquid nature of private investments.

Using institutional standard asset class definitions, the portfolio is currently allocated 32% to public equity, 18% to fixed income, 48% to alternative investments, and 2% to cash. Compared to the previous quarter, weights to public equity decreased and weights to alternatives increased. Fixed income allocations remained relatively unchanged.

## RISK

Chief Risk Officer Sebastian Vadakumcherry presented an analysis of the impact of different risk profiles on total value-add for APFC, as risk management is essential for the preservation of capital, protecting the Fund against market volatility, and maximizing returns. The analysis demonstrated that chasing a higher return, in part because of the draw function, is not necessarily beneficial for the Fund and instead, a lower risk allocation has the potential to add more value long-term.

"Recognizing the inherent risk in today's global financial markets, we focus on diligent risk management to help ensure the Fund thrives in these dynamic conditions," remarked Vadakumcherry. "Our commitment to the Fund's growth is underscored by our ongoing analysis of its risk profile. Ahead of asset allocation discussions during our May Board meeting, it is advisable to maintain the Fund's current 80/20 equity/bond risk balance to avoid potential disadvantages. Our risk assessment is distinct from operational matters, focused solely on strategic considerations for the Fund's future stability, with the goal of providing intergenerational benefits to Alaskans for years to come."

## ASSET CLASS ALLOCATION STUDY

The Board had the opportunity to review the current asset allocation based on insights from Callan, APFC's third-party consultant. This discussion is intended to inform the Board's annual asset allocation consideration during the May Board meeting.

Callan found that APFC's portfolio is well diversified. The current allocation has lower projected risk and higher expected return relative to a public markets' portfolio with a 75% stock and 25% bond allocation. The takeaway is that APFC can maximize returns while still managing overall risk.

## PRIVATE INCOME

Senior Portfolio Manager Ross Alexander and Portfolio Manager Logan Rahn provided an update on APFC's Private Income portfolio. The managers reviewed market trends and provided an overview of the approximately \$7 billion portfolio, consisting of Private Credit, Infrastructure, and Income Opportunities. Discussion topics included return objectives, performance vs. benchmarks, opportunities and challenges, and strategic priorities for the remainder of FY2024. Within Private Credit and Infrastructure, the managers anticipate increasing co-investment deal flow and continuing to back top-tier managers. In addition, they will continue to seek unique, low-correlation investments within Income Opportunities.

As a complement to the Private Income overview, executives from two of APFC's investment partners, development, investment and operating company LS Power, and WhiteHorse Capital, the direct lending affiliate of alternative assets investment firm H.I.G. Capital, provided a broad overview of their respective markets and their strategies within those markets.

## INVESTMENT ADVISORY GROUP

George Zinn was reappointed to serve on the Investment Advisory Group given his institutional knowledge and positive rapport with the Board. The Trustees would like to thank the two other candidates for their interest in the work of the Alaska Permanent Fund Corporation and for their time in participating in the interview process.

## ALASKA'S RENEWABLE REVENUE CURRICULUM & OPEN HOUSE

Following the first day of the Board of Trustees meeting, APFC opened its doors to more than 100 Juneau community members for an Open House event. We welcomed the community engagement and the opportunity to share the work that we do to manage and invest the Fund.

At the event, the Corporation launched the high school curriculum, "Alaska's Renewable Revenue," created in partnership with [Alaska Resource Education](http://Alaska Resource Education) (ARE) to teach and empower Alaska's youth about the existence and purpose of APFC and the Fund, financial literacy, the Fund's structure, investment management, and how the Fund is used to convert non-renewable mineral resources into a renewable economic resource. Local students played the "Create a State" game, which is one of three included in the curriculum, along with a workbook, worksheets, and videos for Alaska's teachers. [Learn more at apfc.org/ak-curriculum/](http://apfc.org/ak-curriculum/).

The next meeting of the Board of Trustees meeting will be the quarterly meeting on May 29-30, 2024, in Utqiagvik and via WebEx. Meeting information can be found at [apfc.org/the-board-of-trustees/board-of-trustees-meetings/](http://apfc.org/the-board-of-trustees/board-of-trustees-meetings/).

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