Board of Trustees

Special Meeting

April 22, 2024

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APFC ALASKA PERMANENT FUND CORPORATION
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SPECIAL MEETING OF THE BOARD OF TRUSTEES

Monday, April 22, 2024
8:30 a.m. – 12:45 p.m.

Virtual

Please sign-up for public testimony by emailing jloesch@apfc.org by 4 pm Friday, April 19

Webinar Access:
https://apfc.org/bot-special-meeting

Event Password: APFCMtg

Teleconference Option

Phone: 415-655-0003
Access Code: 2630 799 7808
Numeric Password: 2732684

AGENDA

MONDAY, APRIL 22, 2024	
8:30 a.m.	CALL TO ORDER ROLL CALL (Action) APPROVAL OF AGENDA (Action) OPPORTUNITY FOR PUBLIC PARTICIPATION
8:35 a.m.	AQR MARKET OUTLOOK PRESENTATION (Board Education & Information) Joey Lee, Principal, AQR Capital Management Pete Hecht, Ph.D., Managing Director, AQR Capital Management
9:30 a.m.	PATHWAY PRIVATE MARKETS REVIEW (Board Education & Information) James R. Chambliss – Managing Director, Pathway Capital Management Vincent P. Dee, CFA – Managing Director, Pathway Capital Management Jason C. Jenkins, CFA – Managing Director, Pathway Capital Management John T. Ruggieri, CFA – Managing Director, Pathway Capital Management
10:30 a.m.	*BREAK*
10:45 a.m.	FISCAL YEAR 2024 CAPITAL MARKET PROJECTIONS AND ASSET ALLOCATION REVIEW (Board Education & Information) Gregory C. Allen, CEO, Chief Research Officer, Callan Steven J. Center, Senior Vice President, Callan
12:15 p.m.	LEGISLATIVE UPDATE (Information) Paulyn Swanson, Director of Communications
12:45 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:	AQR's Market Outlook Presentation Joey Lee, Principal Pete Hecht, Ph.D., Managing Director	ACTION:____________
DATE:	April 22, 2024	INFORMATION:_____X_____

BACKGROUND:

AQR is a global investment management firm built at the intersection of financial theory and practical application. The manager strives to deliver long-term results by seeking to filter out market noise to identify and isolate what matters most, and to develop ideas that stand up to rigorous testing. Founded in 1998, AQR takes a systematic, research-driven approach, applying quantitative tools to process fundamental information and manage risk. Investment decisions across all strategies are made using a series of global asset allocation, arbitrage, and security selection models, and are implemented using proprietary trading and risk-management systems. Both the traditional benchmark and market neutral strategies are managed by the same portfolio teams and driven by the same underlying research. The research of AQR's principals and portfolio teams is widely recognized and has resulted in numerous published papers in a variety of professional journals.

AQR currently manages ~$925 million in APFC's Global Equities portfolio a mandate under which it has outperformed its assigned benchmark over all relevant time periods. Additionally, AQR was one of five managers hired under the eCIO program that APFC had in place from 2010-2016.

As part of the Board meeting discussion on asset allocation considerations, Joey Lee and Pete Hecht will present AQR's market outlook for major asset classes and the accompanying asset allocation implications that plans should consider to improve both total and risk-adjusted returns.

Biography of Presenters:

Joey Lee, Principal

Joey Lee is a Principal and senior member of the Business Development team at AQR Capital Management, where she collaborates with institutional investors throughout the Western and Southwestern U.S. In this role, she is responsible for identifying and developing relationships with prospective investors and communicating AQR's investment philosophy and process across a range of traditional and alternative investment strategies. Prior to AQR, Joey worked in the White House as an aide in the Executive Office of the President, helping senior officials with communications and strategic planning. She earned a B.A., with distinction, in political science from Yale University and an M.B.A. with concentrations in analytic finance and economics from the University of Chicago's Graduate School of Business, where she received the Lehman Brothers Fellowship.

Pete Hecht, Ph.D., Managing Director

Pete Hecht is a Managing Director and Head of the North America Portfolio Solutions Group at AQR Capital Management. In this role, Pete focuses on advising clients on portfolio challenges and investment strategies, and developing thought leadership and investor education pieces. Prior to AQR, Pete was a senior investment strategist with Evanston Capital Management. He has also served in various portfolio management and strategy roles for Allstate's insurance portfolio and pension plan. Before that, Pete was an Assistant Professor of Finance at Harvard Business School. Pete earned a B.S. in economics and engineering sciences from Dartmouth College as well as an M.B.A. and Ph.D. in finance from the University of Chicago, where he was Eugene Fama's student and teaching assistant.

Market Outlook & Implications for Asset Allocation

Prepared exclusively for Alaska Permanent Fund Corporation

Pete Hecht, Ph.D.

Head of North America Portfolio Solutions Group, AQR

April 22, 2024

AQR

Disclosures

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The information contained herein is only as current as of the date indicated, and may be superseded by subsequent market events or for other reasons. Charts and graphs provided herein are for illustrative purposes only. The information in this presentation has been developed internally and/or obtained from sources believed to be reliable; however, neither AQR nor the speaker guarantees the accuracy, adequacy or completeness of such information. Nothing contained herein constitutes investment, legal, tax or other advice nor is it to be relied on in making an investment or other decision.

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The information in this presentation may contain projections or other forward-looking statements regarding future events, targets, forecasts or expectations regarding the strategies described herein, and is only current as of the date indicated. There is no assurance that such events or targets will be achieved, and may be significantly different from that shown here. The information in this presentation, including statements concerning financial market trends, is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Performance of all cited indices is calculated on a total return basis with dividends reinvested.

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Our Firm

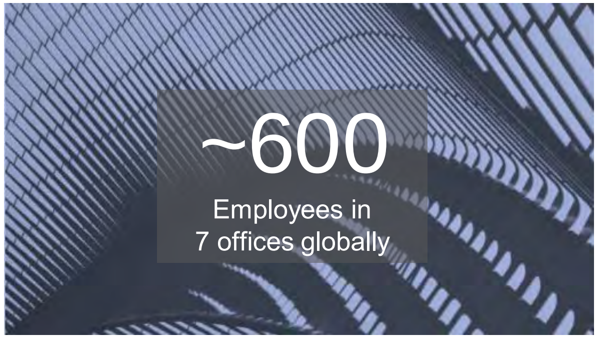
AQR: Applied Quantitative Research

Systematic investing grounded in economic theory

- Traditional long-only and liquid alternative strategies
- Research-driven approach
- Large and sophisticated investors across the globe
- Collaborative culture with academic roots

APFC and AQR Partnership

- Ongoing partnership since March 2007
- Manage $937M in Global Equity portfolio today



Source: AQR. All figures are approximate as of 3/31/2024; AUM includes assets managed by AQR and its advisory affiliates.

AQR Presenters

Joey Lee, *Principal*

Joey Lee is a Principal and senior member of the Business Development team at AQR Capital Management, where she collaborates with institutional investors throughout the Western and Southwestern U.S. In this role, she is responsible for identifying and developing relationships with prospective investors and communicating AQR's investment philosophy and process across a range of traditional and alternative investment strategies. Prior to AQR, Joey worked in the White House as an aide in the Executive Office of the President, helping senior officials with communications and strategic planning. She earned a B.A., with distinction, in political science from Yale University and an M.B.A. with concentrations in analytic finance and economics from the University of Chicago's Graduate School of Business, where she received the Lehman Brothers Fellowship.

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Source: AQR.

Summary of Findings

Capital market assumptions:

- Traditional expected returns are low relative to history
- Traditional asset class expected returns are low relative to cash rates, i.e. the reward for taking risk is low
- The evidence suggests that private credit and private equity have similar risk-adjusted returns to their public counterparts

Asset allocation implications

- Improve total and risk-adjusted returns by increasing diversifiers, such as hedge funds and inflation sensitive assets
- The funding source should be spread out over equity, credit, and core fixed income

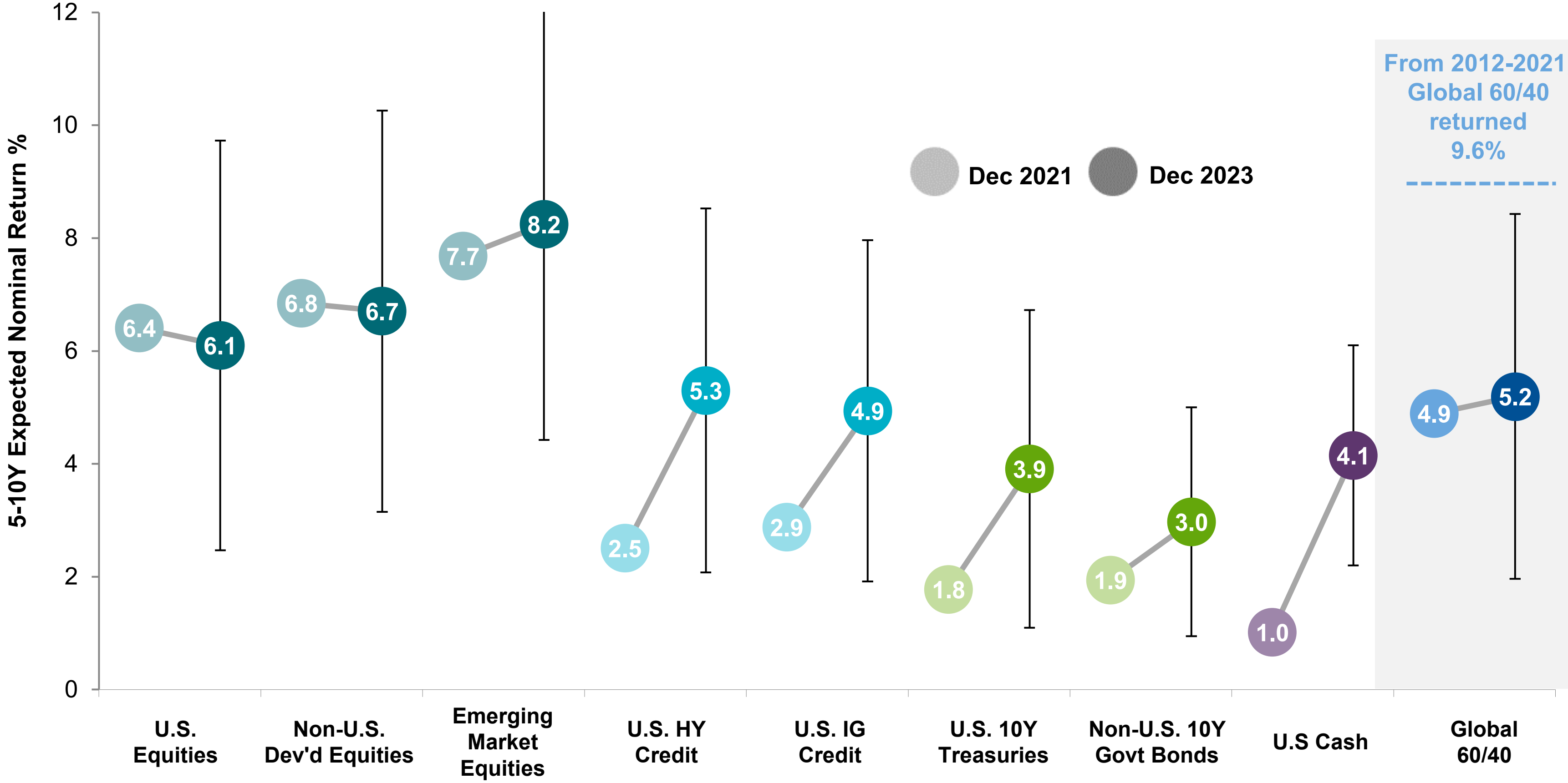
Source: AQR. Throughout this presentation, SAA refers to Strategic Asset Allocation. CMA refers to Capital Market Assumptions. Throughout this presentation, GM refers to geometric (versus arithmetic) mean. Diversification does not eliminate the risk of experiencing investment losses.

Public Market CMAs, Private Credit, & Private Equity

Expected Returns Are Below Average Even With Higher Rates

Equity expected returns have not moved up as much as cash rates

Medium-Term Expected Nominal GM Returns for Liquid Asset Classes (USD)



Source: AQR; see 1Q 2024 Alternative Thinking 'Capital Market Assumptions for Major Asset Classes' for further details. Estimates as of December 31, 2023. US Equities are USD-denominated nominal annual compound rates of return for a horizon of 5 to 10 years. "Non-U.S. developed equities" is cap-weighted average of Euro-5, Japan, U.K., Australia, Canada. "Non-U.S. 10Y govt. bonds" is GDP-weighted average of Germany, Japan, U.K., Australia, Canada. Global 60/40 is 60% Global Equities and 40% Global Treasuries Hedged. Error bars cover 50% confidence range, based on analysis from Alternative Thinking Q1 2018 and adjusted for current expected volatilities. These are intended to emphasize the uncertainty around any point estimates. Not only are the return forecasts uncertain, but also any measures of forecast uncertainty are debatable. Forecasting requires humility at many levels. Estimates are for illustrative purposes only, are not a guarantee of performance and are subject to change. Not representative of any portfolio that AQR currently manages. Please see Appendix for important disclosures around expected returns.

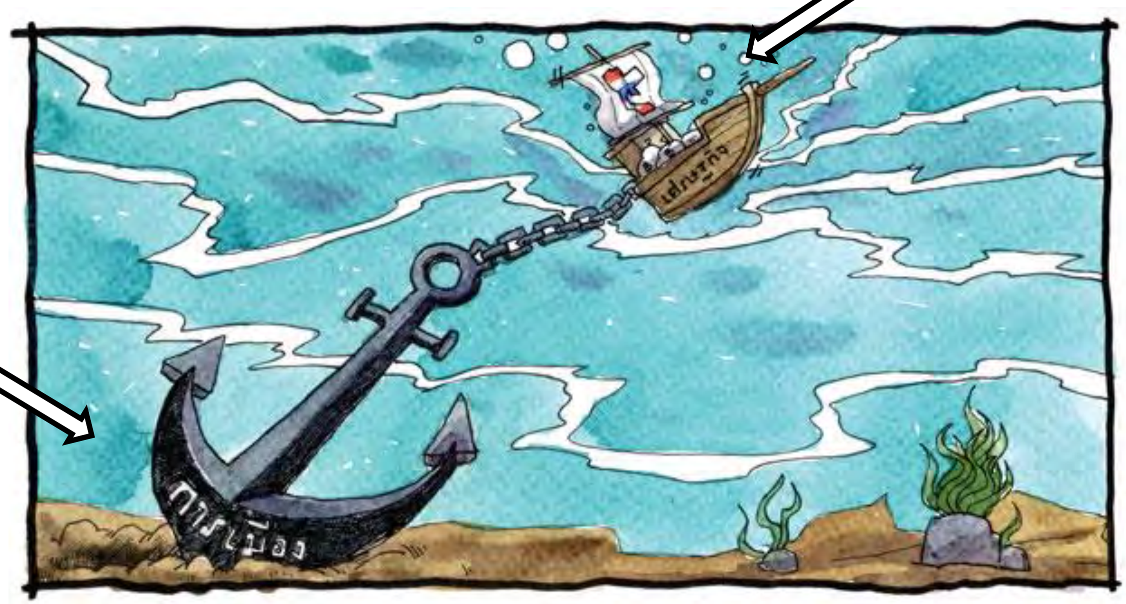
What About Private Credit?

Is private credit that different from public credit?

Economic theory and intuition suggest the risk-adjusted return (Sharpe ratio) of private credit should be related to public credit

Risk-adjusted return of private credit

Risk-adjusted return of public credit



But…

Source: AQR, https://www.posttoday.com/columnist/287508. The use of the logos and pictures is for informational purposes only and is not authorized by, sponsored by or associated with the trademark owners.

There Are Many Reasons Private Credit May Differ from Public

Let's consider some of the differences between private credit (PC) and public credit and how those may lead to different risk-adjusted returns

Why might PC's risk-adjusted return be **higher**?

- Low price volatility suggests low risk
- Lower defaults
- Illiquidity premium
- Borrower willing to pay up for additional flexibility & certainty of execution
- More efficient workouts when problems arise
- Disintermediation of banks

Why might PC's risk-adjusted return be **lower**?

- Higher fees
- Overpaying for price smoothing
- Overpaying for embedded leverage
- Possible latent deterioration in credit quality

Source: AQR.

PC Returns: Has Private Credit Earned an Illiquidity Premium?

Insignificant alpha versus public high yield or levered loans

Regression of All Burgiss Private Credit Funds on High-Yield and Leveraged Loan Indices

July 1, 2005 – June 30, 2020

	PC vs. High Yield Index	PC vs. Leveraged Loan Index
Index Beta (no lag)	0.71***	0.80***
Index Beta (lagged 1 quarter)	0.20***	0.27***
Index Beta (lagged 2 quarters)	0.08	0.16***
Adjusted Index Beta (sum of lags)	**0.99**	**1.21**
Annualized Alpha	**0.0%** (t-stat 0.0)	**1.2%** (t-stat 1.0)
Observations	58	58
Adjusted R-squared	81%	85%

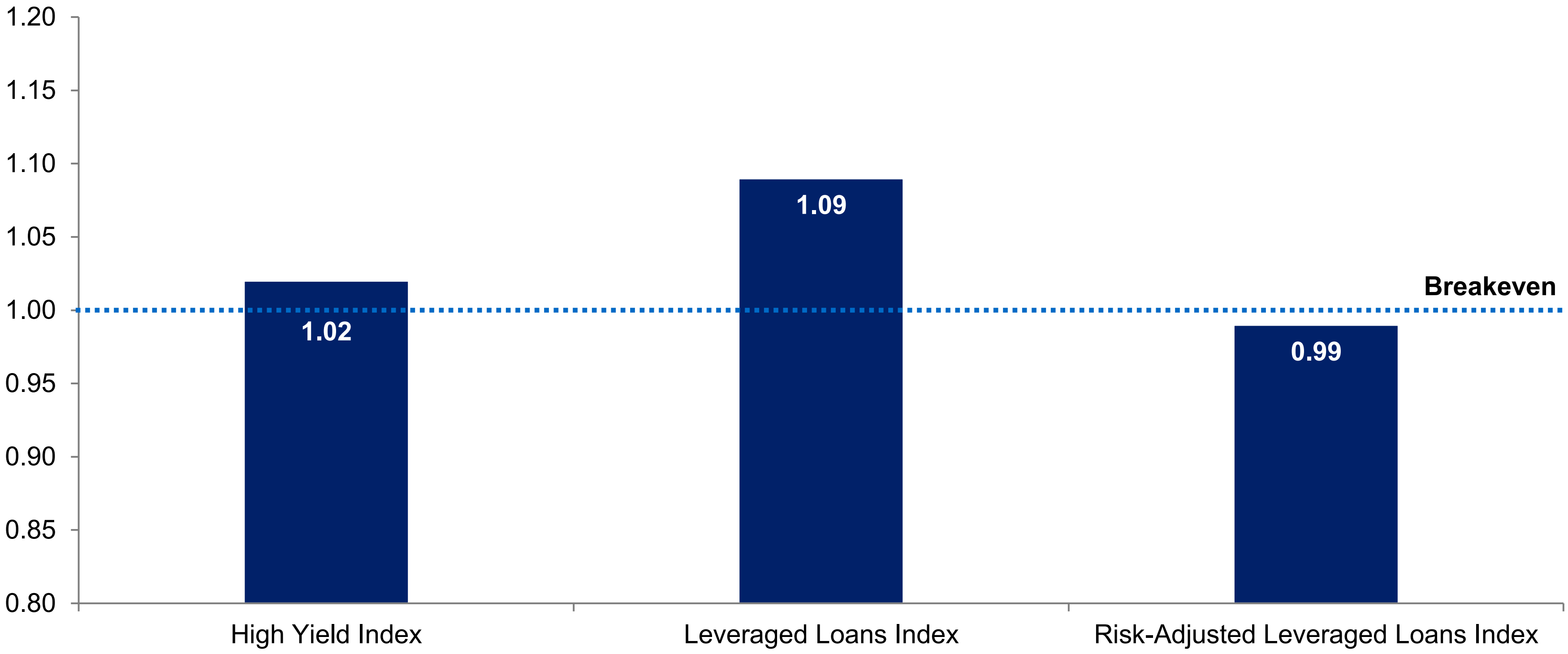
*, **, *** denote statistical significance at the 95%, 99%, and 99.9% levels, respectively.
Source: “Private Credit Update” (slides 12, 14; Hu et al., 2020), which was presented at the 2020 Private Equity Research Consortium and is an addendum to their original “Performance of Private Credit Funds: A First Look”, (Hu et al., JAI 2018). An index of “all funds” is created by size-weighted commitments to all funds across seven Burgiss private debt indices. The High Yield Index represents total returns for publicly traded non-investment grade corporate bonds of large global corporations. The Leveraged Loan Index represents total returns for syndicated and traded (over-the-counter) non-investment grade loans to large U.S. corporations.

PC Returns: What If We Look at PMEs Instead of Alphas?

No-to-low illiquidity premium on a risk-adjusted basis

Public Market Equivalents for Private Credit

July 1, 2005 – June 30, 2020



Source: "Private Credit Update" (slides 16; Hu et al., 2020), which was presented at the 2020 Private Equity Research Consortium and is an addendum to the original paper "Performance of Private Credit Funds: A First Look", (Hu et al., JAI 2018). A private credit index of "all funds" is created by size-weighted commitments to all funds across seven Burgiss private debt indices. The High Yield Index represents total returns for publicly traded non-investment grade corporate bonds of large global corporations. The Leveraged Loan Index represents total returns for syndicated and traded (over-the-counter) non-investment grade loans to large U.S. corporations. The above PMEs are calculated as in Kaplan and Schoar (2005) on the three indices as benchmarks for the Burgiss All Funds Index. Public Market Equivalent (PME) is a method of evaluating private debt performance by discounting the PC cash flows at the public benchmark's return. In the above, a PME greater than 1 means that private debt outperformed the reference benchmark using this methodology.

Private Credit CMA Modeling Example

Modeling private credit as "floating rate" HY corporate bonds

Private credit funds in aggregate have matched the performance of leveraged loan or high yield index benchmarks, with beta of 1 to 1.2 and alpha near zero (Munday et al. (2018, results updated 2020))

In other words, higher fees and investor price smoothing preferences appear to have fully offset any illiquidity premium

Our framework for private credit mirrors public high yield credit with two modifications:

1. We model floating-rate debt, reflecting a common characteristic of the private credit marketplace
2. We adjust for a survey-based estimate of average industry leverage, which magnifies both excess return and volatility projections

As of December 31, 2023	U.S. HY Credit Excess	Leverage Multiplier	Private Credit
Excess Return (spread * haircut + roll)	1.8%	x 1.2	2.2%
Volatility	8.4%	x 1.2	10.1%
Sharpe Ratio	0.22		0.22
Total Nominal Return (AM)	6.0%		6.4%
Total Nominal Return (GM)	5.7%		5.9%

What about correlation? Model like public credit, can be proxied by "floating rate" US HY Credit Index

Which asset allocation bucket? Private credit belongs in the credit/fixed income bucket, not alternatives

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Source: Bloomberg, AQR. Estimates as of December 31, 2023. Public proxy is based on Bloomberg Barclays U.S. Corporate High Yield (HY) Index in excess of duration-matched U.S. Treasury. See AQR Alternative Thinking Q1 2023 for further discussion. Leverage estimate from Block et al. (2023). Cambridge Associates Private Credit modification rate from 2002 to 2017 was 10% compared to 11% default rate for Moody's single-B listed credit. All assumptions are purely illustrative and do not represent any AQR product or strategy. Methodology and return assumptions are subject to change and are as of December 31, 2023. Please see Appendix for important disclosures around expected returns.

What About Private Equity? Proxy It With Public Equity?

There are many reasons private equity may differ from public equity

Let's consider some of the differences between private equity (PE) and public equity and how those differences may lead to different risk-adjusted returns for the two asset classes

Why would PE's risk-adjusted return be **higher**?

- Modeling accounting, not market, risk
- Illiquidity premium
- Manager selection skill
- Alpha via operational transformation
- Estimating returns with IRRs
- Market timing skill
- Better governance

Why would PE's risk-adjusted return be **lower**?

- Higher fees
- Overpaying for embedded leverage
- Overpaying for price smoothing

Source: AQR.

Does Private Equity Earn an Illiquidity Premium? No

Assume privates have similar risk-adjusted returns to publics

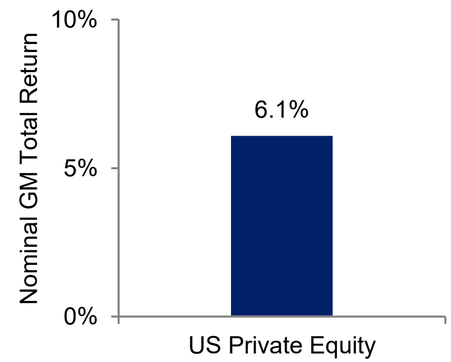
Public Market Equivalent (PME) for US Buyout Funds
1986 - 2008

	Unadjusted S&P 500 (Large Cap Stocks)	Size-Adjusted S&P 600 (Small Cap Stocks)	Size- and Leverage-Adjusted S&P 600
Vintage	**PME**	**PME**	**PME**
1986	1.33	1.47	1.28
.	.	.	.
.	.	.	.
.	.	.	.
2008	0.99	0.95	0.84
VW average, 1986–2008	**1.17**	**1.04**	**0.97**
Kaplan and Brown, 1986–2014			**1.03**

Sharpe-Ratio Based Expected Return for US Private Equity (USD)
As of December 31, 2023

	US Small Cap Stocks	Leverage Multiplier	US Private Equity
Total Return (AM)	8.3%		**9.1%**
Excess of Cash Return	4.1%	x 1.2 =	5.0%
Volatility	20.4%	x 1.2 =	24.5%
Sharpe Ratio	0.20		0.20

Adjust AM for Variance Drag to get GM



Source: AQR, Consensus Economics, Bloomberg, Financial Analysts Journal (Vol. 72, No. 4), Preqin, Institutional Investor, Wall Street Journal, Morningstar, CalPERS. The information above can be found in Table 3 from “A Bottom-Up Approach to the Risk-Adjusted Performance of the Buyout Fund Market” (L’Her, Stoyanova, Shaw, Scott, Lai, 2016). US leveraged buyout fund performance is based on Burgiss cash flow data and is net of fees. The value weighted (VW) average is based on the inflation-adjusted amount of invested capital in each vintage. Public Market Equivalent (PME) is a method of evaluating private equity performance by discounting the PE cash flows at the public benchmark’s return. In the above, a PME greater than 1 means that private equity outperformed the reference benchmark using this methodology. For below table and chart, the long-term capital market assumptions used herein are based on a constant Sharpe ratio approach, do not reflect current yields, and by design do not vary meaningfully within a given year. AM is arithmetic mean, GM is geometric mean. Return assumptions and methodology are subject to change and based on data as of December 31, 2023. Small cap stocks is the Russell 2000. Volatility calculated as the average volatility of the since 1990 returns and since 2008 returns. Cash rate used to make returns excess and to calculate Sharpe ratio is the Merrill Lynch 3-month treasury bill index. For illustrative purposes only. Not representative of any AQR product or strategy. There is no guarantee, express or implied, that long-term return and/or volatility targets will be achieved. Realized returns and/or volatility may come in higher or lower than expected.

Private & Public Performance From the Most Recent Decade

US institutional private equity returns similar to US public equities

US State Pension 10 Year Returns by Major Asset Classes

July 1, 2010 – June 30, 2020

	Total Fund	US Stocks	Non-US Stocks	Fixed Income	Real Estate	Private Equity	Absolute Return
Highest Return	9.74%	15.02%	8.24%	9.75%	13.47%	16.91%	7.27%
25th Percentile	8.93%	13.61%	6.67%	5.17%	11.41%	13.60%	6.15%
Median Return	8.57%	13.17%	6.07%	4.57%	10.65%	12.65%	5.17%
75th Percentile	7.81%	12.65%	5.41%	3.96%	9.86%	11.37%	4.33%
Lowest Return	6.71%	8.81%	4.13%	2.91%	8.20%	5.37%	2.65%
Average Return	8.63%	12.90%	6.26%	4.79%	10.43%	12.75%	4.95%

Source: Cliffwater LLC. The above table represents Exhibit 6 from "Twenty-Year State Pension Performance Study, June 30, 2000 – June 30, 2020" from Cliffwater LLC, available at https://www.cliffwater.com/Research. Total Fund is 70% Global Stocks (MSCI ACWI), 30% Fixed Income. US Stocks is the Russell 3000 Index. Non-US Stocks is the MSCI ACWI ex US Index. Fixed Income is the Bloomberg Barclays Aggregate Bond Index. Real Estate is the NCREIF Index (NPI). Private Equity is the Cambridge Associates Private Equity Index. Absolute Return is the HFRI Fund of Funds Index. Circles represent median returns for representative public and private asset class indices. Please refer to the paper for more information. Past performance is not a guarantee of future performance.

Implications For Asset Allocation

Guiding Principles for This Strategic Asset Allocation Analysis

Remember there is a lot of "art" in performing an SAA

- Time horizon is assumed to be approximately 5 to 10 years
- CMAs are yield-based where possible
- In general, CMAs assume no manager selection or alpha
- The focus is on economic risk and return, not accounting risk and return, which will influence how we model private assets
- The goal is to maximize the expected GM return while maintaining risk and moving weights up to +/- 5%
- Risk is constrained by volatility and using the realized return in two unique stress scenarios: 2008 and 2022
- Asset allocation robustness is achieved by blending the recommendations across multiple sets of CMAs/optimizations

Source: AQR. Throughout this presentation, SAA refers to Strategic Asset Allocation. CMA refers to Capital Market Assumptions. Throughout this presentation, GM refers to geometric (versus arithmetic) mean.

Alaska's Target Portfolio Weights and Baseline CMAs

Expected returns are yield-based; risk is a blend of since 1990 and 2008

Performance Assumptions	Target Portfolio Weight	Volatility	Sharpe Ratio	Expected Total Return	Expected Risk Proxy
U.S. Equities	23.3%	16.2%	0.20	7.4%	MSCI US IMI
Developed ex U.S. Equities	9.2%	17.5%	0.23	8.3%	MSCI World ex US IMI
Emerging Equities	3.6%	21.1%	0.30	10.5%	MSCI EM IMI
Private Equity	16.0%	24.5%	0.20	9.1%	1.2x Leveraged Russell 2000
Global Aggregate FI	16.0%	3.4%	0.18	4.8%	Barclays Global Aggregate Hedged
U.S. HY Corporates	2.0%	9.3%	0.17	5.7%	Barclays US HY
Private Income	9.0%	9.9%	0.22	6.3%	"Floating Rate" Barclays US HY
Real Estate	10.0%	12.0%	0.20	6.6%	FTSE EPRA/NAREIT Equity REITs Vol scaled
US TIPS	1.0%	5.8%	0.08	4.6%	Barclays US TIPS
Absolute Return Hedge Funds	7.0%	7.0%	0.26	6.0%	50/50 HFRI EMN / HFRI Macro Vol Scaled
Trend Following	0.0%	12.5%	0.26	7.4%	SG Trend
Cash	3.0%	0.6%	0.00	4.1%	Cash

Portfolio Results	Target Portfolio
Expected Total Return, GM	6.3%
Volatility	11.6%
Sharpe Ratio	0.25
2008 Return	-27.4%
2022 Return	-13.8%

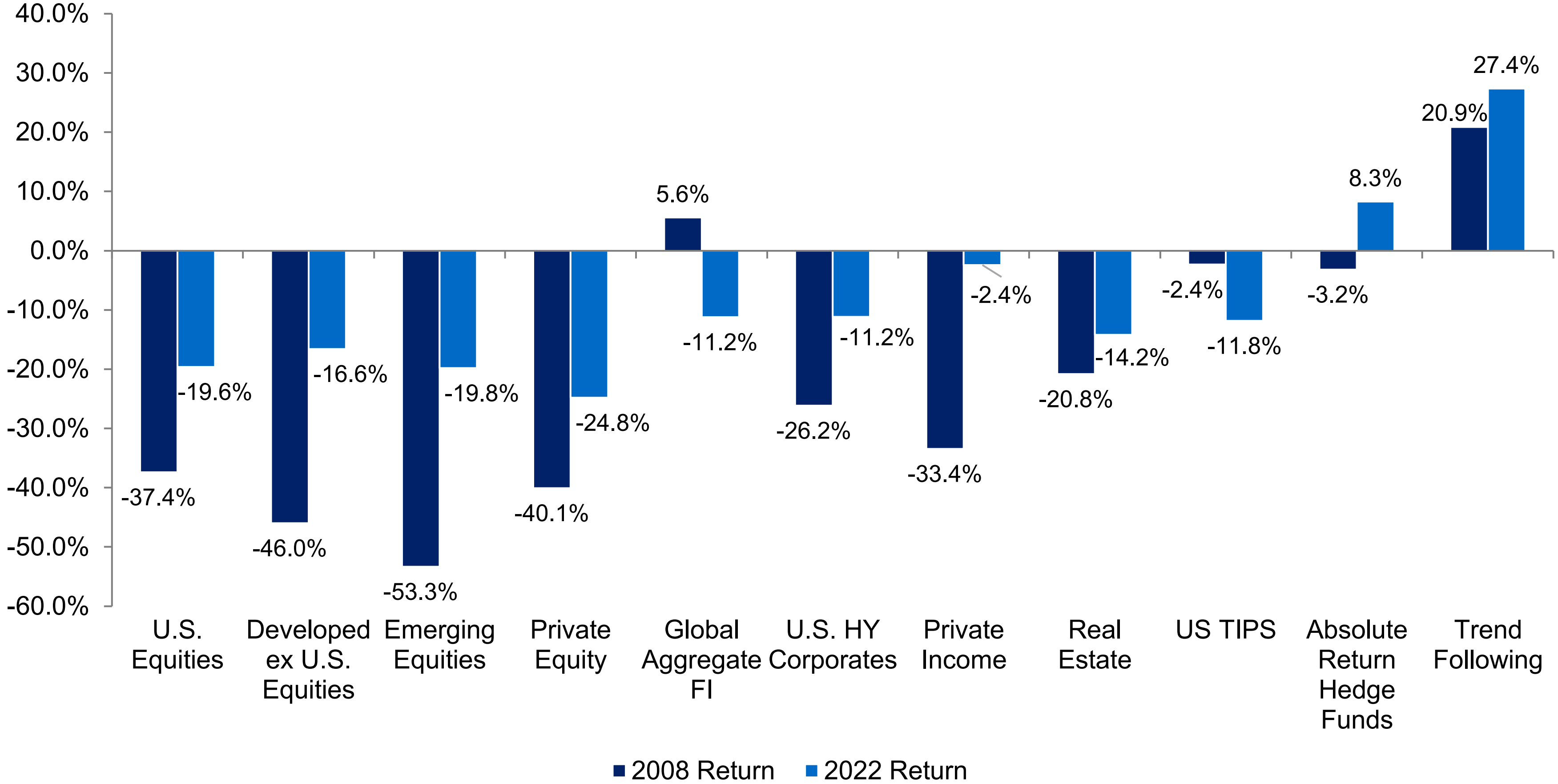
Source: AQR. Volatility assumptions based on data from January 1, 1990 to June 30, 2023. Expected return assumptions are as of June 30, 2023. All results are forward-looking (except the 2008 and 2022 scenario analysis) and as of June 30, 2023. Sharpe Ratio is excess of cash. Cash is the ICE BofA 3-Month T-Bill. There is no guarantee, express or implied, that long-term return and/or volatility targets will be achieved. Realized returns and or volatility may come in higher or lower than expected. Past Performance is not a guarantee of future performance. "Expected" or "Target" returns or characteristics refer to expectations based on the application of mathematical principles to portfolio attributes and/or historical data, and do not represent a guarantee. These statements are based on certain assumptions and analyses made by AQR in light of its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances, many of which are detailed herein. Changes in the assumptions may have a material impact on the information presented.

How do the Asset Classes Perform during Stress Scenarios?

Very few perform in both growth *and* inflation-driven equity drawdowns

Cumulative Total Return in Stress Scenarios

2008 & 2022



AQR

Source: AQR. Trend Following refers to the SG Trend Index. Returns are from January 1, 2008 – December 31, 2008 and January 1, 2022 – December 31, 2022, respectively. US HY Corporates are proxied by Barclays U.S. HY. Mkt Neutral Multi-strat Hedge Funds are proxied by HFRI Fund Weighted Composite Index (Beta-Neutral, Vol-Scaled), Private Equity is proxied by the leveraged 1.2x Russell 2000. Please refer to earlier slides for a description of the proxies used for the rest of the asset classes' historical returns. Past Performance is not a guarantee of future performance.

A Second Set of “Long Run SR” Capital Market Assumptions

Assume equity, bonds, credit, & other major asset groupings have a 0.3 SR

Performance Assumptions	Baseline Sharpe Ratio	“Long Run” Sharpe Ratio
U.S. Equities	0.20	0.29
Developed ex U.S. Equities	0.23	0.19
Emerging Equities	0.30	0.21
Private Equity	0.20	0.29
Global Aggregate FI	0.18	0.33
U.S. HY Corporates	0.17	0.30
Private Income	0.22	0.25
Real Estate	0.20	0.29
US TIPS	0.08	0.20
Absolute Return Hedge Funds	0.26	0.26
Trend Following	0.26	0.26
Cash	0.00	0.00

Portfolio Results	Baseline Target Portfolio	“Long Run SR” Target Portfolio
Expected Total Return, GM	6.3%	7.1%
Volatility	11.6%	11.6%
Sharpe Ratio	0.25	0.32
2008 Return	-27.4%	-27.4%
2022 Return	-13.8%	-13.8%

AQR

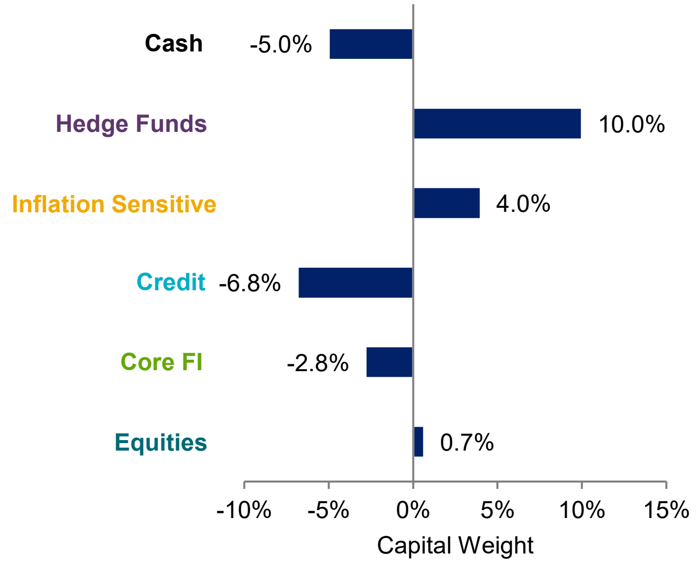
Source: AQR. SR stands for Sharpe ratio. Volatility assumptions based on data from January 1, 1990 to June 30, 2023. Expected return assumptions are as of June 30, 2023. All results are forward-looking (except the 2008 and 2022 scenario analysis) and as of June 30, 2023. Sharpe Ratio is excess of cash. Cash is the ICE BofA 3-Month T-Bill. There is no guarantee, express or implied, that long-term return and/or volatility targets will be achieved. Realized returns and or volatility may come in higher or lower than expected. Past Performance is not a guarantee of future performance.

Results Using Baseline Capital Market Assumptions

More leverage, HFs, inflation sensitive, EM equity; less DM equity, credit

Portfolio Weights	Target Portfolio Weight	Optimized Portfolio Weight	Difference (Optimized vs. Target)
U.S. Equities	23.3%	18.3%	-5.0%
Developed ex U.S. Equities	9.2%	14.2%	+5.0%
Emerging Equities	3.6%	8.6%	+5.0%
Private Equity	16.0%	11.7%	-4.3%
Global Aggregate FI	16.0%	13.2%	-2.8%
U.S. HY Corporates	2.0%	0.0%	-2.0%
Private Income	9.0%	4.2%	-4.8%
Real Estate	10.0%	15.0%	+5.0%
US TIPS	1.0%	0.0%	-1.0%
Absolute Return Hedge Funds	7.0%	12.0%	+5.0%
Trend Following	0.0%	5.0%	+5.0%
Cash	3.0%	-2.0%	-5.0%

Changes in High-level Asset Allocation



Portfolio Results	Target Portfolio	Optimized Portfolio
Expected Total Return, GM	6.3%	6.7%
Volatility	11.6%	11.6%
Sharpe Ratio	0.25	0.28
2008 Return	-27.4%	-27.4%
2022 Return	-13.8%	-12.0%

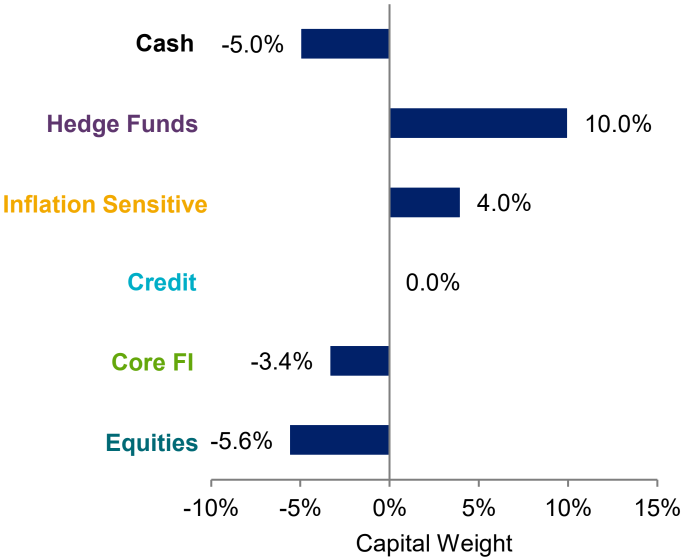
Source: AQR. All results are forward-looking (except the 2008 and 2022 scenario analysis) and as of June 30, 2023. There is no guarantee, express or implied, that long-term return and/or volatility targets will be achieved. Realized returns and or volatility may come in higher or lower than expected. Past Performance is not a guarantee of future performance.

Results Using “Long Run SR” Capital Market Assumptions

More leverage, HFs, inflation sensitive, PE; less public equity, core FI

Portfolio Weights	Target Portfolio Weight	Optimized Portfolio Weight	Difference (Optimized vs. Target)
U.S. Equities	23.3%	21.2%	-2.1%
Developed ex U.S. Equities	9.2%	4.2%	-5.0%
Emerging Equities	3.6%	0.0%	-3.6%
Private Equity	16.0%	21.0%	+5.0%
Global Aggregate FI	16.0%	12.6%	-3.4%
U.S. HY Corporates	2.0%	7.0%	+5.0%
Private Income	9.0%	4.0%	-5.0%
Real Estate	10.0%	15.0%	+5.0%
US TIPS	1.0%	0.0%	-1.0%
Absolute Return Hedge Funds	7.0%	12.0%	+5.0%
Trend Following	0.0%	5.0%	+5.0%
Cash	3.0%	-2.0%	-5.0%

Changes in High-level Asset Allocation



Portfolio Results	Target Portfolio	Optimized Portfolio
Expected Total Return, GM	7.1%	7.5%
Volatility	11.6%	11.6%
Sharpe Ratio	0.32	0.34
2008 Return	-27.4%	-24.3%
2022 Return	-13.8%	-12.3%

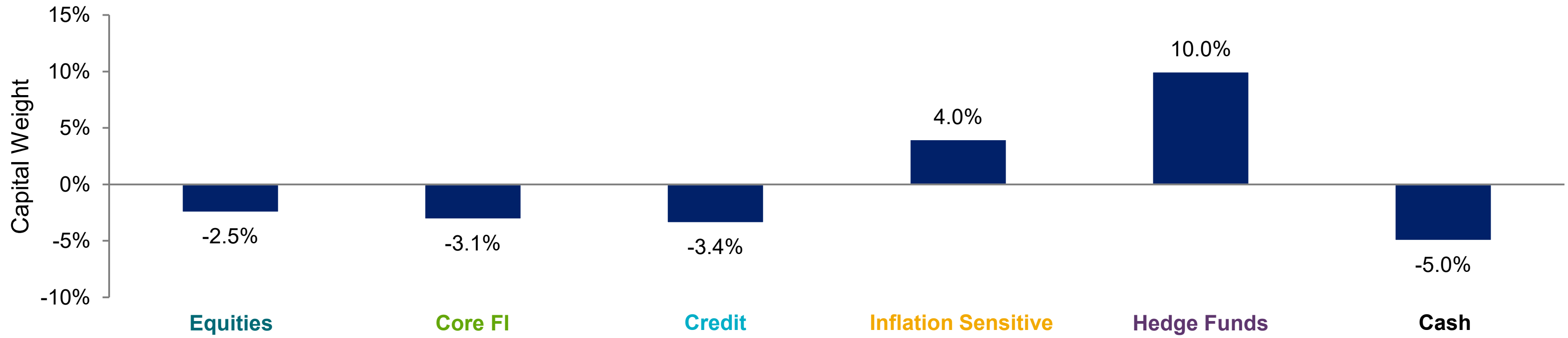
Source: AQR. All results are forward-looking (except the 2008 and 2022 scenario analysis) and as of June 30, 2023. There is no guarantee, express or implied, that long-term return and/or volatility targets will be achieved. Realized returns and or volatility may come in higher or lower than expected. Past Performance is not a guarantee of future performance.

Robust Results Using a 50-50 Blend of the Two Optimizations

More leverage, HFs, inflation sensitive; less US equity, credit, and core FI

Portfolio Weights	Target Portfolio Weight	Optimized Portfolio Weight	Difference (Optimized vs. Target)
U.S. Equities	23.3%	19.7%	-3.5%
Developed ex U.S. Equities	9.2%	9.2%	0.0%
Emerging Equities	3.6%	4.3%	+0.7%
Private Equity	16.0%	16.3%	+0.3%
Global Aggregate FI	16.0%	12.9%	-3.1%
U.S. HY Corporates	2.0%	3.5%	+1.5%
Private Income	9.0%	4.1%	-4.9%
Real Estate	10.0%	15.0%	+5.0%
US TIPS	1.0%	0.0%	-1.0%
Absolute Return Hedge Funds	7.0%	12.0%	+5.0%
Trend Following	0.0%	5.0%	+5.0%
Cash	3.0%	-2.0%	-5.0%

Changes in High-level Asset Allocation



Source: AQR, All results are forward-looking (except the 2008 and 2022 scenario analysis) and as of June 30, 2023. Optimized Portfolio Weight above is a 50/50 blend of the optimized weights using our base case SRs and the "Long Run SR" approach SRs. There is no guarantee, express or implied, that long-term return and/or volatility targets will be achieved. Realized returns and or volatility may come in higher or lower than expected. Past Performance is not a guarantee of future performance.

Appendix

Disclosures

This document has been provided to you solely for information purposes and does not constitute an offer or solicitation of an offer or any advice or recommendation to purchase any securities or other financial instruments and may not be construed as such. The factual information set forth herein has been obtained or derived from sources believed by the author and AQR Capital Management, LLC ("AQR") to be reliable but it is not necessarily all-inclusive and is not guaranteed as to its accuracy and is not to be regarded as a representation or warranty, express or implied, as to the information's accuracy or completeness, nor should the attached information serve as the basis of any investment decision. This document is intended exclusively for the use of the person to whom it has been delivered by AQR, and it is not to be reproduced or redistributed to any other person. The information set forth herein has been provided to you as secondary information and should not be the primary source for any investment or allocation decision. Past performance is not a guarantee of future performance.

Diversification does not eliminate the risk of experiencing investment losses. There is no guarantee, express or implied, that long-term return and/or volatility targets will be achieved. Realized returns and or volatility may come in higher or lower than expected.

Gross performance results do not reflect the deduction of investment advisory fees and other expenses, which would reduce an investor's actual return. AQR's asset based fees may range up to 2.85% of assets under management, and are generally billed monthly or quarterly at the commencement of the calendar month or quarter during which AQR will perform the services to which the fees relate. Where applicable, performance fees are generally equal to 20% of net realized and unrealized profits each year, after restoration of any losses carried forward from prior years. In addition, AQR funds incur expenses (including start-up, legal, accounting, audit, administrative and regulatory expenses) and may have redemption or withdrawal charges up to 2% based on gross redemption or withdrawal proceeds. Please refer to AQR's ADV Part 2A for more information on fees. Consultants supplied with gross results are to use this data in accordance with SEC, CFTC, NFA or the applicable jurisdiction's guidelines.

There is a risk of substantial loss associated with trading commodities, futures, options, derivatives and other financial instruments. Before trading, investors should carefully consider their financial position and risk tolerance to determine if the proposed trading style is appropriate. Investors should realize that when trading futures, commodities, options, derivatives and other financial instruments one could lose the full balance of their account. It is also possible to lose more than the initial deposit when trading derivatives or using leverage. All funds committed to such a trading strategy should be purely risk capital.

Request ID: 387293

Disclosures

Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index.

The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

The S&P 500 Index is a free float-adjusted market capitalization weighted index that tracks 500 leading companies in the U.S.

The SG Trend Index is designed to track the largest 10 (by AUM) CTAs and be representative of the managed futures trend-following space.

The MSCI World ex US Index is a free float-adjusted market capitalization weighted index that measures the equity market performance of developed markets outside the U.S.

The MSCI Emerging Index is a free-float adjusted market capitalization weighted index that measures the equity market performance of emerging markets.

The Russell 2000 Index is designed to measure the performance of the 2,000 smaller companies included in the Russell 3000 index.

The Barclays US Treasury Long Index includes all publicly issued U.S. Treasury securities that have a remaining maturity of 10 or more years.

The Barclays US High Yield Index is designed to measure the USD-denominated, high yield, fixed-rate corporate bond market.

The HFRI Fund Weighted Composite Index is a global fund-weighted index of hedge funds with minimum assets under management of USD $500mm.

The ICE BofA 3 Month T-Bill Index measures the performance of a single issue of outstanding treasury bill which matures closest to, but not beyond three months from rebalancing.

The FTSE NAREIT Equity REITS Index is a free-float adjusted market capitalization-weighted index of U.S. equity REITs.

The Bloomberg Commodities Index is a broadly diversified commodity price index distributed by Bloomberg.

Simple Yield-Based Forecasts of Expected Returns

Sources for historical equity and bond expected returns are AQR, Robert Shiller's data library, Kozicki-Tinsley (2006), Federal Reserve Bank of Philadelphia, Blue Chip Economic Indicators, Consensus Economics and Morningstar. Prior to 1926, stocks are represented by a reconstruction of the S&P 500 available on Robert Shiller's website which uses dividends and earnings data from Cowles and associates, interpolated from annual data. After that, stocks are the S&P 500. Bonds are represented by long-dated Treasuries. The equity yield is a 50/50 mix of two measures: 50% Shiller E/P * 1.075 and 50% Dividend/Price + 1.5%. Scalars are used to account for long term real Earnings Per Share (EPS) Growth. Bond yield is 10-year real Treasury yield minus 10-year inflation forecast as in *Expected Returns* (Ilmanen, 2011), with no rolldown added.

Methodology for Forecast Error Analysis

We first produce historical time series of yield-based estimates for U.S. equities and U.S. Treasuries using the method described in the previous paragraph (analysis starts in 1900, but we use data from 1870s onwards). We test their predictive power using quarterly overlapping 10-year periods since 1900 and measure the distribution of errors. See the 2018 edition for more details. Error ranges in Exhibit 1 are based on interquartile ranges of these distributions, adjusted for current volatility estimates.

SUBJECT:	Pathway Private Markets Review James R. Chambliss – Managing Director Vincent P. Dee, CFA – Managing Director Jason C. Jenkins, CFA – Managing Director John T. Ruggieri, CFA – Managing Director	ACTION:____________
DATE:	April 22, 2024	INFORMATION: X

BACKGROUND:

Pathway Capital Management is a global provider of Private Markets Solutions, working mainly with large state investment funds on fund investments, co-investments, and secondary investments in the private markets area. The firm has been a private equity advisor to APFC since 2003, at the inception of APFC's private equity program. APFC began working with Pathway to implement the Fund's private credit and private infrastructure programs around 2015.

As part of the Board meeting discussion on asset allocation considerations, the Pathway team will review APFC's portfolio and history of investing in private equity, private credit, and private infrastructure. They will also discuss the market opportunities available in these areas and provide their views on the outlook.

Biography of Presenters:

James R. Chambliss—Managing Director

Mr. Chambliss joined Pathway in 1994 and is a managing director in the California office. He is involved in all aspects of Pathway's investment and client-servicing activities. Mr. Chambliss is a member of various Pathway committees, including the firm's Management Committee and Compensation Committee and all the firm's investment committees. Mr. Chambliss also serves on the advisory boards of several private market partnerships.

Mr. Chambliss received a BS in business administration, with an emphasis in finance, from Loyola Marymount University and an MBA from the Marshall School at the University of Southern California.

Vincent P. Dee, CFA—Managing Director

Mr. Dee joined Pathway in 2002 and is a managing director in the California office. He is involved in all aspects of Pathway's investment and client-servicing activities. Mr. Dee is co-head of Pathway's private credit team, which invests across the private credit markets through partnership investments and direct credit investments. Mr. Dee is a member of various Pathway committees, including the firm's Management Committee, Direct Credit Investment Committee, Primary Fund Investment Committee, and Secondaries Investment Committee. Additionally, Mr. Dee serves on the advisory boards of several private market partnerships.

Prior to joining Pathway, Mr. Dee worked in the Pension Consulting Division of Wilshire Associates Inc. He received a BA in economics from the University of California, San Diego, and an MBA from the Haas School of Business at the University of California, Berkeley. Mr. Dee is a CFA charterholder.

Jason C. Jenkins, CFA—Managing Director

Mr. Jenkins joined Pathway in 2004 and is a managing director in the California office. He is involved in all aspects of Pathway's investment and client-servicing activities. Mr. Jenkins oversees Pathway's infrastructure program, which pursues global infrastructure and real asset investment opportunities, and is a member of the firm's Primary Fund Investment Committee and Direct Equity Investment Committee. Additionally, Mr. Jenkins serves on the advisory boards of several private market partnerships.

Prior to joining Pathway, Mr. Jenkins worked at State Street IMS as a transitions associate. He received a BS in finance, summa cum laude, from Northern Arizona University and an MBA, with a concentration in finance, from the Orfalea College of Business at California Polytechnic University. Mr. Jenkins is a CFA charterholder and a member of the CFA Society of Los Angeles, Inc.

John T. Ruggieri, CFA—Managing Director

Mr. Ruggieri joined Pathway in 2010 and is a managing director in the Rhode Island office. He is involved in all aspects of Pathway's investment and client-servicing activities. He is a senior member of Pathway's direct equity team and also serves on the firm's Direct Equity Investment Committee. Mr. Ruggieri serves on the advisory boards of several private market partnerships.

Prior to joining Pathway, Mr. Ruggieri worked as an investment operations analyst with John Hancock Financial Services. He received a BS in business management from Boston College and an MBA from Providence College. Mr. Ruggieri is a CFA charterholder.

Pathway Capital Management

Presentation for the Alaska Permanent Fund

APRIL 22, 2024

PATHWAY®
CAPITAL MANAGEMENT

- Overview of Pathway
- The APFC's Private Markets Program
- Overview of the Private Equity Asset Class
- Private Equity's Place in the APFC's Portfolio
- APFC PMI Portfolio—Private Credit
- APFC PMI Portfolio—Infrastructure
- Appendix

Overview of Pathway

Pathway at a Glance

PRIVATE MARKET SPECTRUM		GLOBAL REACH		FULL-SERVICE MODEL
1991 Founded	**100%** owned by its 21 partners	**246** Staff	**>$85 billion** in global AUM[b]	**23 years'** average investment experience[c]

[a]Strategic alliance with Tokio Marine Asset Management. [b]Represents roll-forward market value plus undrawn capital as of December 31, 2023. [c]Represents Pathway's 21 investment partners.

Pathway's Senior Investment Team


Douglas K. Le Bon
Sr. Managing Director
44 Years' Experience


James H. Reinhardt
Sr. Managing Director
41 Years' Experience


Karen J. Jakobi
Sr. Managing Director
33 Years' Experience


James R. Chambliss
Managing Director
29 Years' Experience


Richard S. Mazer
Managing Director
29 Years' Experience


Alex M. Casbolt
Managing Director
22 Years' Experience


Vincent P. Dee, CFA
Managing Director
22 Years' Experience


Derrek I. Ransford, CFA
Managing Director
22 Years' Experience


Valerie A. Ruddick
Managing Director
28 Years' Experience


Wayne D. Smith, CFA
Managing Director
27 Years' Experience


Jason C. Jenkins, CFA
Managing Director
19 Years' Experience


Simon Y.S. Lau
Managing Director
17 Years' Experience


Canyon J. Lew
Managing Director
24 Years' Experience


Matthew M. Lugar
Managing Director
22 Years' Experience


John T. Ruggieri, CFA
Managing Director
14 Years' Experience


Mikael Sand, CFA
Managing Director
15 Years' Experience


Nicholas J. Siemsen, CFA
Managing Director
14 Years' Experience


Pete Veravanich
Managing Director
23 Years' Experience


Kevin W. Bland
Director
11 Years' Experience


Stefan Goettl
Director
13 Years' Experience


Bryan P. Nelson, CFA
Director
13 Years' Experience

EXPERIENCE

- 23 years avg. of private market experience of 21 inv. partners
- >$120 billion committed[1]
- >20,000 opportunities reviewed[1]
- >350 Advisory Boards

STABILITY

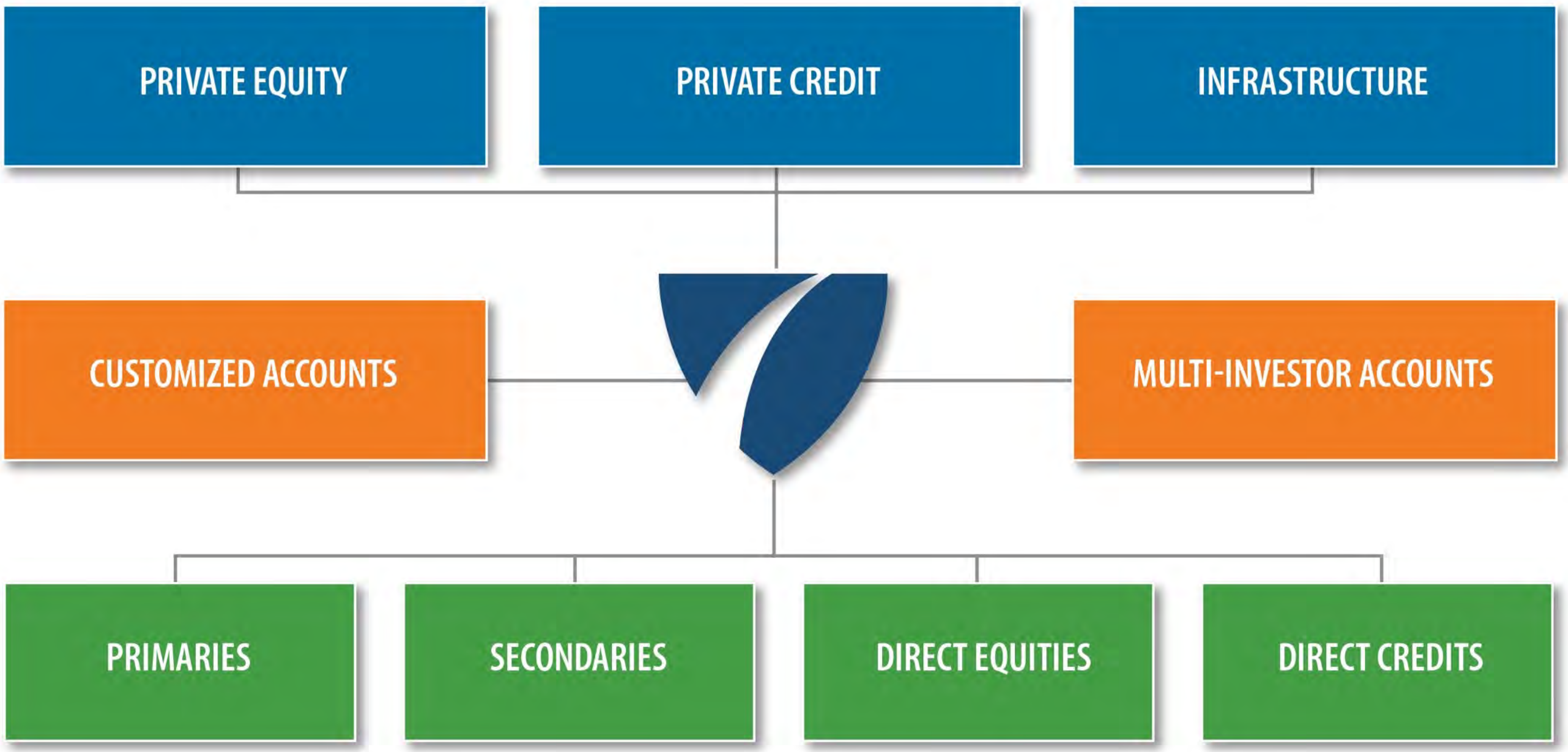
- Multigenerational team
- No senior departures outside of planned retirements[2]
- Growth from within

VALUE

- Fully attributable track record
- Deep relationships with key GPs
- Guardians of firm strategy and process
- Culture of risk mitigation

NOTE: Blue line indicates member of Pathway's Management Committee ("MC").
1. Represents Pathway's discretionary and non-discretionary activity from its inception in 1991 through December 31, 2023.
2. Senior is defined as investment team director (partner) level and above.

Global Provider of Private Market Solutions



Pathway's Investment Philosophy

Sourcing
Global Reach
Proactive & Data-Driven
Resource-Intensive

Investment Selection
Bottom-up Approach
Focus on Manager Quality

Due Diligence
Partners Lead Deals
Extensive Team-Wide Interactions

Decision-Making
Experience & Stability Are Key
Multiple Viewpoints & Inputs
Robust Debate

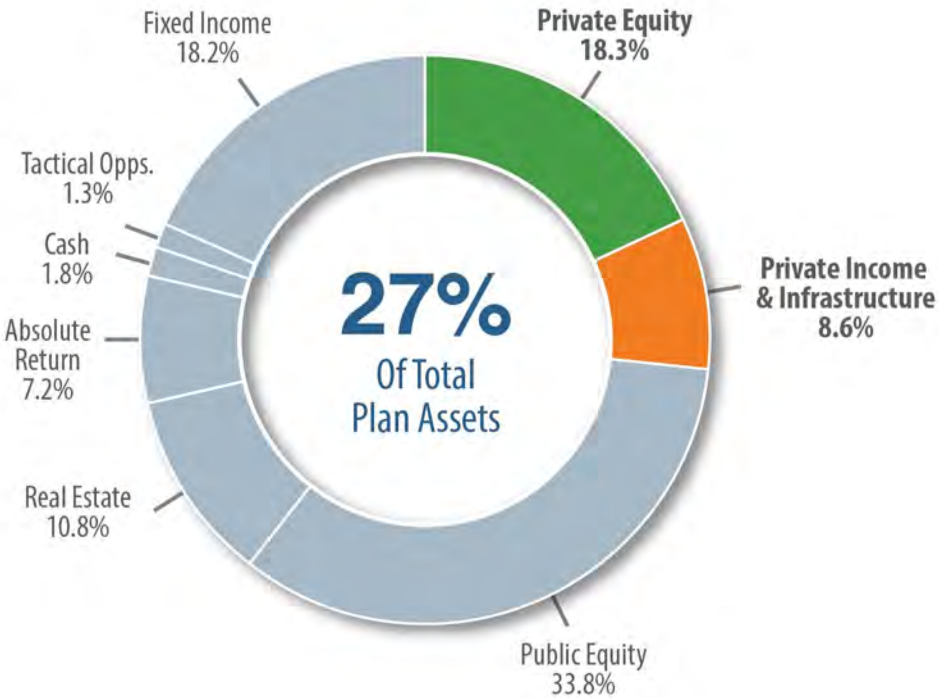
Portfolio Construction
High-Conviction
Diversified

Engagement
Active Engagement
Strong LPAC Presence
Value-Added Partner

The APFC's Private Markets Program

The APFC's Private Markets Program Overview

PRIVATE MARKETS	PRIVATE EQUITY	PRIVATE INCOME
Pathway has worked closely with the APFC since the inception of the APFC Private Markets Program	**2004** The APFC forms its **Private Equity** Program	**2007** The APFC forms its **Infrastructure** and **Private Credit** Programs



>20 YEARS Experience Investing in Private Markets

$33B Invested in Private Markets

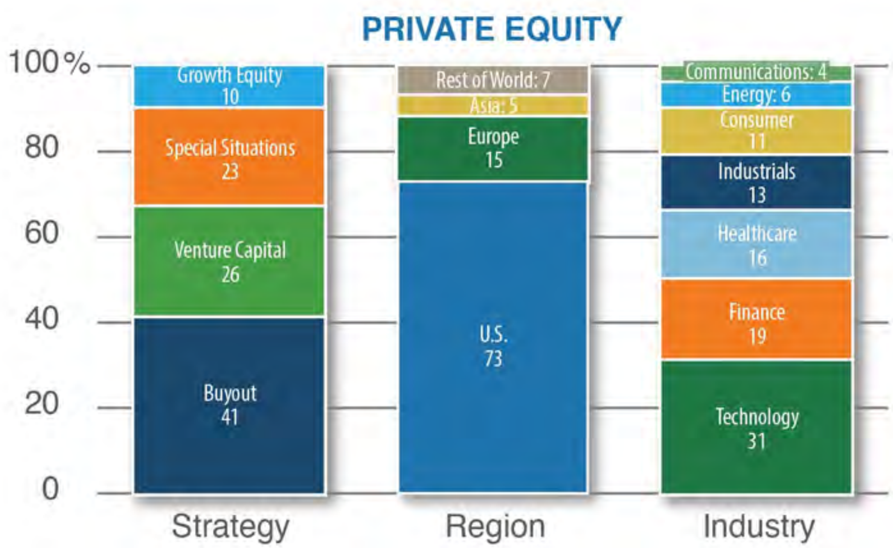
$30B Distributed Back to the Plan

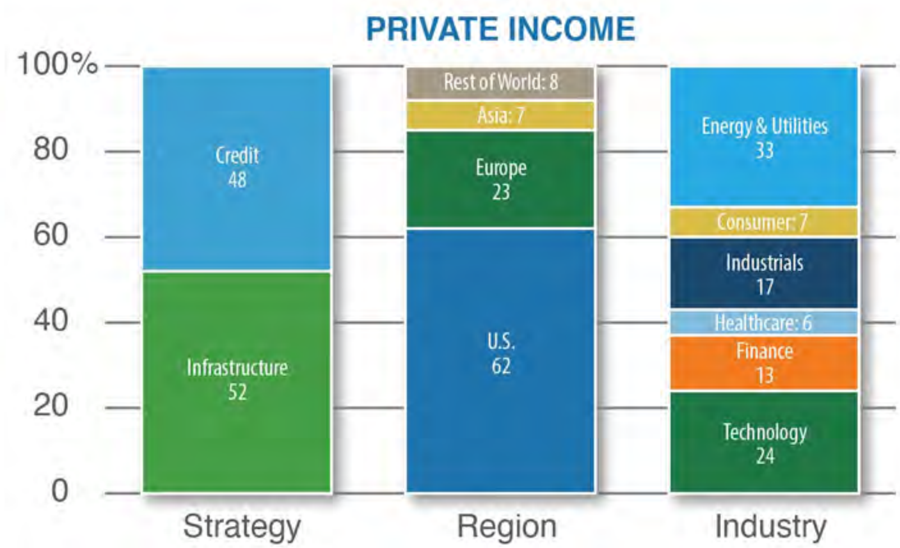
$52B Total Value Generated

SOURCE: APFC Daily Dashboard, as of April 9, 2024.

The APFC's Private Markets Portfolio Composition

PRIVATE MARKET PORTFOLIO CHARACTERISTICS





Overview of the Private Equity Asset Class

Private Equity—Playing a Prominent Role in Our Economy

57x
More U.S. Private Companies Than Public[a]

$1.7 Trillion
of U.S GDP in 2022 (6.5%) Generated by the PE Sector[b]

54%
of IPOs are VC-, Growth-, or Buyout-Backed[c]

12 Million
People Employed by U.S. PE Sector[b]

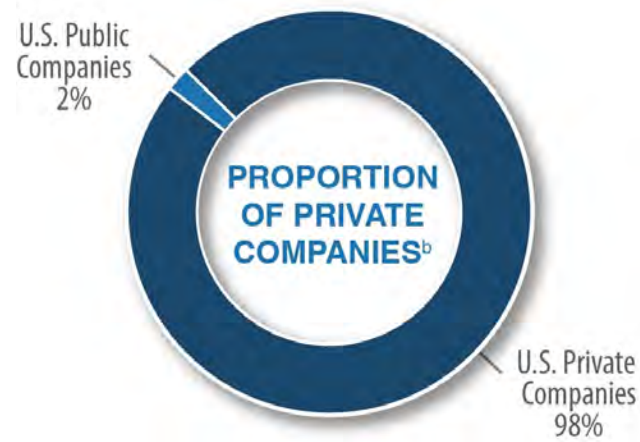
960%
VC-Backed Employment Growth Rate 1990–2020[d]

85%
of U.S. PE-backed businesses Have Fewer Than 500 Employees[b]

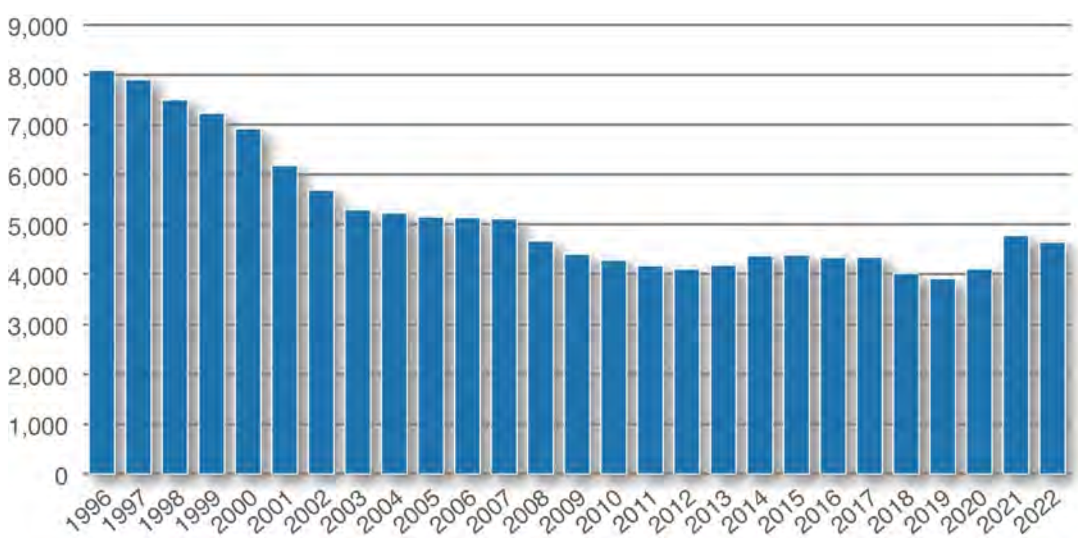
[a]SOURCE: Refinitiv (February 2024). Represents private U.S. companies with >$10M in revenue.
[b]SOURCE: EY Economic Study, *Contribution of the U.S. Private Equity Sector in 2022.*
[c]SOURCE: Jay R. Ritter, University of Florida. “Initial Public Offerings: VC-backed IPO Statistics Through 2023.” Data includes IPOs from 1980 to 2023.
[d]SOURCE: NVCA 2023 Yearbook.

Private Equity—Access to Expanded, Attractive Opportunity Set

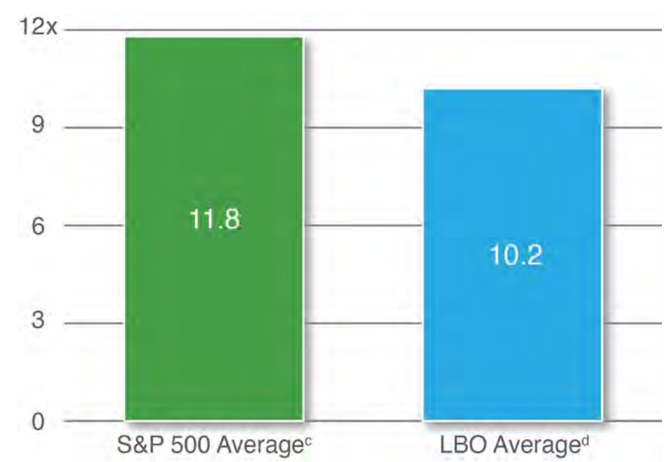
- Although the number of public companies has declined, the number of private companies has grown.
- Today, 98% of U.S. companies are private and represent a robust opportunity set for PE managers.



NUMBER OF U.S. PUBLICLY TRADED COMPANIES[a]

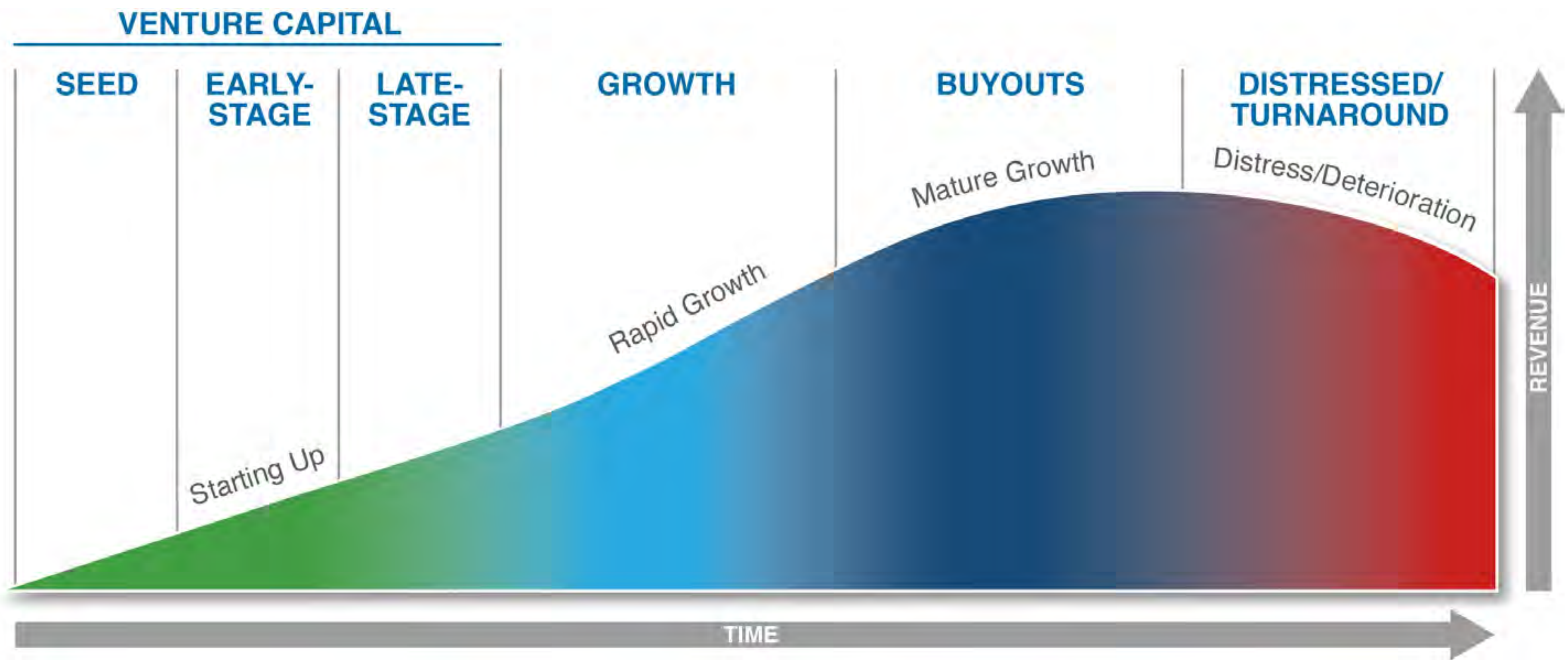


AVERAGE EV/EBITDA MULTIPLES



[a]Source: World Bank.
[b]Source: Pathway Research, Bloomberg; Represents companies in the United States with revenues greater than $10 million.
[c]Source: Bloomberg. Investors should consider the limitations inherent in comparisons between public and private markets. Private market investments may pose additional and/or different risks. Represents the average EV/TTM EBITDA multiple of all companies included in the S&P 500 index from 2005 to 2023.
[d]Source: PitchBook LCD. Represents the average trailing EV/EBITDA multiple for transactions with enterprise values of $500 million or greater included in the PitchBook LCD data set from 2005 to 2023.

Private Equity—Capturing Value-Creation across Company Life Cycles



Private Equity—An Opportunity for Outsized Returns

Influence/Control Premium
Experienced and talented GPs employing active portfolio management have the ability to generate superior investment returns.

Alignment of Interest
Strong alignment of interests between GPs, LPs, and underlying portfolio company management.

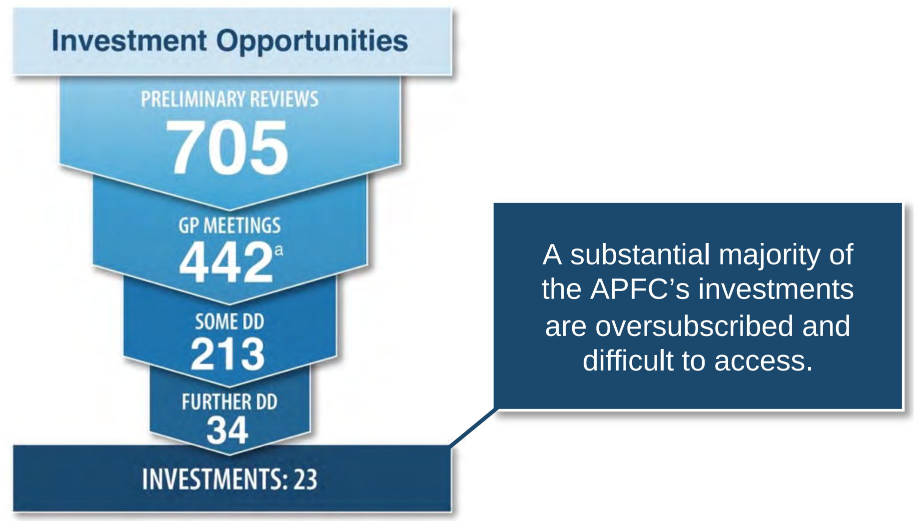
Information Premium
Privately held companies constitute the vast majority of investable companies.

Larger Opportunity Set
Privately held companies constitute the vast majority of investable companies.

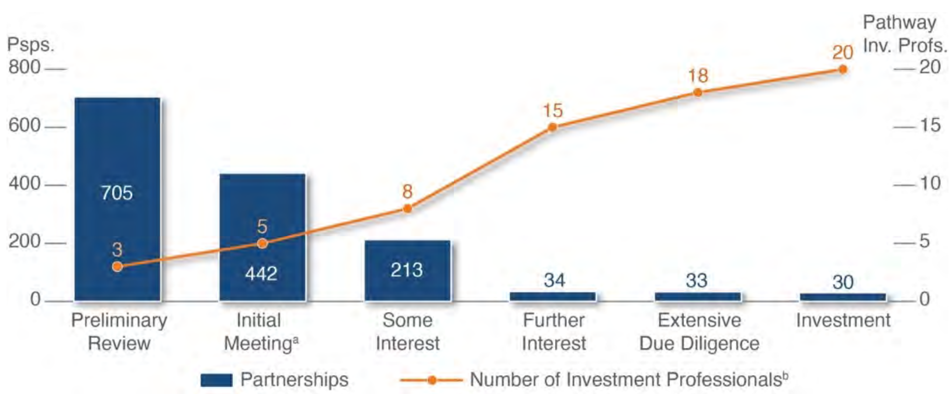
Private Equity—Superior Performance Requires Strong Execution

MANAGER SELECTION

MANAGER ACCESS



RESOURCE-INTENSIVE



IMPLEMENTATION LAG

Implementation lag = time to commit + time to invest + time to build value.

NOTE: Please see notes on the following page.

Notes

Manager Selection

NOTE: IRRs are ranked by quartile. The chart shows the average IRR spread between the first and fourth quartiles for vintage years 1993 to 2023 (i.e., the 25th and 75th percentiles), as measured in basis points. Managers may have more than one fund in the sample set, and funds from the same manager may have different quartile rankings.
[a]SOURCE: Burgiss Private i U.S. all private equity returns, as produced using Burgiss data. Based on since-inception IRRs as of September 30, 2023, for funds raised from 1993 through 2023.
[b]SOURCE: Bloomberg. Based on annualized returns for U.S. all public equity funds from 1993 through September 30, 2023.

Manager Access

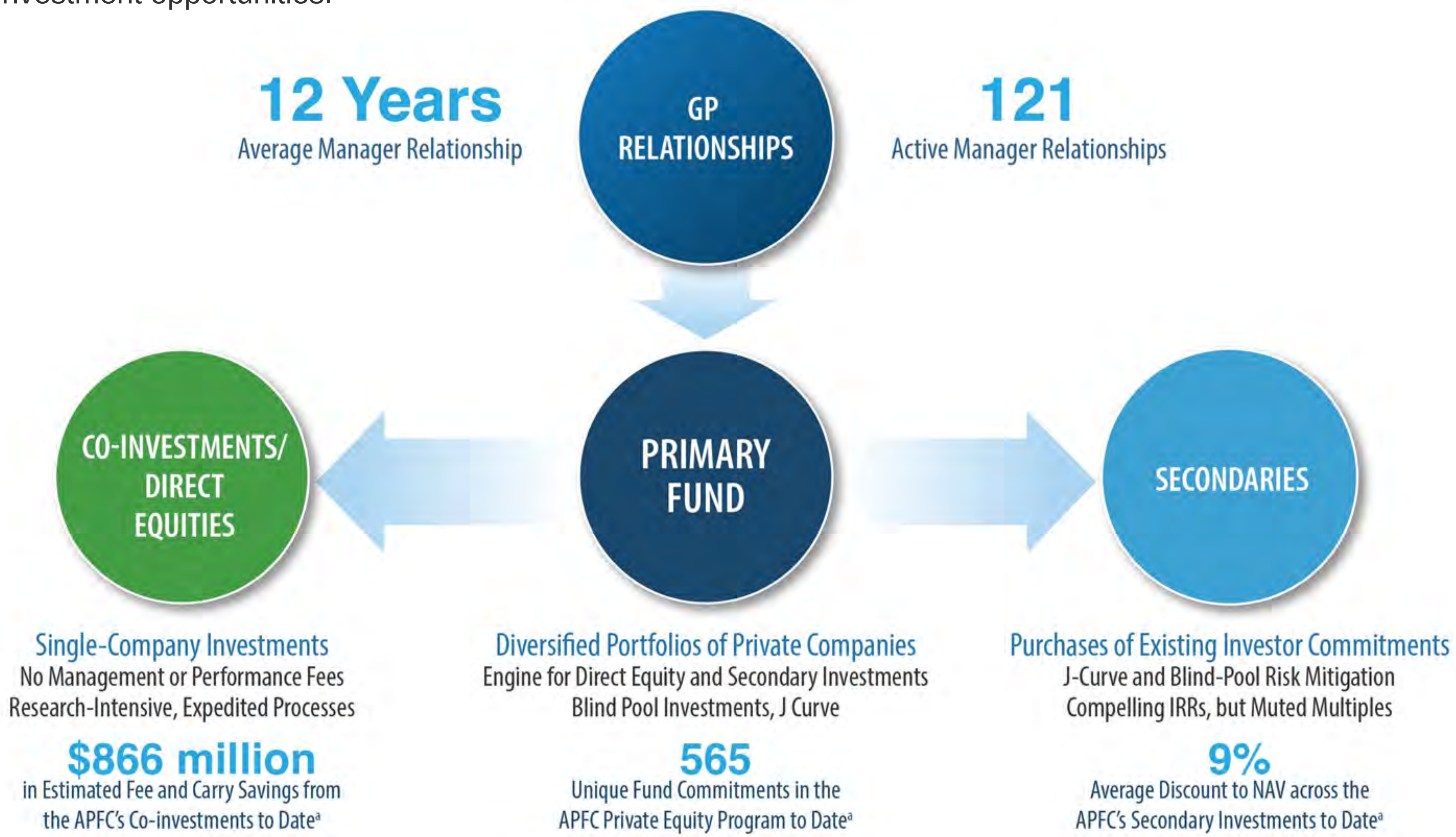
NOTES: Data is for the year ended December 31, 2023. Data represents private equity primary funds only and does not include infrastructure or private credit funds.
[a]Pathway held 609 meetings for 442 partnerships.

Resource-Intensive

NOTE: Data represents Pathway deal flow for calendar year 2023.
[a]752 total meetings.
[b]Represents typical number of investment professionals involved in the due diligence of a potential investment. Members of the relevant Pathway investment committee become involved at the Further Interest stage.

Private Equity—Importance of a Manager-centric Approach

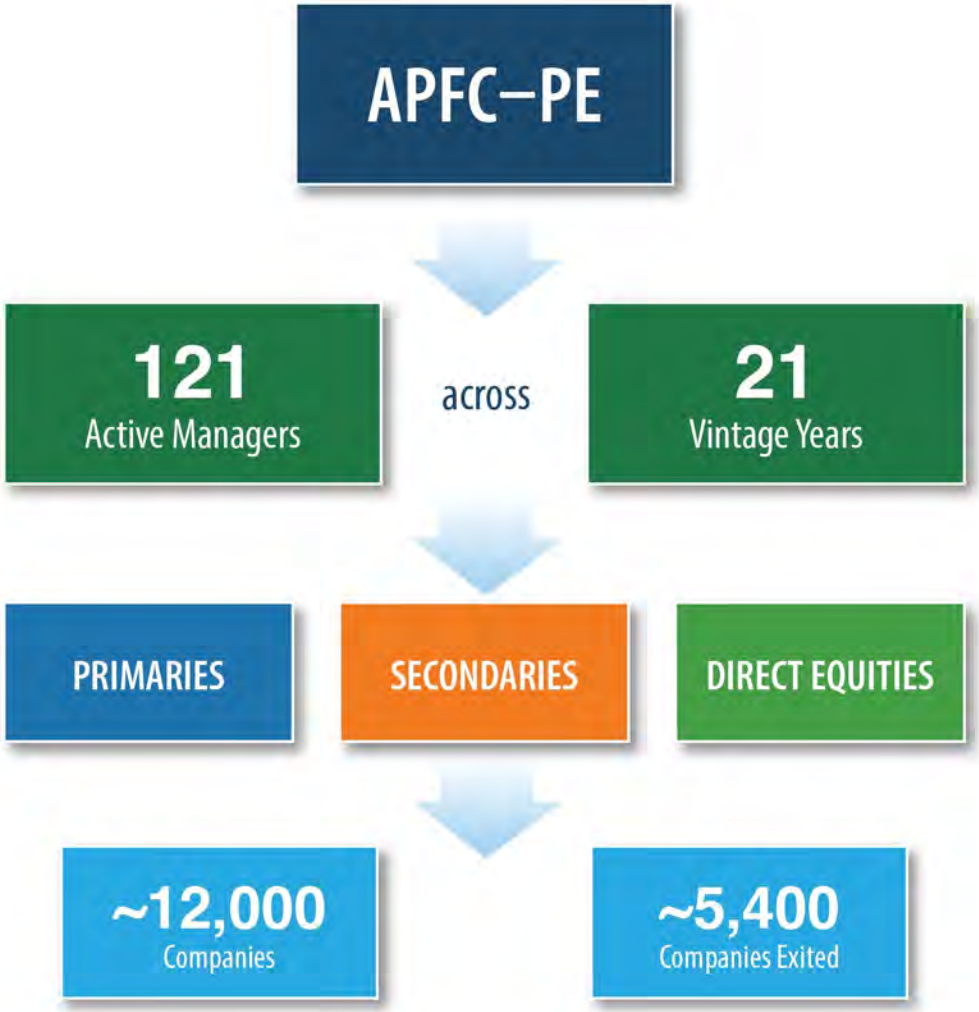
- Strong manager relationships lead to best-in-class primary fund investments, unlocking high-quality secondary and co-investment opportunities.



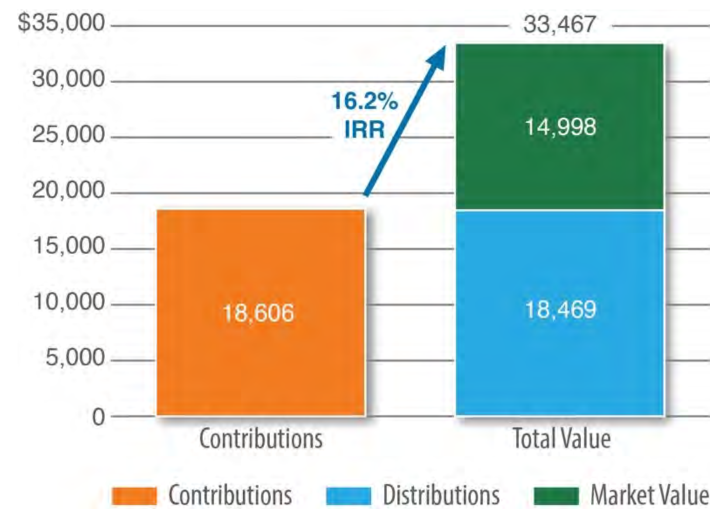
[a]Based on APFC PE's commitments to the respective investment type, as of September 30, 2023.

Private Equity's Place in the APFC's Portfolio

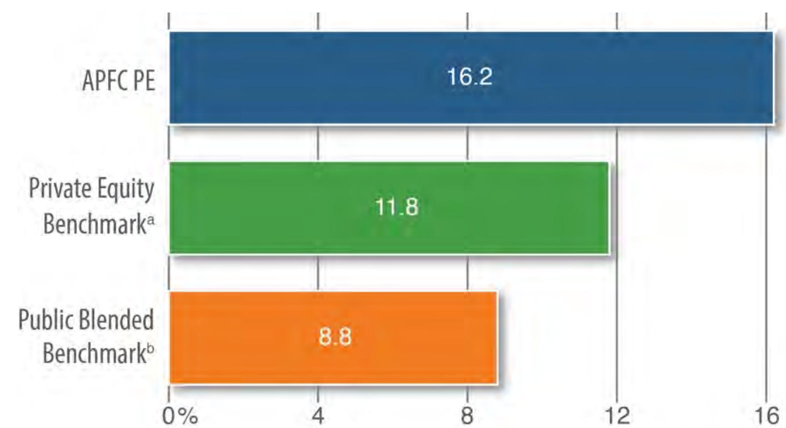
Portfolio Snapshot



PERFORMANCE OVERVIEW



PERFORMANCE VS. BENCHMARKS



[a]Cambridge September 30, 2023, pooled World-All Funds returns for 2004- through 2023-vintage funds.
[b]Weighted according to the APFC's index specifications: 60% Russell 3000 and 40% MSCI EAFE. Benchmark returns based on dollar-weighted values.

APFC’s Private Equity Program is Well-Positioned

- The APFC is a sought-after investment partner given its experience as a private equity investor and the breadth and consistency of its program, allowing for a highly selective approach to manager selection.

$50 Million
Average Primary Commitment[a]

12 Years
Average Manager Relationship

79%
of Investments have Secured Board Rights[b]

82%
of Investments are in Oversubscribed Funds[b]

GP UNIVERSE

Sourcing:
- Global Presence
- Historical Relationships
- Scale & Credibility
- Proactive Efforts

Pathway’s Primaries Reviewed
Average of >1,150 Opportunities per Year

Secondaries Reviewed
Average of >120 per Year

Direct Equity & Direct Credit Investments Reviewed
Average of >230 per Year

[a]Based on aggregate commitments across APFC PE programs since May 2012, the date of APFC’s first direct investment. Affiliated funds have been combined.
[b]Based on the percentage of committed capital across all primary investments that Pathway has underwritten on behalf of the APFC.

APFC Private Equity Compares Favorably with Peers

- The APFC has generated compelling private equity returns relative to public pension plan peers.
  - Over the 10-year period ended December 31, 2022, the APFC's Private Equity portfolio generated an annualized net return of 20.0%.

TOP 10 PUBLIC PENSION FUNDS BY PRIVATE EQUITY RETURNS

	10-Year Annualized Return
Illinois State Board of Investment	19.8%
West Virginia Investment Management Board	19.7%
Massachusetts Pension Reserves Investment Trust	18.9%
Public School & Education Employee Retirement System of Missouri	18.4%
Iowa Public Employees' Retirement System	18.3%
Nashville & Davidson County Metropolitan Government Employee Benefit Trust Fund	18.1%
Ohio School Employees Retirement System	17.6%
San Francisco Employees' Retirement System	17.5%
Baltimore Fire & Police Retirement System	17.4%
Delaware Public Employees Retirement System	17.0%

SOURCE: American Investment Council, 2022 Public Pension Study.

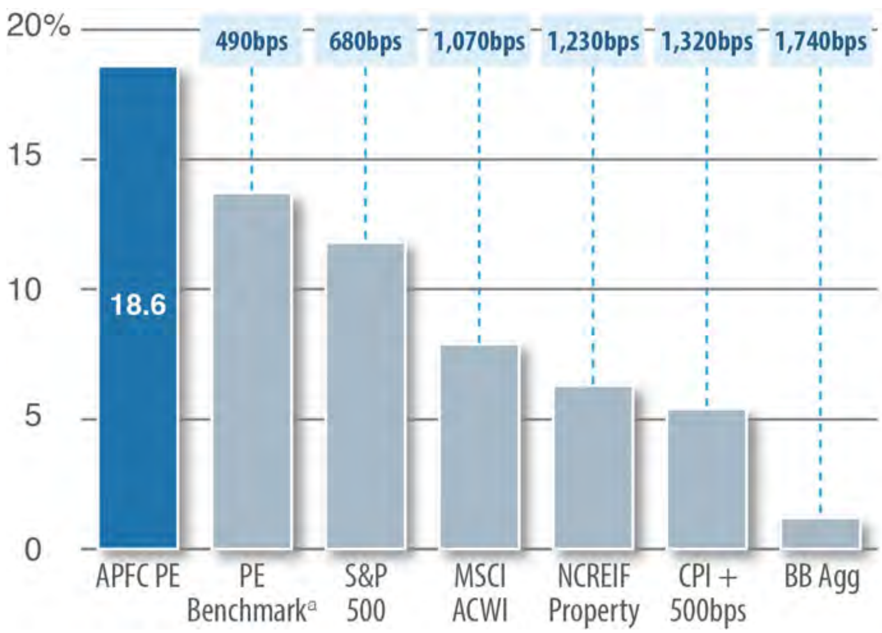
APFC Private Equity Compares Favorably with Other Asset Classes

- The APFC's Private Equity portfolio has consistently been a top performer compared with other asset classes.

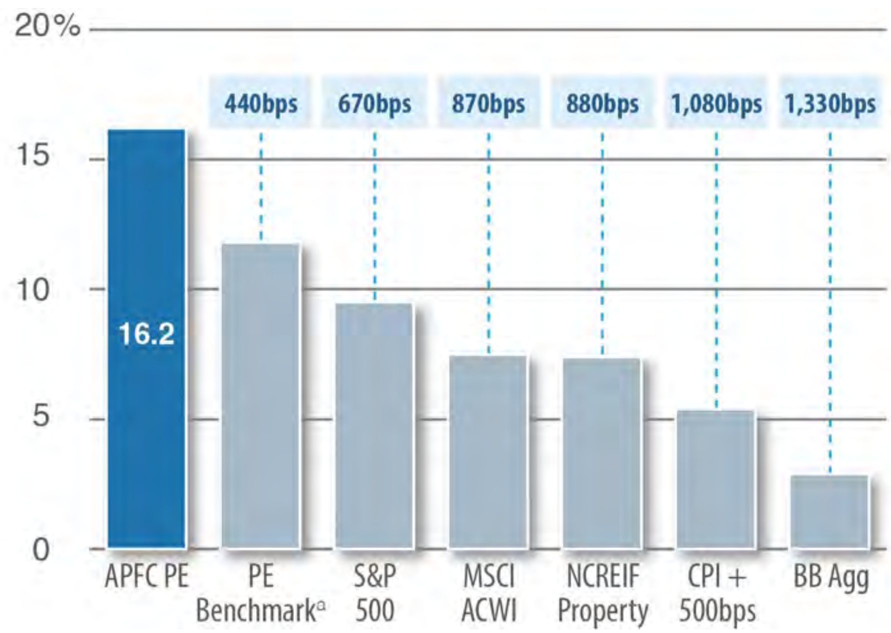
	APFC–Private Equity	MSCI ACWI IMI	S&P 500	BB U.S. Agg.	CPI + 500bps	NCREIF Property	Private Equity Benchmark[a]
10-Year	**18.6%**	7.9%	11.8%	1.2%	5.4%	6.3%	13.7%
Since-Inception	**16.2%**	7.5%	9.5%	2.9%	5.4%	7.4%	11.8%

NOTE: Public equity, bond, and real estate figures represent time-weighted annual rates of return from September 30, 2004, through September 30, 2023.
[a]Cambridge September 30, 2023, pooled World-All Funds returns for 2004- through 2023-vintage funds.

10-YEAR RETURN COMPARISON



SINCE-INCEPTION RETURN COMPARISON



NOTE: Public equity, bond, and real estate figures represent time-weighted annual rates of return from September 30, 2004, through September 30, 2023.
[a]Cambridge September 30, 2023, pooled World-All Funds returns for 2004- through 2023-vintage funds, as produced using Cambridge data.

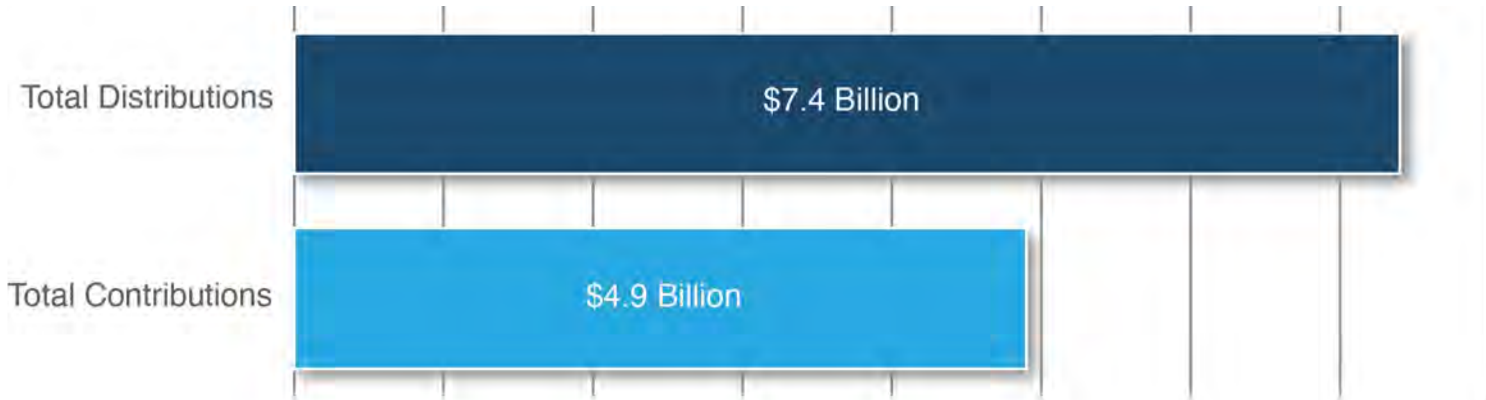
Private Equity Continues to Return Meaningful Proceeds to the APFC

- The APFC Private Equity portfolio continues to return significant capital, benefiting the APFC and Alaskans.

The portfolio was cash-flow positive in calendar years 2021, 2022, and 2023, generating an aggregate:

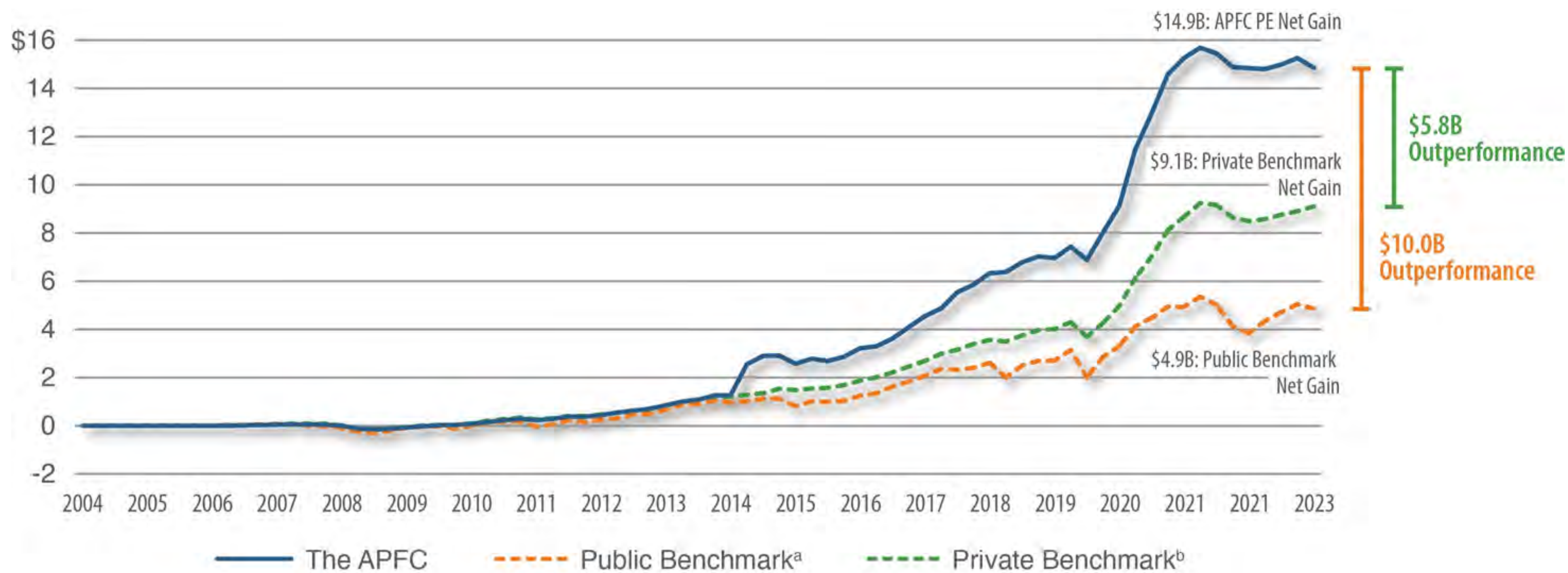
$2.5 Billion
in Positive Net Cash Flow

NET CASH FLOWS (2021–2023)



Since-Inception Gains Considerably Outpace Benchmarks

At September 30, 2023



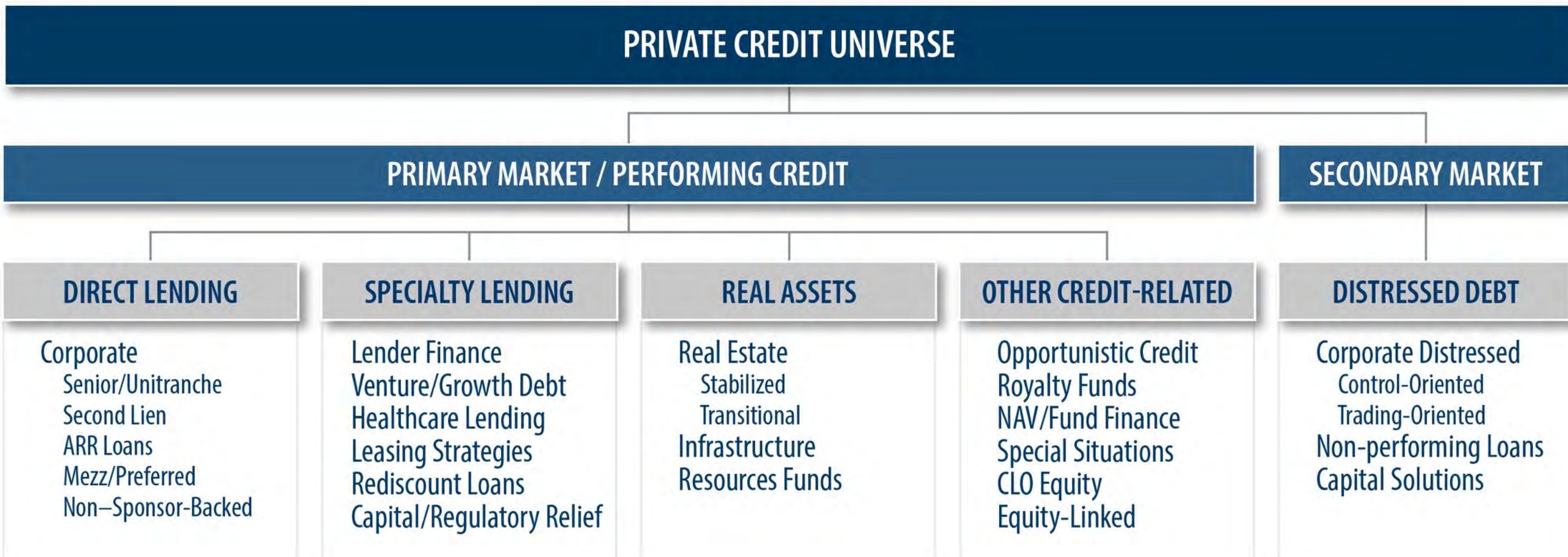
[a]Dollar-weighted according to the APFC's index specifications: 60% Russell 3000 and 40% MSCI EAFE.
[b]Cambridge September 30, 2023, pooled World-All Funds dollar-weighted returns for 2004- through 2023-vintage funds.

- The APFC's private equity portfolio has generated net gains of $14.9 billion since its inception—$10.0 billion more than what would have been achieved had the APFC invested in the public benchmark and $5.8 billion more than if it had invested in the pooled private equity benchmark, over the same period.

APFC PMI Portfolio–Private Credit

Private Credit: A Complement to Traditional Fixed Income

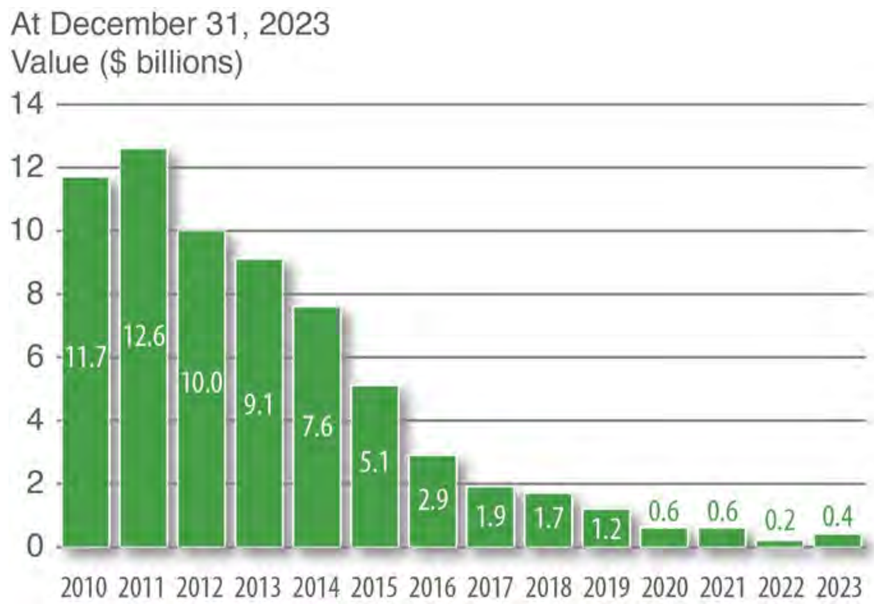
- Structurally similar to traditional fixed-income investments
  - Seniority over preferred/common equity; contractual interest payments; maturity date, governed by loan agreement or indenture; backed by collateral.
- Key Differences
  - Generally non-marketable and more-illiquid; smaller-sized borrowers; enhanced yields; tailored solutions



Multiple Factors Driving Growth of Direct Lending Asset Class

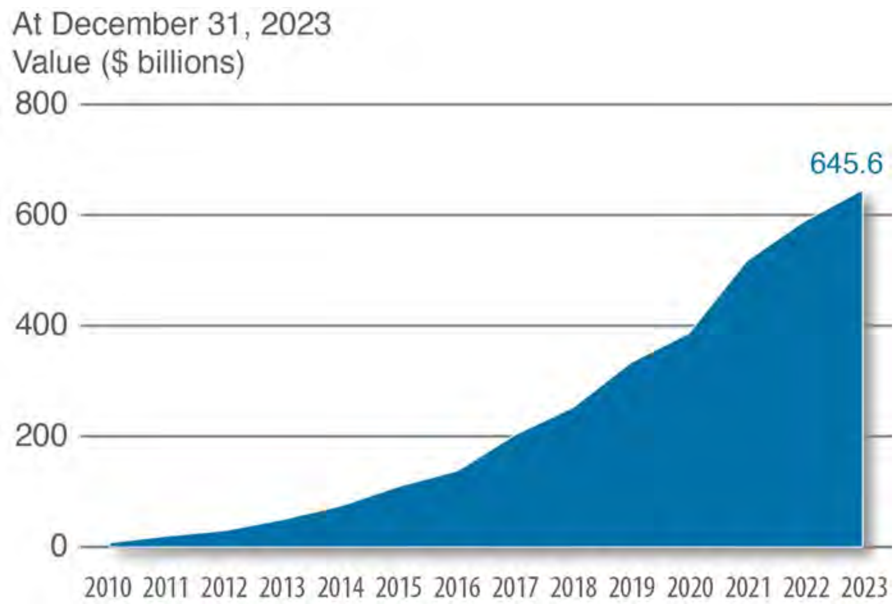
- Structural, regulatory, and cyclical forces have altered the traditional bank-lending landscape, creating opportunities for institutional investors and private credit managers.
- Direct lenders hold structural advantages over traditional bank lenders, including speed and certainty of close, principal investor versus syndication model, and flexible risk appetites.

U.S. BANK SPONSORED LOAN ISSUANCE FACILITIES <$200 MILLION



SOURCE: PitchBook LCD.

CAPITAL RAISED BY DIRECT LENDING FUNDS SINCE 2010

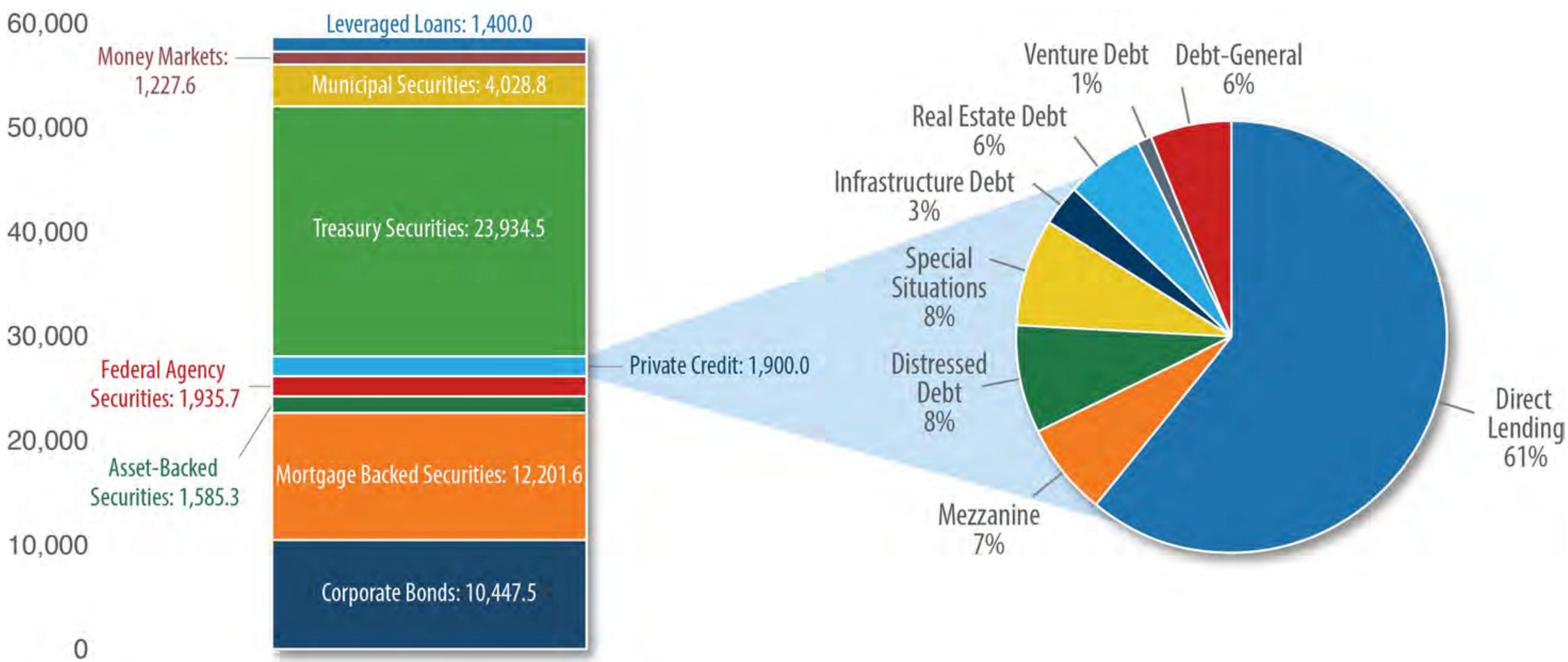


SOURCE: Refinitiv, PitchBook Data, Inc., and Pathway Research.

U.S. Fixed-Income Universe

- Private credit is a relatively small portion of the total U.S. fixed-income universe.
- The asset class comprises different substrategies; senior direct lending accounts for the largest share at 61%.

$58 TRILLION U.S. FIXED-INCOME UNIVERSE | **$1.9 TRILLION PRIVATE CREDIT ASSET CLASS**



SOURCE: SIFMA, PitchBook LCD, and Pathway Research.

Why Invest in Private Credit?

1. Enhanced Yields and/or Higher Expected Returns than Traditional Fixed Income

2. Diversification/Access to Expanded Opportunity Set

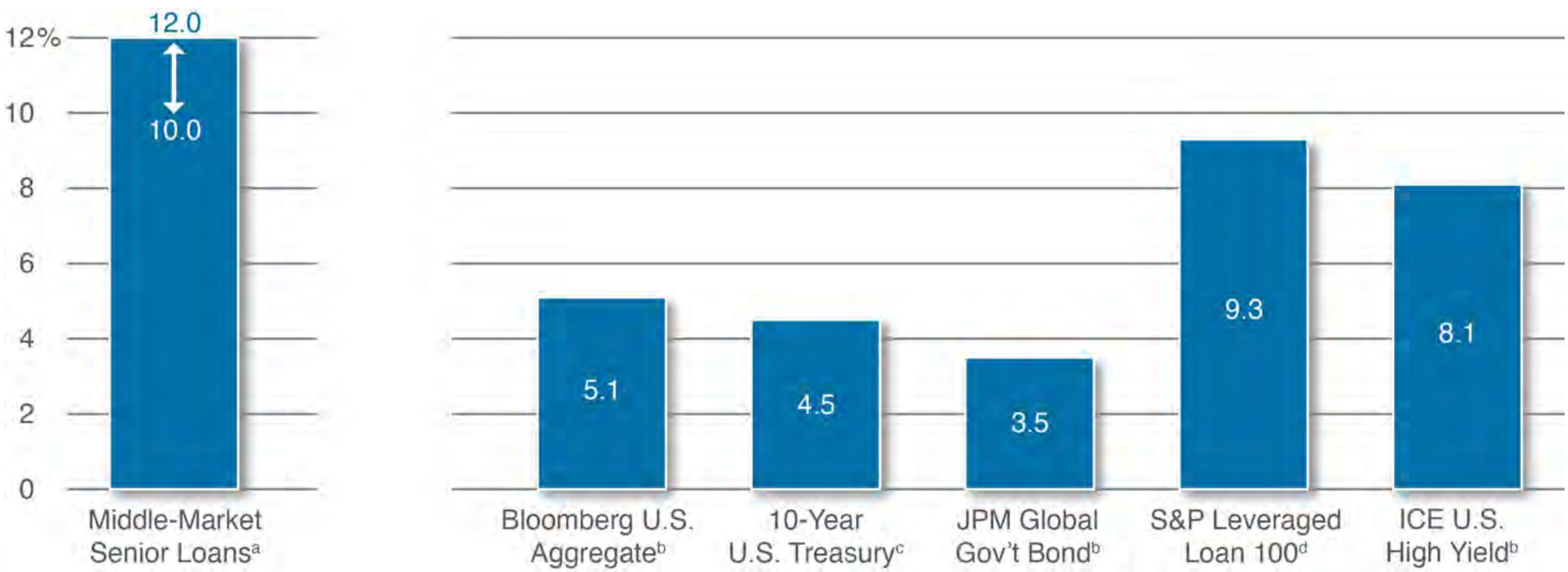
3. Stronger Creditor Protections Than Marketable Non-Investment-Grade Debt (e.g., High-Yield Bonds and Broadly Syndicated Leverage Loans)

Enhanced Yields

- Middle-market loans offer an attractive yield relative to more-liquid alternatives.

EFFECTIVE YIELD

At April 15, 2024



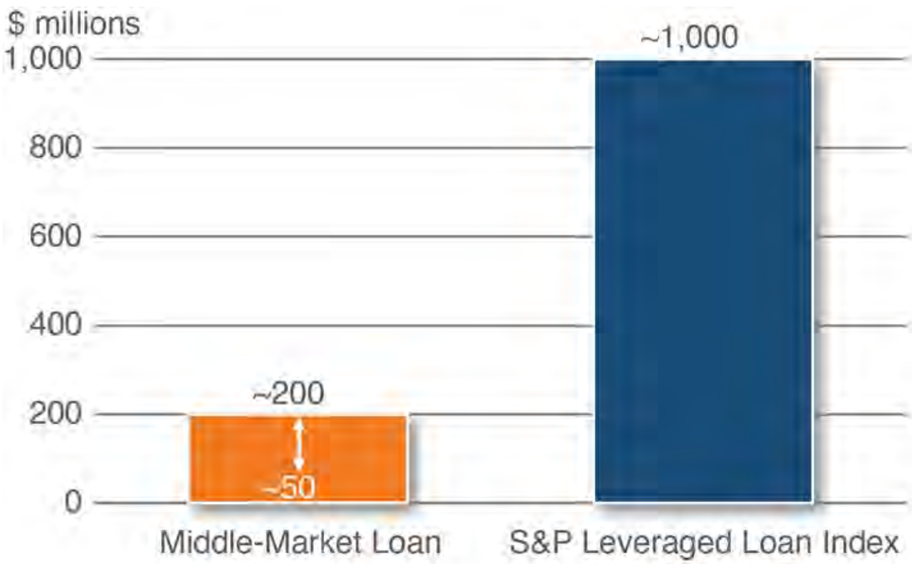
[a]SOURCE: Pathway Capital Management.
[b]SOURCE: *The Wall Street Journal*.
[c]SOURCE: U.S. Department of the Treasury.
[d]SOURCE: S&P Dow Jones indices.

Access to Expanded Opportunity Set

- Liquid non-investment-grade credit markets are heavily weighted toward large-cap borrowers.
  - Vastly higher number of potential borrowers than in the leveraged loan and high-yield markets.
  - Average issue size in the S&P Leveraged Loan index is significantly greater than that of middle-market loans.

AVERAGE ISSUE SIZE

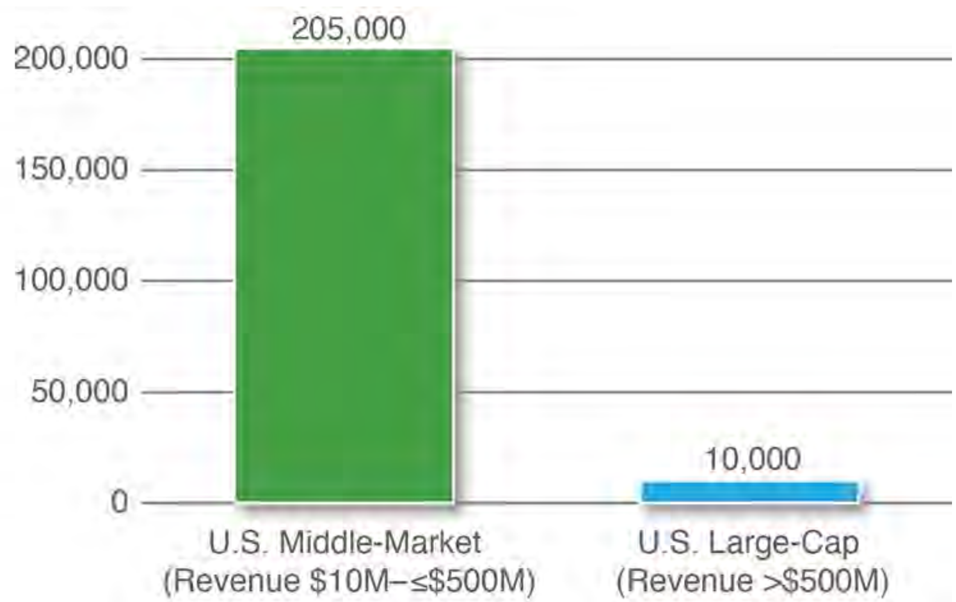
At December 31, 2023



SOURCE: S&P Leveraged Loan Index and Pathway Capital estimate for middle-market loans.

NUMBER OF COMPANIES

At December 31, 2023



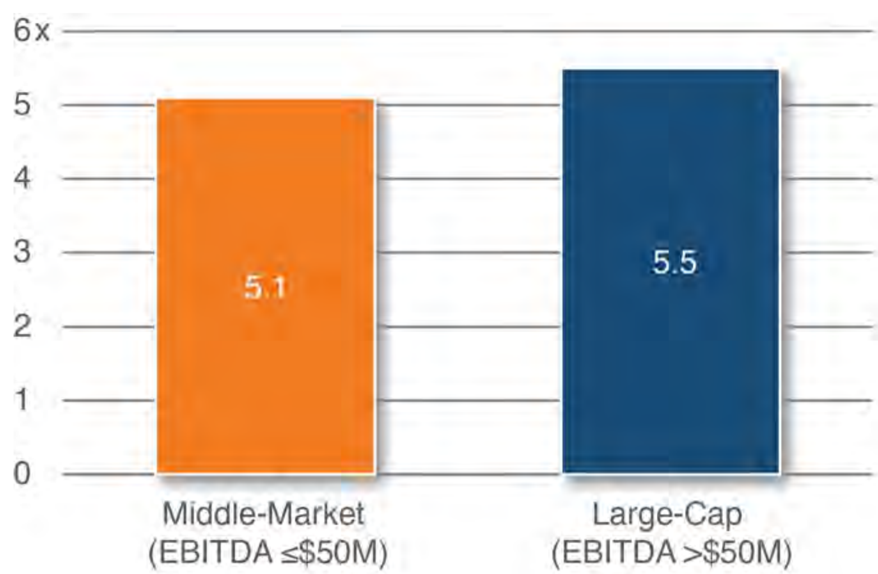
SOURCE: The NAICS Association, the National Center for the Middle Market, and the U.S. Census Bureau.

NOTE: Approximate number of companies based on information available as of December 31, 2023.

More-Conservative Structures and Stronger Creditor Protections

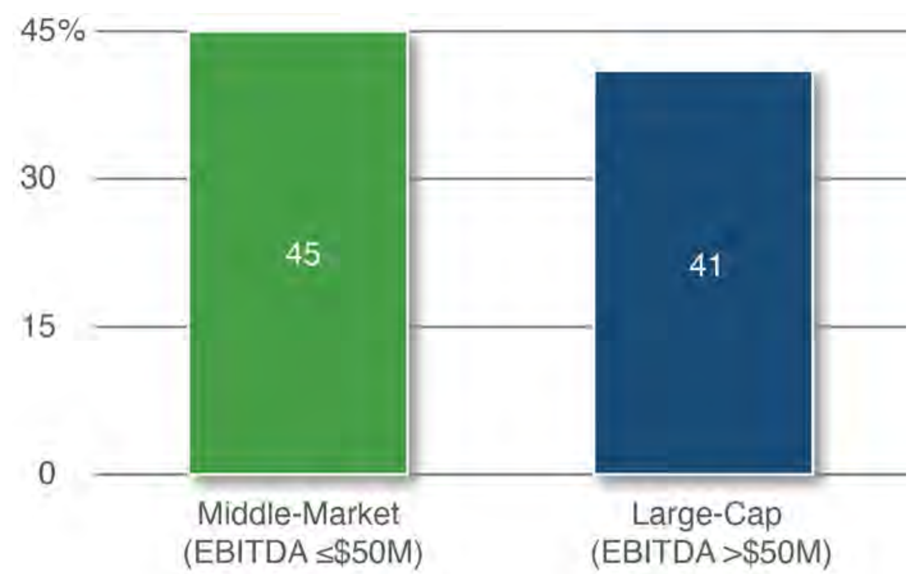
- Directly originated loans typically feature more-conservative structures and stronger creditor protections, including lower leverage multiples and higher equity contribution rates.
- 94% of new U.S. institutional leveraged loan issuance in 2023 was “cov-lite,” while a majority of directly originated loans have at least one financial covenant.
- Private credit loans have historically had lower default rates than broadly syndicated loans.

AVERAGE DEBT MULTIPLES OF LBO LOANS (2010–2023)



SOURCE: S&P Leveraged Commentary & Data.

AVERAGE EQUITY CONTRIBUTION RATE (2010–2023)



SOURCE: S&P Leveraged Commentary & Data.

Private Credit in the APFC Portfolio

- APFC's Private Credit portfolio is well-diversified across managers, underlying strategies, and capital structure position.
- Consistent and attractive performance with low loss rates across strategies.

APFC–STAFF DIRECT

Direct Lending	Specialty Finance	Mezzanine	Opportunistic	Distressed	Other Credit-Related
$1,021M Commits	$526M Commits	$868M Commits	$625M Commits	$760M Commits	$654M Commits
$548M Market Value	$273M Market Value	$217M Market Value	$398M Market Value	$195M Market Value	$329M Market Value
8.9% S-I IRR	9.9% S-I IRR	10.5% S-I IRR	9.8% S-I IRR	7.6% S-I IRR	8.7% S-I IRR
0.08% Loss Ratio	0.02% Loss Ratio	0.00% Loss Ratio	0.08% Loss Ratio	0.00% Loss Ratio	0.00% Loss Ratio
7 Managers	3 Managers	4 Managers	4 Managers	4 Managers	9 Managers
15 Funds	8 Funds	8 Funds	10 Funds	5 Funds	1 Fund/20 Co-investments
1,011 Underlying Investments	414 Underlying Investments	203 Underlying Investments	735 Underlying Investments	145 Underlying Investments	59 Underlying Investments

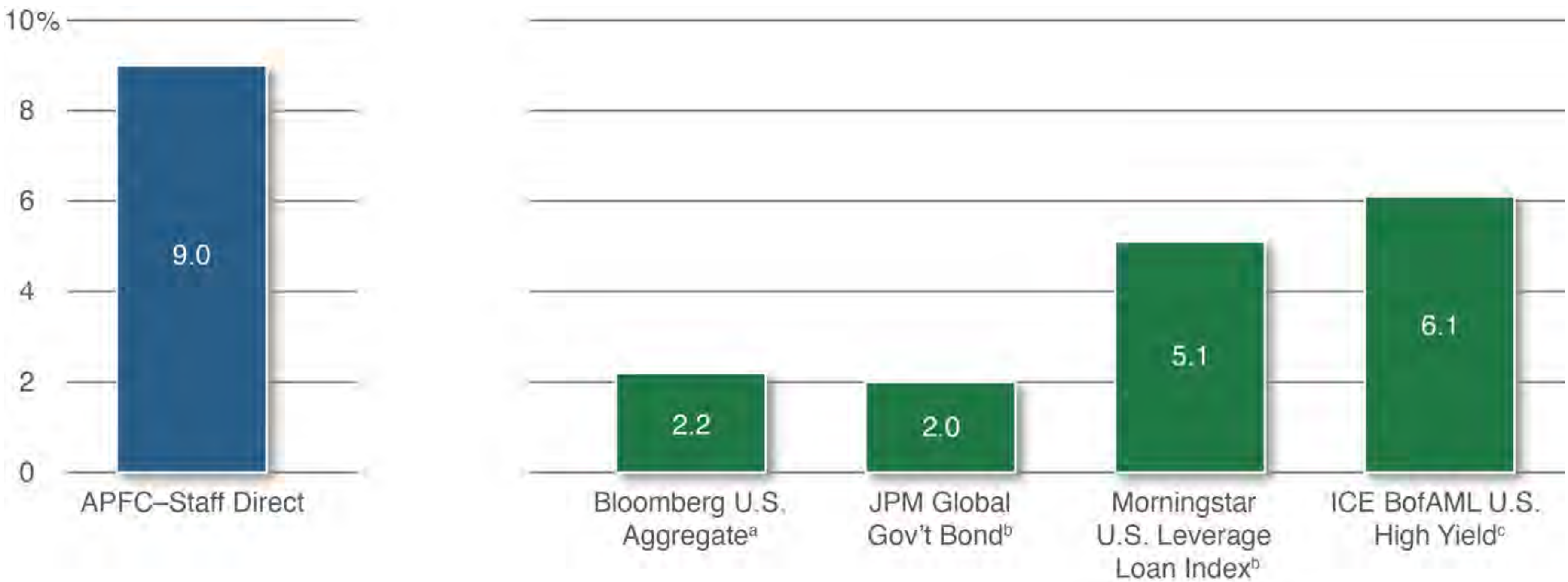
NOTE: Performance as of September 30, 2023.

Outperformance of Public Credit Benchmarks

- The APFC–Staff Direct private credit portfolio has outperformed public benchmarks since inception.

SINCE-INCEPTION IRR

At September 30, 2023

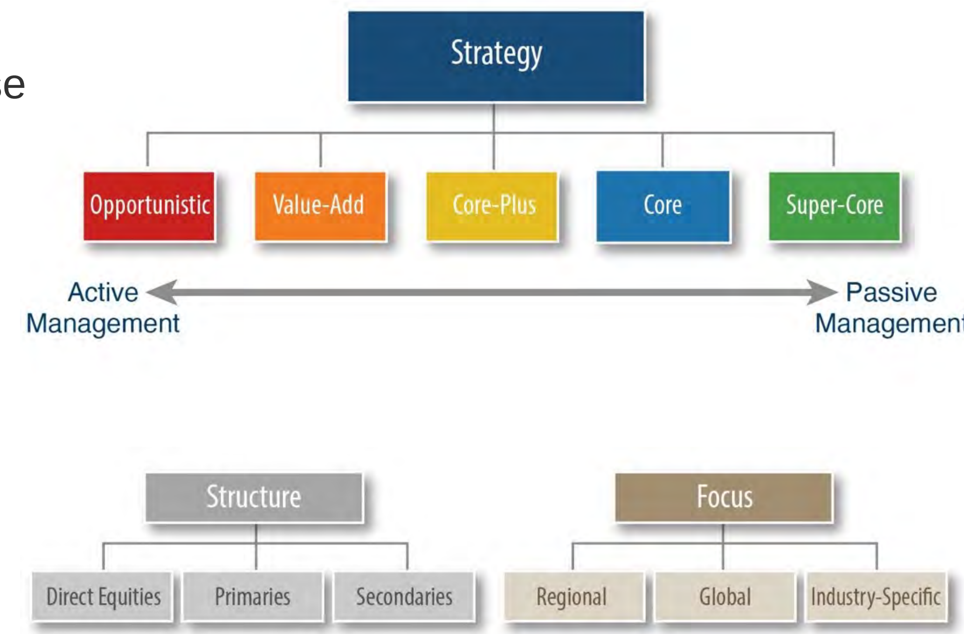


NOTE: Returns measured from the inception of the Staff Direct portfolio in September 2009.
[a]SOURCE: *The Wall Street Journal*.
[b]SOURCE: Bloomberg.
[c]SOURCE: Federal Reserve Bank of St. Louis.

APFC PMI Portfolio– Infrastructure

Infrastructure Program Overview

- Target attractive risk-adjusted returns from a diverse portfolio of assets that possess the following:
  - Inflation-Protected Cash Flows
  - Focus on High Preservation of Capital
  - Low Correlation with Other Assets
- Mature portfolio comprising high-quality fund investments and direct equity investments
- Strong long-term performance
  - Outperformance of public indices across multiple time horizons



43 FUNDS[a]
15 DIRECT EQUITIES[a,b]

$7.2 BILLION in Commitments[a]

>260 Number of Active Underlying Investments[c]

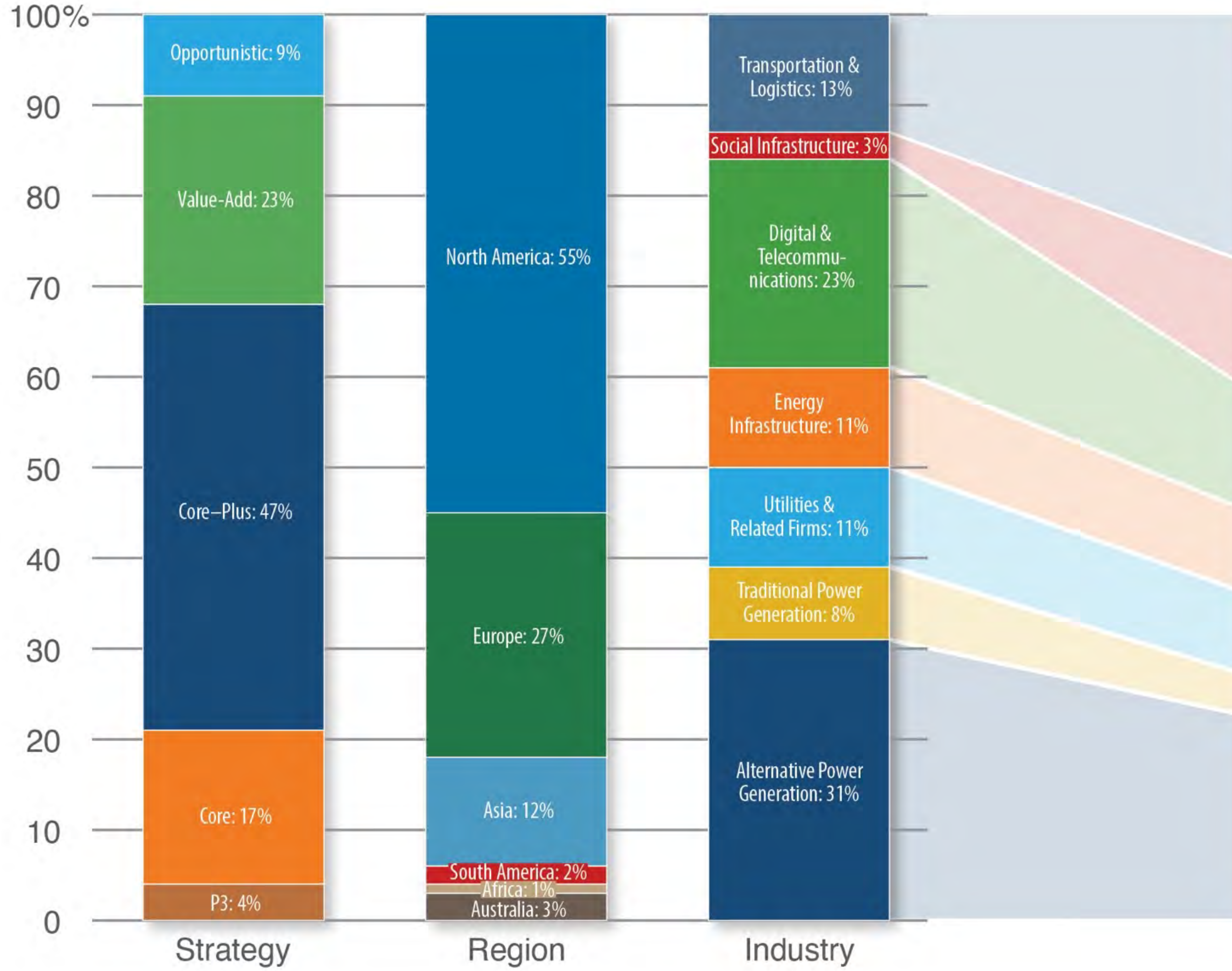
10.6% Since-Inception Net IRR[d]

405bps FTSE Infrastructure Outperformance[d,e]

[a]As of December 31, 2023.
[b]Includes two follow-on investments.
[c]Represents the number of active underlying investments across all APFC–Infrastructure commitments, as of September 30, 2023, the most-recent performance data available.
[d]As of September 30, 2023.
[e]Dollar-weighted using the since-inception net cash flows from APFC–Infrastructure. Please see page 42 for more detail.

Broad Exposure to the Infrastructure Asset Class

At September 30, 2023



Asset Type	% of Portfolio
Parking	1%
Aviation	5%
Logistics	2%
Ports	2%
Railways	2%
Roads	1%
Housing	1%
Healthcare	1%
Consumer Services	1%
Data Centers	7%
Fiber & Broadband	5%
Towers	11%
Diversified Energy Infrastructure	9%
LNG	2%
Gas & Electric	7%
Water & Waste Treatment	4%
Gas-Fired Power Plants	8%
Diversified Alternatives	11%
Energy-from-Waste	1%
Energy Storage	11%
Solar	6%
Wind	2%

NOTES: As a percentage of APFC–Infrastructure's portfolio company market value, as of September 30, 2023. Investments such as general partner toehold positions, hedging contracts, and fund positions held by the portfolio's underlying general partners were excluded. Investments where a strategy, region, or industry were not provided were also excluded. Collectively, these investments represent less than 1% of the portfolio's total market value, as of September 30, 2023. Underlying portfolio company information is subject to change.

Infrastructure Characteristics and Investment Objectives

- Infrastructure is a broad sector consisting of a wide array of physical assets that provide essential services to society.
- Infrastructure assets may demonstrate one or more of the following characteristics: lower volatility than transition equity, higher yield, and/or protection against inflation.

CHARACTERISTICS OF INFRASTRUCTURE ASSETS

Essential Services

- Basic, irreplaceable public services; relatively inelastic demand

Monopolistic/High Barriers to Entry

- Driven by large initial capital outlays, regional advantages, or contractual/regulatory frameworks

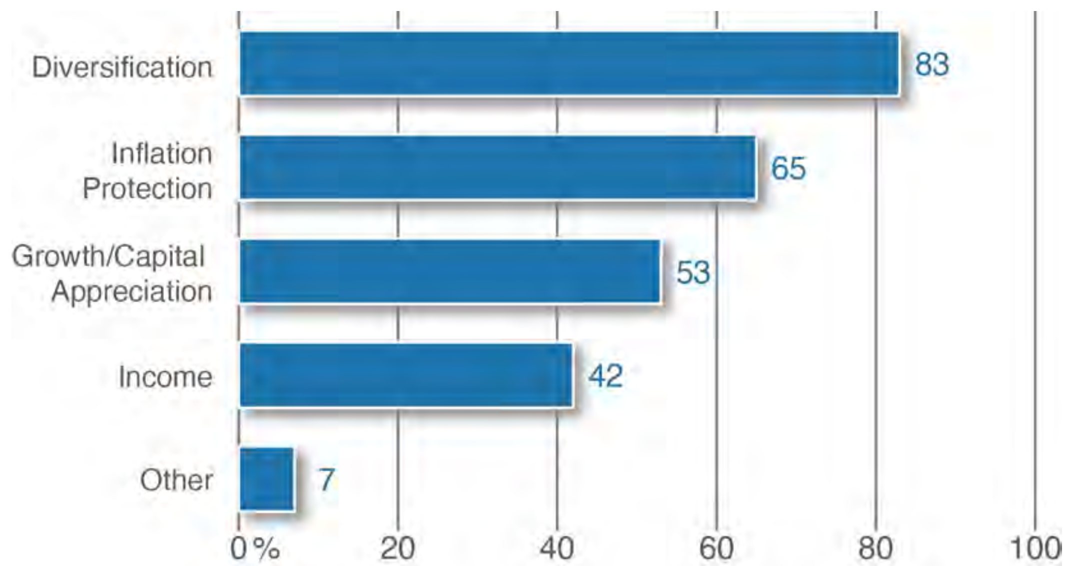
Stable, Long-Term Cash Flows

- Long-Life Assets: Contracts or concessions often last more than 30 years.

Inflation-Correlated Revenues

- Owners of infrastructure are often able to pass inflation on to consumers.

REASONS FOR INVESTING IN INFRASTRUCTURE BEYOND RETURNS



SOURCE: Greenwich Associates 2014 Institutional Real Assets Research.
NOTE: Based on 92 plan sponsor responses.

Recent Events are Accelerating Tailwinds for Infrastructure Investment

2020: COVID-19 Pandemic

- While the COVID-19 pandemic posed a major shock to equity markets globally, infrastructure, as a whole, proved its resiliency.

2022: Russia–Ukraine Crisis

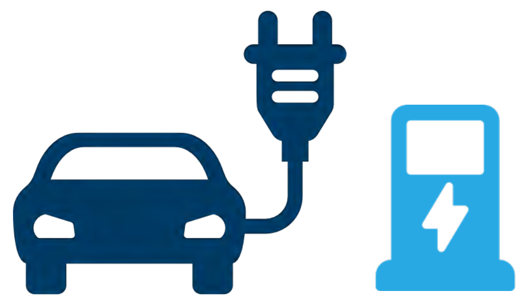
- The conflict has led to countries and companies rushing to secure energy independence from Russian natural gas.

2021: Infrastructure Investment and Jobs Act

- Included $1.2 trillion in spending over a 5-year period for roads, ports, airports, public transport, and broadband, among others.

2022: Inflation Reduction Act (“IRA”)

- The IRA contains $369 billion in funding, largely focused on tax breaks for clean energy usage and adoption.



Current Investment Themes

OPPORTUNITY	INVESTMENT THESIS	INVESTMENT EXAMPLES
Logistics 	▪ Accelerated transition to e-commerce has magnified the importance of the supply chain.	Refresco; VTG
Energy Infrastructure 	▪ Market dislocations in the traditional energy markets have created strong buying opportunities. ▪ Growing energy demands are creating opportunities across the energy spectrum.	Port Arthur LNG; VENA ENERGY
Digital Infrastructure 	▪ Significant market tailwinds accelerated from COVID-19 pandemic. ▪ Continued digitization of the economy is driving demand for data centers, broadband access, and mobile connectivity.	FiberCop; CyrusOne
Social Infrastructure 	▪ Businesses in the healthcare, education, and family services sectors have become increasingly adopted by infrastructure investors.	North America Central School Bus; Metlifecare Retirement Villages
Emerging Infrastructure & Infrastructure Services 	▪ Certain mission-critical services businesses have displayed infrastructure-like characteristics.	CPower; BOASSO GLOBAL

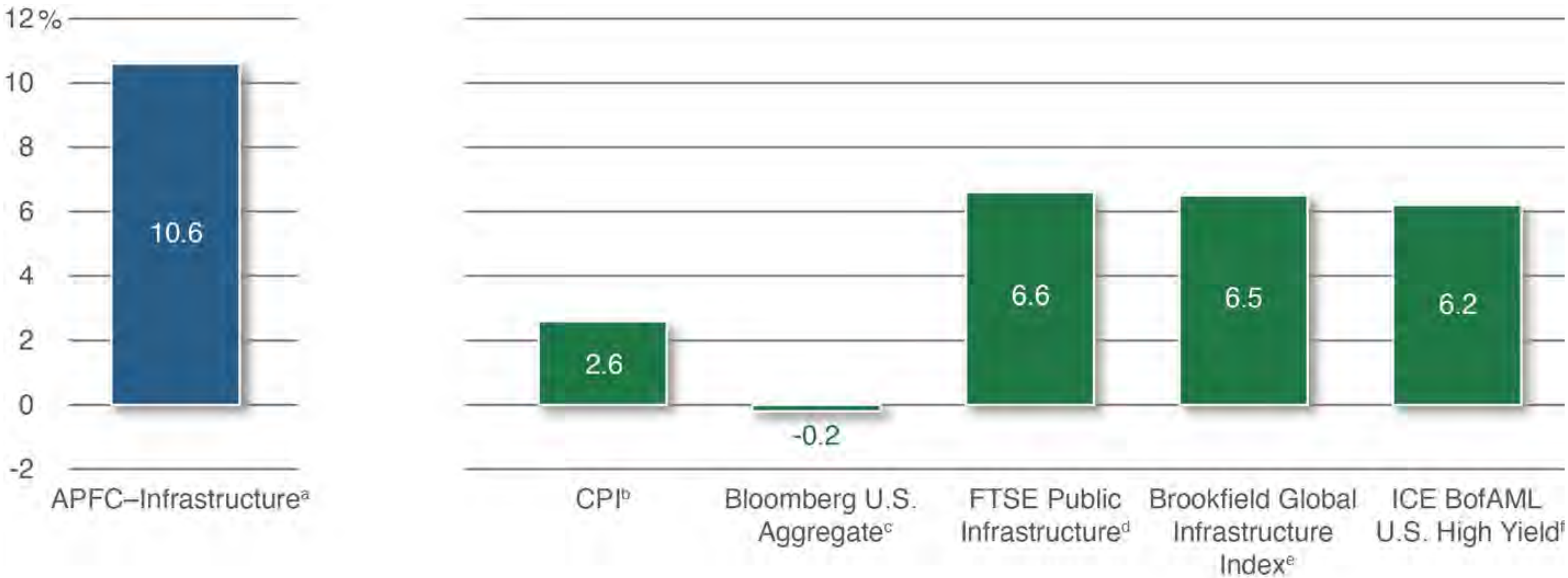
NOTE: The investments shown are intended to illustrate the dominant investment themes of the APFC–Infrastructure portfolio. They are not necessarily representative of investments that will be available to or recommended for the APFC.

Outperformance of Various Indices

- The APFC–Infrastructure portfolio has outperformed various indices since inception.

SINCE-INCEPTION IRR

At September 30, 2023



[a]From the fourth quarter of 2007, the date of APFC–Infrastructure's first investment, through September 30, 2023.
[b]The Consumer Price Index (CPI) is a price index of goods and services paid by urban consumers that is produced quarterly. The CPI was sourced from Bloomberg and was not independently verified by Pathway. The calculation is dollar-weighted using the since-inception net cash flows from APFC–Infrastructure.
[c]The Bloomberg U.S. Aggregate Bond Index, as sourced from Bloomberg. The calculation is dollar-weighted using the since-inception net cash flows from APFC–Infrastructure.
[d]The FTSE Developed Core Infrastructure Index, which includes companies in the FTSE Developed Index that derive a minimum of 65% of their revenue from core infrastructure activities. The return is calculated by FTSE Russell and was not independently verified by Pathway. The calculation is dollar-weighted using the since-inception net cash flows from APFC–Infrastructure.
[e]The Dow Jones Brookfield Global Infrastructure index as sourced from Bloomberg. The calculation is dollar-weighted using the since-inception net cash flows from APFC–Infrastructure.
[f]The ICE Bank of America U.S. High Yield Index, as sourced from the U.S. Federal Reserve. The calculation is dollar-weighted using the since-inception net cash flows from APFC–Infrastructure.

Appendix

Important Legal Information

Without the prior written consent of Pathway Capital Management, LP ("Pathway" or the "Adviser"), this information may not (i) be used for any purpose other than evaluating your annual private equity commitments, or (ii) be modified, sold, or otherwise disclosed in whole or in part to any other person or entity. While the information contained herein has been obtained or derived from sources Pathway believes to be reliable, Pathway accepts no responsibility or liability (including for indirect, consequential, or incidental damages) for any error, omission, or inaccuracy of such information. The projections shown are provided for informational purposes only and should not be construed as investment advice or as providing any assurance or guarantee of the achievement of your targeted private equity exposure or of returns that may be realized in the future from your private equity commitments. Projections and expected returns are subject to high levels of uncertainty regarding future economic and market factors that may affect future performance and certain assumptions contained herein. Accordingly, such projections/expectations should be viewed as only one possible outcome out of a broad range of possible outcomes.

The information provided herein should not form a primary basis for any investment decision made by you or on your behalf, and neither Pathway nor any of its affiliates shall act as a fiduciary or adviser with respect to this matter.

There can be no assurance that the targets stated in this presentation can be achieved. Targets are objectives and should not be construed as providing any assurance or guarantee of the results that may be realized in the future from investments in any asset or asset class described herein.

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Each prospective investor should (i) make its own investigation and evaluation of the Adviser and the Adviser's specific investment products, including the merits and risks thereof, (ii) inform itself as to the legal requirements applicable to the acquisition, holding, and disposition of an interest in any investment vehicle, and as to the legal and tax consequences of such acquisition, and (iii) have the financial ability and willingness to accept the high risk and lack of liquidity inherent in any such investment.

The statements contained herein that are not historical facts are forward-looking statements within the meaning of the Federal securities laws. The forward-looking statements are based on current expectations, beliefs, assumptions, estimates, and projections about the industry and markets in which the Adviser expects to operate. Words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," variations of such words, and similar expressions identify such forward-looking statements. Forward-looking statements contained herein, or other statements made for or on behalf of the Adviser either orally or in writing from time to time, are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. These statements include, among other things, statements regarding the Adviser's intent, belief, or expectations with respect to the type and quality of the investments the Adviser may recommend (the "Investments"); the target returns, IRR, and distributions to investors; performance of any hypothetical portfolios; and the Adviser's investment strategy generally. All forward-looking statements are made as of the date of this presentation, and the Adviser is under no obligation, and does not intend, to update any forward-looking statements to reflect changes in the underlying assumptions or factors, new information, future events, or other changes.

No representation is being made that the Adviser will or is likely to achieve comparable performance results to that shown herein. Past performance is not necessarily indicative of future results. Although valuations of unrealized investments are made on assumptions that the Adviser believes to be reasonable under the circumstances, the actual realized return on unrealized investments will depend on, among other factors, 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 significantly from the assumptions on which the valuations used in the data contained herein are based. Accordingly, there can be no assurance that these valuations are accurate, and the actual realized return on these investments may differ materially from the returns indicated herein.

No representation is being made that a prospective investor will or is likely to have access to funds such as the funds referenced herein. The reference to such funds was made with the benefit of hindsight based on historical rates of return of such manager and on specific investments made by such funds. Accordingly, performance results of specified funds inevitably show positive rates of return or investment results.

APFC ALASKA PERMANENT FUND CORPORATION
801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

SUBJECT:	Callan Fund Performance Overview Greg Allen, CEO & Chief Research Officer Steve Center, CFA, Senior Vice President	ACTION:	____________
DATE:	April 22, 2024	INFORMATION:	X

BACKGROUND:

Callan 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:

Callan will be providing a review of their capital market expectations process and projections, a review of projections for the Fund's strategic target, and an analysis of asset allocation alternatives.

Chief Executive Officer and Chief Research Officer, Greg Allen,
and Senior Vice President, Steven Center, CFA, will be the presenters at this meeting.

ALASKA PERMANENT FUND CORPORATION

WORKING FOR THE BENEFIT OF ALL CURRENT AND FUTURE GENERATIONS OF ALASKANS

February 2024

Fiscal Year 2024 Capital Market Projections and Asset Allocation Review

Gregory C. Allen
CEO, Chief Research Officer

Steven J. Center, CFA
Senior Vice President

Outline

- Recap and 2024 highlights of Callan’s capital market projection process.
- Callan’s 2024 capital market projections (return, risk, correlation).
- Review of projections for current strategic target.
- Analysis of alternatives to current strategic target assuming varying levels of private equity exposure.
- Prospective and historical analysis of alternatives using public and private markets funding sources.

Callan Capital Market Projection Process

Process Overview

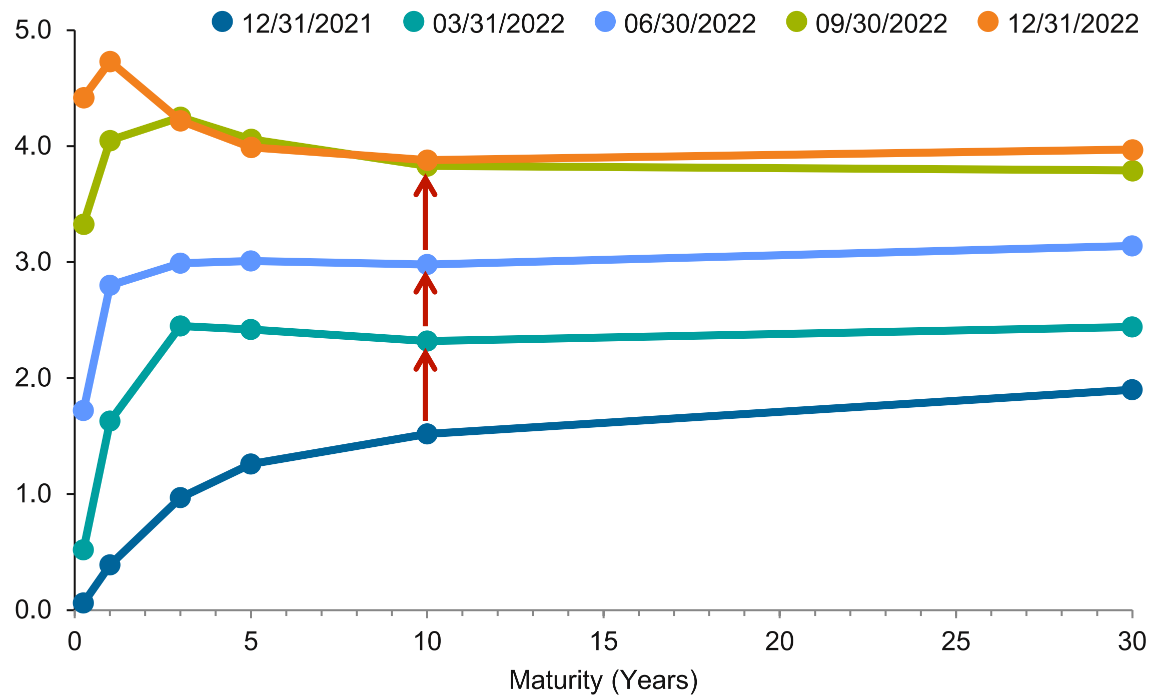
- Callan updates long term capital market projections each year in January and uses them for the full year with all clients for strategic planning purposes.
- Projections take into account long term relationships balanced with current market conditions.
- Consensus expectations (central banks, economists, asset managers, consultants, etc.) are carefully considered as an integral part of the process.
- Each number – **return, risk, correlation** – for every asset class must be individually defensible, and the numbers collectively need to work together as a set to generate reasonable portfolios during strategic planning exercises.
- Projections change slowly over time and are not designed to provide tactical insights.
- Process is executed by Callan's Capital Markets Research group and projections are peer reviewed by Client Policy Review Committee as well as the hundreds of clients that use them every year.
- Process is battle proven – it has evolved and improved but hasn't fundamentally changed over the last four decades.

Yield Curve Rose and Inverted in Second Half of 2022

Largest calendar year shift relative to starting yield in observable history

- The Treasury yield curve has steadily shifted higher in 2022, especially on the short end.
- The yield curve inverted in mid-July and has remained inverted consistently since, with the 1- and 3-year yields exceeding 10- and 30-year yields.
- Higher yields increase the risk of inducing recession, which could lead to a reversal in interest rate policy and a lower return.
- Callan's forecasts generally assume reversion to a positively sloped yield curve and a long-term equilibrium yield across the curve

Treasury Yield Curve Change



	3 Month	1 Year	3 Year	5 Year	10 Year	30 Year
12/31/2021	0.06	0.39	0.97	1.26	1.52	1.90
03/31/2022	0.52	1.63	2.45	2.42	2.32	2.44
06/30/2022	1.72	2.80	2.99	3.01	2.98	3.14
09/30/2022	3.33	4.05	4.25	4.06	3.83	3.79
12/31/2022	4.42	4.73	4.22	3.99	3.88	3.97

Highlights of 2024 Capital Market Projections

Changes and Observations

- 10-year annualized inflation expectation remained constant at 2.50%.
- Public equity 10-year annualized return projection increased from **7.60%** to **7.85%.** Projected standard deviation (volatility) decreased from 18.50% to 18.15%.
- Public fixed income 10-year annualized return projection increased from **4.35%** to **5.25%**. Projected standard deviation decreased modestly from 4.20% to 4.15%.
- Private real estate projection increased from 5.75% to 6.00%.
- The projected premium of private equity over public markets equity declined year-over-year due to the public markets more fully absorbing valuation adjustments.
- The projected premium of private credit and infrastructure over public fixed income also declined due to similar dynamics in those two asset classes.
- Projected Total Fund return for APFC policy portfolio increased from 7.25% to 7.60% (more on that next).

Capital Market Projections

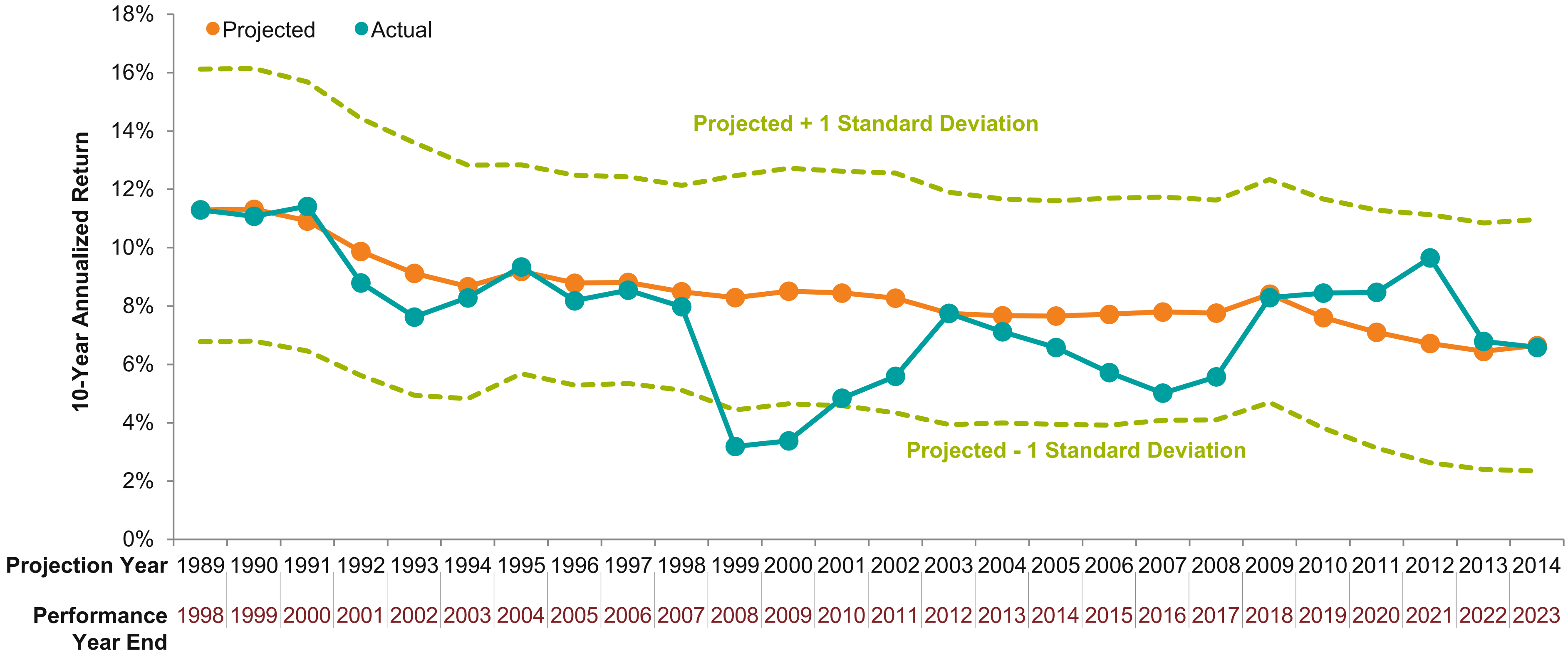
Summary of Callan's Long-Term Capital Market Projections for APFC Asset Allocation Model (FY 2024 - 2033)

		PROJECTED RETURN		PROJECTED RISK	
Asset Class	**Performance Index**	**1-Year Arithmetic**	**10-Year Geometric Return**	**Annualized Standard Deviation**	**Projected Yield**
APFC Public Equities		**9.25%**	**7.85%**	**18.15%**	**2.85%**
Global Equity	MSCI ACWI - IMI	9.25%	7.85%	18.15%	2.85%
APFC Public Fixed Income		**5.25%**	**5.25%**	**4.15%**	**4.95%**
Cash Equivalents	90-Day T-Bill	3.00%	3.00%	0.90%	3.00%
TIPS	Bloomberg TIPS	5.10%	5.05%	5.40%	4.30%
US Fixed Income	Bloomberg Aggregate	5.25%	5.25%	4.25%	4.70%
US Investment Grade Credit	Bloomberg Credit	5.25%	5.25%	4.70%	4.90%
Non-US Fixed Income	Bloomberg Global Treasury ex-US Hedged	3.60%	3.15%	9.80%	2.70%
Emerging Market Debt	50/50 JPM EMBI/JPM GBI	6.75%	6.35%	10.65%	7.70%
High Yield	Bloomberg US High Yield 2% Issuer Cap	7.30%	6.80%	11.75%	8.45%
US Securitized	Bloomberg US Securitized	5.30%	5.35%	3.00%	4.50%
Private Equity		**12.15%**	**8.75%**	**27.60%**	**0.00%**
Private Equity	Cambridge Private Equity (lag)	12.15%	8.75%	27.60%	0.00%
Private Real Estate		**6.85%**	**6.00%**	**14.00%**	**4.00%**
Real Estate	NCREIF Total Index (lag)	6.85%	6.00%	14.00%	4.00%
Private Infrastructure/Credit		**7.75%**	**7.20%**	**12.40%**	**5.85%**
Private Infrastructure	Cambridge Global Private Infra (lag)	7.30%	6.35%	15.20%	4.80%
Private Credit	Bloomberg US High Yield (lag)	8.40%	7.40%	15.70%	7.40%
Absolute Return		**6.25%**	**6.05%**	**8.20%**	**0.00%**
Hedge Funds	HFRI Total HFOF Universe	6.25%	6.05%	8.20%	0.00%
Tactical Opportunities		**8.70%**	**7.50%**	**17.00%**	**2.00%**
Tactical Opportunities	S&P 500	8.70%	7.50%	17.00%	2.00%
Cash Equivalents		**3.00%**	**3.00%**	**0.90%**	**3.00%**
Hedge Funds	90-Day T-Bill	3.00%	3.00%	0.90%	3.00%
Total Fund	APFC Total Fund Target	**8.15%**	**7.60%**	**12.65%**	**2.95%**
Inflation	CPI-U		2.50%	1.60%	

Callan

Actual Returns versus Callan Projections

Historical Comparison: Actual Returns vs. Callan Capital Markets Projections
Portfolio (60% Equity, 30% Fixed, 10% Real Estate)



- Our projections have generally been within one standard deviation of the future actual return
- The glaring exceptions are the 10-year periods ended in 2008 and 2009 which contained not one but two major collapses in the equity market: the Dot-Com Bubble in 2001-02 and the Global Financial Crisis in 2008

2024–2033 Callan Capital Markets Assumptions Correlations

Correlation Matrix	GE	FI	Cash	PE	RE	PI	HF	TO	CPI
APFC Global Equity	**1.00**	0.44	-0.09	0.83	0.46	0.74	0.70	0.92	0.00
APFC Fixed Income	0.44	**1.00**	0.08	0.29	0.26	0.39	0.55	0.43	-0.16
Cash Equivalents	-0.09	0.08	**1.00**	0.00	0.00	-0.05	-0.04	-0.06	0.05
Private Equity	0.83	0.29	0.00	**1.00**	0.55	0.78	0.48	0.79	0.06
Core Real Estate	0.46	0.26	0.00	0.55	**1.00**	0.69	0.28	0.44	0.20
Private Infra/Credit	0.74	0.39	-0.05	0.78	0.69	**1.00**	0.48	0.70	0.05
Hedge Funds	0.70	0.55	-0.04	0.48	0.28	0.48	**1.00**	0.67	0.05
Tactical Opps	0.92	0.43	-0.06	0.79	0.44	0.70	0.67	**1.00**	-0.02
Inflation	0.00	-0.16	0.05	0.06	0.20	0.05	0.05	-0.02	**1.00**

- Correlations are important to risk reduction and take into account benefit of diversification.
- Fixed income has relatively low correlations with all risk asset classes.
- Low correlation of fixed income with private equity makes a good pairing – effectively deleveraging the asset class and bringing it back towards public equity.

Source: Callan

Relationship Between Expected Return and Volatility

Visualizing Callan's Capital Markets Assumptions

Expected Return Increases with Increased Expected Risk

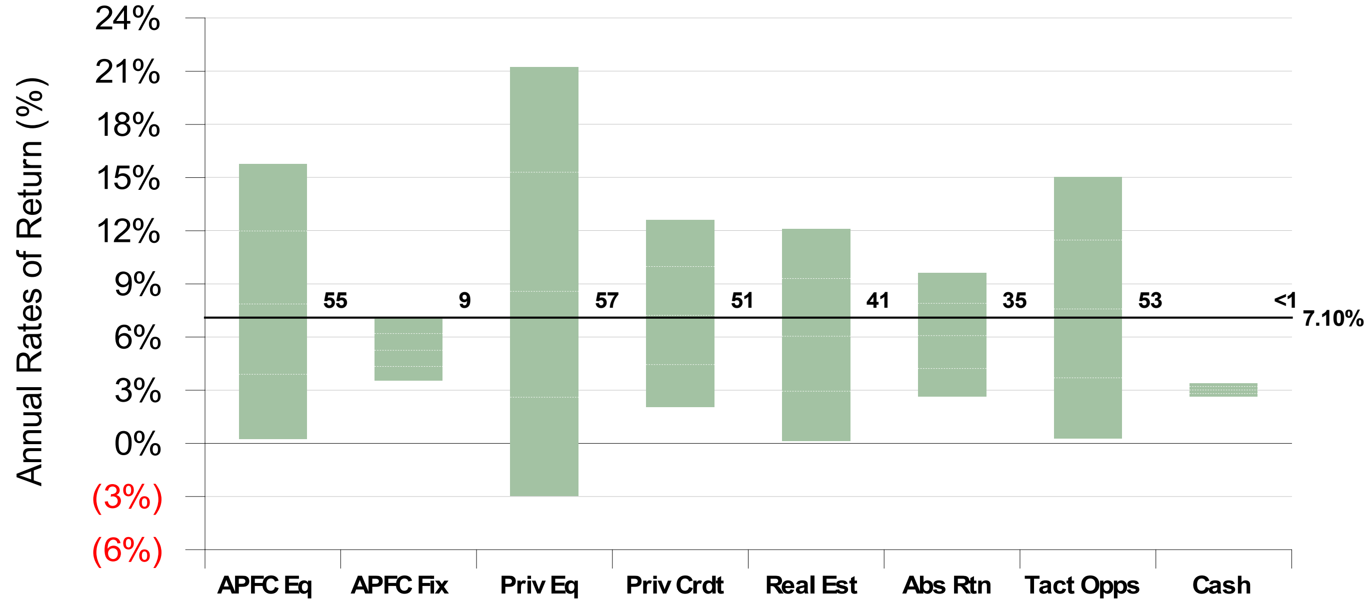
- For example, investors demand a greater return from private equity than public equity as compensation for higher implementation risk and less liquidity
- Lower correlation asset classes can fall below the capital markets line and still be efficient components of a diversified portfolio (eg Global ex-US Fixed, Emerging Market Equity)

Range of Projected Returns

10th through 90th Percentile

- Projections are ranges not point estimates
- Point estimates are impossible to forecast
- Forecasting ranges is a more realistic goal
- Range forecasts can supply reasonable estimates for probabilities of exceeding a threshold return
- Projected probability of 2023 Target Mix exceeding 7.5% annualized return over 10 years is roughly 48%

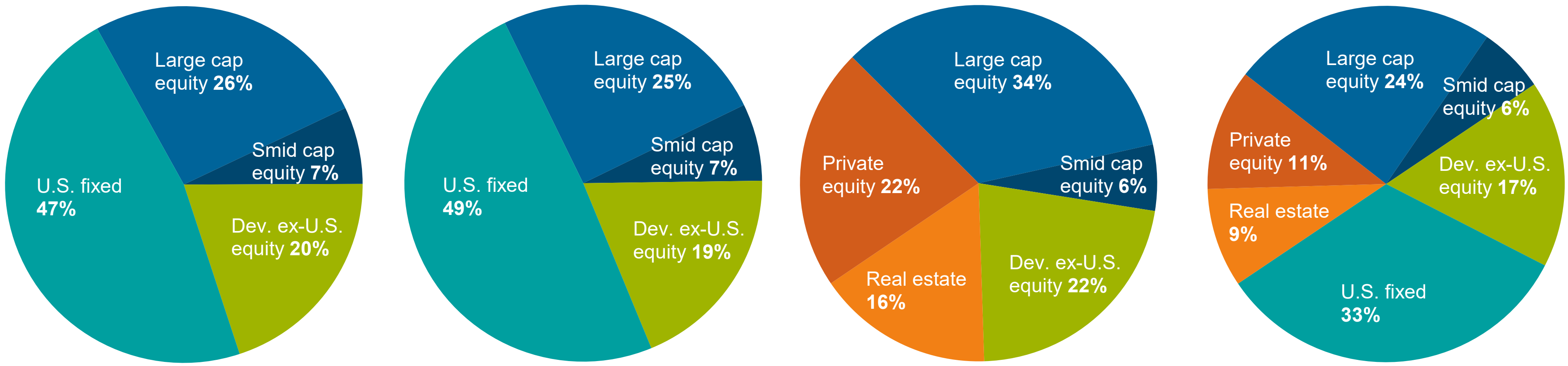
Range of Projected Rates of Return
Projection Period: 10 Years



	APFC Eq	APFC Fix	Priv Eq	Priv Crdt	Real Est	Abs Rtn	Tact Opps	Cash
10th Percentile	15.77%	7.04%	21.23%	12.62%	12.12%	9.61%	15.04%	3.39%
25th Percentile	11.99%	6.20%	15.31%	9.98%	9.30%	7.91%	11.47%	3.21%
Median	7.86%	5.26%	8.58%	7.23%	6.04%	6.08%	7.58%	3.02%
75th Percentile	3.90%	4.34%	2.60%	4.45%	2.95%	4.23%	3.71%	2.82%
90th Percentile	0.23%	3.52%	(2.96%)	2.05%	0.13%	2.63%	0.27%	2.65%
Prob > 7.10%	55.1%	9.3%	57.0%	51.3%	41.3%	35.4%	53.4%	<1.0%

5% Expected Real Returns Over Past 30 Years

Increasing Complexity



	1994	2009	2022	2024
Inflation:	**3.75%**	**2.75%**	**2.25%**	**2.50%**
Real Return:	**5.0%**	**5.0%**	**5.0%**	**5.0%**
Risk:	**9.6%**	**8.9%**	**17.8%**	**11.5%**

Increasing Risk

Despite a 3.75% inflation projection, an investor could have almost half of the portfolio in low-risk assets (fixed income) and still earn a 5% projected real return in 1994.

15 years later, an institutional investor would have needed to maintain essentially the same asset allocation to achieve a 5% projected real return despite a 100 basis point decline in inflation.

In 2022 an investor required 100% of the portfolio in return-seeking assets to earn a 5% projected real return at almost double the volatility compared to 1994.

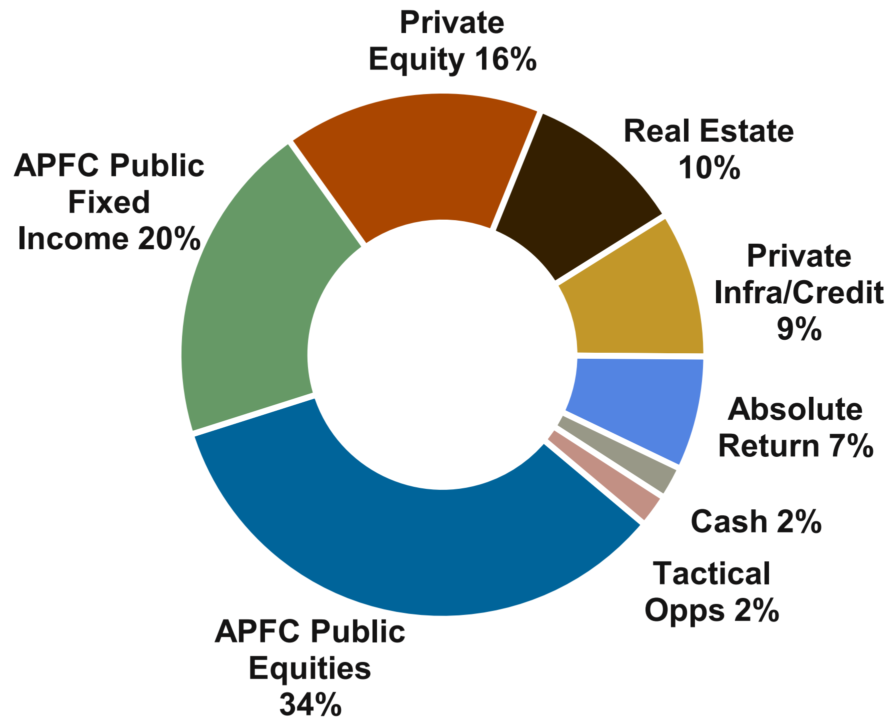
Today's 5% expected real return portfolio is much more reasonable than it was in 2022, with a third of the portfolio in fixed income and a correspondingly lower level of risk.

APFC FY 2024 Total Fund Policy Target

Projected Return and Standard Deviation

- Projected median 10-year annualized return of **7.60%** is roughly 35 basis points higher than last year.
- Inflation expectation remained the same at **2.50**%.
- Projected median 10-year annualized real return of **5.10%** is an increase of roughly 35 basis points relative to last year.
- Projected standard deviation of **12.65%** is 50 basis points lower than last year.
- Percent probability of exceeding 7.5% annualized return over 10-year horizon is estimated to be **51%.**
- Percent probability of exceeding 7.1% (median effective real payout) is estimated to be roughly **54%.**

FY 2024 Total Fund Target



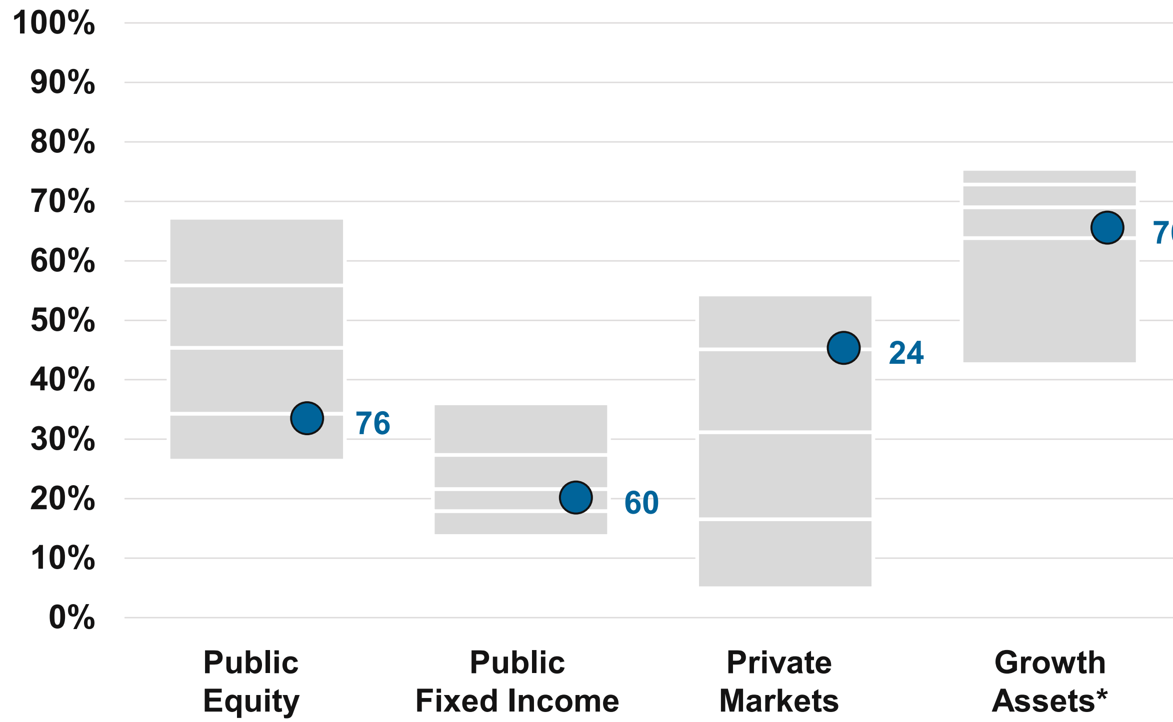
Expected 10-year Geometric Return:	**7.60%**
Expected Standard Deviation:	**12.65%**
Expected Inflation:	**2.50%**
Expected Real Return:	**5.10%**

APFC FY 2024 Target versus Large Public Funds

Target Asset Allocation Comparison

- **Low Public Equity**
  - Lower allocation to public equities than 76% of E&F's.
  - Median is 45%, APFC is 34%.
- **Median Public Fixed Income**
  - Slightly below median allocation to public fixed income.
  - Median is 22%, APFC is 20%.
- **High Private Markets**
  - Higher allocation to private markets than 76% of E&F's.
  - Median is 31%, APFC is 46%
- **Low Growth Assets**
  - Slightly below median allocation to Growth Assets
  - Median is 69%, APFC is 65%

Asset Allocation Distribution as of December 31, 2023
Callan Large Public Fund (> $1 billion)



	Public Equity	Public Fixed Income	Private Markets	Growth Assets*
APFC	**34%**	**20%**	**46%**	**65%**
Median	45%	22%	31%	69%
Rank	76%	59%	24%	70%

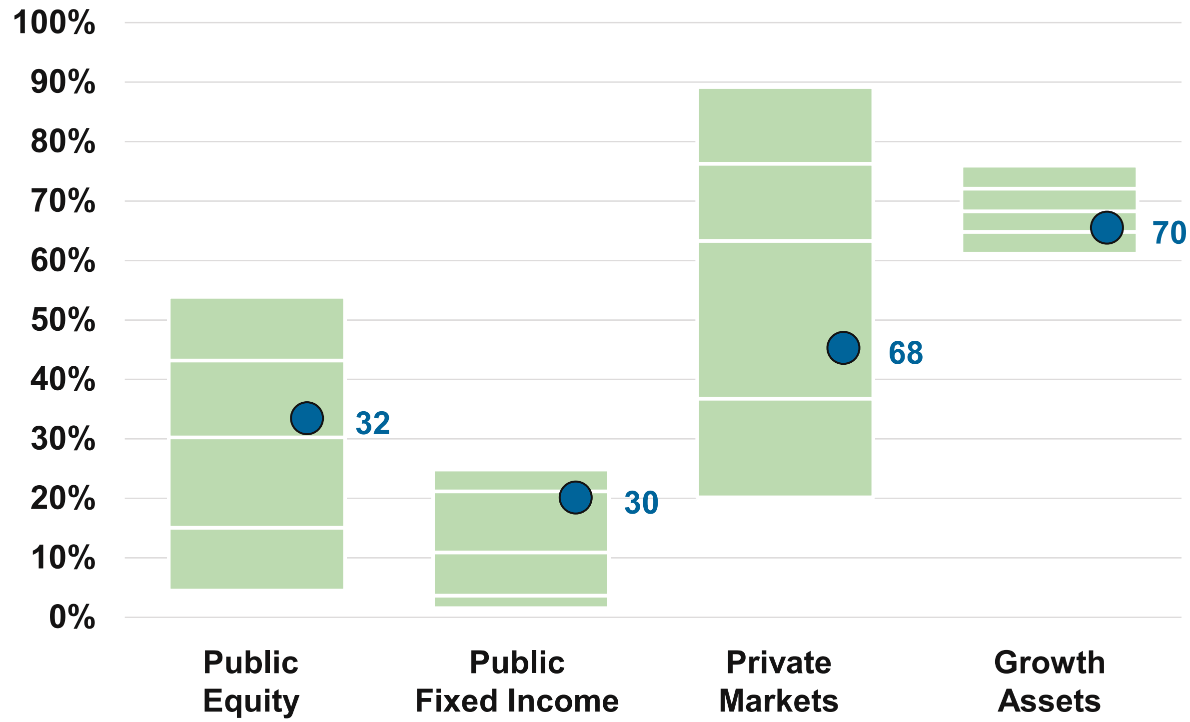
*Growth Assets include public equity, private equity, tactical opportunities, 70% of private real estate, 70% of private infrastructure/credit.

APFC FY 2024 Target versus Large Endowment/Foundations

Target Asset Allocation Comparison

- **High Public Equity**
  - Higher allocation to public equities than 68% of E&F's.
  - Median is 30%, APFC is 34%.
- **High Public Fixed Income**
  - Higher allocation to public fixed income than 70% of E&F's.
  - Median is 11%, APFC is 20%.
- **Low Private Markets**
  - Lower allocation to private markets than 68% of E&F's.
  - Median is 63%, APFC is 46%
- **Low Growth Assets**
  - Slightly below median allocation to Growth Assets
  - Median is 68%, APFC is 65%

Asset Allocation Distribution as of December 31, 2022
Callan Large Endowment/Foundation (> $1 billion)



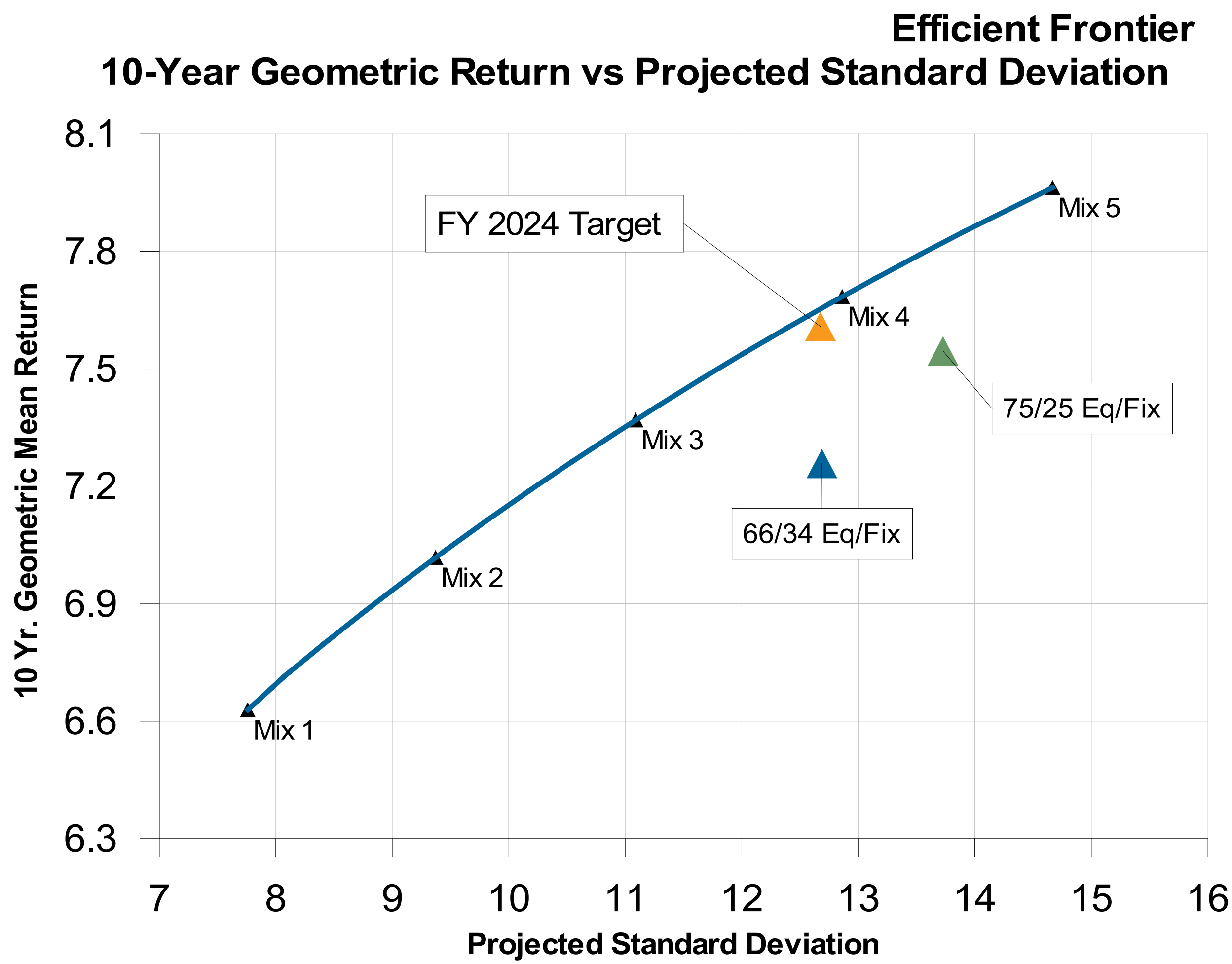
APFC	**34%**	**20%**	**46%**	**65%**
Median	30%	11%	63%	68%
Rank	32%	30%	68%	75%

*Growth Assets include public equity, private equity, tactical opportunities, 70% of private real estate, 70% of private infrastructure/credit.

Constrained Efficient Frontier Analysis (50% Private Assets)

Analysis presented in February meeting

- Efficient frontier with 50% private markets constraint.
- Strategic Policy target portfolio is slightly below the constrained efficient frontier due to 2% cash allocation and private markets allocation of 46%.
- 75/25 Equity/Fixed portfolio is pure public markets portfolio with slightly lower expected return and higher risk.
- APFC Policy Target has a roughly **35** basis point projected return premium over 66/34 public markets (portfolio with same projected risk).



*66/34 Equity/Fixed portfolio assumes 66% allocation to APFC Global Equity benchmark and 34% allocation to Bloomberg Aggregate Index

Prospective Analysis of Asset Allocation Alternatives

Process Overview

- Explore portfolios ranging from 15% private equity (2025 target) to 20% private equity.
- Use constrained optimization to isolate the projected impacts of varying levels of private equity.
- Helps determine optimal funding sources and understanded potential impacts of changes in strategic asset allocation.
- First examine funding changes in private equity exposure from public markets portfolio (equities, fixed income, and cash).
- Second examine funding changes in private equity exposure form private markets portfolio and cash (real estate, hedge funds, private infra/credit).

Funding Private Equity from Public Markets and Cash

Range from 15% to 20% Private Equity

Allocate from Public Markets and Cash

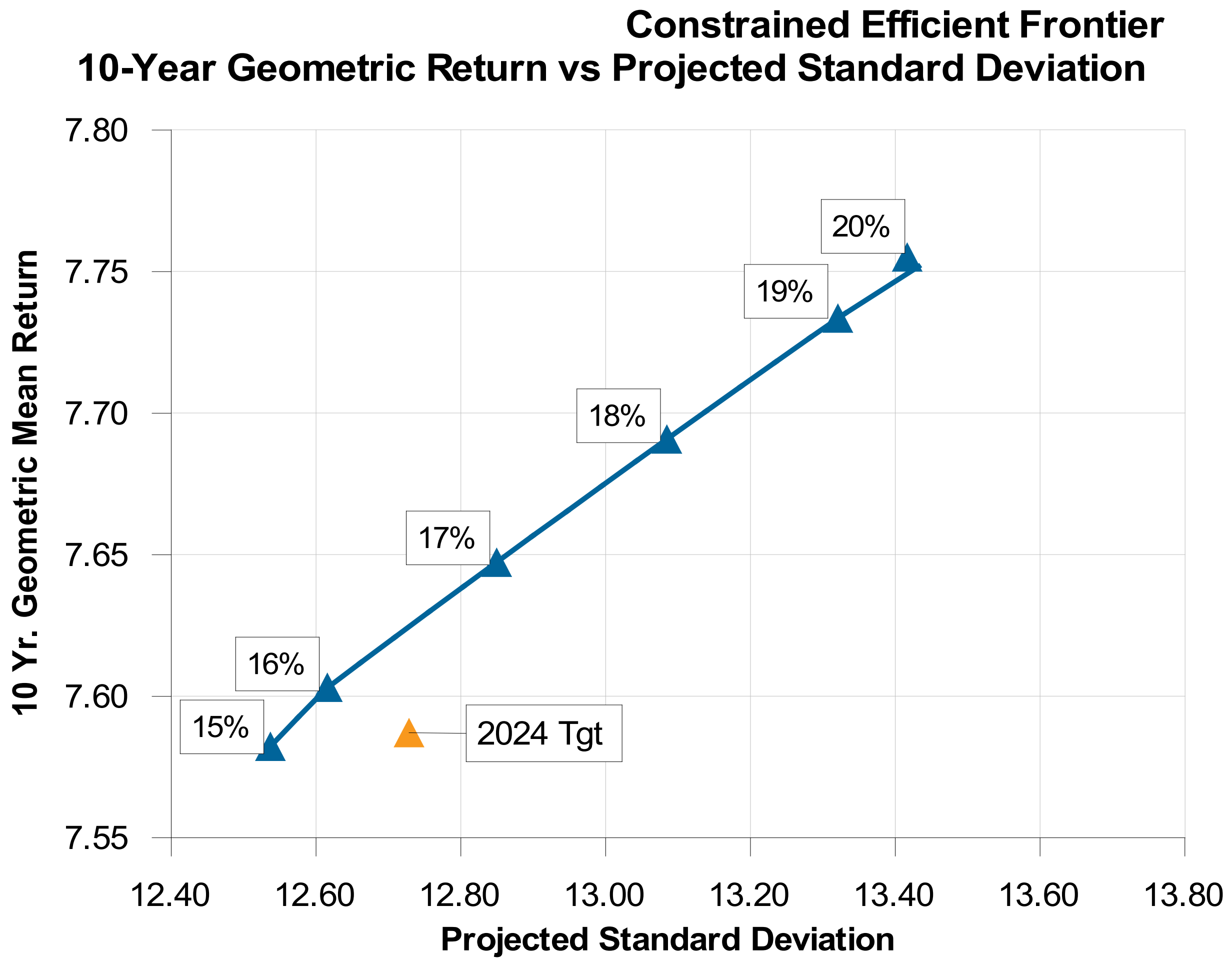
Asset Class	FY 2024 Target	15% Private Equity	16% Private Equity	17% Private Equity	18% Private Equity	19% Private Equity	20% Private Equity
Public Markets	**56%**	**57%**	**56%**	**55%**	**54%**	**53%**	**52%**
APFC Global Equity	34%	34%	33%	33%	33%	33%	32%
APFC Fixed Income	20%	23%	23%	22%	21%	20%	20%
Cash Equivalents	2%	0%	0%	0%	0%	0%	0%
Private Markets	**44%**	**43%**	**44%**	**45%**	**46%**	**47%**	**48%**
Private Equity	16%	15%	16%	17%	18%	19%	20%
Core Real Estate	10%	10%	10%	10%	10%	10%	10%
Private Infra/Credit	9%	9%	9%	9%	9%	9%	9%
Hedge Funds	7%	7%	7%	7%	7%	7%	7%
Tactical Opps	2%	2%	2%	2%	2%	2%	2%
Totals	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
10 Yr. Geometric Mean Return	**7.59%**	**7.58%**	**7.60%**	**7.65%**	**7.69%**	**7.73%**	**7.75%**
Projected Standard Deviation	12.73%	12.52%	12.62%	12.85%	13.08%	13.32%	13.40%
Projected Yield	2.96%	3.05%	3.02%	2.97%	2.92%	2.87%	2.85%
Projected Real Return	**5.09%**	**5.08%**	**5.10%**	**5.15%**	**5.19%**	**5.23%**	**5.25%**

- Private Equity changes funded out of public markets asset classes (public equity, fixed income and cash allocations).
- Fixed income constrained to minimum of 20%.
- Most efficient funding source is cash.
- At low-risk end of spectrum fixed income and private equity provide good risk/return tradeoff.
- When fixed income floor is reached incremental funding comes from pubic equity with smaller delta in projected return.

Constrained Efficient Frontier

Funding Private Equity Changes from Public Markets and Cash

- Strategic allocation to cash is sub-optimal.
- No mixes contain strategic allocation to cash.
- Moves from 15% to 16%, and 19% to 20% funded from public equities.
- Other moves funded from fixed income resulting in larger changes in expected return and risk.
- Moving from fixed income to private equity increases expected return by 4-5 basis points per percentage change.
- Moving from equity increases expected return by only 1-2 bps.

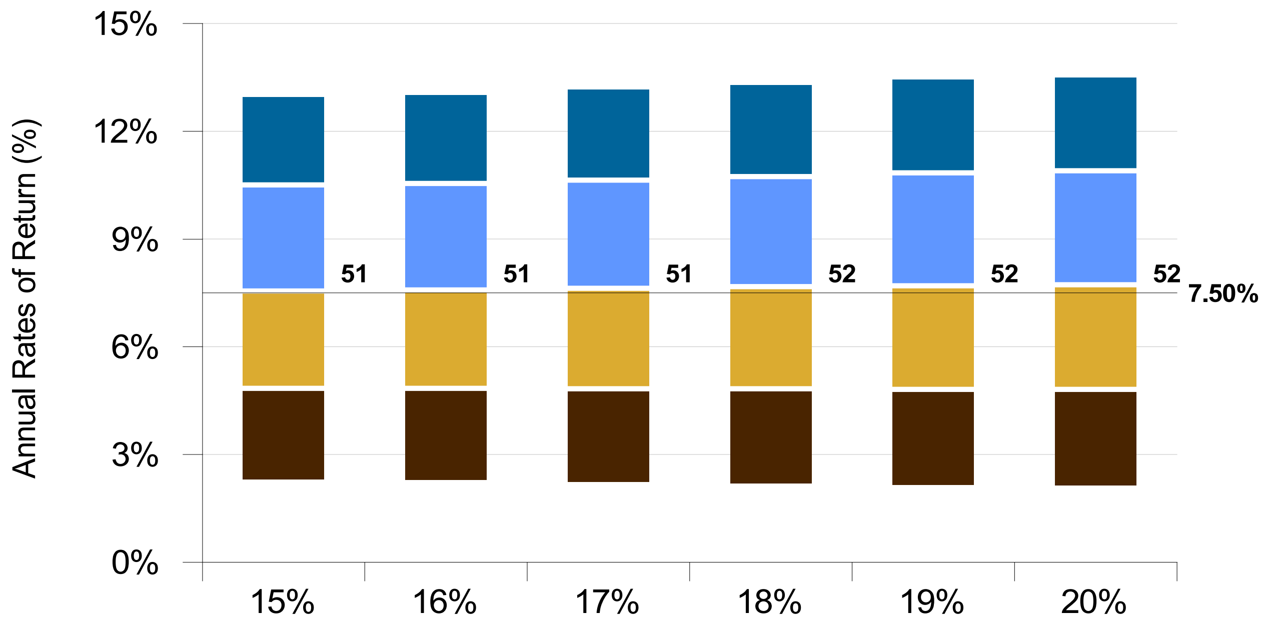


Range of 10-Year Projected Annualized Returns

Funding Private Equity Changes from Public Markets and Cash

- Median return increases with increasing private equity exposure.
- Numbers in center show probability of exceeding 7.5% (approximately 5% real).
- Probability of exceeding 5% real increases by roughly 0.4% with each increase of 1% in private equity exposure.
- 95th percentile worse-case outcome returns deteriorate by roughly 4 basis points with each increase of 1% in private equity exposure.

Range of Projected Rates of Return
Projection Period: 10 Years



10th Percentile	12.95%	13.01%	13.16%	13.29%	13.44%	13.50%
25th Percentile	10.51%	10.55%	10.64%	10.74%	10.85%	10.90%
Median	7.55%	7.58%	7.63%	7.67%	7.70%	7.73%
75th Percentile	4.84%	4.84%	4.83%	4.83%	4.81%	4.81%
90th Percentile	2.31%	2.30%	2.24%	2.20%	2.16%	2.14%
Prob > 7.50%	50.5%	50.7%	51.2%	51.6%	51.9%	52.1%

Funding Private Equity from Private Markets and Cash

Range from 15% to 20% Private Equity

Allocate from Private Markets and Cash

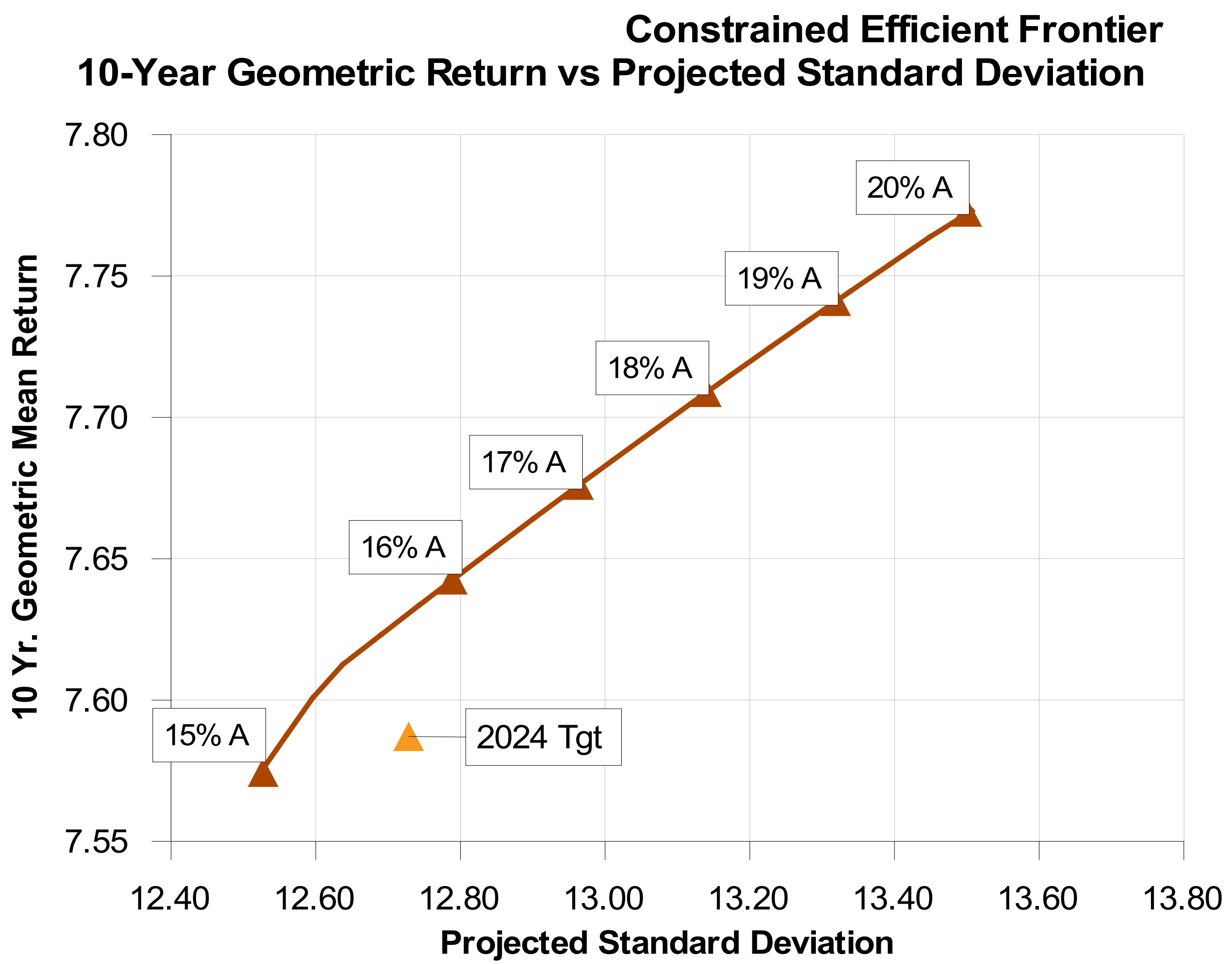
Asset Class	FY 2024 Target	15% Private Equity	16% Private Equity	17% Private Equity	18% Private Equity	19% Private Equity	20% Private Equity
Public Markets	**56%**	**55%**	**54%**	**54%**	**54%**	**54%**	**54%**
APFC Global Equity	34%	34%	34%	34%	34%	34%	34%
APFC Fixed Income	20%	20%	20%	20%	20%	20%	20%
Cash Equivalents	2%	1%	0%	0%	0%	0%	0%
Private Markets	**44%**	**45%**	**46%**	**46%**	**46%**	**46%**	**46%**
Private Equity	16%	15%	16%	17%	18%	19%	20%
Core Real Estate	10%	10%	9%	8%	7%	6%	5%
Private Infra/Credit	9%	8%	9%	9%	9%	9%	9%
Hedge Funds	7%	10%	10%	10%	10%	10%	10%
Tactical Opps	2%	2%	2%	2%	2%	2%	2%
Totals	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
10 Yr. Geometric Mean Return	**7.59%**	**7.57%**	**7.64%**	**7.68%**	**7.71%**	**7.74%**	**7.77%**
Projected Standard Deviation	12.73%	12.53%	12.79%	12.96%	13.14%	13.32%	13.50%
Projected Yield	2.96%	2.87%	2.86%	2.82%	2.78%	2.74%	2.70%
Projected Real Return	**5.09%**	**5.07%**	**5.14%**	**5.18%**	**5.21%**	**5.24%**	**5.27%**

- Private Equity changes funded out of cash and private markets asset classes (real estate, private infra/credit, hedge funds, cash).
- Hedge funds, real estate, private infra credit constrained to maximum of 10%.
- Most efficient funding source is cash.
- Hedge funds max out at 10% limit in all mixes.
- Increased private equity funded out mostly out of real estate.

Constrained Efficient Frontier

Funding Private Equity Changes from Private Markets and Cash

- In the presence of increased private market exposure, 1% cash is still efficient at 15% private equity.
- Kink occurs when optimization runs out of cash.
- Absolute return hedge funds (with higher cash yields) are attractive across this entire range of risk as diversifier.
- Steady incremental increase in return and risk comes from swap between private equity and real estate.
- Each incremental 1% allocation in private equity increases expected return by 2-3 basis points.



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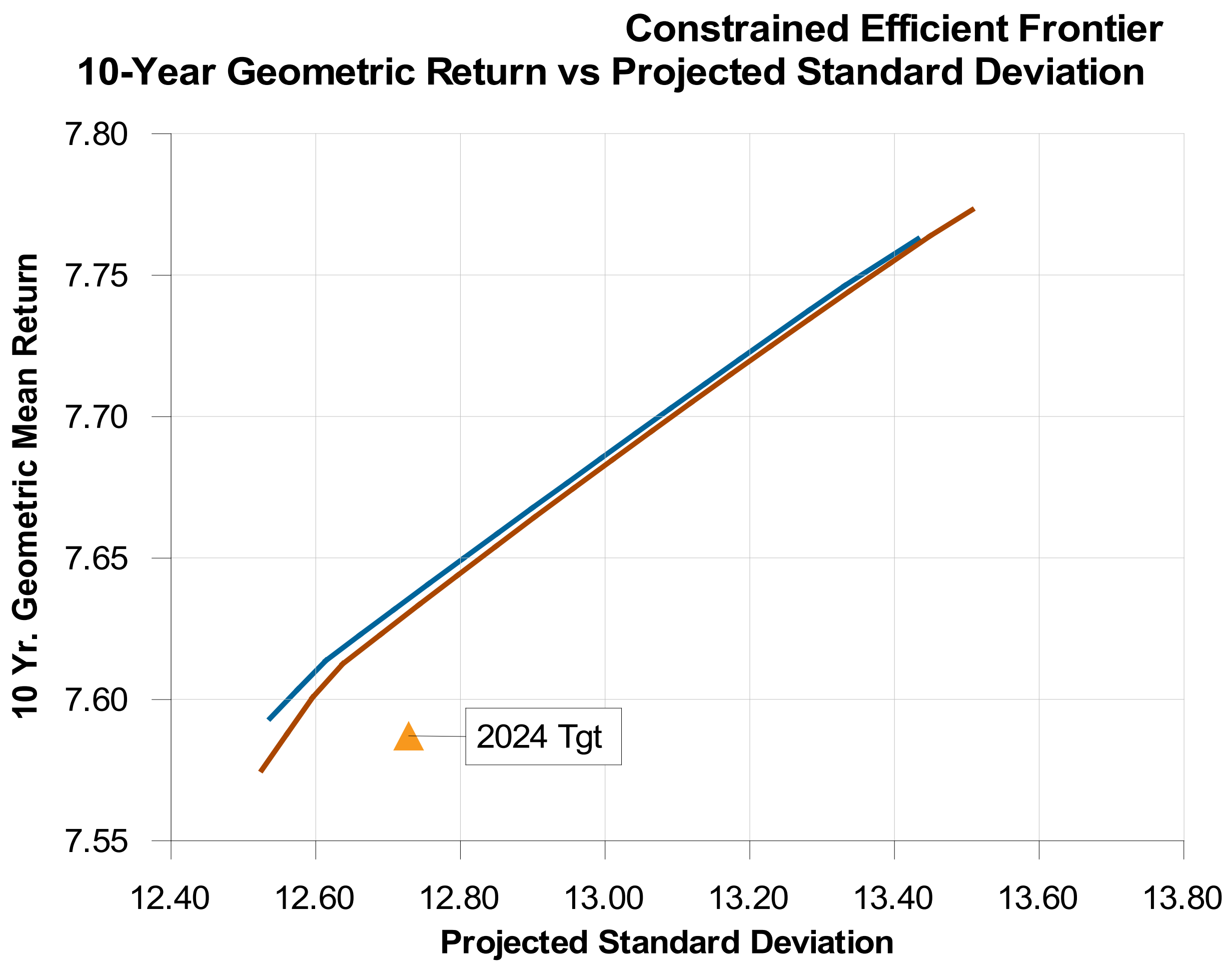
Constrained Efficient Frontier Comparison

Comparison of the Two Constrained Efficient Frontiers

- Chart illustrates that, on a forward looking basis, there is essentially no difference between the two approaches.
- Expected risk and return are effectively the same between given the error implicit in the modelling process.
- Other considerations, including implementation confidence, liquidity analysis, impact on projected statutory net income, political risk, etc., can inform the decision.
- Important to consider the scale, roughly 20 basis points between two ends of spectrum.



Historical Analysis of Asset Allocation Alternatives

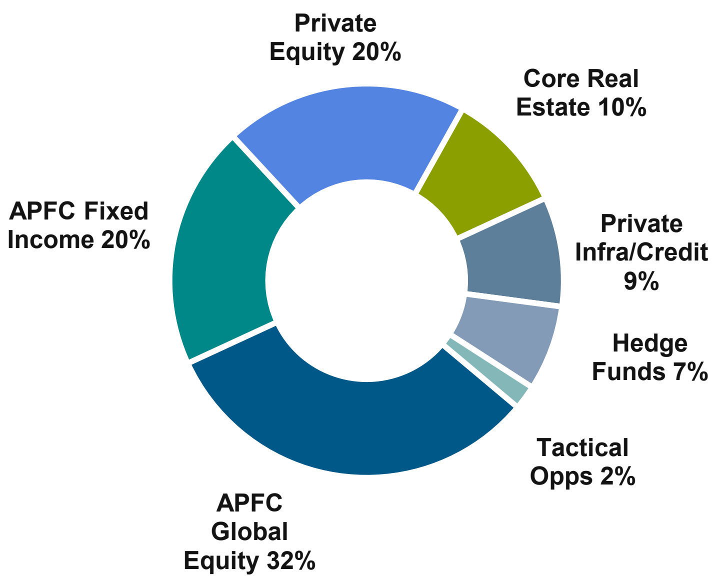
Process Overview

- Compare historical performance of portfolios ranging from 15% private equity (2025 target) to 20% private equity.
  - Focus on two ends of spectrum, 15% and 20%.
  - Compare differences between two funding sources.
- Use best available historically available indices to represent current APFC asset classes.
  - MSCI ACWI for public equities from 01/01/2000, mix of EAFE and Russell 3000 prior.
  - Bloomberg Aggregate bond index for fixed income.
  - Three-month T-Bills for cash.
  - Cambridge Global Private Equity index for private equity.
  - NAREIT ODCE index for private real estate
  - HFRI hedge fund of funds composite for hedge funds
  - 60% Cambridge private infrastructure index, 40% ICE cash-pay high yield index for private income.
  - HFRI fund-of-fund composite for hedge funds.
- Provides historical perspective on trade-offs between public and private markets.

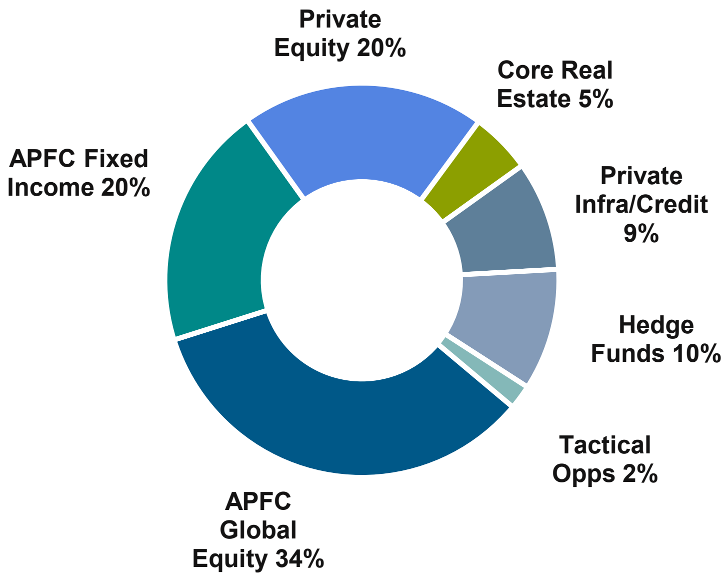
Comparison of Two Portfolios

Process Overview

20% PE from Public Markets



20% PE from Private Markets



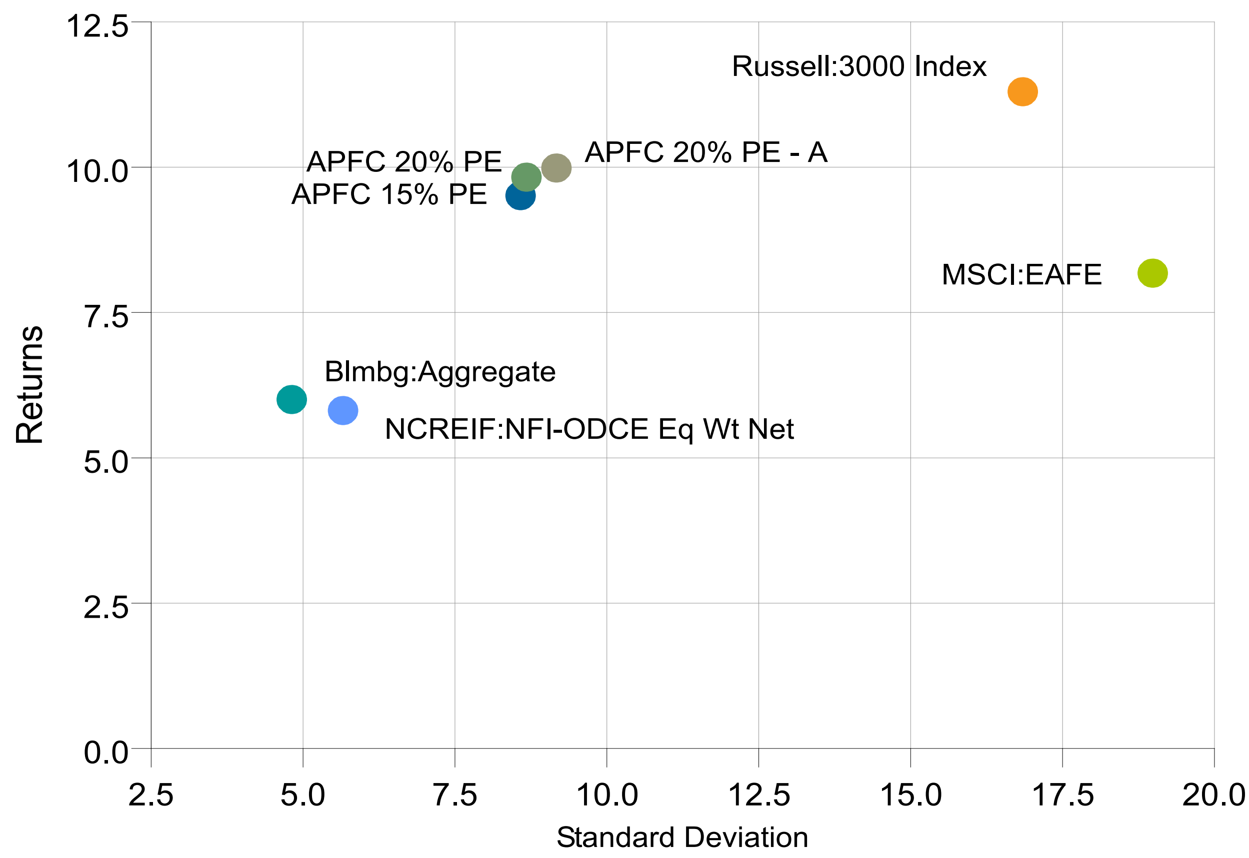
- Comparing performance of two target asset allocations.
- Funding from public markets comes from global public equities and cash.
- Funding from private markets comes from real estate.
- Private markets portfolio also increases hedge funds relative to current allocation.

Historical Analysis – 39 years

Annualized Return versus Standard Deviation

- 39-year period is longest with reliable data on indices representing asset classes used in APFC portfolio.
- Higher private equity exposure improved return over this period regardless of funding source.
- Funding from alternatives (primarily real estate) generated a higher annualized return.
- Funding from non-US equity would have been the most productive source from a risk/return perspective.

Returns vs Standard Deviation
for 39 Years Ended December 31, 2023

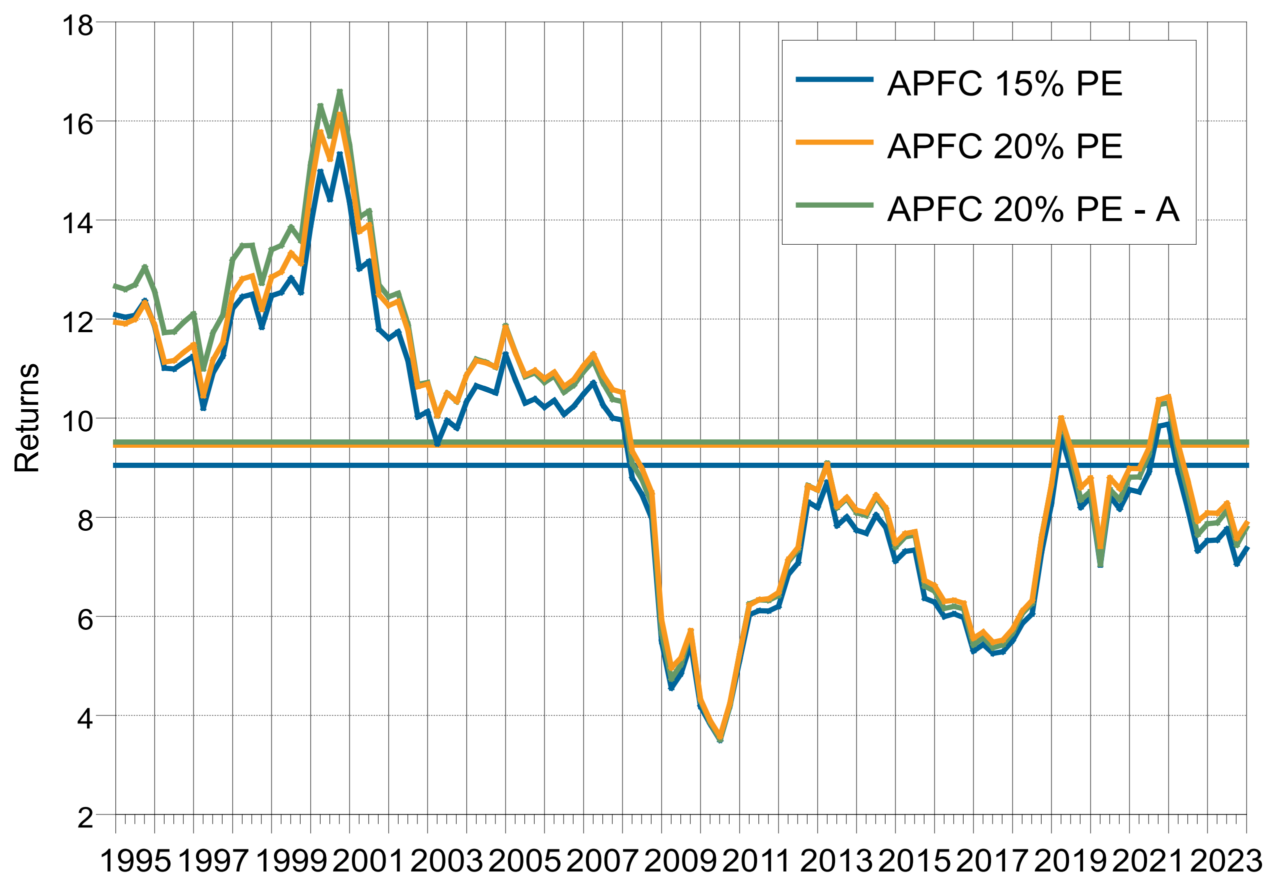


Historical Analysis – 39 years

Annualized Return versus Standard Deviation

- Rolling 10-year returns illustrate a relatively small difference between three different asset allocations.
- Average 10-year premium of 20% private equity mixes over 15% private equity mixes is roughly 50 basis points.
- Average difference between private and public markets funding of additional private equity was 6 basis points.

Rolling 10 Year Returns
for 29 Years Ended December 31, 2023

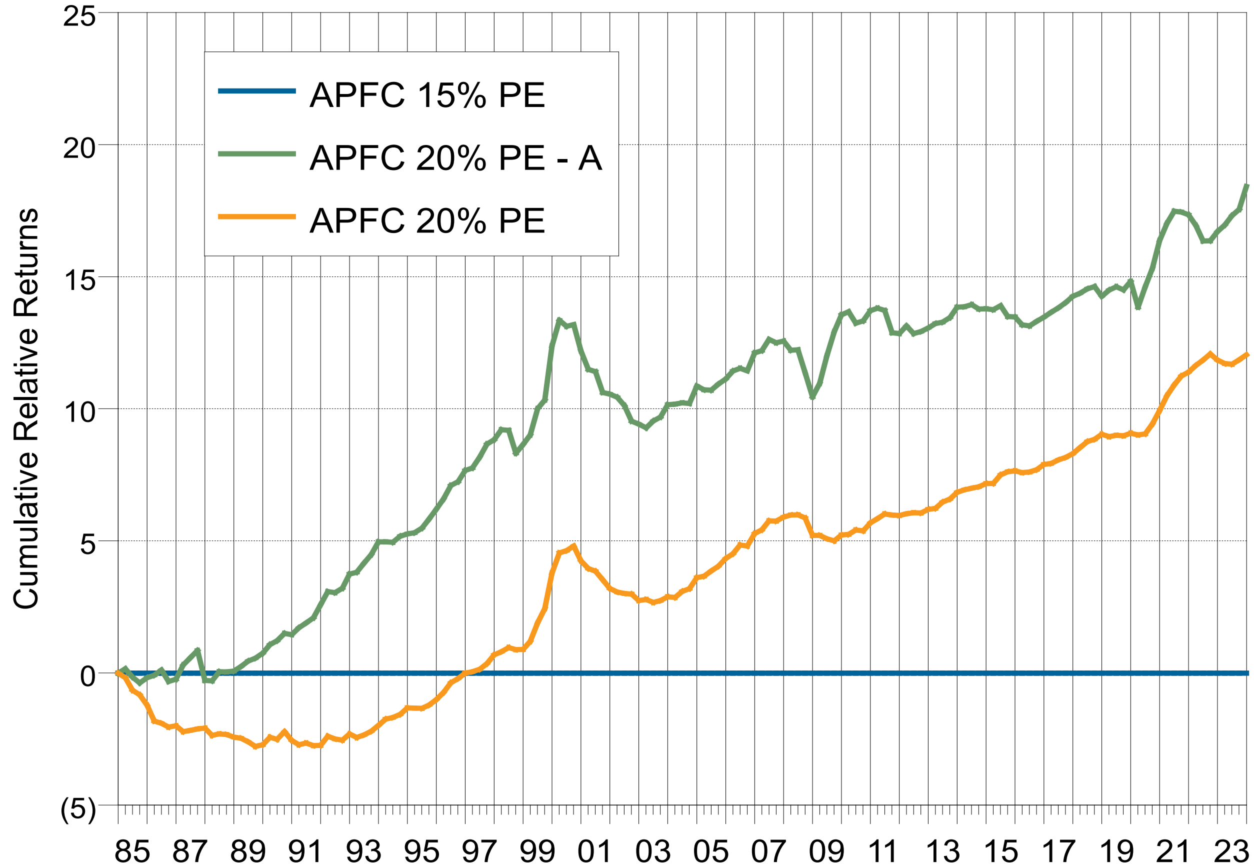


Historical Analysis – 39 years

Annualized Return versus Standard Deviation

- Chart shows cumulative return relative to the 15% private equity mix.
- Illustrates that the public markets funding (which maintains real estate exposure at 10% during the 80's) got off to a bad start.
- Private markets funding reduces real estate to 5% in the 80's and gets off to a good start.
- After about 1995, the two funding approaches generated approximately the same return.

Cumulative Relative Returns for 39 Years Ended December 31, 2023

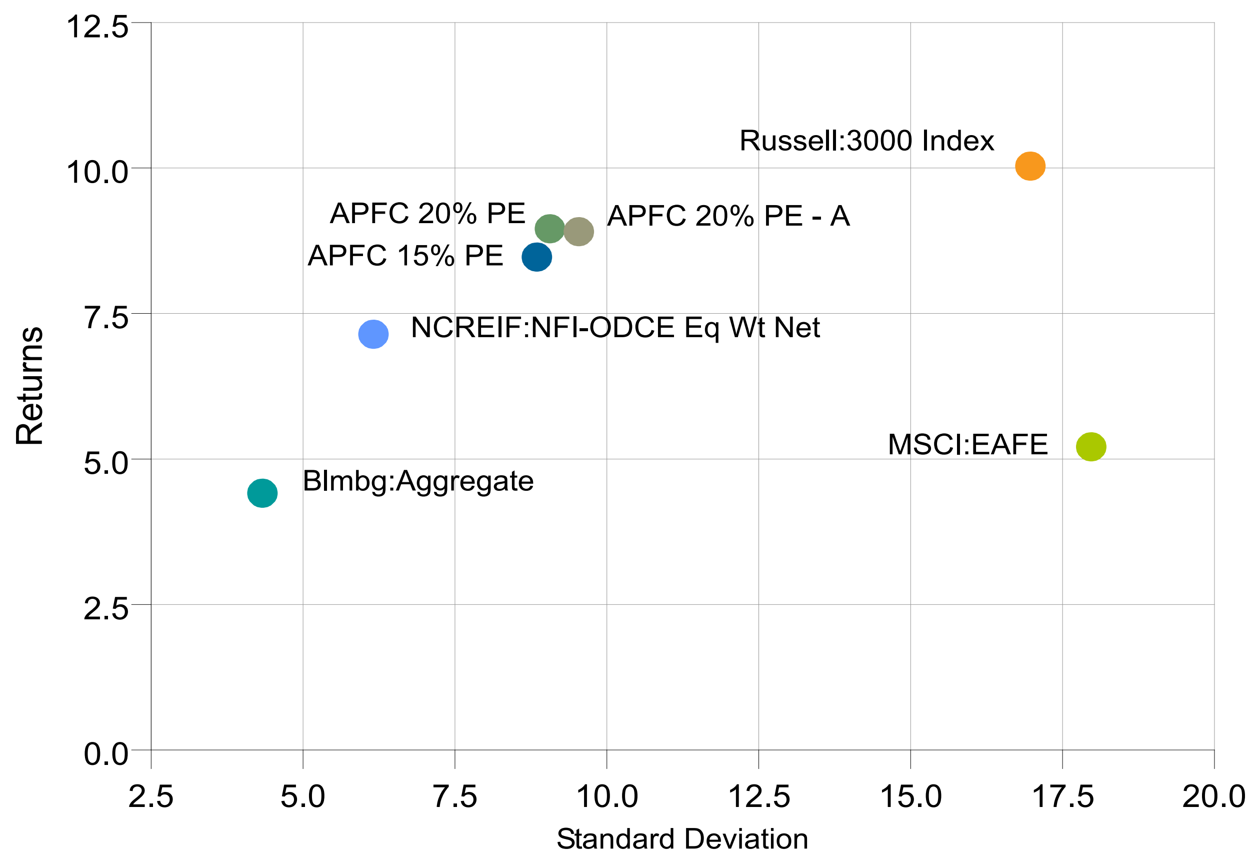


Historical Analysis – 30 Years

Annualized Return versus Standard Deviation

- 30-year period eliminates early 90's where institutional real estate was worst performing asset class.
- Funding private equity from public markets would have resulted in slightly higher return with less risk over this period.
- Real estate performed in line with long-term expectations over this period (between stocks and bonds).
- Period includes dot.com collapse and GFC.
- US equities hard to beat.

Returns vs Standard Deviation for 30 Years Ended December 31, 2023

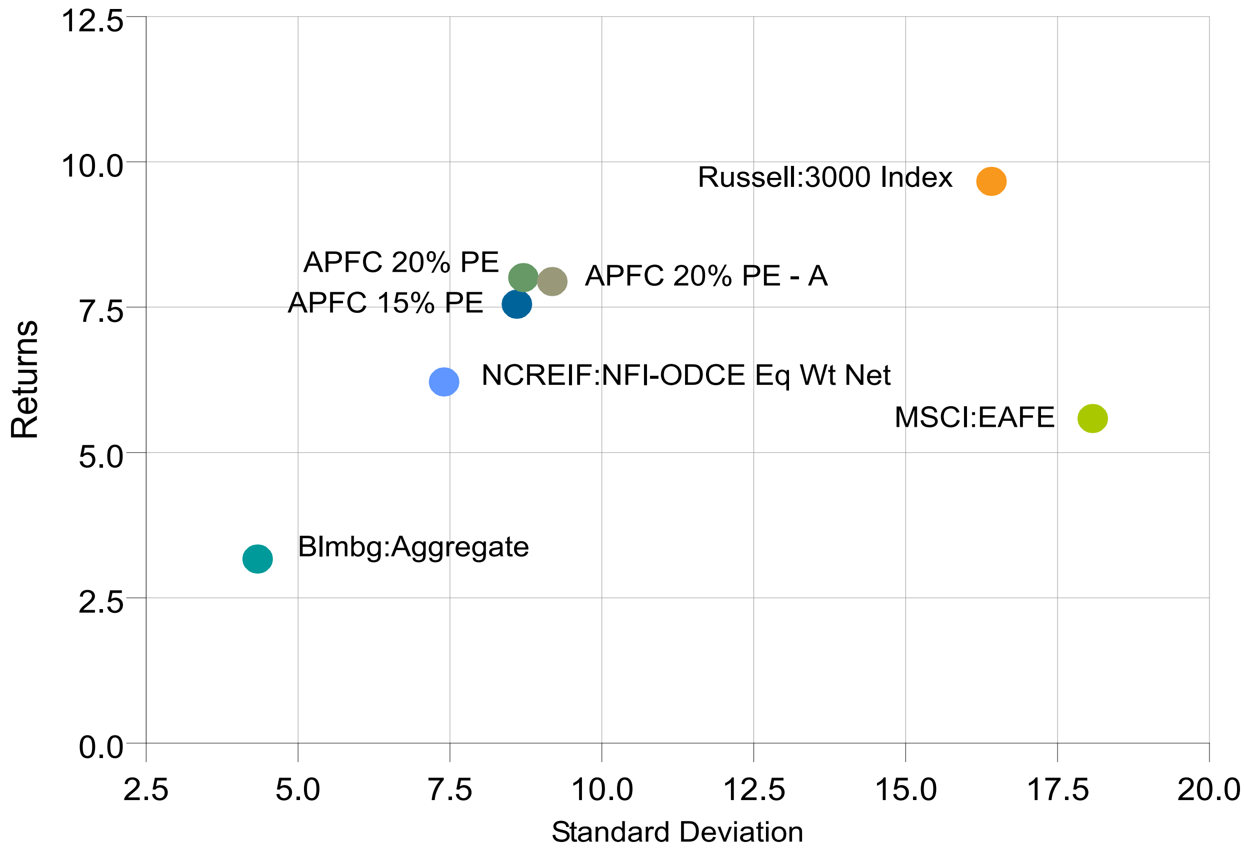


Historical Analysis – 20 Years

Annualized Return versus Standard Deviation

- Only one financial crisis in this period but it was a real estate driven one.
- 2009 was a terrible year for institutional real estate relative to most other asset classes.
- In spite of that they performed between stocks and bonds as expected.
- Funding from public markets slightly outperformed over this period with less risk.
- Difficult to do better than US equities.
- Non-US equities continue to struggle.

Returns vs Standard Deviation
for 20 Years Ended December 31, 2023

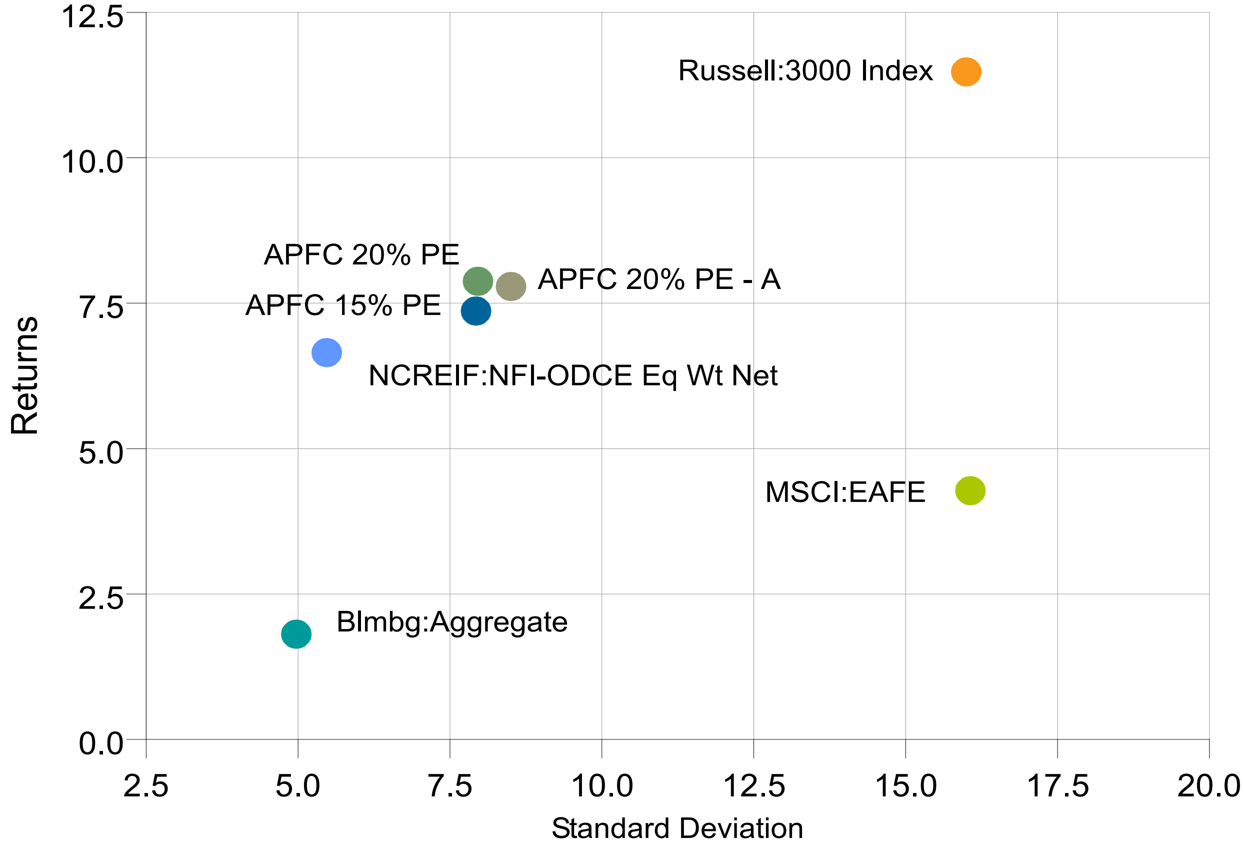


Historical Analysis – 10 Years

Annualized Return versus Standard Deviation

- No financial crises in this period.
- APFC target dots are tightly clustered (as in other charts).
- Increasing PE improves return.
- Funding from public markets would have been best approach but only by a hair.
- Real estate generated a return close to that of the target portfolios including 2023.

Returns vs Standard Deviation for 10 Years Ended December 31, 2023



Discussion

Open Microphone

- Microsoft Co-Pilot suggested image based on slide title.
- Going with it ;-)

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ALASKA PERMANENT FUND CORPORATION
801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

SUBJECT: Legislative Update

ACTION:

DATE: 4/22/2024

INFORMATION: X

An update on APFC's legislative initiatives, including:

- Securing resources based on the Board's approved FY25 budget.
- Monitoring and responding to legislative inquiries, legislation, and committee requests.

We are always open to receiving feedback and engaging in discussions with the Trustees on these important topics.

APFC ALASKA PERMANENT FUND CORPORATION
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SUBJECT: Legislative Update ACTION:

DATE: 4/22/2024 INFORMATION: X

The 33rd Alaska State Legislature's 2nd regular session: January 16 - May 15, 2024.

Legislative Objectives

- Pursue Board initiatives for corporate functionality
- Educate stakeholders to build the foundation for informed policy decisions
- Secure resources to maintain and optimize APFC's investment management capacity
- Monitor and respond to legislation that impacts the Fund and the Corporation

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Secure Resources: Budget Resources and Appropriations
Current Status: The House has passed HB 268, the FY25 Operating Budget, and the Senate Finance Committee is now slated for further deliberation on this appropriations bill.

Next Steps: A Conference Committee will address any differences between the House and Senate versions of the budget. Then, the appropriations bill passed by the Legislature will go to the Governor for review and signature.

Annual Merit Compensation

- While the work of APFC is acknowledged, appreciated, and relied upon throughout the Legislature, APFC's annual merit request has not been fully funded.
  - The House version proposes 3% and the Senate version 2%, whereas the Board requested a 6% annual merit increase.
  - This is a crucial part of APFC's yearly staff compensation request. While it is widely acknowledged as an investment in the staff who generate revenue, there are different opinions on the appropriate level of funding.
- It is recognized that annual merit compensation promotes employee engagement and longevity while helping to offset inflation.
- Likely to be a Conference Committee item.

Incentive Compensation

- There is widespread Legislative support for the effectiveness of the incentive compensation program. It is recognized for its ability to attract and retain talented professionals and motivate the APFC team to deliver optimal investment management and performance returns. It is important to note that the program pays out only if benchmarked performance is achieved, and the money lapses if performance falls short of the benchmarks.
  - The Senate version fully funds incentive compensation for Investments and Operations.
  - The House version fully funds the increment to establish incentive compensation for Operations; however, it reduces the 'total funding' level for Investments. The funding level for Investment incentive compensation brought forth in the House version is based on past payout actuals, a recognition that 'hitting it out of the park' for all asset classes is unlikely in the current year, and with the statement that if additional funding is needed to reward stellar outperformance, then an FY25 supplemental budget request should be brought forth.
- Likely to be a partial Conference Committee item.

Anchorage Office
Current House and Senate versions,

- Remove all FY25 funding associated with the Anchorage satellite office: lease, IT support, travel, and furniture,
- And include the following intent language -
    - *It is the intent of the legislature that the Alaska Permanent Fund Corporation will not establish or maintain new office locations without corresponding budget increments for that purpose. It is the further intent of the legislature that the Alaska Permanent Fund Corporation shall provide a report to the Finance Committee Co-chairs and the Legislative Finance Division by December 20, 2024, that details any actual expenditures to date related to the Anchorage office.*
- Not likely to be a Conference Committee item.

The Senate version,

- Further restricts funding and increases the Legislature's authority over the budget by bringing forth a structure of three appropriations for APFC:
    - APFC Juneau Office Operations
    - APFC Investment Management Fees
    - APFC Anchorage Office Operations
- Appropriations create statutory restrictions on the movement of money within the budget. Per AS 37.07.080(e), …*Transfers may not be made between appropriations* …
- Likely to be a Conference Committee item.

Travel

- Both the Senate and House versions remove $70k in travel associated with the Anchorage office, bringing total travel funding to $830,000. The Senate version reduces the FY24 base by an additional $200k, bringing the total base travel budget to $630,000.
- Travel enhances the effectiveness in managing and growing the Fund by ensuring informed decision-making, risk management, and strategic partnerships.
- Likely to be a Conference Committee item.

Other Budget Priorities
Both the Senate and House budget versions have included the following items, which should not be subject to a Conference Committee -

- Equipment: Data Center Relocation $150,000
- Strategic Plan: Financial Communications Support $150,000
- Investment Management & Custody Fees $2,800,000

HB 268/ SB 186 FY25 Operating Budget

APFC Operating Allocation Funding: PF Gross Rcpts	Governor Proposed	House Passed	Senate Subcommittee Recommended	Conference Committee
Incentive Compensation	All Staff 915,000	Ops Staff 445,000 Inv Staff, no increase in FY25 and a reduction of 300,000 to the FY24 base. This would bring base funding for Inv Staff Incentive Comp to 2.5 million. It is noted on the record that if performance indicates a need for additional funding, a supplemental appropriation would be supported.	All Staff 915,000	Likely
Merit Adjustments (salary & benefits)	920,000 Request at 6%	506,000 Funded at 3%	306,700 Funded at 2%	Likely
Travel: Nationwide/Statewide	100,000	30,000	30,000 And a reduction of 200,000 to FY24 base	Likely
Contractual: Facilities, Training, Support	56,100	0 And an additional reduction of $3,900 for a total of $60k reduction associated with the ANC office lease $35k and IT support$25k	0 And an additional reduction of $3,900 for a total of $60k reduction associated with the ANC office lease $35k and IT support$25k	-

Equipment: Data Center Relocation	150,000	150,000		-
Commodities: Furniture, Supplies	50,000	5,000		-
Financial Communications Support	150,000	150,000		-
Private Equity Position Build In House – not brought forth in Gov amend $382,000	-	-	-	-
APFC - Investment Management Fees Allocation Funding: PF Gross Rcpts	**Governor**	**House**	**Senate Subcommittee**	**Conference Committee**
Investment Management & Custody Fees	2,800,000	2,800,000	2,800,000	-
Appropriations To the Permanent Fund				
Constitutional Royalties to Principal, *estimated*	*$407,300,000*	*$407,300,000*	Pending SFIN CS for these language items	
Statutory Royalties to Principal, *estimated*	*$82,000,000*	*$82,000,000*	Pending	
FY25 Inflation Proofing to Principal, *estimated*	*$1,468,000,000*	*$0*	Pending	
Appropriations From the Permanent Fund				
FY25 POMV 5% Draw from the ERA	$3,657,263,378	$3,657,263,378	Pending	
Amerada Hess Earnings to Capital Income Fund, *estimated*	*$ 28,222,531*	*$ 28,222,531*	Pending	

A Note on Inflation Proofing

In recognition of the tensions under the two-account structure with draws going to support both the intergenerational mandate (inflation proofing) and current revenue needs (POMV), the Trustees have set forth the need for make-up appropriations should there be an inability to inflation-proof in times of diminished ERA values – Board Resolution 20-01.

Monitor and Respond to Legislation

An important aspect of our Legislative program includes monitoring and responding to proposed legislation. As the Fund has grown in significance – both in investment sophistication and annual revenue for the state – there is heightened interest in the Fund's structure and use and the Corporation's investment management responsibility.

Bills on the Move -

SJR 4 **– Constitutional Amendment – Appropriation Limit**
SB 20 **– Appropriation Limit; Gov Budget**
Companion to HJR 2/HB 38 that are in HFIN

Heard in SJUD on 3/12/2024, and anticipated to move out to SFIN

- Proposes a new appropriation limit, which bases its formula on a five-year trailing average of private sector economic performance, specifically, Real GDP minus government spending.
- Ties the state's spending limit to the success of our state's private economy.
- APFC has reviewed the bill and confirmed that the Fund's investment management costs are currently not covered under the list of exceptions. In talking with the sponsor, there is interest in ensuring that the costs for managing the Fund are included in the carved-out provisions. This is consistent with the sponsors' intent to carve out state-owned enterprises, and an amendment will be brought forth.

SB 107 **Permanent Fund Dividend POMV Split**
Passed the Senate 12Y 7N 1E on 5/1/2023
Passed H W&M on 5/11/2023
Was discharged from HFIN on 4/11/2024 by a House floor vote 37Y 3N

Now, in H Rules, the HW&M CS -

- Provides a conditional effect – if the legislature passes a resolution proposing an amendment to the Constitution requiring the payment of a dividend to eligible residents.
- Maintains the 5% POMV annual draw from the ERA.
- Repeals inflation proofing.
- Provides 50% of POMV to the dividend fund and provides the Legislature may appropriate an amount to the General Fund.
- Provides that total annual draws are not to exceed annual POMV distribution or balance of ERA.
- Effective Date: July 1, 2024

HJR 7 **– Constitutional Amendment – Permanent Fund Dividend**
Debated on House Floor 4/12/2024 – Failed to Pass the House Y22 N18

- Constitutionalizes the dedication of funds for the payment of a Permanent Fund Dividend.
- Constitutionalizes the Earnings Reserve Account.
- Requires the state to pay the annual Permanent Fund dividend according to a formula in Statute. The statutory formula is to be addressed in accompanying legislation.

Bills in Monitoring-Reviewing-Responding Status –

SB 260 AK Perm Fund Corp BD/AK Perm Fund Council
Introduced and scheduled for SFIN on 3/11/2024
Removed from schedule and hasn't been rescheduled

- The sponsor views this as a modernization effort, given the increasing complexity and sophistication of the Fund's investment portfolio.
- Changes composition, terms, and compensation for the Board of Trustees.
- Establishes a Council for forwarding Board nominees to the Governor for consideration.

SB184 Eliminate Daylight Savings Time
Moved out of SCRA 3DP 1NR on 3/13/2024
In Senate Rules

- Exempts Alaska from observing "advanced time" Daylight Savings Time.
    - Alaska would remain on Standard Time throughout the year.
    - Effective Date: November 4, 2024 (in accordance with the Uniform Time Act of 1966).
- APFC has reviewed this bill and notes it would increase the time displacement for APFC's investment teams from the financial markets, which could have potential impacts.

HCR 10 Permanent Fund Committee Uniform Rules
Introduced and Referred to House Rules on 2/20/2024

- Creates a Standing Committee of the Legislature with the jurisdiction of
    - Permanent Fund (all measures relating to the management of the Alaska Permanent Fund and the governance of the Alaska Permanent Fund Corporation).

HB 222 Permanent Fund Appropriations/Investments
Moved out of H RES (3DP 1DNP 3NR) on 3/4/2024
Referred to HFIN

- Directs the investment of Fund assets toward achieving a 25 percent ownership share of a natural gas pipeline originating on the North Slope.
- In doing so, the Prudent Investor Rule and diversification requirements of AS 37.13.120 are carved out and would not apply to this investment mandate.
- APFC staff is currently reviewing the bill; to better understand the possible implications of this legislation, additional details are needed regarding the scope, amount, and duration of the investment mandate.

HB 110 Transfer PFD Division to APFC
Moved from H Ways & Means 3/28/2024 3DP 3NR
Referred to HFIN

- The W&M CS moved from committee eliminates the transfer of the administration of the permanent fund dividend from the Department of Revenue to the Alaska Permanent Fund Corporation. Therefore, based on the new version, we do not anticipate any financial implications or other impacts to the Corporation.

HB 303 Retirement Plan and Perm Fund Investment Policy
In H Finance 1st Committee of Referral – has not been scheduled at this time

- Proposed as the Investment Protection Act, there are provisions that apply to ARMB and APFC.
- Requires the Board to act only on pecuniary factors.
- Modifies the current Prudent Investor Rule to adopt language similar to the Employment Retirement Income Security Act (ERISA) prudent investor standard. Also, modifies the current diversification requirements to align more closely with ERISA standards.
- Adds a new section to the investment responsibilities AS 37.13.120 to require all proxy shares to be voted based upon pecuniary interest and states that the Board may not rely on nor promote the benefit of nonpecuniary factors for investments.
- Amends the APFC publications statute AS 37.13.170 to require the Board to submit an annual report describing all investment relationships, including limited partner commitments, costs, annualized rate of return, and detailed information related to investment managers and consulting firms.
- APFC staff are reviewing the bill provisions and assessing the potential impacts on our investment management partnerships and, in turn, the Fund.

Other Bills in Monitoring Status –

- 1 Constitutional Amendment that brings forth a classic single fund endowment with a 5% POMV. HJR 9

- 1 Constitutional Amendment that includes a 5% POMV and guaranteed dividends. SJR 1

- 2 Constitutional Amendments guaranteed dividends w/Fund income. HJR 8, SJR 9

- 3 Constitutional Amendments calling for appropriations limits SJR 3, SJR 4, HJR 2

- 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, HB 266

- 1 bill that allows individuals to direct a portion of their dividend to the state General Fund or the Principal of the Permanent Fund. HB 45

- 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 from furthering social, political, or ideological interests with the sponsor's intent to ensure investment decisions are focused on maximizing returns. HB 174

- 1 bill that repeals the POMV distribution. HB 208

- 1 bill that eliminates the income distribution calculation in AS 37.13.140(a) and pays for PFDs based on royalties. HB 266

APFC ALASKA PERMANENT FUND CORPORATION

Board of Trustees Legislative Update

April 2024

Accountability

In short, the aim was insulation without isolation.

The Board of Trustees is the designated authority over APFC.

The Legislature retains oversight through the appropriation of APFC's Budget.

1980 –Establishing APFC
SB 161 Free Conference Committee

The free conference committee report addressed accountability through a management system for the Fund that

- would be protected from political influences,
- but at the same time, responsive to changes in state policy
- and accountable to the people through their elected officials.

Resources

Secure resources to maintain and optimize APFC's investment management capacity.

- Annual Merit Compensation
- Incentive Compensation
- Anchorage Office
- Travel
- Data Center Relocation
- Financial Communications Support
- Investment Management Fees

Recruit and **Retain** top talent

- ❖Merit/inflation salary adjustments
- ❖Fully funded incentive compensation
- ❖An Anchorage office to bolster staffing & talent opportunities

Ensure cutting-edge infrastructure for data and systems, including IT security and business continuity support

Maintain quality services pertaining to due diligence, reporting, communications, and office support

Resources

Annual Merit

- Imperative to consistently pay staff competitive compensation to both attract and retain loyal employees.
- Promotes employee engagement and longevity.
- Offsets inflation to foster financial stability.

Compensation is widely acknowledged as an investment in the staff who generate revenue for the State of Alaska.

An essential aspect of our program is maintaining a consistent and predictable system of annual merit compensation.

- The Board requested & Governor brought forth a 6% annual merit increase

- The House version provides 3%
- The Senate version provides 2%

Resources

Incentive Compensation

- Widespread Support
- Ability to attract and retain talented professionals in a competitive market
- Motivate and recognize the optimal management & performance
- Money lapses if the performance falls short

The Senate version,

- Fully funds incentive compensation for Investments & Operations.

The House version,

- Fully funds the increment to establish incentive compensation for Operations at $445,000;

- Reduces the ‘total funding’ request to a $2,500,000 base level for Investments.
  - This funding level for Investment incentive compensation is based on past payout actuals, with an acknowledgment that if additional funding is needed to reward full outperformance, then an FY25 supplemental request should be made.

Resources

Anchorage Office

What is the appropriation structure?

Appropriations create statutory restrictions on the movement of money.

AS 37.07.080(e)

…Transfers may not be made between appropriations …

The House and Senate versions,

- Remove all FY25 funding associated with the Anchorage satellite office: lease, IT support, travel, furniture, and include intent language.

The Senate version,

- Furthers the Legislature's authority over APFC's budget by bringing forth a structure of three appropriations:
  - APFC Juneau Office Operations
  - APFC Investment Management Fees
  - APFC Anchorage Office Operations

Resources

Ensure & Maintain

The Senate and House budget versions have included the following items –

- Data Center Relocation
- Financial Communications Support
- Investment Management & Custody Fees

Travel

The Senate and House versions,

- Remove $70k in travel associated with the Anchorage office, bringing total travel funding to $830,000.

The Senate version,

- Also reduces the FY24 base by $200k, bringing the total base travel budget to $630,000.

Legislation

Monitor and respond to legislation that impacts the Fund and the Corporation.

In the final weeks of the session, we don't anticipate much movement on the bills that we have been monitoring.

HB 72 PERMANENT FUND DIVIDEND; 75/25 POMV SPLIT
HB 90 PERMANENT FUND DIVIDEND; $1000 DIVIDEND
HB 110 PERM FUND; XFER DIVIDEND PROG TO APFC
HB 160 PERMANENT FUND CALCULATION
HB 174 STATE FUND FIDUC DUTY:SOCIAL/POL INTEREST
HB 208 PERMANENT FUND: INCOME
HB 222 PERMANENT FUND APPROPRIATIONS/INVESTMENTS
HB 266 PERMANENT FUND DIVIDEND; ROYALTIES
HCR 10 PERMANENT FUND COMMITTEE: UNIFORM RULES
HJR 2 CONST. AM: APPROP LIMIT
HJR 7 CONST AM: PERMANENT FUND DIVIDEND
HJR 8 CONST AM: GUARANTEE PERM FUND DIVIDEND
HJR 9 CONST AM: PERMANENT FUND; POMV;EARNINGS
SB 107 PERMANENT FUND DIVIDEND; POMV SPLIT
SB 184 ELIMINATE DAYLIGHT SAVINGS TIME
SB 260 AK PERM FUND CORP BD/AK PERM FUND COUNCIL
SJR 1 CONST AM: GUARANTEE PERM FUND DIVIDEND
SJR 3 CONST. AM: APPROP LIMIT
SJR 4 CONST. AM: APPROP LIMIT
SJR 9 CONST. AM: PERMANENT FUND, DIVIDENDS


APFC
Integrity - Stewardship - Passion