

News Release**For Immediate Release: May 30, 2025****Contact: Paulyn Swanson 907.796.1520 – pswanson@apfc.org****APFC Board Examines Asset Allocation, Approves Targeted Portfolio Adjustments**

Sitka, Alaska—The Board of Trustees of the Alaska Permanent Fund Corporation (APFC) held its quarterly meeting and the Ethics, Audit, & Cybersecurity Committee meeting in Sitka and via webinar on May 28 and 29. During the Board meeting, the Trustees reviewed the Fund's asset allocation study, approved the FY26 operating budget alongside Board Resolution 25-01, and advanced strategic shifts within the Real Estate portfolio, as well as the Public Equities and Fixed Income portfolios.

The APFC Board conducts one meeting a year in a rural or remote area to broaden public engagement and increase awareness of the Permanent Fund. The Board appreciated Senator Stedman's and Representative Himschoot's participation, reflecting the importance of legislative partnership in advancing stakeholder accountability and support for the proposed single-fund endowment constitutional amendment.

"We thank the community of Sitka for their hospitality, the local legislative delegation for their attendance, and the opportunity to present to the Sitka Assembly. By holding meetings in communities throughout our great state, we reaffirm our responsibility to be accountable and accessible stewards of Alaska's greatest financial resource," said Chair Jason Brune.

Performance

The Permanent Fund's total value was \$80.8 billion at the quarter's close, reflecting steady growth amid ongoing market complexity. As of March 31, 2025, the Fund returned 4.55% for the fiscal year, outperforming its performance benchmark by 29 basis points (bps), matching the passive benchmark, and trailing the Return Objective of 5.50%. Over the 5-year period, the Total Fund's performance delivered strong relative results at 10.49%. The Fund outperformed its three benchmarks: the passive index of 9.71%, the performance benchmark of 9.93%, and the Real Return Objective of 9.38%.

"Our focus has always been on building a resilient portfolio that performs over time, not chasing short-term trends or looking backwards with the benefit of hindsight," said Chief Investment Officer Marcus Frampton. "We are committed to a disciplined, forward-looking strategy designed to meet the needs of Alaskans."

APFC's Investment Consultant, Callan, reviewed the Fund's performance, offering insights into current market conditions, benchmark comparisons, and broader macroeconomic trends, noting that trailing quarter performance places the total Fund above median relative to large public funds and the large endowments/foundations peer group.

Investment Advisory Group

The Board values the Investment Advisory Group's (IAG) guidance, expertise, and its important role in supporting the Fund's long-term stewardship. The Board voted to appoint Janet Becker-Wold, CFA, to the IAG and appreciates the interest of all the candidates in response to the competitive state procurement. Britt Harris concluded his IAG service in May 2025, expressing appreciation and gratitude.

Chair Brune noted, "We are very grateful to Britt Harris for his service and contributions to the Board. And, we are excited to welcome Janet Becker-Wold to the IAG, whose expertise will support the Board's oversight and strengthen our commitment to informed, disciplined governance."

Risk & Compliance

Chief Risk & Compliance Officer Sebastian Vadakumcherry delivered a comprehensive Risk & Compliance overview. The report affirmed the Fund remains well within its approved risk tolerances, with key indicators showing healthy margins relative to established thresholds. The presentation also included an analysis of asset class contributions to risk, geographic and currency exposures, and compliance monitoring activity.

Private Income: Asset Class Overview

Ross Alexander, Senior Portfolio Manager, and Terek Rutherford, Associate, provided an update on APFC's Private Income portfolio, covering recent activity, performance, and thematic trends across Infrastructure and Private Credit. In line with the asset class's strategic direction, APFC continues to increase co-investment activity to capture higher returns and reduce fee burdens. Since its inception, the portfolio has generated more than \$5.4 billion, underscoring its role in delivering stable, enduring value.

Real Estate: Asset Class Strategic Updates

Allen Waldrop, APFC Deputy CIO of Private Markets, and Eric Ritchie, Senior Portfolio Manager, who now leads the Real Estate portfolio, provided an update on the asset class, highlighting its role in the Fund, drivers of recent performance, and strategic shifts to enhance long-term performance and resilience.

Annual Asset Allocation Review

In considering the portfolio's asset allocation, the Board and staff affirmed APFC's mandate to manage the portfolio for a maximum risk-adjusted return, while acknowledging the state of Alaska's dependence on an annual 5% market draw from the Fund's earnings under the current two-account structure.

After thoughtful review and discussion, the APFC Board of Trustees unanimously elected to maintain the existing asset allocation targets for the portfolio, citing continued uncertainty and volatility in global markets. Vice Chair Adam Crum and Trustees Ethan Schutt and Craig Richards were appointed to a working group to further explore a multi-year approach to asset allocation, recognizing the importance of purposeful planning in light of an evolving market environment.

The following asset allocation targets for FY26 were maintained by the Board of Trustees effective July 1, 2025:

- Public Equities 32% (no change)
- Fixed Income 20% (no change)
- Private Equity 18% (no change)
- Real Estate 11% (no change)
- Private Income 10% (no change)
- Absolute Return 7% (no change)
- Tactical Opportunities 1% (no change)
- Cash 1% (no change)
- TOTAL: 100%

While the Board is responsible for setting asset allocation, APFC staff are tasked with executing the Investment Policy to optimize risk-adjusted returns within established guidelines and make specific investments. The policy allows staff to respond to market conditions dynamically through allocation bands.

"The Board's direction to maintain the current asset allocation targets into FY26 continues to provide a strong strategic foundation for the Fund," said Frampton. "We are focused on executing with discipline and precision to meet our long-term return goals, and we believe the Fund is well-positioned to navigate a complex market environment."

Alongside the asset allocation discussion, the Board voted to affirm a staff proposal for a phased reduction in Tracking Error (TE) limits for both the Public Equities and Fixed Income asset classes – aiming to reduce high levels of volatility while maintaining flexibility to outperform. The plan reduces TE limits for the portfolios as follows:

- **Public Equities:** 350 to 200 bps (by Dec. 31, 2025) and then to 100 bps (by Dec. 31, 2026).
- **Fixed Income:** 250 to 150 bps (by Dec. 31, 2025) and then to 75 bps (by Dec. 31, 2026).

Additionally, the Board unanimously approved staff recommendations to expand the Real Estate asset class benchmark to 'Expanded NPI,' remove REITs from the benchmark, and adopt a 10% limit to REITs in the portfolio. The Board also directed staff to reduce exposure to direct real estate holdings by 50% over the next 5 years.

Updates will be effective as of July 1, 2025, and will be reflected in the Investment Policy.

Budget Review and Approval

The Board unanimously approved the FY26 proposed budget in alignment with its strategic plan initiatives and previously established guidance.

Trustees reaffirmed the importance of annual rules-based statutory inflation-proofing of the Permanent Fund's Principal and their position that the \$4 billion special appropriation in FY22 to the Principal cannot be retroactively labeled as such. The Board encouraged the Legislature to honor its commitment to annual inflation-proofing under the two-account structure, emphasizing the importance of consistent rules-based discipline for intergenerational equity. Trustees look forward to working further with the Legislature on this issue.

Ethics, Audit, & Cybersecurity Committee

The Ethics, Audit & Cybersecurity Committee reviewed the FY25 Audit Plan with KPMG and considered the internal operational risk assessment, reaffirming APFC's commitment to governance transparency, robust financial oversight, and strong internal controls. Chief Financial Officer Valerie Mertz and Senior Portfolio Accountant Jacki Mallinger presented the fiscal year-to-date financial performance updates, and Chief Risk & Compliance Officer Sebastian Vadakumcherry provided a detailed Internal Controls Review. The Committee also held an executive session for a cybersecurity update with Chief Information Technology Officer Scott Balovich, reinforcing the ongoing diligence to protect assets.

The next meeting of the Board of Trustees and Ethics, Audit & Cybersecurity Committee Meeting will be on September 2, 2025, virtually via Teams Webinar.

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About APFC

The Alaska Permanent Fund Corporation (APFC) manages the assets of the Alaska Permanent Fund, a globally recognized sovereign wealth fund. Established in 1976, the Fund preserves Alaska's nonrenewable mineral and oil wealth as a renewable financial resource for current and future generations of Alaskans. The Fund also serves as the primary source of revenue for Alaska's unrestricted general funds, supporting the state's economic stability and prosperity.

APFC is a quasi-independent state agency with one mission: to manage and invest the assets of the Alaska Permanent Fund and other funds designated by law. The Alaska Permanent Fund is the largest sovereign wealth fund in the U.S., with \$81.4 billion in assets as of April 30, 2025. For more information, visit apfc.org.