APFC ALASKA PERMANENT FUND CORPORATION

Board of Trustees

Ethics, Audit & Cybersecurity Committee Meeting

September 4, 2025

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

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Board of Trustees Ethics, Audit & Cybersecurity Committee Meeting
September 4, 2025
9:00 a.m. – 1:00 p.m.

VIRTUAL

Webinar Access (click here to join)
This will take you to a registration page and the link to join will be emailed to you. Due to a delay in receiving the email, please register in advance of the meeting to join on time.

Teleconference Option
Phone: 323-792-6284
Phone Conference ID: 374 412 992#

Written comments can be sent to Trustees anytime at
boardpubliccomment@apfc.org

AGENDA

THURSDAY, SEPTEMBER 4, 2025

9:00 a.m.	CALL TO ORDER
	ROLL CALL (Action)
	APPROVAL OF AGENDA (Action)
	APPROVAL OF MINUTES (Action) • Ethics, Audit & Cybersecurity Committee Meeting Minutes – May 28, 2025
	OPPORTUNITY FOR PUBLIC PARTICIPATION
9:15 a.m.	KPMG AUDIT REPORT (Information) Beth Stuart, Lead Audit Partner, KPMG Melissa Beedle, Audit Managing Director, KPMG
9:45 a.m.	EXECUTIVE SESSION – KPMG (Information) Discuss integrity of financial statements/controls
10:00 a.m.	DETAILED REVIEW OF FY25 YEAR-END FINANCIAL STATEMENTS (Information) Jacki Mallinger, Senior Portfolio Accountant II Valerie Mertz, Chief Financial Officer • FY25 Management's Discussion & Analysis • FY25 Financial Statements • FY25 Financial Statements Notes
10:30 a.m.	UPDATE ON LEGAL MATTERS (Information) Chris Poag, General Counsel
10:45 a.m.	*BREAK*

11:00 a.m.	CYBERSECURITY AUDIT (Action) Scott Balovich, Chief Information Technology Officer
11:45 a.m.	ETHICS OVERVIEW (Information) *Possible Executive Session* Shannon McCain, Director of Human Resources
12:45 a.m.	OTHER MATTERS / FUTURE AGENDA ITEMS / TRUSTEE COMMENTS
1:00 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.)

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SUBJECT: Approval of Minutes ACTION: X

DATE: September 4, 2025 INFORMATION:

BACKGROUND:

Staff reviewed the following Ethics, Audit & Cybersecurity Committee meeting summary minutes. Draft copies are attached for your approval.

- May 28, 2025 Ethics, Audit & Cybersecurity Committee Meeting

RECOMMENDATION:

The Chair of the Ethics, Audit & Cybersecurity Committee should ask whether any member has any questions or corrections regarding the minutes from the May 28, 2025 Ethics, Audit & Cybersecurity Committee Meeting. If there are not corrections, The Committee Chair should announce, “that there being no corrections the minutes are hereby approved”. A formal motion to approve the minutes is not required under §41 of Robert’s Rules of Order.

ALASKA PERMANENT FUND CORPORATION
BOARD OF TRUSTEES ETHICS, AUDIT & CYBERSECURITY COMMITTEE MEETING

May 28, 2025
01:00 PM.

Originating at:
Harrigan Centennial Hall, Raven Room
330 Harbor Drive, Sitka, Alaska

Trustees Present:

Ryan Anderson, Chair	Ethan Schutt
Adam Crum	Jason Brune

APFC Staff Present:

Val Mertz, CFO	Deven Mitchell, CEO
Chris Poag, Gen. Counsel	Paulyn Swanson
Sebastian Vadakumcherry	Jennifer Loesch
Larissa Murray	Scott Balovich
Joseph Jeralds	Norix Mangual
Alexander Smith	Juliette Alldredge
Shannon McCain	Damien Miller
Marisa McComas	Luke Kirkham
Lesley Creswell	Henry Lloyd
Ben Williams	Jacki Mallinger
Joe Shinn	Chris LaVallee
Cody Graves	

Investment Advisors:

George Zinn	John Skjervem

Presenter:

Beedle, Melissa, KPMG	Stuart, Beth, KPMG

Public:

Sophia Torres	Brenda Hentschel

EXECUTIVE SUMMARY

The Board of Trustees Ethics, Audit & Cybersecurity Committee convened for its first meeting under a revised charter to review key audit, financial, cybersecurity, and governance matters. KPMG presented the FY25 audit plan, identifying significant audit risks and detailing their approach to AI tools in financial oversight. Financial results for the first three quarters of FY25 showed strong income and balance sheet growth. The committee also reviewed operational risk controls and launched a new biannual cybersecurity audit protocol. Trustees underscored transparency, internal verification, and intergenerational equity as key governance values.

CALL TO ORDER

CHAIR RYAN ANDERSON called the meeting of the Board of Trustees Ethics, Audit & Cybersecurity Committee to order at **9:00 a.m.** He noted that this was the inaugural meeting under the committee's revised charter, approved on September 26, 2024.

ROLL CALL

A roll call was conducted by JENNIFER LOESCH.

Committee Members Present:

- CHAIR RYAN ANDERSON
- TRUSTEE JASON BRUNE
- TRUSTEE ADAM CRUM
- TRUSTEE ETHAN SCHUTT

A quorum was established.

APPROVAL OF AGENDA

Motion: Moved by Trustee E. Schutt to approve the agenda, as amended to remove the Ethics Act Disclosure Review item due to no new disclosures.
Second: Trustee J. Brune
Vote: Approved by unanimous consent.

APPROVAL OF MINUTES

Motion: Moved by Trustee E. Schutt to approve the minutes of the previous meeting as presented.
Second: Trustee A. Crum
Vote: Approved by unanimous consent.

PUBLIC COMMENT

Chair R. Anderson opened the floor for public comment. No members of the public offered remarks.

FY25 AUDIT PLAN: TEAM, RISKS, AND TECHNOLOGY INTEGRATION

Client Service Team and Audit Plan

MELISSA BEEDLE, Managing Director at KPMG, and BETH STUART, Lead Audit Engagement Partner, presented the FY25 audit strategy. M. Beedle highlighted the continuity of the client service team, noting that most members had prior engagement with APFC, thus ensuring institutional familiarity. She introduced JASON SPIEGEL as the new Quality Control Reviewing Partner, succeeding a recently retired predecessor.

B. Stuart outlined the audit scope, which includes rendering an opinion on APFC's financial statements and on the schedules of investments for the Alaska Mental Health Trust Authority and the Power Cost Equalization Fund. The timeline spans from March to September 2025.

Audit Scope and Significant Risks

B. Stuart identified two primary risk areas:

1. **Management Override of Controls –** A universal risk mandated by audit standards.
2. **Valuation of Private Investments –** Real estate and private equity valuations were deemed higher-risk due to their complexity, size, and inherent delays in reporting. KPMG will engage its specialized internal teams to address these challenges.

Committee Dialogue on Fraud Risk

In response to inquiries, committee members expressed a strong sense of confidence in the corporation's internal controls, citing robust financial transparency, consistency between quarterly and audited reports, and staff responsiveness. GEORGE ZINN, Investment Advisor, cautioned that third-party relationships may present latent vulnerabilities, calling them potential "blind spots." The discussion highlighted a shared governance focus on accountability and risk-awareness.

Use of Artificial Intelligence in Auditing

TRUSTEE A. CRUM asked about KPMG's use of artificial intelligence. B. Stuart explained that KPMG employs a proprietary, internal AI platform to review documents for compliance with professional standards and to ensure consistency. She emphasized that this AI tool is secure and not based on public platforms like ChatGPT, which reassured the board regarding data protection and audit integrity. Trustees welcomed this innovation as a demonstration of technological stewardship in audit quality.

FY25 FINANCIAL PERFORMANCE REVIEW

Key Financial Highlights

VALERIE MERTZ, Chief Financial Officer, reviewed APFC's financial performance through March 31, 2025:

- **Accounting Net Income:** $3.6 billion
- **Statutory Net Income:** $4.1 billion
- **Mineral Royalty Deposits:** $381 million

- **Total Fund Balance:** $80.8 billion (a $360 million increase over the prior fiscal year-end)

Fund Structure and Legislative Considerations

V. Mertz provided a detailed breakdown of the fund's composition:

- **Principal ($70.6 billion):** Comprising $58.7 billion in deposits and appropriations, and $11.9 billion in unrealized gains.
- **Earnings Reserve Account ($10.2 billion):** Including $3.8 billion committed for the FY26 POMV transfer, $1 billion for the FY25 inflation-proofing appropriation (pending legislative action), and $3.7 billion in unrestricted spendable earnings.

The committee discussed the implications of the legislature repealing the $1 billion inflation-proofing transfer, which would revert the funds to spendable earnings. V. Mertz further noted that reclassification of a previous $4 billion appropriation as a special (non-inflation-proofing) transfer could result in a projected deficit of $4.5 billion in inflation-proofing through FY26. Trustees emphasized that these actions raise critical concerns about long-term fiscal discipline and intergenerational equity.

ENTERPRISE RISK OVERSIGHT AND INTERNAL CONTROLS FRAMEWORK

Risk and Control Self-Assessment (RCSA) Framework

SEBASTIAN VADAKUMCHERRY, Chief Risk and Compliance Officer, introduced the corporation's operational risk framework, emphasizing that operational risks can be managed but not fully eliminated. The RCSA process allows for systematic identification and mitigation of such risks.

The Finance Department was the first to complete its RCSA, analyzing 45 financial functions. The review concluded that existing controls were adequate, with all residual risk scores falling within the corporation's acceptable risk appetite.

Future RCSA cycles will focus on **Investment Operations** and **Information Technology** functions. TRUSTEE A. CRUM praised the RCSA framework as a lean and effective internal audit mechanism that enhances oversight without necessitating a separate audit department. He emphasized that the model supports verification and transparency without additional bureaucracy.

CYBERSECURITY REVIEW PROTOCOL AND EXECUTIVE SESSION

Audit-like Vendor Oversight Model

SCOTT BALOVICH, Director of Information Technology, announced a new protocol for biannual cybersecurity reviews, modeled after financial audits. An internal committee will issue an RFP, select a vendor, and bring recommendations to the board for approval. The selected vendor will report directly to the board, ensuring independence and transparency. Trustees welcomed the approach as a demonstration of proactive risk governance.

Executive Session

Motion: Moved by CHRIS POAG to enter executive session to discuss the cybersecurity audit plan, as premature disclosure could negatively affect the state's financial position.
Second: Trustee A. Crum
Vote: Unanimous approval.

Upon return to public session, Chair R. Anderson stated that the executive session remained confined to the stated topic and no actions were taken.

COMMITTEE SELF-ASSESSMENT

V. Mertz presented the committee's annual self-assessment form, per charter requirements. TRUSTEE E. SCHUTT proposed allowing members additional time for completion and deferring the full assessment discussion until the September meeting. The committee supported this approach.

ADJOURNMENT

Trustees delivered closing remarks, expressing appreciation for staff contributions and the improved clarity afforded by the revised committee charter.

Motion: Moved by Trustee E. Schutt to adjourn.
Second: Trustee A. Crum
Vote: Approved by unanimous consent.

Adjournment Time: 11:42 a.m.

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SUBJECT:	Report of Annual Audit	ACTION:	____________
DATE:	September 4, 2025	INFORMATION:	X

BACKGROUND:

The charter for the Ethics, Audit, and Cybersecurity Committee requires the committee to review the annual audited financial statements prior to filing or distribution of the final report.

STATUS:

The financial audit for fiscal year 2025 will be completed by KPMG with a report date of September 4th following the committee's review. Beth Stuart, Office Managing Partner, and Melissa Beedle, Managing Director, will present a summary of the audit results. A copy of the presentation is included here.

Alaska Permanent Fund Corporation

Discussion with those charged with governance

Audit results and strategy for the year ending June 30, 2025

September 4, 2025

Audit results required communications and other matters

Matters to communicate		Response
Significant unusual transactions	--	
Uncorrected audit misstatements	✓	Page 7
Corrected audit misstatements	--	
Financial statement presentation and disclosure omissions	--	
Non-GAAP policies and practices	--	
Auditors’ report	--	
Changes to our risk assessment and planned audit strategy	--	
Significant accounting policies and practices	✓	Page 4
Significant accounting estimates	✓	Pages 4 to 5
Significant financial statement disclosures	✓	Page 4

Matters to communicate		Response
Related parties	--	
Going concern	--	
Other information	✓	Page 8
Subsequent events	--	
Noncompliance with laws and regulations	--	
Significant difficulties encountered during the audit	--	
Significant findings or issues discussed, or the subject of correspondence with management	--	
Management’s consultation with other accountants	--	
Disagreements with management	--	
Other significant matters	--	

✓ = Matters to report -- = No matters to report

Audit results required communications and other matters

Matters to communicate	
Consultations	There were no difficult or contentious matters for which the auditor consulted outside the engagement team that are relevant to the audit committee's oversight of the financial reporting process.
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in system of internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letter, management representation letters, including summary of uncorrected misstatements, internal control deficiency letter, and minutes representation letter to be distributed under separate covers.
Independence	See page 9

Significant disclosures, accounting policies and practices

Description of significant disclosures, accounting policies and practices	Audit findings
Financial statement disclosures are attached to the financial statements for the Fund and describe the related policies and supplementary detail into the amounts included on the statements. The significant accounting policies are described in note 2 to the financial statements	There have been no changes to the disclosures, accounting policies and practices used by the entity during FY2025.

Significant accounting estimates

Description of significant accounting estimates

Valuation of directly owned real estate investments

Audit findings

Management's process used to develop the estimates

- Management uses a third party to manage the appraisals of the directly held real estate assets. Each property is valued quarterly by third-party advisors and annually through an appraisal performed by a third party.

Significant assumptions used that have a high degree of subjectivity

- Assumptions used in the determination of the valuation that have a degree of subjectivity include management estimates related to market rent growth rate, vacancy rates, downtime, discount rate, replacement cost new, renewal probability and terminal capitalization rates.

Indicators of possible management bias

- The were no indicators of possible management bias identified during our audit of this estimate.

Qualitative aspects

- No changes in methods in the current year

Conclusions

- We involved our valuation specialist team to review certain of the properties and their third-party appraisals for consistency and reasonableness with national standards and assumptions.
- We performed substantive tests of details over this estimate and determined that the methods used by management and the valuations recorded by management are reasonable.

Significant accounting estimates, continued

Description of significant accounting estimates

- Valuation of private investments

Audit findings

Management’s process used to develop the estimates

- Management receives periodic capital statements from external fund managers. These capital statements are the starting point to estimate fair value of each private investment and are adjusted for any contributions or distributions made during the period and any other factors management believes impact fair value.

Significant assumptions used that have a high degree of subjectivity

- None

Indicators of possible management bias

- The were no indicators of possible management bias identified during our audit of this estimate.

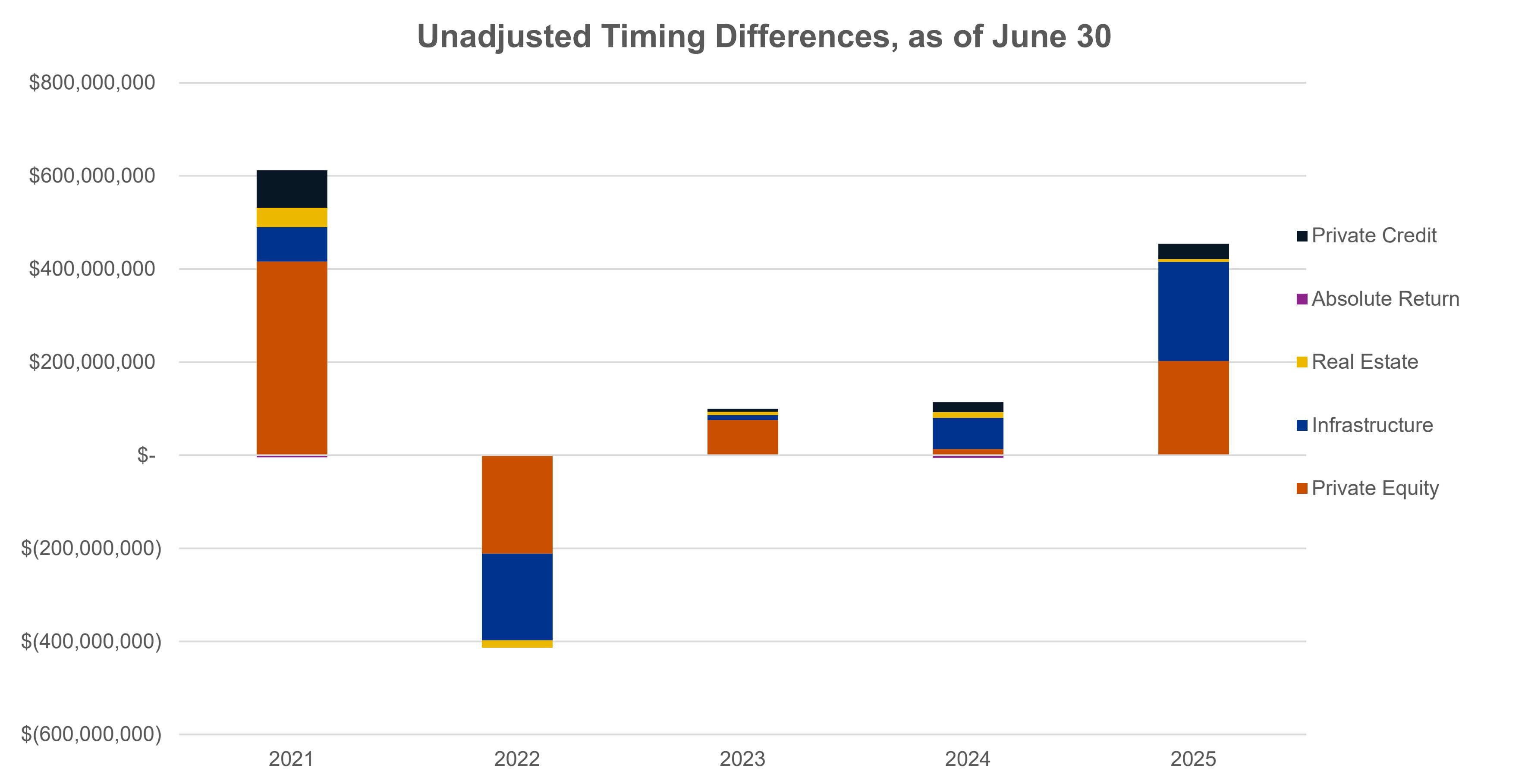
Qualitative aspects

- No changes in methods in the current year

Conclusions

- We performed substantive tests of details over this estimate and determined that the methods used by management and the valuations recorded by management are reasonable.

Uncorrected audit misstatements



Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Other information

Other information	Procedures performed
Annual Report	We will obtain a draft of the annual report when it is available and will review it for consistency with the audited financial statement. If we identify any material inconsistencies from the audited financial statements or material misstatements of facts, we will request management to revise the document prior to its publication.

KPMG

Independence communications

The following are circumstances or relationships that, in our professional judgment, may reasonably be thought to bear on independence, and to which we gave significant consideration, in reaching the conclusion that independence has not been impaired.

Relationship	Description of relationship and relevant safeguards, if applicable
Financial Statement preparation assistance	Assistance with proforma financial statements, word processing, and drafting of the financial statements

Affirmation of independence

We hereby affirm that as of September 4, 2025, the engagement team and others in the firm as appropriate, the firm and its affiliated firms, have complied with relevant ethical requirements regarding independence.

KPMG

On the 2026 board agenda

Issues for boards to keep in mind as they carry out their 2026 agendas

- Maintain focus on how management is preparing to address risks and opportunities related to geopolitical and economic shifts and global disruption.
- Model and assess what the new administration's policy initiatives might mean for the company's strategy in 2025 and beyond.
- Understand the company's generative AI (GenAI) strategy and related risks, and closely monitor the governance structure around the company's deployment and use of technology.
- Probe whether the company's data governance and cybersecurity governance frameworks and processes are keeping pace with the growth and sophistication of data-related risks.
- Keep environmental and social issues, including climate risk, embedded in risk and strategy discussions, and monitor management's preparations for new US, state, and global sustainability reporting requirements.
- Maintain focus on CEO succession and talent development.
- Help set the tone, monitor the culture, and keep abreast of management's efforts to build stakeholder trust and protect the company's reputation.
- Revisit board and committee risk oversight responsibilities and the allocation of issues among committees, including whether the existing committee structure is still fit for purpose.
- Think strategically about the company's future needs and reconsider whether and how the board's composition and succession planning process address them.

KPMG Board Leadership Center: On the 2025 board agenda

AI-driven financial reporting and auditing revolution

Insights from KPMG's AI in Financial Reporting and the Audit Survey

97% of financial reporting leaders intend to use or pilot Gen AI over the next three years.

83% of financial reporting leaders say it is important that external auditors use AI in their analysis.

Key AI benefits focus on real-time insights, ability to predict trends and impacts, increased data accuracy and reliability, and better data-enabled decisions.

Desire for auditors to use AI for risk and anomaly identification, data analysis and quality management, and risk mitigation and internal controls.

Expected AI and Gen AI benefits come with risks. Leaders focus on ethical use of Gen AI, setting up policies and governance, and early Board involvement.

Effective practices include regular monitoring, training, ethical frameworks, and human oversight.

KPMG has developed a trusted AI approach centered around using AI responsibly and ethically.

Values-driven | Human-centric | Trustworthy

Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

This presentation to those charged with governance is intended solely for the information and use of those charged with governance and management and is not intended to be and should not be used by anyone other than these specified parties. This presentation is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

Learn about us: **kpmg.com**

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SUBJECT: Review of Year-End Financial Statements ACTION:___________

DATE: September 4, 2025 INFORMATION:_____X_____

BACKGROUND:

The corporate governance manual requires the Audit Committee to review the annual audited financial statements prior to filing or distribution of the final report.

STATUS:

The financial audit for fiscal year 2025 will be completed by KPMG with a report date of September 4th. The reports were still being finalized at the packet deadline. A draft of management's discussion and analysis, the financial statements and the footnotes are included here. Significant changes, if any, will be highlighted during the presentation of FY2025 year-end results.

APFC

ALASKA PERMANENT FUND CORPORATION

FY25 Year End Financial Statement Review

September 4, 2025

Key Takeaways

as of June 30th

- Accounting net income: **$7.8B**
- Statutory net income: **$5.9B**
- Mineral revenues deposited to corpus: **$489M**
- POMV transfers to General Fund: **$3.7B**
- Total return: **9.35%**

Total Assets
(millions)

	FY25 as of 6/30	**FY24** as of 6/30
Cash	$3,797.3	$3,204.3
Receivables	689.9	461.7
Investments	81,553.5	77,768.5
Total assets	**$86,040.7**	**$81,434.5**

Investments

(millions)

Fair value	FY25 as of 6/30	FY24 as of 6/30
Marketable debt securities	$15,987.5	$14,075.9
Preferred and common stock	28,373.0	27,285.7
Real estate	9,292.0	9,344.1
Absolute return	5,836.8	5,591.3
Private credit	2,760.8	2,774.9
Private equity	14,875.2	14,761.6
Infrastructure	4,428.2	3,935.0
Total investments	**$81,553.5**	**$77,768.5**

Unrealized Gains (Losses)

(millions)

ASSET CLASS	FY25 as of 6/30	FY24 as of 6/30	FY23 as of 6/30
Marketable debt securities	$(169.2)	$(619.3)	$(847.8)
Preferred and common stock	5,600.7	4,945.4	3,098.6
Real estate	1,873.2	1,512.1	2,170.3
Absolute return	2,031.2	1,718.6	1,338.3
Private credit	361.3	372.8	333.7
Private equity	4,904.2	4,941.9	5,687.8
Infrastructure	1,453.1	1,184.0	1,047.7
Derivatives & Currency	(40.7)	18.4	(3.4)
Total unrealized gains	**$16,013.8**	**$14,073.9**	**$12,825.2**

Liabilities

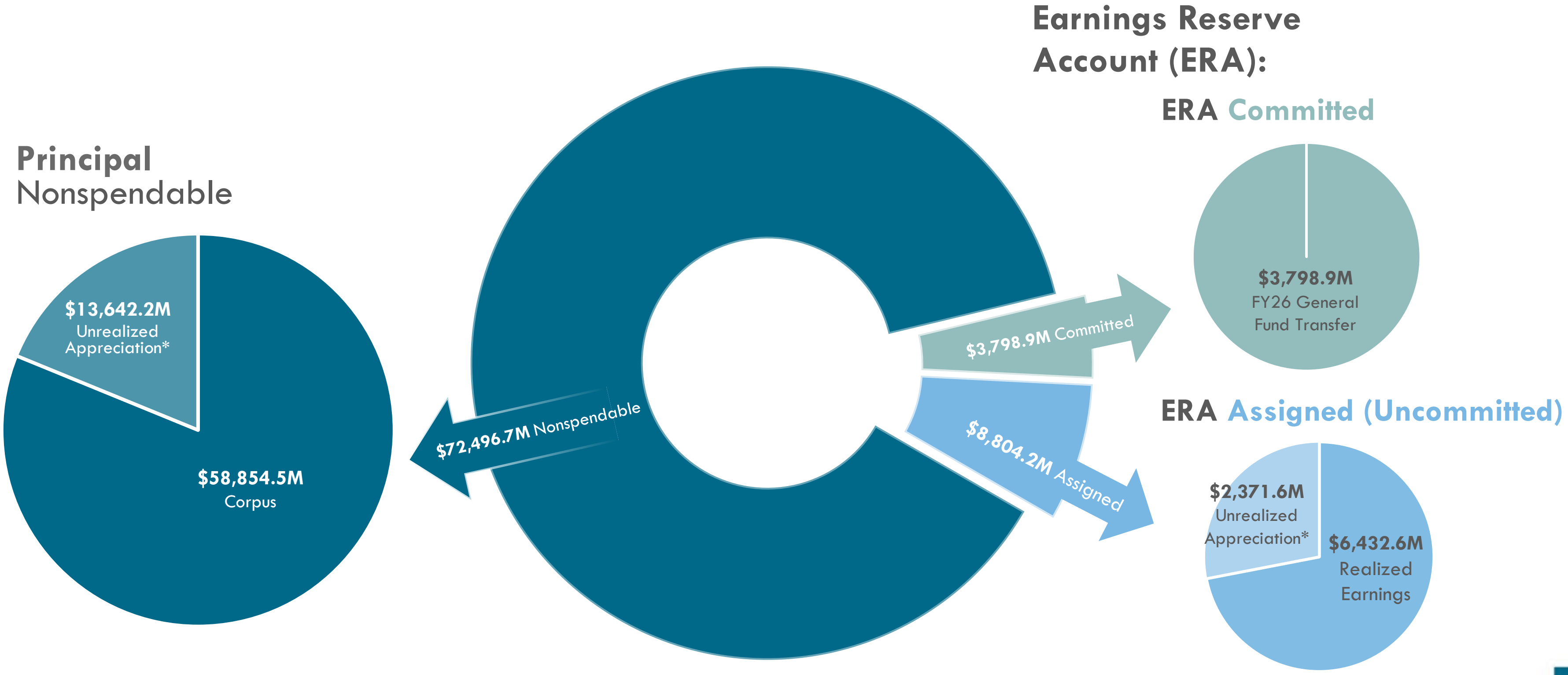
(millions)

	FY25 as of 6/30	FY24 as of 6/30
Accounts payable	$909.6	$948.1
Income distributable	31.3	23.6
Total liabilities	**$940.9**	**$971.7**

Fund Balances
(millions)

	FY25 as of 6/30	FY24 as of 6/30	FY23 as of 6/30
Nonspendable	$72,496.7	$70,739.0	$67,520.7
Committed	3,798.9	3,657.3	3,526.1
Assigned	8,804.2	6,066.5	6,965.1
Total fund balances	$85,099.8	$80,462.8	$78,011.9
Total liabilities and fund balances	**$86,040.7**	**$81,434.5**	**$79,290.4**

Alaska Permanent Fund **Structure**

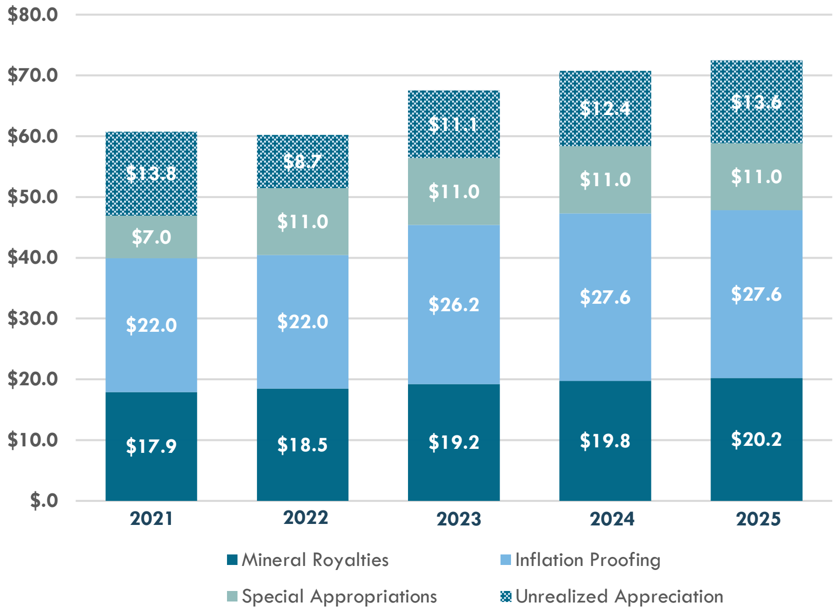


*Unrealized appreciation on invested assets is allocated proportionately between Principal and ERA

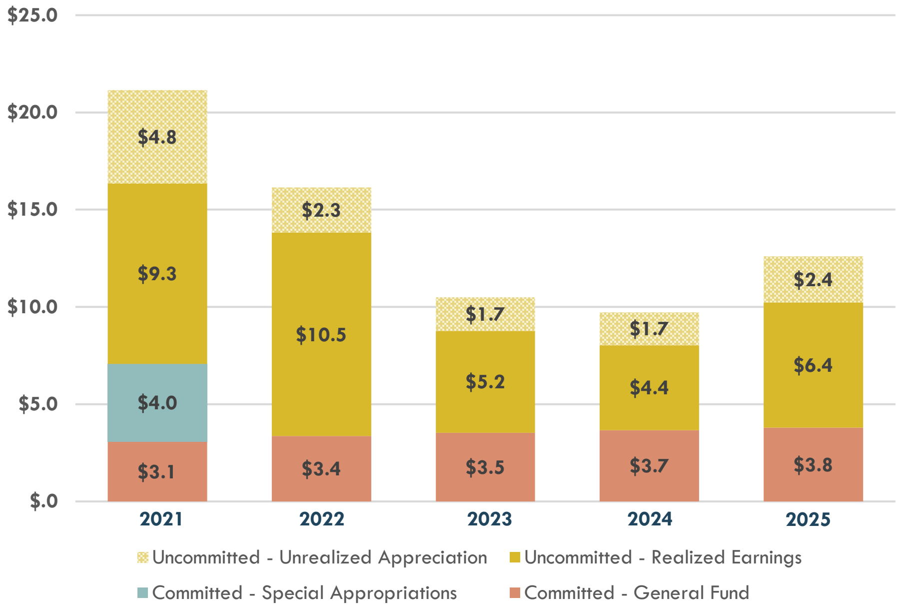
Alaska Permanent Fund: Principal and ERA

FY21-FY25 (billions)

Principal



Earnings Reserve Account (ERA)



Inflation Proofing FY16 – FY25

(millions)

Fiscal Year	Per Statute	Amount Appropriated	Surplus/ (Deficit)
2016	$47.3	$-	$(47.3)
2017	501.6	-	(501.6)
2018	855.6	-	(855.6)
2019	989.5	989.5	-
2020	757.7	4,757.7	4,000
2021	577.3	-	(577.3)
2022	2,419.5	-	(2,419.5)
2023	4,179.3	4,179.3	-
2024	2,346.6	1,413.0	(933.6)
2025	1,736.2	-	(1,736.2)
Total	**$14,410.6**	**$11,339.5**	**$(3,071.1)**

Revenues

(millions)

	FY25	FY24
Interest	$677.3	$585.2
Dividends	617.7	612.0
Real estate and other income	702.0	462.0
Total interest, dividends & other income	$1,997.0	$1,659.2
Total increase (decrease) in fair value of investments	6,002.9	3,965.4
Total revenues	**$7,999.9**	**$5,624.6**

Net Change in Investments Value

(in millions)

Asset Class	FY25	FY24
Marketable debt securities	$505.2	$124.8
Preferred and common stock	3,963.4	3,808.0
Real estate	45.0	(603.3)
Absolute return	432.7	543.1
Private credit	56.3	62.1
Private equity	785.3	35.4
Infrastructure	544.3	193.8
Derivatives & currency	(329.3)	(198.5)
Total net increase (decrease)	**$6,002.9**	**$3,965.4**

Expenditures
(millions)

	FY25	FY24
Operating expenditures	$(152.6)	$(146.9)
Other legislative appropriations	(10.4)	(9.8)
Total expenditures	$(163.0)	$(156.7)
Excess (deficiency) of revenues over expenditures	**$7,836.9**	**$5,467.9**

Statutory Net Income
(millions)

	FY25	FY24
Accounting (GAAP) net income	$7,836.9	$5,467.9
Unrealized (gains) losses	(1,939.8)	(1,248.8)
ACIF realized income	(31.3)	(23.6)
Statutory net income	**$5,865.8**	**$4,195.5**

Realized Earnings by Asset Class (millions)

Asset Class	FY25	FY24
Marketable debt securities	$738.3	$486.2
Preferred and common stock	3,925.4	2,661.3
Real estate	23.6	285.9
Absolute return	121.1	166.0
Private credit	227.7	123.1
Private equity	970.6	766.2
Infrastructure	297.8	83.3
Derivatives & currency	(270.8)	(220.1)
Other	26.5	24.1
Total	**$6,060.2**	**$4,376.0**

Changes in Fund Balances

(millions)

Other financing sources (uses)	FY25	FY24
Transfers in	$488.7	$532.6
Transfers out	(3,688.6)	(3,549.6)
Net change in fund balances	$4,637.0	$2,450.9
Beginning of period	$80,462.8	$78,011.9
End of period	$85,099.8	$80,462.8

Components of Change

↑	Accounting Net Income	$7.8 billion
↑	Mineral Deposits	$.5 billion
↓	POMV Transfer	$3.7 billion
↑	**Net Change**	**$4.6 billion**

APFC

ALASKA PERMANENT
FUND CORPORATION

Management's Discussion and Analysis

The Alaska Permanent Fund Corporation ("APFC") management is pleased to provide this Management's Discussion and Analysis ("MD&A") of the financial activities of the Alaska Permanent Fund ("Fund" or "Permanent Fund") for the fiscal years ended June 30, 2025 and June 30, 2024. This narrative is intended to provide management's insight into the results of operations from the past two fiscal years and highlight specific factors that contributed to those results. The MD&A is comprised of three sections: financial highlights, discussion regarding use of the financial statements, and analysis of the financial statements; these sections should be reviewed together with the financial statements and related notes that follow it.

Financial Highlights

The volatility in public markets experienced in the prior two fiscal years continued through June 30, 2025. The Fund ended the fiscal year ("FY") at a total return of 9.35 percent. This represents a significant increase from the total return for FY2024 of 7.90 percent and is much higher than the median projection of 5.40 percent. The Fund outperformed the performance benchmark by six basis points in FY2025 and 159 basis points in FY2024.

FY2025's excess of revenues over expenditures (net income) was $7.8 billion. As with total return, this is a significant increase from the net income of $5.5 billion and $4.3 billion experienced in FY2024 and FY2023, respectively.

During FY2018, legislation was passed which, subject to appropriation, provides for a transfer from the Earnings Reserve Account to the General Fund to help balance the State's budget. The amount of the transfer is based upon a percentage of the average market value of the Fund at the end of the first five of the preceding six fiscal years. The funding for the Alaska Permanent Fund dividend is then transferred from the General Fund. The June 30, 2025 balance sheet reflects a $3.8 billion commitment of fund balance for the appropriation to be transferred to the General Fund in FY2026. The June 30, 2024 balance sheet reflects a $3.7 billion commitment of fund balance for the appropriation that was transferred to the General Fund in FY2025.

The portion of dedicated State of Alaska revenues deposited into the principal (or "corpus") of the Fund is based on mineral prices and production. In FY2025, this amount came in at $489 million. Deposits recorded in FY2024 were $533 million.

Inflation proofing of the Fund's corpus is outlined in Alaska Statute and, like the transfer to the General Fund, is subject to appropriation. In FY2025, the statutory inflation rate was 2.95 percent, which resulted in a statutory transfer amount of $1.7 billion; however, no transfer occurred due to the lack of appropriation. In FY2024, the statutory inflation rate was 4.12 percent, which resulted in a transfer amount of $2.3 billion. The FY2024 appropriation capped this transfer at $1.4 billion. There were no appropriations for inflation proofing for FY2016-FY2018, FY2021, FY2022, and FY2025. If appropriated, the transfers for all six years would have totaled $6.1 billion.

Using the Financial Statements

This section of the MD&A aims to introduce the Fund's required financial statement components, which include Balance Sheets; Statements of Revenues, Expenditures and Changes in Fund Balances; and Notes to the Financial Statements.

Balance Sheets

The Balance Sheets present all assets, liabilities, and fund balances of the Fund as of June 30, 2025 as well as the prior fiscal year's ending balances at June 30, 2024.

Assets are grouped into broad categories for ease of readability and analysis. Receivables include cash not yet received from the sale of investments, as well as dividends and interest receivable from stock and bond holdings. Investments are broken out by traditional asset class and are shown at market value. The securities lending cash collateral represents cash received from the borrower on loans of securities that is returned to the borrower once the loan is terminated without default and is shown as an asset.

Liabilities on the Balance Sheets primarily consist of obligations for investments purchased but not yet settled (shown in the accounts payable grouping), the amount payable to the State of Alaska for the Alaska Capital Income Fund (ACIF), and the securities lending cash collateral that is returned to borrowers of the Fund's stocks and bonds when the borrowers return those loaned assets to the Fund.

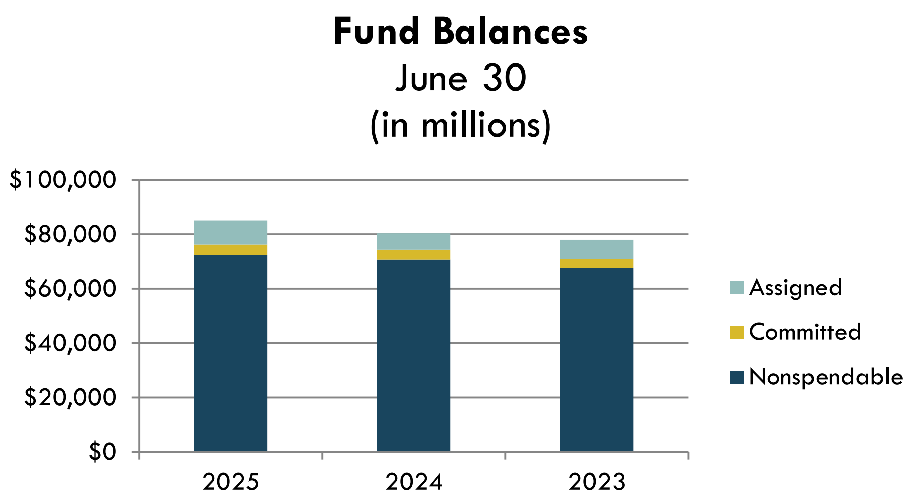
In the graph set forth below, fund balances are shown in three categories: nonspendable, committed, and assigned.

The largest category is nonspendable (85 percent as of June 30, 2025), which is not available for government appropriation by the State of Alaska.

Committed fund balance (4 percent as of June 30, 2025) represents amounts that have been signed into law before the end of the fiscal year for transfer to another account or for another purpose during the subsequent fiscal year. In both years, this includes the legislation, which took effect at the beginning of FY2019, that provides for a Percent of Market Value transfer from the Earnings Reserve Account to the General Fund.

The remaining balance (the assigned fund balance) is available for government appropriation. The assigned fund balance increased by 45 percent from FY2024 to FY2025, from $6.1 billion to $8.8 billion. Generally, five factors contribute significantly to changes in the assigned fund balance: investment cash flow income including transactional realized gains and losses (statutory net income); the State of Alaska General Fund transfer; inflation proofing (a transfer of assets from the assigned to the nonspendable fund balance); special appropriations out of the Earnings Reserve Account; and the change in unrealized gains and losses allocated to the assigned fund balance. During FY2025, the amounts contributing to the net increase of approximately $2.7 billion in the assigned fund balance were:

(i) realized income of $5.9 billion
(ii) the commitment of $3.8 billion for transfer to the General Fund
(iii) the liability to the Alaska Capital Income Fund of $31 million and
(iv) the allocation of a portion of unrealized gains and losses, which increased from FY2024 to FY2025 by $671 million, to a balance of $2.4 billion.



Statements of Revenues, Expenditures and Changes in Fund Balances

The Statements of Revenues, Expenditures and Changes in Fund Balances present the financial activity of the Fund over the 12 months in FY2025 and FY2024.

Revenues are shown in two sections on the statement, separating cash receipts of various investment holdings such as interest, dividends, and real estate rental income, from the change in value of investment holdings. The first section of the revenues also includes miscellaneous income such as class action litigation proceeds and securities lending income. The second section of revenues ("Net increase (decrease) in the fair value of investments") includes both realized and unrealized gains and losses on investments. Realized gains and losses are produced only through the sale of investments, while unrealized gains and losses are the result of changes in the fair value of investments without the sale of those investments. Realized and unrealized gains and losses are summarized by asset class to match the groupings on the Balance Sheets and represent the total net increase or decrease for the year in each asset category.

To derive the total net change in fund balances from the prior year to the current year, the Statements of Revenues, Expenditures and Changes in Fund Balances also include the Fund's expenditures and other sources and uses of funds. Operating expenditures include fees paid to external investment managers, salaries of APFC employees, and other routine operating costs such as rent, travel, and legal fees. Other legislative appropriations made through the State's annual budget process are obligations for support services received from other State of Alaska departments.

Dedicated State revenues transferred into the principal are based on a percentage of mineral revenues that the State receives. Transfers out of the Fund are the Percent of Market Value transfers to the General Fund and the annual deposit to the ACIF.

Notes to the Financial Statements

The Notes to the Financial Statements are an essential element to fully understanding all financial aspects of the Fund and to interpreting the major components of the financial statements. The Notes to the Financial Statements can be found immediately following the Statements of Revenues, Expenditures and Changes in Fund Balances.

Financial Statement Analysis

This section of the MD&A is intended to provide an analysis of past fiscal years' activities and specific contributors to changes in the net assets of the Fund. The fund balance serves to provide a gauge of the financial strength of the Fund. While assets of the Fund exceeded liabilities each year by double digit ratios, the nonspendable fund balance is unavailable for appropriation. The table set forth below was derived from the Balance Sheets of the Fund and provides a comparison of the change between balances at June 30, 2025 and 2024.

	June 30,			
Balance Sheets	**2025**	**2024**	**Net change**	**Percent**
Assets				
Cash and temporary investments	$ **3,797,281,000**	3,204,263,000	593,018,000	19%
Receivables and other assets	**689,898,000**	461,655,000	228,243,000	49%
Investments	**81,553,590,000**	77,768,522,000	3,785,068,000	5%
Securities lending collateral	**4,016,702,000**	3,648,891,000	367,811,000	10%
Total assets	$ **90,057,471,000**	85,083,331,000	4,974,140,000	6%
Liabilities				
Accounts payable	**909,571,000**	948,118,000	(38,547,000)	(4)%
Income distributable to the State of Alaska	**31,327,000**	23,553,000	7,774,000	33%
Securities lending collateral	**4,016,702,000**	3,648,891,000	367,811,000	10%
Total liabilities	$ **4,957,600,000**	4,620,562,000	337,038,000	7%
Fund balances				
Nonspendable:				
Permanent Fund corpus contributions and appropriations	**58,854,517,000**	58,365,794,000	488,723,000	1%
Unrealized appreciation on invested assets	**13,642,208,000**	12,373,182,000	1,269,026,000	10%
Total nonspendable	**72,496,725,000**	70,738,976,000	1,757,749,000	2%
Committed:				
General Fund appropriation	**3,798,888,000**	3,657,263,000	141,625,000	4%
Total committed	**3,798,888,000**	3,657,263,000	141,625,000	4%
Assigned for future appropriations:				
Realized earnings	**6,432,637,000**	4,365,710,000	2,066,927,000	47%
Unrealized appreciation on invested assets	**2,371,621,000**	1,700,820,000	670,801,000	39%
Total assigned	**8,804,258,000**	6,066,530,000	2,737,728,000	45%
Total fund balances	$ **85,099,871,000**	80,462,769,000	4,637,102,000	6%
Total liabilities and fund balances	**90,057,471,000**	85,083,331,000	4,974,140,000	6%

The value of the Fund's assets, excluding securities lending collateral, increased by $4.6 billion between June 30, 2025 and June 30, 2024. The value of the Fund's assets is most significantly impacted by investment performance. Comparative performance for each asset class is shown below:

	FY2025	**FY2024**
Public equities	**16.09%**	16.06%
Fixed income	**6.67%**	4.93%
Private equity	**4.13%**	2.51%
Real estate	**1.57%**	-3.28%
Private income	**11.50%**	6.55%
Absolute return	**10.18%**	9.74%
Tactical opportunities	**13.07%**	30.97%
Cash	**4.65%**	5.15%
TOTAL FUND	**9.35%**	7.90%

The ending values of securities lending collateral invested, and the related liability are dependent upon the amount of securities out on loan on any particular day. The counterparty lending the security has the option of pledging cash or noncash collateral. The cash collateral amount is presented on the Balance Sheets. The average value of assets on loan during FY2025 was $10.5 billion, with a low of $9.3 billion and a high of $13.2 billion. The Fund had earnings from securities lending of $24.6 million during FY2025, an increase from $22.4 million received in FY2024.

In the liability section of the Balance Sheets, accounts payable primarily consist of obligations due but not yet settled on securities purchased. The open transactions can vary widely from day to day and are usually the largest portion of Fund payables, representing approximately 94 percent and 97 percent in FY2025 and FY2024, respectively.

The sole amount due to the State of Alaska at the end of FY2025 and FY2024 is the transfer to the ACIF. This amount is calculated based on realized earnings and was $31 million for FY2025 and $24 million for FY2024. The $7 million increase from the prior year is due to healthier realized returns in FY2025 versus FY2024.

Total fund balance increased by 6 percent, or $4.6 billion, from FY2024 to FY2025, which is consistent with the 9.35 percent total return for the year and the net transfers out of the Fund. Components of this increase were bond interest, stock dividends, and cash flow income from other investments totaling $2.0 billion, a net increase in the fair value of investments of $6.0 billion, and dedicated mineral deposits of $489 million offset by operating expenses and other appropriations of $163 million, the General Fund transfer of $3.7 billion, and the ACIF transfer of $31 million.

In comparison, total fund balance increased by 3 percent, or $2.5 billion, from FY2023 to FY2024 which is consistent with the 7.90 percent total return for the year and the net transfers out of the Fund. Components of this increase were bond interest, stock dividends, and cash flow income from other investments totaling $1.7 billion, a net increase in the fair value of investments of $4.0 billion, and dedicated mineral deposits of $533 million offset by operating expenses and other appropriations of $157 million, the General Fund transfer of $3.5 billion, and the ACIF transfer of $24 million.

The table below is derived from the Statements of Revenues, Expenditures and Changes in Fund Balances, and shows the annual activity of the Fund. The differences in activity in FY2025 as compared to FY2024 are shown in both dollars and percentages.

Statements of Revenues, Expenditures and Changes in Fund Balances		*Year Ended June 30,* **2025**	**2024**	**Net change**	**Percent**
Revenues					
Total interest, dividends, real estate and other income	$	**1,997,086,000**	1,659,276,000	337,810,000	20%
Total net increase in the fair value of investments		**6,002,916,000**	3,965,457,000	2,037,459,000	51%
Total revenues	$	**8,000,002,000**	5,624,733,000	2,375,269,000	42%
Expenditures					
Operating expenditures		**(152,630,000)**	(146,946,000)	(5,684,000)	4%
Other legislative appropriations		**(10,403,000)**	(9,835,000)	(568,000)	6%
Total expenditures	$	**(163,033,000)**	(156,781,000)	(6,252,000)	4%
Excess of revenues over expenditures		**7,836,969,000**	5,467,952,000	2,369,017,000	43%
Other financing sources (uses)					
Transfers in – dedicated State revenues		**488,723,000**	532,561,000	(43,838,000)	(8)%
Transfers out – appropriations		**(3,688,590,000)**	(3,549,641,000)	(138,949,000)	4%
Net change in fund balances	$	**4,637,102,000**	2,450,872,000	2,186,230,000	89%
Fund balances					
Beginning of period		**80,462,769,000**	78,011,897,000	2,450,872,000	3%
End of period	$	**85,099,871,000**	80,462,769,000	4,637,102,000	6%

During FY2025, cash flow revenue from interest, dividends, real estate, and other sources was significantly higher than FY2024 levels at $166 million per month on average, up from $138 million per month on average in FY2024. Cash flow income for both FY2025 and FY2024 was higher than the average in FY2023 of $136 million per month.

The change in the fair value of investments increased by 51 percent from $4.0 billion in FY2024 to $6.0 billion in FY2025. FY2024's change in fair value of investments was a 40 percent increase from $2.8 billion in FY2023.

Operating expenditures increased from FY2024 to FY2025 by 4 percent. This increase is in contrast with the decrease experienced between FY2023 and FY2024 of 9 percent. The volatility between years is mainly caused by fluctuations in amounts paid in investment management fees. Investment management fees depend upon the value of assets under management by external managers and their performance relative to their benchmarks. Market volatility and changes to asset allocation cause fees to fluctuate.

Transfers in of dedicated State revenues decreased from FY2024 to FY2025 by 8 percent ($44 million), totaling $489 million in FY2025 compared to $533 million in FY2024. These transfers totaled $754 million in FY2023. Included in the FY2023 deposits are $198 million in payments from prior years that were not appropriated at the time. The Alaska Constitution requires that at least 25% of mineral royalties and related payments received by the State be transferred to the Permanent Fund. State statutes mandate an additional 25% on select leases be deposited. Transfers in of dedicated State revenues under these statutes are subject to legislative appropriation.

Transfers out of the Fund are for two purposes: 1) an appropriation to the General Fund and 2) an appropriation to the ACIF. The General Fund and ACIF transfers are subject to legislative appropriation. The total transfer amount is shown as committed fund balance at the end of the year in which the appropriation is made, and the commitment is released when the transfers are made. The ACIF transfer is based on realized earnings for only one year; it is not averaged over multiple years. ACIF realized earnings of $31 million in FY2025 and $24 million in FY2024. The earnings for FY2023 were $14 million.

Economic, Investment, and Political Factors

The market value of, and earnings from, the Fund's assets are directly impacted by the volatility of the financial markets, as well as investment decisions made by the Trustees, internal Fund management, and external Fund investment managers. Diversification of asset allocation and investments within each allocation are intended to mitigate the risk of volatility of the financial markets. The APFC, as a component unit of the State of Alaska, is subject to legislative changes that govern the APFC and the Fund.

Additional Information

This financial report provides an overview of the Alaska Permanent Fund's ending net asset balances and fiscal year financial activities. The report does not include any other funds owned or managed by the State of Alaska or the Alaska Permanent Fund Corporation (APFC). Given the inherent volatility of financial markets, Fund values and income may vary significantly from period to period. For current and historical information on the Fund, please visit www.apfc.org, or send specific information requests to contact@apfc.org or by mail to the Alaska Permanent Fund Corporation at 801 West 10th Street, Suite 302, Juneau, Alaska 99801.

Alaska Permanent Fund

Balance Sheets

		June 30, 2025	June 30, 2024
Assets			
Cash and temporary investments	$	**3,797,281,000**	3,204,263,000
Receivables and other assets		**689,898,000**	461,655,000
Investments:			
Marketable debt securities		**15,987,472,000**	14,075,900,000
Preferred and common stock		**28,373,005,000**	27,285,737,000
Real estate		**9,292,029,000**	9,344,139,000
Absolute return		**5,836,798,000**	5,591,284,000
Private credit		**2,760,821,000**	2,774,938,000
Private equity		**14,875,225,000**	14,761,564,000
Infrastructure		**4,428,240,000**	3,934,960,000
Total investments		**81,553,590,000**	77,768,522,000
Securities lending collateral		**4,016,702,000**	3,648,891,000
Total assets	$	**90,057,471,000**	85,083,331,000
Liabilities			
Accounts payable		**909,571,000**	948,118,000
Income distributable to the State of Alaska		**31,327,000**	23,553,000
Securities lending collateral		**4,016,702,000**	3,648,891,000
Total liabilities	$	**4,957,600,000**	4,620,562,000
Fund balances			
Nonspendable:			
Permanent Fund corpus - contributions and appropriations		**58,854,517,000**	58,365,794,000
Unrealized appreciation on invested assets		**13,642,208,000**	12,373,182,000
Total nonspendable		**72,496,725,000**	70,738,976,000
Committed:			
General Fund appropriation		**3,798,888,000**	3,657,263,000
Total committed		**3,798,888,000**	3,657,263,000
Assigned for future appropriations:			
Realized earnings		**6,432,637,000**	4,365,710,000
Unrealized appreciation on invested assets		**2,371,621,000**	1,700,820,000
Total assigned		**8,804,258,000**	6,066,530,000
Total fund balances	$	**85,099,871,000**	80,462,769,000
Total liabilities and fund balances	$	**90,057,471,000**	85,083,331,000

See accompanying notes to the financial statements.

Alaska Permanent Fund

Statements of Revenues, Expenditures and Changes in Fund Balances

	Years Ended June 30, 2025	2024
Revenues		
Interest	$ **677,324,000**	585,237,000
Dividends	**617,716,000**	612,028,000
Real estate and other income	**702,046,000**	462,011,000
Total interest, dividends, real estate and other income	**1,997,086,000**	1,659,276,000
Net increase (decrease) in the fair value of investments:		
Marketable debt securities	**505,167,000**	124,804,000
Preferred and common stock	**3,963,444,000**	3,807,980,000
Real estate	**44,996,000**	(603,277,000)
Absolute return	**432,719,000**	543,123,000
Private credit	**56,316,000**	62,142,000
Private equity	**785,273,000**	35,362,000
Infrastructure	**544,319,000**	193,820,000
Foreign currency forward exchange contracts and futures	**(99,624,000)**	183,223,000
Currency	**(229,694,000)**	(381,720,000)
Total net increase in the fair value of investments	**6,002,916,000**	3,965,457,000
Total revenues	$ **8,000,002,000**	5,624,733,000
Expenditures		
Operating expenditures	**(152,630,000)**	(146,946,000)
Other legislative appropriations	**(10,403,000)**	(9,835,000)
Total expenditures	$ **(163,033,000)**	(156,781,000)
Excess of revenues over expenditures	**7,836,969,000**	5,467,952,000
Other financing sources (uses)		
Transfers in - dedicated State revenues	**488,723,000**	532,561,000
Transfers out - appropriations	**(3,688,590,000)**	(3,549,641,000)
Net change in fund balances	$ **4,637,102,000**	2,450,872,000
Fund balances		
Beginning of period	**80,462,769,000**	78,011,897,000
End of period	$ **85,099,871,000**	80,462,769,000

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025 and 2024

1. ENTITY

The Constitution of the State of Alaska ("State") was amended by public referendum in 1976 to dedicate a portion of certain natural resource revenues to the Alaska Permanent Fund ("Fund"). Contributions to the Fund are to be invested in income-producing investments in accordance with the prudent investor rule. In 1980, the Alaska State Legislature ("Legislature") established the Alaska Permanent Fund Corporation ("APFC"), a State governmental instrumentality within the Department of Revenue, to manage and invest Fund assets. The APFC is managed by a six-member board of trustees ("Trustees" or "Board") consisting of the Commissioner of Revenue, one other head of a principal state department, and four public members with recognized competence and experience in finance, investments, or other business management related fields. The Governor appoints the public members to staggered four-year terms and can remove public members only for cause. The Board employs an executive director who, in turn, employs additional staff as necessary. The Fund's assets are diversified across a wide variety of investments in accordance with statutes, regulations, and the APFC investment policy. The Fund's investment performance is generally related to the success of the financial markets. While diversification aims to mitigate volatility, significant period to period fluctuations in investment performance may occur.

By annual appropriation, the APFC transfers (i) a portion of the Fund's realized earnings to the State's General Fund, (ii) a portion of realized earnings sufficient to offset the effect of inflation on contributions and appropriations to the nonspendable balance of the Fund, (iii) realized earnings on the balance of the North Slope royalty case settlement money (*State v. Amerada Hess, et al.*) to the Alaska Capital Income Fund (ACIF), and (iv) any special appropriations authorized by the Legislature and the Governor. The remaining balance of the Fund's realized earnings (referred to in Alaska Statute as the Earnings Reserve Account) is held in the assigned fund balance by the APFC and is subject to appropriation by the Legislature. The nonspendable fund balance (referred to in the Alaska Constitution as the principal) includes the historical cost basis of contributions and appropriations. Because the Alaska Constitution specifies that the principal can only be used for income-producing investments, it is unavailable for appropriation by the Legislature. Unrealized gains and losses (appreciation/depreciation) on Fund assets are allocated proportionately between the principal and the Earnings Reserve Account. The unrealized amounts allocated to contributions and appropriations are considered a component of the principal and are nonspendable, until they become realized, at which point they are transferred to the Earnings Reserve Account in the assigned (realized earnings) fund balance. All assets are aggregated for investment purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In preparing the financial statements, APFC management is required to make estimates and assumptions as of the date of the balance sheet that affect the reported amounts of assets and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the period. The fair value of real estate, private credit, private equity, and infrastructure investments, and the related unrealized gains and losses thereon, are particularly sensitive estimates. Actual results could differ from those estimates.

Cash and temporary investments

The amounts shown on the balance sheets as cash and temporary investments include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash collateral held at derivatives brokers, U.S. Treasury bills, commercial paper, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes approximately one percent in cash. The APFC investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted average maturities of no greater than 24 months.

Forward exchange contracts

Fund managers enter into a variety of forward currency contracts in their trading activities and management of foreign currency exchange rate risk exposure. These contracts are typically intended to neutralize the effect of foreign currency fluctuations and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in the net increase/decrease in the fair value of investments at the time the contract is settled and determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in the net increase/decrease in the fair value of investments and are calculated based on the difference between the contract rate and a forward market rate determined as of the balance sheet date.

A portion of the investment in forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than on a security-by-security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

Futures

Certain equity and fixed income managers for the Fund are permitted to buy and sell equity and interest rate index futures. The gross contract and fair value of futures do not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets based on the difference between the future's purchase price and the current value of such futures. Realized gains and losses on futures are included in the net increase/decrease in the fair value of investments at the time the futures contract expires. The net change in unrealized gains and losses is also included in the net increase/decrease in the fair value of investments.

Investments and related policies

Carrying value of investments

The Fund considers all of its ownership interests in securities and other assets to be investments because they are held for the purpose of income or profit and have a present service capacity based solely on their ability to generate cash or be sold to generate cash. Investments are reported at fair value in the financial statements. Investments without a readily determinable fair value are generally reported at the net asset value per share (or its equivalent) of the investment. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance.

State investment regulations

In accordance with Alaska Statute 37.13.120(a), the Trustees have adopted regulations designating the types of assets eligible for Fund investment. The regulations follow the prudent investor rule, requiring the exercise of judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the Fund over time while maximizing the expected total return from both income and the appreciation of capital.

Investment policy – Asset allocation

The Trustees have established a long-term goal of achieving a five percent real rate of return over time on the Fund's investment portfolio. To help achieve this goal, the Trustees allocate the Fund's investments among various asset classes. At June 30, 2025, the APFC's strategic asset allocation targets were as follows:

Asset class	Asset class target
Public equities	32%
Fixed income	20%
Private equity	18%
Real estate	11%
Private income	10%
Absolute return	7%
Tactical opportunities	1%
Cash	1%

To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each asset class, the APFC's Chief Investment Officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the APFC investment policy), the APFC's Executive Director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the public equities class is 32 percent, with the green zone range set at plus or minus five percent, the yellow zone range set at zero to five percent beyond the green zone, and red zone range set at greater than five percent beyond the green zone. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The APFC manages the Fund's concentration of credit risk by following its strategic asset allocation policy, diversifying investments among managers with varying investment styles and mandates, and monitoring tracking error. Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with the APFC investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises five percent or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the Notes to the Financial Statements.

Credit risk

Credit risk is the risk that an issuer or other counterparty to a marketable debt investment will not fulfill its obligations. The APFC requires that its investment grade fixed income managers invest in domestic and non-domestic bonds that have an explicit or implied investment grade rating. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain high yield investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure the Fund's deposits may not be returned. The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or the APFC (on behalf of the Fund). For the Fund's non-domestic securities held by most sub-custodians, the APFC's primary custodian provides contractual indemnities against sub-custodial credit risk. Excess cash in custodial accounts is swept daily to a money market fund. Late deposits of cash which miss the money market sweep deadline are deposited to an interest-bearing account at the custodian. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, balances in individual accounts exceed this limit.

Foreign currency risk

Foreign currency risk is the risk of loss from adverse changes in foreign currency exchange rates. Foreign currency risk is managed through foreign currency forward contracts and by diversifying assets into various countries and currencies.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The APFC manages the Fund's exposure to interest rate risk in part through tracking error guidelines set forth in the APFC investment policy.

Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, the major factors affecting duration are, in order of importance, maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Rising interest rates generally translate into the value of fixed income investments declining, while falling interest rates are generally associated with increasing value. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. As an example, for a bond portfolio with a duration of five years, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

The Fund held fixed income investments with floating, variable, step, and zero interest rates valued at $1.7 billion at June 30, 2025 and $989 million at June 30, 2024. The current annual interest rates range from 0 to 9.0 percent.

General Fund appropriations

In FY2018, the Legislature passed Senate Bill 26, which created a Percent of Market Value draw on the Earnings Reserve Account for transfer to the General Fund. Alaska Statute 37.13.140 was amended to specify the formula for Percent of Market Value as five percent of the average market value of the Fund as of June 30 for the first five of the preceding six fiscal years, including the fiscal year just ended. The average market value of the Fund includes the Earnings Reserve Account but not the principal attributed to the settlement of *State v. Amerada Hess, et al*. This legislation took effect for FY2019. Transfers out of the Fund are done in accordance with appropriation by the Legislature. The amount appropriated prior to year-end as transferable to the General Fund for the next fiscal year is shown as committed fund balance on the financial statements at June 30.

Inflation proofing

Alaska statutes require that the contributions and appropriations of the Fund be adjusted annually to offset the effect of inflation on the principal during the fiscal year. Based on advice from the Alaska Department of Law, an annual intra-fund inflation proofing transfer (from the assigned to the nonspendable fund balance) should occur only by legislative appropriation. The APFC measures inflation by (i) computing the percentage change in the averages of the monthly United States Consumer Price Index for all urban consumers for the two previous calendar years and (ii) applying that percentage to the total nonspendable fund balance, excluding unrealized gains and losses, at the end of the fiscal year. Using this formula, the inflation proofing rates were 2.95 percent for FY2025 and 4.12 percent for FY2024, resulting in transfer amounts of $1.7 billion and $2.3 billion, respectively. There was no appropriation for inflation proofing for FY2025 so nothing was transferred and the appropriation for FY2024 was limited to $1.4 billion.

Fund balance

- *Unrealized gains and losses*
  A State of Alaska Attorney General's Opinion dated June 16, 2009 clarified the accounting treatment of the Fund's unrealized gains and losses by providing that unrealized appreciation or depreciation on invested assets should be allocated proportionately to the principal and the Earnings Reserve Account.

- *Nonspendable fund balance*
  Nonspendable fund balance includes items that cannot be spent. This includes the corpus of the Permanent Fund, and the unrealized gains and losses allocated to it.

- *Committed fund balance*
  Committed fund balance can only be used for specific purposes subject to constraints imposed by a formal action of the Alaska Legislature, the State's highest level of decision-making authority. This formal action is the passage of a law creating, modifying, or rescinding an appropriation. Earnings Reserve Account amounts appropriated to the General Fund are included in this classification. The commitment is released when the transfer to the General Fund has been made.

- *Assigned fund balance*
  Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose but are not committed. The Alaska Legislature is the body authorized by the Alaska Constitution to assign amounts to a specific purpose. Alaska Statute 37.13.020 authorizes the Legislature to assign funds in the Earnings Reserve Account. The Earnings Reserve Account includes realized earnings, and the unrealized gains and losses allocated to it.

Transfers in

Contributions from dedicated State revenues are recorded when certain revenues defined by the constitution or by statute and legislative appropriation are received or reported by the Alaska Department of Natural Resources and are available to meet current obligations. Contributions from appropriations and other sources are recorded when received.

Transfers out

Transfers out to other State agencies are recorded when measurable and represent a present obligation to pay.

Income taxes

In the opinion of legal counsel, the Fund should not be subject to United States federal income taxation under the doctrine of implied statutory immunity for states because it is an integral part of the State and it performs an essential governmental function with its income, if any, accruing to the State. The Fund may be subject to tax in certain international jurisdictions.

3. CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments, which include the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30:

		2025	2024
Cash	$	**240,230,000**	165,015,000
Pooled funds		**1,601,479,000**	1,196,168,000
U.S. Treasury bills		**1,993,359,000**	1,815,476,000
FX forward exchange contracts		**(37,787,000)**	27,604,000
Total cash and temporary investments	**$**	**3,797,281,000**	3,204,263,000

Uninvested cash was held at the custodian, sub-custodian, or derivatives broker banks, primarily in interest-bearing accounts. All pooled funds were invested in a money market fund. U.S. Treasury bills are explicitly guaranteed by the U.S. government. Late deposits of cash that miss the money market sweep deadline and foreign currency are deposited in an interest-bearing account at the custodian. Deposit amounts that exceeded the FDIC insurance limit were $152 million on June 30, 2025 and $120 million on June 30, 2024.

4. RECEIVABLES AND OTHER ASSETS

Receivables and other assets at June 30 are as follows:

		2025	2024
Interest receivable	$	**141,367,000**	127,857,000
Dividends receivable		**75,076,000**	70,436,000
Sales receivable		**404,172,000**	184,344,000
Dedicated State revenues receivable		**69,283,000**	79,018,000
Total receivables and other assets	**$**	**689,898,000**	461,655,000

5. MARKETABLE DEBT SECURITIES

Marketable debt securities categorized by debt instrument type at June 30 are summarized as follows:

2025		Cost	Fair value	Unrealized gains (losses)
Mortgage-backed securities	$	**2,675,438,000**	**2,600,950,000**	**(74,488,000)**
U.S. Treasury and government notes/bonds		**2,592,090,000**	**2,594,136,000**	**2,046,000**
U.S. corporate bonds		**6,757,376,000**	**6,601,598,000**	**(155,778,000)**
U.S. commercial mortgage and asset-backed securities		**624,492,000**	**613,105,000**	**(11,387,000)**
U.S. exchange traded funds		**104,077,000**	**107,620,000**	**3,543,000**
Non-U.S. government bonds		**2,201,193,000**	**2,268,048,000**	**66,855,000**
Non-U.S. corporate bonds		**1,167,394,000**	**1,157,493,000**	**(9,901,000)**
Non-U.S. commercial mortgage and asset-backed securities		**19,441,000**	**19,254,000**	**(187,000)**
Non-U.S. exchange traded funds		**24,416,000**	**25,268,000**	**852,000**
Total marketable debt securities	**$**	**16,165,917,000**	**15,987,472,000**	**(178,445,000)**
2024				
Mortgage-backed securities	$	2,467,283,000	2,333,307,000	(133,976,000)
U.S. Treasury and government notes/bonds		2,069,231,000	2,045,059,000	(24,172,000)
U.S. corporate bonds		6,067,903,000	5,732,003,000	(335,900,000)
U.S. commercial mortgage and asset-backed securities		747,369,000	723,501,000	(23,868,000)
U.S. exchange traded funds		100,512,000	104,093,000	3,581,000
Non-U.S. government bonds		2,141,734,000	2,047,532,000	(94,202,000)
Non-U.S. corporate bonds		1,041,146,000	1,023,970,000	(17,176,000)
Non-U.S. commercial mortgage and asset-backed securities		42,562,000	41,730,000	(832,000)
Non-U.S. exchange traded funds		24,394,000	24,705,000	311,000
Total marketable debt securities	$	14,702,134,000	14,075,900,000	(626,234,000)

6. MARKETABLE DEBT CREDIT RATINGS

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating of BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organization (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Accounts with high yield mandates are allowed to hold positions in assets with below investment grade ratings (high yield bonds). For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported. At June 30, 2025, the Fund's credit ratings for its marketable debt securities are as follows:

NRSRO quality ratings		Domestic	Non-domestic	Total fair value	Percentage of holdings
AAA	$	521,134,000	260,564,000	781,698,000	4.89%
AA		399,822,000	529,584,000	929,406,000	5.81%
A		1,952,459,000	429,567,000	2,382,026,000	14.90%
BBB		2,799,952,000	860,329,000	3,660,281,000	22.90%
BB		1,115,906,000	267,625,000	1,383,531,000	8.65%
B		363,243,000	89,203,000	452,446,000	2.83%
CCC		-	729,000	729,000	0.01%
CC		-	-	-	0.00%
C		-	-	-	0.00%
D		-	69,367,000	69,367,000	0.43%
Total fair value rated debt securities	**$**	**7,152,516,000**	**2,506,968,000**	**9,659,484,000**	**60.42%**
Exchange traded funds		107,620,000	25,268,000	132,888,000	**0.83%**
Not rated		77,096,000	937,827,000	1,014,923,000	**6.35%**
U.S. government explicitly backed by the U.S. government		3,211,944,000	-	3,211,944,000	**20.09%**
U.S. government implicitly backed by the U.S. government		1,968,233,000	-	1,968,233,000	**12.31%**
Total fair value debt securities	**$**	**12,517,409,000**	**3,470,063,000**	**15,987,472,000**	**100.00%**

7. MARKETABLE DEBT DURATION

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio duration in comparison to established benchmarks. At June 30, 2025, the effective duration by investment type, based on fair value, is as follows:

	Percentage of holdings	Duration
Domestic bonds		
Mortgage-backed securities	20.78%	5.55
Treasury and government notes/bonds	20.72%	5.62
Corporate bonds	52.74%	6.57
Commercial mortgage and asset-backed securities	4.90%	1.79
Exchange traded funds	0.86%	-
Total domestic bonds	**100.00%**	**5.87**
Non-domestic bonds		
Treasury and government bonds	65.36%	7.43
Corporate bonds	33.36%	6.42
Commercial mortgage and asset-backed securities	0.55%	0.99
Exchange traded funds	0.73%	-
Total non-domestic bonds	**100.00%**	**7.00**

8. PREFERRED AND COMMON STOCK

Direct investments in preferred and common stock are held by the APFC's custodian bank on behalf of the Fund. The Fund also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors, and equity index futures, which are held at the prime broker.

Preferred and common stocks and commingled stock funds at June 30 are summarized as follows, which include the net fair value of equity index futures of $(2.5) million at June 30, 2025 and $(732,000) as of June 30, 2024:

2025	Cost	Fair value	Unrealized gains
Direct investments			
Domestic stock	**$ 12,660,505,000**	**16,148,076,000**	**3,487,571,000**
Non-domestic stock	**9,934,338,000**	**11,986,838,000**	**2,052,500,000**
Commingled funds	**179,898,000**	**238,091,000**	**58,193,000**
Total preferred and common stock	**$ 22,774,741,000**	**28,373,005,000**	**5,598,264,000**
2024			
Direct investments			
Domestic stock	$ 11,551,820,000	15,128,535,000	3,576,715,000
Non-domestic stock	10,611,936,000	11,946,089,000	1,334,153,000
Commingled funds	177,294,000	211,113,000	33,819,000
Total preferred and common stock	$ 22,341,050,000	27,285,737,000	4,944,687,000

9. FOREIGN CURRENCY EXPOSURE

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets in various countries and currencies.

At June 30, 2025, the Fund's cash holdings, foreign currency forward exchange contracts, non-domestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded):

Foreign currency	Cash and cash equivalents	Foreign exchange forward contracts	Equity, private debt, real estate, infrastructure	Marketable debt	Total foreign currency exposure
Australian Dollar	$ 4,597,000	(51,109,000)	347,778,000	28,572,000	329,838,000
Brazil Real	969,000	29,000	106,125,000	-	107,123,000
Canadian Dollar	2,314,000	(62,280,000)	717,118,000	52,794,000	709,946,000
Chilean Peso	133,000	-	6,884,000	-	7,017,000
Chinese Yuan Renminbi	6,802,000	(324,473,000)	277,605,000	317,766,000	277,700,000
Colombian Peso	182,000	-	2,062,000	-	2,244,000
Czech Koruna	365,000	(11,232,000)	1,796,000	10,637,000	1,566,000
Danish Krone	348,000	(11,046,000)	154,359,000	10,785,000	154,446,000
Egyptian Pound	52,000	-	1,139,000	-	1,191,000
Euro Currency	67,931,000	(941,230,000)	4,386,861,000	759,362,000	4,272,924,000
Hong Kong Dollar	5,365,000	(23,635,000)	927,268,000	-	908,998,000
Hungarian Forint	329,000	(3,273,000)	11,214,000	2,943,000	11,213,000
Indian Rupee	1,645,000	(292,000)	404,462,000	-	405,815,000
Indonesian Rupiah	444,000	(26,519,000)	60,216,000	25,785,000	59,926,000
Israeli Shekel	1,139,000	(14,049,000)	63,495,000	13,710,000	64,295,000
Japanese Yen	26,317,000	(523,881,000)	1,347,954,000	503,410,000	1,353,800,000
Kuwaiti Dinar	330,000	(235,000)	10,306,000	-	10,401,000
Malaysian Ringgit	621,000	(25,631,000)	28,558,000	25,241,000	28,789,000
Mexican Peso	145,000	(16,540,000)	66,843,000	16,437,000	66,885,000
New Taiwan Dollar	1,257,000	-	560,099,000	-	561,356,000
New Zealand Dollar	(373,000)	(21,878,000)	16,433,000	17,980,000	12,162,000
Norwegian Krone	480,000	(3,483,000)	52,190,000	3,395,000	52,582,000
Pakistan Rupee	3,000	-	4,887,000	-	4,890,000
Peruvian Sol	543,000	(17,702,000)	-	16,748,000	(411,000)
Philippines Peso	178,000	-	14,481,000	-	14,659,000
Polish Zloty	537,000	(100,000)	56,059,000	-	56,496,000
Pound Sterling	20,142,000	(299,519,000)	1,330,810,000	201,878,000	1,253,311,000
Qatari Riyal	(373,000)	484,000	16,550,000	-	16,661,000
Romanian Leu	770,000	(11,324,000)	-	9,826,000	(728,000)
Russian Ruble	-	-	122,000	-	122,000
Saudi Arabia Riyal	(118,000)	-	77,942,000	-	77,824,000
Singapore Dollar	(240,000)	(8,024,000)	101,452,000	8,775,000	101,963,000
South African Rand	(359,000)	586,000	80,659,000	-	80,886,000
South Korean Won	3,193,000	(62,525,000)	411,166,000	61,769,000	413,603,000
Swedish Krona	1,082,000	(1,172,000)	173,030,000	-	172,940,000
Swiss Franc	1,373,000	(11,168,000)	419,820,000	-	410,025,000
Thailand Baht	533,000	(20,610,000)	20,224,000	20,110,000	20,257,000
Turkish Lira	178,000	-	14,255,000	-	14,433,000
UAE Dirham	408,000	-	59,192,000	-	59,600,000
Total foreign currency exposure	**$ 149,242,000**	**(2,491,831,000)**	**12,331,414,000**	**2,107,923,000**	**12,096,748,000**

Cash amounts in the schedule above include receivables, payables, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Fund investments are denominated in U.S. dollars and are not included in the schedule above.

10. REAL ESTATE

The Fund holds a variety of real estate interests, including directly owned real estate, real estate investment trusts, private real estate funds, and other entities in which the assets consist primarily of real property. The Fund also holds a portfolio of real estate loans collateralized by income-producing, institutional real estate in the United States that are administered by an external institutional real estate management firm. In recent years, the Fund expanded its real estate portfolio strategy with a "Build-to-Core" investment program, creating high-quality properties.

The Fund's directly owned real estate is through ownership of interests in corporations, limited liability companies, and partnerships that hold title to the real estate. External institutional real estate management firms administer the majority of the Fund's directly owned real estate investments. An internal real estate program manages two directly owned real estate investments.

The APFC periodically reviews real estate investments for other than temporary impairment. During FY2025, it was determined that three real estate holdings were impaired because it was more likely than not that the Fund would not recover the carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income and fund balance classifications, $154 million of unrealized losses were realized through a write down of cost to fair value. In FY2024, no real estate holdings were determined to be impaired.

Real estate investments at June 30 are summarized as follows:

2025		**Cost**	**Fair value**	**Unrealized gains (losses)**
Real estate investment trusts	**$**	**710,534,000**	**806,778,000**	**96,244,000**
Real estate funds and notes		**2,748,236,000**	**3,049,727,000**	**301,491,000**
American Homes 4 Rent II		**82,561,000**	**105,863,000**	**23,302,000**
Directly owned real estate				
Retail	**$**	**788,786,000**	**1,389,605,000**	**600,819,000**
Office		**1,684,376,000**	**1,743,158,000**	**58,782,000**
Hotel		**58,643,000**	**65,299,000**	**6,656,000**
Industrial		**361,478,000**	**935,186,000**	**573,708,000**
Multifamily		**345,017,000**	**461,619,000**	**116,602,000**
Development		**639,242,000**	**734,794,000**	**95,552,000**
Total directly owned real estate	**$**	**3,877,542,000**	**5,329,661,000**	**1,452,119,000**
Total real estate	**$**	**7,418,873,000**	**9,292,029,000**	**1,873,156,000**
2024				
Real estate investment trusts	$	680,067,000	740,233,000	60,166,000
Real estate funds and notes		2,973,831,000	3,191,339,000	217,508,000
American Homes 4 Rent II		79,606,000	115,959,000	36,353,000
Directly owned real estate				
Retail	$	903,867,000	1,527,761,000	623,894,000
Office		1,867,890,000	1,733,529,000	(134,361,000)
Hotel		58,576,000	63,982,000	5,406,000
Industrial		361,606,000	929,763,000	568,157,000
Multifamily		340,357,000	459,749,000	119,392,000
Development		566,232,000	581,824,000	15,592,000
Total directly owned real estate	$	4,098,528,000	5,296,608,000	1,198,080,000
Total real estate	$	7,832,032,000	9,344,139,000	1,512,107,000

As of June 30, 2025, the APFC, on behalf of the Fund, had outstanding future funding commitments of $305 million for real estate fund investments.

11. ALTERNATIVE INVESTMENTS

Alternative investments include the Fund's investments in absolute return strategies, private credit, private equity, and infrastructure.

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. The Fund invested in two absolute return limited partnerships, in which the Fund was the only limited partner ("fund of one"); both are currently in liquidation. The Fund also holds direct hedge fund investments, in which the Fund is one of many limited partners. External investment management services for this strategy are provided by institutional investment managers who have acknowledged their status as fiduciaries to the Fund. Due to the off-exchange and private nature of many absolute return strategies, investments may have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Each manager provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit.

The Fund invests in private credit through limited partnerships that invest either directly in distressed or mezzanine debt, or in commingled limited liability funds with a distressed debt or credit opportunity focus. These investments are funded over time as opportunities arise. The limited partnerships and funds undergo annual independent audits. Private credit investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

The Fund holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired external advisors to assist in the selection of private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by APFC staff, the external advisors, and the underlying fund managers. The underlying private equity funds provide the Fund with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include toll roads, airports, deep water ports, communication towers, and energy generation, storage, and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the Fund's investment strategy. The Fund holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates and undergo annual independent audits. Infrastructure investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Alternative investments at June 30 are summarized as follows:

2025		**Cost**	**Fair value**	**Unrealized gains**
Absolute return	**$**	**3,805,560,000**	**5,836,798,000**	**2,031,238,000**
Private credit		**2,399,522,000**	**2,760,821,000**	**361,299,000**
Private equity		**9,971,004,000**	**14,875,225,000**	**4,904,221,000**
Infrastructure		**2,975,185,000**	**4,428,240,000**	**1,453,055,000**
Total alternative investments	**$**	**19,151,271,000**	**27,901,084,000**	**8,749,813,000**
2024				
Absolute return	$	3,872,661,000	5,591,284,000	1,718,623,000
Private credit		2,402,186,000	2,774,938,000	372,752,000
Private equity		9,819,615,000	14,761,564,000	4,941,949,000
Infrastructure		2,750,941,000	3,934,960,000	1,184,019,000
Total alternative investments	$	18,845,403,000	27,062,746,000	8,217,343,000

The APFC periodically reviews alternative investments for other than temporary impairment. During FY2025, it was determined that five private credit funds, 27 private equity funds, and two infrastructure funds were impaired because it was more likely than not that the Fund would not recover the carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income and fund balance classifications, $281 million of unrealized losses were realized through a write down of cost to fair value. In FY2024, four private credit, 26 private equity, and two infrastructure funds were determined to be impaired and $147 million of unrealized losses were realized through a write down of cost to fair value. These impairments have no impact on the carrying value of investments or on the net increase in the fair value of investments.

As of June 30, 2025, the APFC, on behalf of the Fund, had outstanding future funding commitments of $21 million for absolute return, $1.5 billion for private credit, $4.2 billion for private equity, and $1.3 billion for infrastructure investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

12. SECURITIES LENDING

State regulations at 15 AAC 137.510 and the APFC investment policy authorize the APFC to enter into securities lending transactions on behalf of the Fund. Through a contract with the Bank of New York (the Bank), the Fund lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or certain marketable securities. Under the APFC's contract with the Bank, the Bank must mark the loaned securities and collateral to the market daily, and the loan agreements require the borrowers to maintain the collateral at not less than 102 percent of the fair value of domestic loaned securities (and non-domestic loaned securities denominated in U.S. dollars) and not less than 105 percent of the fair value for other non-domestic loaned securities. The APFC can sell securities that are on loan. If a borrower fails to return the loaned securities (borrower default), the Bank can use cash collateral (and the proceeds on the sale of any noncash collateral) to purchase replacement securities. Generally, the APFC is protected from credit risk associated with the lending transactions through indemnification by the Bank against losses resulting from counterparty failure, reinvestment of cash collateral, default on collateral investments, or a borrower's failure to return loaned securities.

Cash collateral received for loaned securities is reported on the Fund's balance sheets and invested by the Bank on behalf of the Fund. As of June 30, 2025, such investments were in overnight repurchase agreements that had a weighted average maturity of one day. The average term of the loans was also one day. At June 30, the value of securities on loan and collateral invested are as follows:

	2025	2024
Fair value of securities on loan, secured by cash collateral	**$ 3,930,579,000**	3,563,578,000
Cash collateral	**4,016,702,000**	3,648,891,000
Fair value of securities on loan, secured by noncash collateral	**7,096,069,000**	5,857,278,000
Noncash collateral	**7,708,733,000**	6,459,800,000

The Fund receives 80 percent of earnings derived from securities lending transactions and the Bank retains 20 percent. During the years ended June 30, 2025 and 2024, the Fund incurred no losses from securities lending transactions. The Fund received income of $25 million and $22 million from securities lending for the years ended June 30, 2025 and 2024, respectively, which is included in the real estate and other income line on the Statements of Revenues, Expenditures and Changes in Fund Balances.

13. ACCOUNTS PAYABLE

Accounts payable include trades entered into on or before June 30 that settle after fiscal year-end. Cash held for trade settlements is included in cash and temporary investments. Accounts payable at June 30 are summarized as follows:

	2025	2024
Accrued liabilities	**$ 57,947,000**	26,279,000
Securities purchased	**851,624,000**	921,839,000
Total accounts payable	**$ 909,571,000**	948,118,000

14. STATUTORY AND LEGISLATIVE APPROPRIATIONS

Beginning in FY2019, legislation requires that, upon appropriation, a portion of the realized earnings be transferred to the State's General Fund instead of the Dividend Fund based upon a Percent of Market Value calculation. The amount transferred to the General Fund was $3.7 billion in FY2025. For FY2026, the amount appropriated to the General Fund is $3.8 billion. This amount is shown as committed at June 30, 2025.

During the fiscal years 1990 through 1999, the Fund received dedicated State revenues from North Slope royalty case settlements (*State v. Amerada Hess, et al.*). Accumulated settlement related activity, included in the contributions and appropriations balance of the Fund at June 30, is $424 million. By statute, realized earnings from these settlement payments are to be treated in the same manner as other Fund income, except that these settlement earnings are excluded from the calculation of the transfer to the General Fund and are not subject to inflation proofing.

Since 2005, the Legislature has appropriated these settlement earnings to the Alaska Capital Income Fund (ACIF) established under Alaska Statute 37.05.565. Funds in the ACIF may be further appropriated for any public purpose. During years with net realized losses, no funds are transferred to the ACIF. Prior to 2005, the statute required such earnings to be appropriated to the principal.

The Fund realized earnings on settlement principal of $31 million during FY2025 and $24 million during FY2024.

	2025	2024
Income distributed during the year:		
General Fund	$ 3,657,263,000	3,526,088,000
Income distributable at year end:		
Alaska Capital Income Fund	31,327,000	23,553,000
Total statutory and legislative appropriations	$ 3,688,590,000	3,549,641,000

Appropriations for APFC operating expenses and other specific State agencies are made separately and are detailed in Note 20.

15. FUND BALANCES

Fund balance activity during the years ended June 30 is summarized as follows:

	2025	2024
Nonspendable		
Balance, beginning of year	$ 70,738,976,000	67,520,699,000
Dedicated State revenues	488,723,000	532,561,000
Inflation proofing transfer from assigned	-	1,413,000,000
Change in unrealized appreciation on invested assets	1,269,026,000	1,272,716,000
Balance, end of year	$ 72,496,725,000	70,738,976,000
Committed		
Balance, beginning of year	$ 3,657,263,000	3,526,088,000
General Fund transfer to liability	(3,657,263,000)	(3,526,088,000)
General Fund commitment	3,798,888,000	3,657,263,000
Balance, end of year	$ 3,798,888,000	3,657,263,000
Assigned		
Balance, beginning of year	$ 6,066,530,000	6,965,110,000
Inflation proofing transfer to nonspendable	-	(1,413,000,000)
General Fund commitment	(3,798,888,000)	(3,657,263,000)
Settlement earnings payable to the ACIF	(31,327,000)	(23,553,000)
Realized earnings, net of operating expenditures	5,897,142,000	4,219,179,000
Change in unrealized appreciation on invested assets	670,801,000	(23,943,000)
Balance, end of year	$ 8,804,258,000	6,066,530,000
Total		
Balance, beginning of year	$ 80,462,769,000	78,011,897,000
Dedicated State revenues	488,723,000	532,561,000
General Fund transfer	(3,657,263,000)	(3,526,088,000)
Settlement earnings payable to the ACIF	(31,327,000)	(23,553,000)
Excess of investment revenues over expenditures	7,836,969,000	5,467,952,000
Balance, end of year	$ 85,099,871,000	80,462,769,000

The composition of the contributions and appropriations in the nonspendable fund balance at June 30 is shown as follows:

	2025	2024
Dedicated State revenues	**$ 20,239,983,000**	19,751,260,000
Special appropriations	**10,885,906,000**	14,885,906,000
Inflation proofing	**27,575,717,000**	23,575,717,000
Settlement earnings	**152,911,000**	152,911,000
Total contributions and appropriations	**$ 58,854,517,000**	58,365,794,000

In FY2025, based on discussions with the Legislature and the Board, the $4 billion transfer that occurred in FY2020 was reclassified from special appropriations to inflation proofing.

16. FAIR VALUE MEASUREMENT

Various inputs are used in valuing the investments held by the Fund. U.S. Generally Accepted Accounting Principles (GAAP) establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These input levels are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market.

Level 2 – Inputs, other than quoted prices, which are observable for the asset, either directly or indirectly.

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Investments measured using Net Asset Value (NAV) per share as a practical expedient to fair value are not categorized into input levels. The input levels used to measure the Fund's investments at June 30 are summarized as follows:

	Measured using input levels			Measured using	
2025	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Marketable debt securities					
Mortgage-backed securities	$ -	2,600,950,000	-	-	2,600,950,000
U.S. Treasury and government notes/bonds	2,587,467,000	6,669,000	-	-	2,594,136,000
U.S. corporate bonds	7,029,000	6,594,569,000	-	-	6,601,598,000
U.S. commercial mortgage and asset-backed securities	-	613,105,000	-	-	613,105,000
U.S. exchange traded funds	107,620,000	-	-	-	107,620,000
Non-U.S. government bonds	-	2,268,048,000	-	-	2,268,048,000
Non-U.S. corporate bonds	3,000	1,157,052,000	438,000	-	1,157,493,000
Non-U.S. commercial mortgage and asset-backed securities	-	19,254,000	-	-	19,254,000
Non-U.S. exchange traded funds	25,268,000	-	-	-	25,268,000
Total marketable debt securities	$ 2,727,387,000	13,259,647,000	438,000	-	15,987,472,000
Preferred and common stock					
Domestic stock	16,130,820,000	17,256,000	-	-	16,148,076,000
Non-domestic stock	11,986,799,000	-	39,000	-	11,986,838,000
Commingled funds	97,669,000	-	-	140,422,000	238,091,000
Total preferred and common stock	$ 28,215,288,000	17,256,000	39,000	140,422,000	28,373,005,000
Real estate					
Real estate investment trusts	806,778,000	-	-	-	806,778,000
Real estate funds and notes	-	-	-	3,049,727,000	3,049,727,000
American Homes 4 Rent II	-	-	-	105,863,000	105,863,000
Directly owned real estate	-	-	-	5,329,661,000	5,329,661,000
Total real estate	$ 806,778,000	-	-	8,485,251,000	9,292,029,000
Absolute return	-	-	-	5,836,798,000	5,836,798,000
Private credit	-	-	-	2,760,821,000	2,760,821,000
Private equity	-	-	-	14,875,225,000	14,875,225,000
Infrastructure	-	-	-	4,428,240,000	4,428,240,000
Total investments	$ 31,749,453,000	13,276,903,000	477,000	36,526,757,000	81,553,590,000

2024		Measured using input levels Level 1	Level 2	Level 3	Measured using NAV	Total
Marketable debt securities						
Mortgage-backed securities	$	-	2,333,307,000	-	-	2,333,307,000
U.S. Treasury and government notes/bonds		2,036,112,000	8,947,000	-	-	2,045,059,000
U.S. corporate bonds		2,951,000	5,729,052,000	-	-	5,732,003,000
U.S. commercial mortgage and asset-backed securities		-	723,501,000	-	-	723,501,000
U.S. exchange traded funds		104,093,000	-	-	-	104,093,000
Non-U.S. government bonds		-	2,047,532,000	-	-	2,047,532,000
Non-U.S. corporate bonds		4,000	1,023,496,000	470,000	-	1,023,970,000
Non-U.S. commercial mortgage and asset-backed securities		-	41,730,000	-	-	41,730,000
Non-U.S. exchange traded funds		24,705,000	-	-	-	24,705,000
Total marketable debt securities	$	2,167,865,000	11,907,565,000	470,000	-	14,075,900,000
Preferred and common stock						
Domestic stock		15,127,488,000	1,047,000	-	-	15,128,535,000
Non-domestic stock		11,946,048,000	-	41,000	-	11,946,089,000
Commingled funds		81,593,000	-	-	129,520,000	211,113,000
Total preferred and common stock	$	27,155,129,000	1,047,000	41,000	129,520,000	27,285,737,000
Real estate						
Real estate investment trusts		740,233,000	-	-	-	740,233,000
Real estate funds and notes		-	-	-	3,191,339,000	3,191,339,000
American Homes 4 Rent II		-	-	-	115,959,000	115,959,000
Directly owned real estate		-	-	-	5,296,608,000	5,296,608,000
Total real estate	$	740,233,000	-	-	8,603,906,000	9,344,139,000
Absolute return		-	-	-	5,591,284,000	5,591,284,000
Private credit		-	-	-	2,774,938,000	2,774,938,000
Private equity		-	-	-	14,761,564,000	14,761,564,000
Infrastructure		-	-	-	3,934,960,000	3,934,960,000
Total investments	$	30,063,227,000	11,908,612,000	511,000	35,796,172,000	77,768,522,000

Marketable debt securities and preferred and common stock classified as level 1 are valued using prices quoted in active markets for those securities. Marketable debt securities classified as level 2 are valued using matrix pricing and those classified at level 3 are term loans. Commingled funds reported at NAV use the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date.

Publicly traded real estate investment trusts are valued using prices quoted in active markets and are reported as level 1. Directly held real estate, private real estate funds, and real estate debt investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. The underlying directly owned real estate investments are subject to annual appraisals and audits.

Absolute return investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 2-100 days and the frequency of redemption is monthly to semi-annually.

Private credit investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Private credit investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is 5-7 years.

Private equity and infrastructure investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Private equity investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is 10-12 years.

17. STATUTORY NET INCOME

By Alaska law, statutory net income is computed in accordance with GAAP, excluding settlement income from the North Slope royalty case (*State v. Amerada Hess, et al.)* and any unrealized gains or losses. However, the excess of revenues over expenditures is required by GAAP to include unrealized gains and losses, regardless of source. Consequently, GAAP excess of revenues over expenditures and statutory net income differ.

The APFC periodically reviews investments for other than temporary impairment of value. Investments with fair values significantly less than cost over multiple reporting periods may be considered impaired if the cost basis will not be recovered over the investment's remaining estimated holding period. If an other than temporary impairment is determined to exist for an investment, a realized loss will be recorded, which will replace the previously recorded unrealized loss. Carrying value will not be affected but the reclassification of the loss from unrealized to realized will affect the statutory net income of the Fund. During FY2025 and FY2024, approximately $435 million and $147 million, respectively, of impairments were recorded.

Statutory net income for the years ended June 30 is calculated as follows:

	2025	2024
Excess of revenues over expenditures	$ **7,836,969,000**	5,467,952,000
Unrealized gains	**(1,939,827,000)**	(1,248,773,000)
Settlement earnings	**(31,327,000)**	(23,553,000)
Statutory net income	$ **5,865,815,000**	4,195,626,000

18. INVESTMENT INCOME BY SOURCE

Investment income during the years ended June 30 is summarized as follows:

	2025	2024
Interest		
Short-term	$ **84,392,000**	100,193,000
Marketable debt securities	**592,932,000**	485,044,000
Total interest	$ **677,324,000**	585,237,000
Total dividends	$ **617,716,000**	612,028,000
Real estate and other income		
Real estate investment trusts	$ **29,573,000**	29,565,000
Real estate - funds, notes, direct	**308,466,000**	212,069,000
Absolute return	**40,000**	152,000
Private credit	**160,592,000**	99,945,000
Private equity	**155,147,000**	70,076,000
Infrastructure	**21,289,000**	25,415,000
Other - class action, security lending	**26,939,000**	24,789,000
Total real estate and other income	$ **702,046,000**	462,011,000

19. FOREIGN EXCHANGE CONTRACTS, FUTURES, AND OFF-BALANCE SHEET RISK

Certain APFC external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies for the Fund at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2025 ranged between one and 100 days.

The counterparties to the FX forward contracts consist of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of nonperformance by these counterparties. The Fund's market risk as of June 30, 2025 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

FX forward contracts during the years ended June 30 are summarized as follows:

		2025	2024
Fair value of FX forward contracts, beginning of year	$	**27,603,000**	2,931,000
Net change in fair value of FX forward contracts		**(65,391,000)**	24,672,000
Fair value of FX forward contracts, end of year	$	**(37,788,000)**	27,603,000
Notional amount of FX forward contracts, end of year	$	**6,800,721,000**	6,056,170,000

Certain APFC equity and fixed income investment managers are permitted to trade equity and U.S. Treasury index futures for the Fund's account. Equity index futures are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Index futures are settled with cash for the net difference between the trade price and the settle price.

Futures in equity accounts during the years ended June 30 are summarized as follows:

		2025	2024
Fair value of equity index futures, beginning of year	$	**(732,000)**	6,754,000
Net change in fair value of equity index futures		**(1,740,000)**	(7,486,000)
Fair value of equity index futures, end of year	$	**(2,472,000)**	(732,000)
Notional amount of equity index futures, end of year	$	**5,657,000**	(23,037,000)

Futures in fixed income accounts during the years ended June 30 are summarized as follows:

		2025	2024
Fair value of U.S. Treasury index futures, beginning of year	$	**135,000**	(7,663,000)
Net change in fair value of U.S. Treasury index futures		**(3,561,000)**	7,798,000
Fair value of U.S. Treasury index futures, end of year	$	**(3,426,000)**	135,000
Notional amount of US Treasury index futures, end of year	$	**448,205,000**	115,932,000

20. EXPENDITURES

Fund expenditures for the years ended June 30 are summarized as follows:

		2025	2024
Corporate expenditures			
Salaries and benefits	$	**18,658,000**	17,185,000
Communications and subscriptions		**9,180,000**	7,802,000
Consulting		**3,151,000**	3,050,000
Training, supplies and other		**1,210,000**	1,486,000
Rent		**598,000**	545,000
Travel		**491,000**	611,000
Legal and audit		**940,000**	1,012,000
Property and equipment		**683,000**	779,000
Subtotal corporate expenditures	$	**34,911,000**	32,470,000
Investment management and custody fees			
Investment management	$	**116,146,000**	113,153,000
Custody and safekeeping		**1,573,000**	1,323,000
Subtotal investment management and custody fees	$	**117,719,000**	114,476,000
Total operating expenditures	$	**152,630,000**	146,946,000
Other legislative appropriations from corporate receipts			
Department of Natural Resources	$	**7,238,000**	6,708,000
Department of Law		**3,065,000**	2,936,000
Department of Revenue		**100,000**	191,000
Total other legislative appropriations	$	**10,403,000**	9,835,000
Total expenditures	$	**163,033,000**	156,781,000

Through the appropriations and budget process, the Legislature allocates corporate receipts to other State departments ("total other legislative appropriations") to compensate these departments for work done on behalf of the Fund during the year.

21. PENSION PLANS

All APFC full-time, regular employees participate in the State of Alaska Public Employees Retirement System (PERS). PERS is a multiple employer public employee retirement system established and administered by the State to provide pension and post-employment healthcare benefits to eligible retirees. The PERS financial report can be obtained from the State of Alaska's Retirement and Benefits website. Benefit and contribution provisions are established by state law and can be amended only by the Legislature.

PERS consists of Defined Contribution Retirement (PERS-DCR) and Defined Benefit Retirement (PERS-DBR) plans. Employees who entered the system on or after July 1, 2006 participate in the PERS-DCR plan. Employees who entered the system prior to July 1, 2006 participate in the PERS-DBR plan. PERS-DBR employees contribute 6.75 percent of their annual salaries to PERS and PERS-DCR members contribute 8 percent.

As an integrated cost sharing plan, the PERS system requires employers to pay a uniform contribution rate of 22 percent of eligible employee salaries for the benefit of PERS members. Total salaries subject to PERS for the years ended June 30, 2025 and 2024 amounted to $13.1 million and $12.3 million, respectively.

In addition to the pension plan discussed above, all APFC employees and Trustees participate in the Alaska Supplemental Benefits System Supplemental Annuity Plan (SBS-AP). The SBS-AP is a multiple-employer defined contribution plan created pursuant to Internal Revenue Code section 401(a) to provide benefits in lieu of those provided by the Federal Social Security System. Each year, APFC employees and Trustees contribute 6.13 percent of salaries or honoraria, up to a specified maximum, to SBS-AP. The APFC contributes a matching 6.13 percent. Participants are eligible to withdraw from SBS-AP 60 days after termination of employment or service as a Trustee. Total salaries and honoraria for individuals subject to SBS-AP for the years ended June 30, 2025 and 2024 amounted to $8.3 million and $7.2 million, respectively.

APFC ALASKA PERMANENT FUND CORPORATION
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907.796.1500 | apfc.org

SUBJECT: IT Security Audit & Penetration Testing Request ACTION: X

DATE: September 4, 2025 INFORMATION:

BACKGROUND:

The charter for the Ethics, Audit & Cybersecurity Committee requires that:

"Every two years, the Committee, in consultation with a cybersecurity consultant hired by the Committee, shall:

a. Review the current APFC Cybersecurity Policy to evaluate whether it is sufficient to safeguard APFC's information systems against cybersecurity threats and recommend any amendments to this policy as deemed appropriate; and

b. Review the results of the bi-annual third-party cybersecurity audit that is a requirement of the APFC Cybersecurity Policy and recommend any changes that are identified as any area needing improvement. Because the results of this audit may expose vulnerabilities which could lead to harm to the finances of the state, consistent with the requirements of the Open Meetings Act, a discussion of this matter may take place in executive session."

STATUS:

Staff has worked with KPMG to obtain a proposal for this work under the provision for other services in the contract for the annual financial audit. KPMG has an experienced team dedicated to cybersecurity audits and penetration testing. A summary of the proposed services is included in this presentation.

RECOMMENDATION:

Staff is seeking Committee approval to retain KPMG to perform the bi-annual cybersecurity audit and penetration testing.

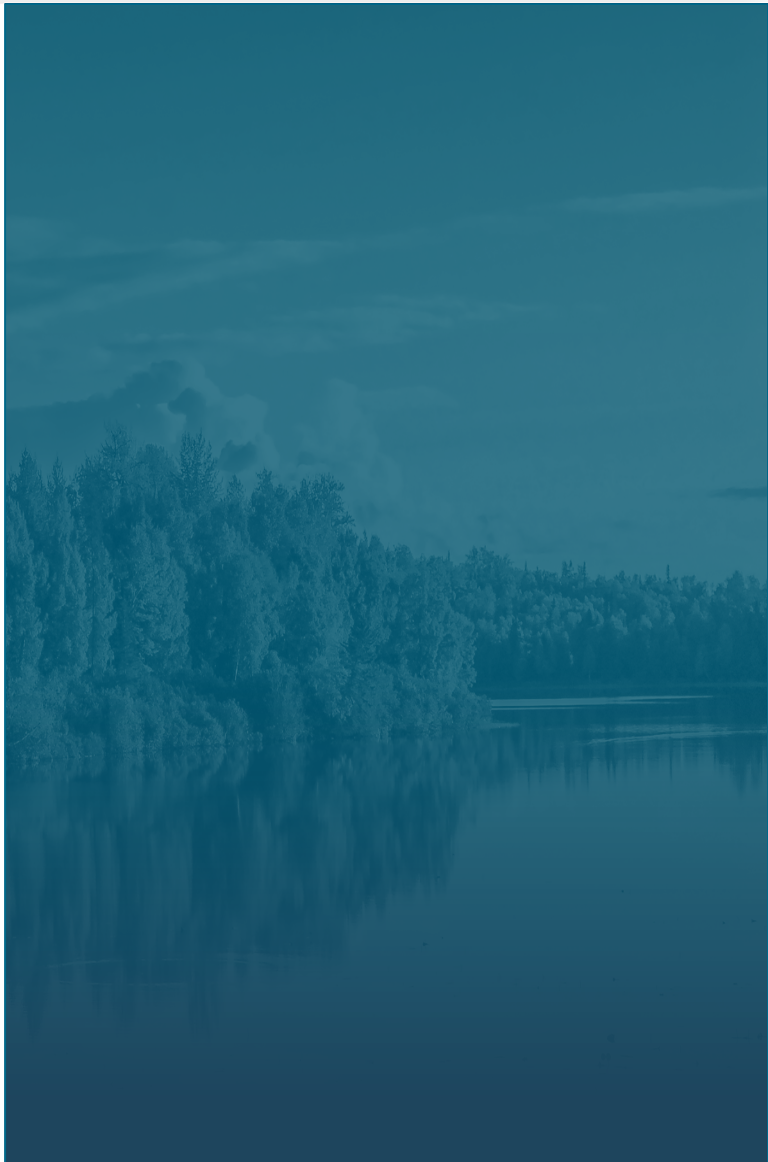
Proposed motion:
"*…move to authorize staff to enter into a contract with KPMG to perform a cybersecurity audit and penetration testing.*"

Proposal to Amend Existing KPMG Contract for IT Security Audit & Penetration Testing

Request for Board Approval – Meets Charter Requirements & Improves Cost Efficiency

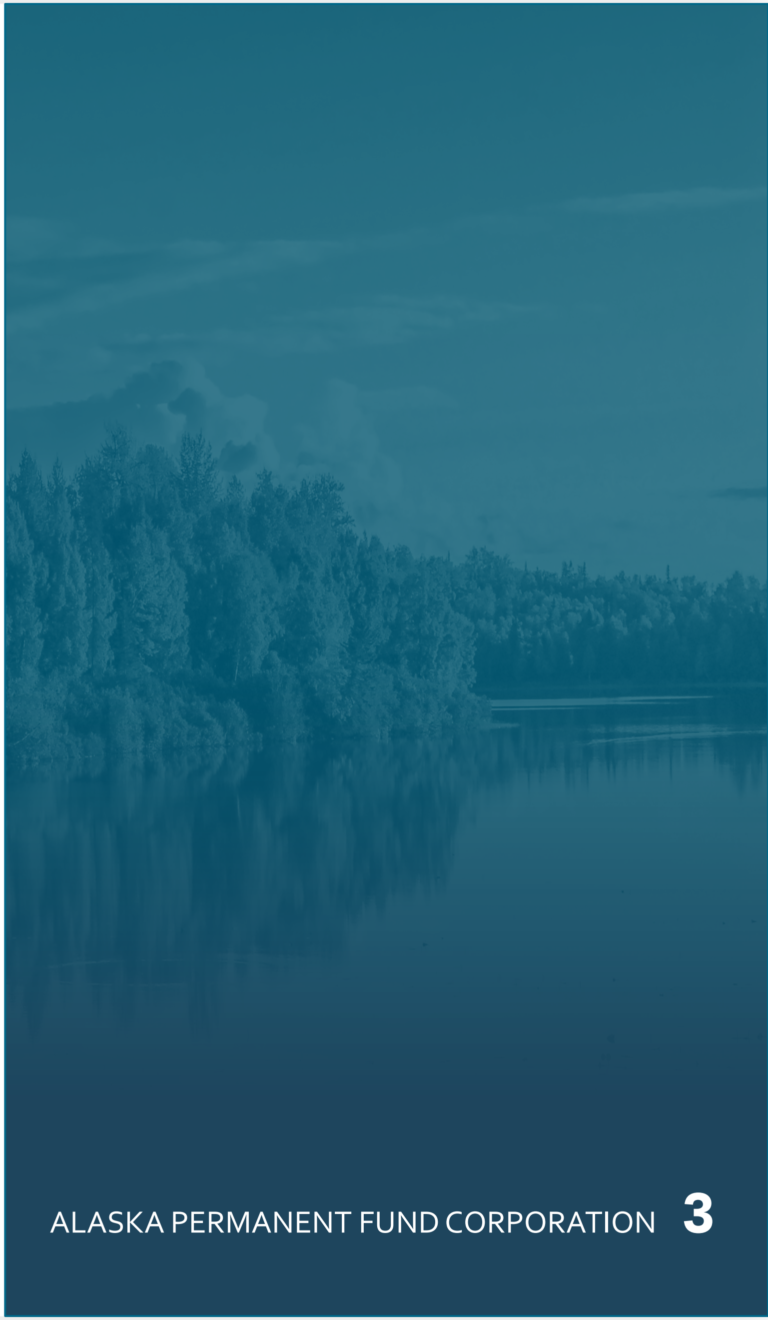
Background & Current State

- APFC Ethics, Audit and Cybersecurity Charter requires bi-annual independent IT security audits.
- Currently using separate vendors for penetration testing and security audit.
- Involves doubled procurement effort, disassociated reporting, and higher total costs.
- KPMG is already under contract for related (audit based) services.
- KPMG is a qualified vendor for both Penetration testing and Security Audit.
- Amending the KPMG contract allows consolidation of vendors, reducing redundancy and improving efficiency.



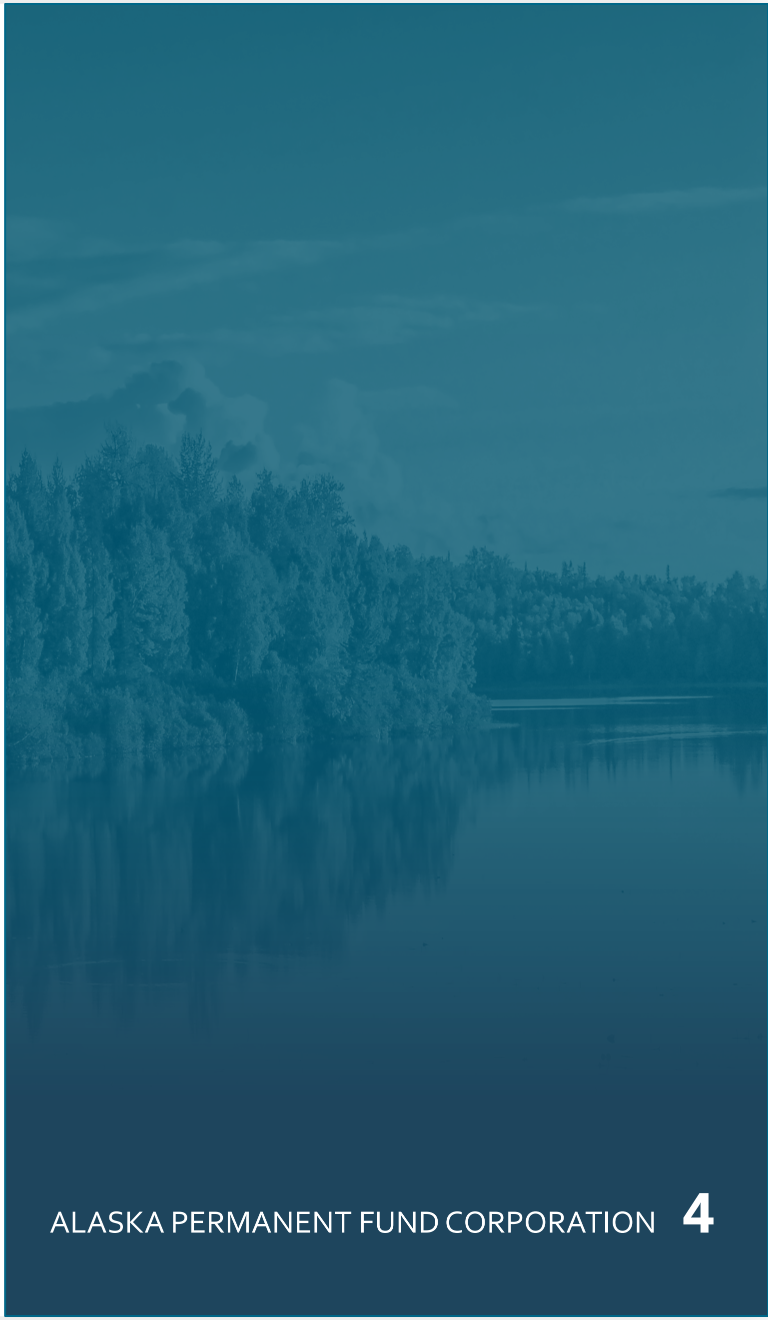
Proposed Scope of Work

- IT Security Audit against CIS Controls v8 IG3 (153 controls).
- Penetration Testing – External and Assumed Breach (Internal).
- Consolidated reporting with executive summaries and recommendations delivered to APFC Ethics, Audit and Cybersecurity Committee by vendor.
- Consolidated highly technical results and recommendations delivered to IT team for remediation.
- Coverage: on-premises, cloud, network devices, end-user systems, IoT devices, selected applications.
- 12-week delivery timeline with weekly status updates.



Benefits & Cost Efficiency

- Meets APFC Ethics, Audit and Cybersecurity Charter requirements for independent bi-annual IT security review.
- Improves quality of findings by aligning penetration test results with audit outcomes.
- Reduces risk with comprehensive coverage and expert analysis.
- Avoids cost of engaging two separate vendors.
- Estimated savings of about 33% from traditional separate vendor engagements.



Conclusion & Board Action Requested

- ✅ Meets the Board's annual security audit charter requirement.
- ✅ Improves audit and testing quality by using a unified vendor.
- ✅ Delivers cost savings and operational efficiency.
- ✅ Leverages an existing contract – no new vendor procurement needed.
- Board Approval Requested:
- - Amend KPMG contract to include CIS v8 IG3 IT Security Audit
- - External & Internal Penetration Testing
- - Consolidated reporting and remediation recommendations

APFC ALASKA PERMANENT FUND CORPORATION
801 W 10TH SUITE 302 | JUNEAU, AK 99801
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SUBJECT: Ethics

ACTION:

DATE: 9/4/2025

INFORMATION: X – For Committee review and discussion. No formal Committee action required at this time.

BACKGROUND:
Shannon McCain, APFC Designated Ethics Supervisor (DES) will provide the committee with two brief updates:

1. An overview of APFC's ethics compliance process under AS 39.52 and discuss how that process will intersect with the Ethics, Audit and Cyber Security Committee. As part of APFC's compliance framework, the staff DES (Shannon McCain) and the Board DES (Chair Jason Brune) oversee ethics disclosures for staff and Trustees. Each quarter, the staff DES compiles a quarterly report and statistical report on disclosures and determinations made, including any reports of determinations, and submits it to the Department of Law. Confidential copies are also provided to committee members in line with the oversight role established in the Ethics, Audit and Cyber Security Committee Charter.

   The Ethics Quarterly reports are confidential under state law and will be distributed to Committee members in advance of the meetings. If requested by the Committee these confidential documents may be discussed in executive session consistent with the open meetings act.

2. An overview of the implementation and establishment of the APFC Anonymous Reporting Hotline.

RECOMMENDATION: No recommended action, information only.

Ethics Act Compliance & Reporting

Shannon Ely McCain
APFC Designation Ethics Supervisor

September 4, 2025

APFC Ethics Compliance Process

- Quarterly Ethics Reporting under AS 39.52 (Overview)
- Compliance with the Audit, Ethics and Cyber Security Committee Charter

APFC Anonymous Reporting Hotline

APFC

ANONYMOUS REPORTING **HOTLINE**

833-380-0099

Or report.syntrio.com/alaskapermanentfund

All reports are confidential and the identity of the caller will remain anonymous.

APFC Ethics Compliance Process

<u>Designated Ethics Supervisors- General Overview AS 39.52</u>

- Staff Designated Ethics Supervisor (delegated authority)
  - Shannon McCain, Director of Human Resources
- Board of Trustees and Chief Executive Officer Ethics Supervisor
  - Jason Brune, Board Chair
- Board Chair Designated Ethics Supervisor
  - Governor or Designee

APFC Ethics and Reporting

<u>Designated Ethics Supervisor Responsibilities and Reporting</u>

- Review & track disclosures.
- Decide & document outcomes.
- Quarterly Reports due April, July, October, January.
  - Include violations, requests & disapprovals
  - Statistical summaries (how many of each type of report)
- Route to State Ethics Attorney, Department of Law.

APFC Audit, Ethics & Cybersecurity Committee

Committee Oversight Process related to Ethics reports:

- Receive Quarterly Ethics reports (disclosures, violations, requests, disapprovals, stats) at APFC email address;
- Review content for governance awareness;
- Use reports to inform governance and Board oversight;
- Consistent with the requirements of the open meetings act, request executive session to discuss report, or to bring to the attention of the board any report or violation that involves a board member or the Executive Director.

APFC Anonymous Reporting Hotline

APFC

Alaska Permanent Fund Corporation
provides a reporting hotline for employees to anonymously report any of the following incidents:

- Alaska Executive Branch Ethics Act Violations AS 39.52
- Internal Controls
- Improper Conduct
- Discrimination
- Sexual Harassment
- Conduct Violations
- Alcohol and Substance Abuse
- Fraud
- Bribery and Kickbacks
- Conflict of Interest
- Misuse of APFC Property
- Theft and Embezzlement
- Violation of APFC Policy
- Violation of the Law
- Falsification of Contracts, Reports or Records

Regular business issues and matters not requiring anonymity should be directed to the employee's supervisor or HR department.

ANONYMOUS
REPORTING **HOTLINE**
833-380-0099

Or report.syntrio.com/alaskapermanentfund

All reports are confidential and the identity of the caller will remain anonymous.

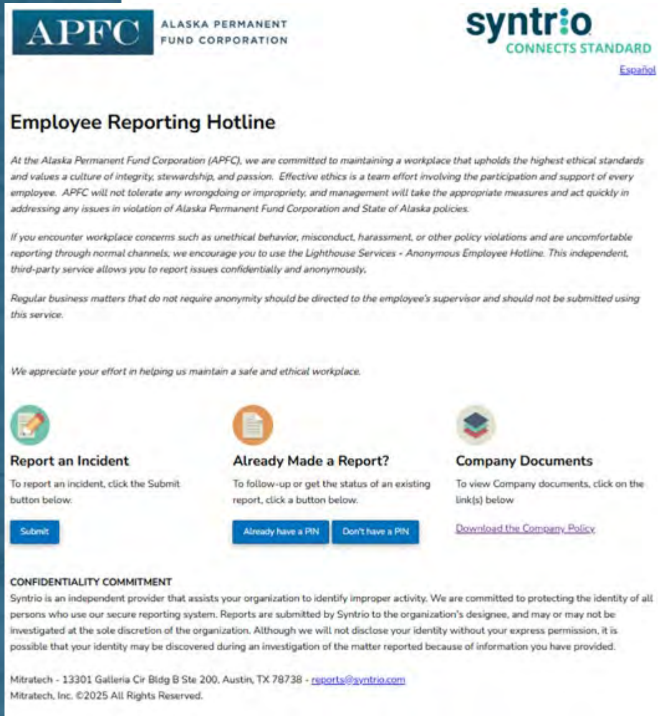
- Administered through Syntrio Lighthouse Services.
- Multiple Reporting Channels: Website, app, phone, email, fax.
- Reports are encrypted and anonymized by Syntrio – alternate routing in place to avoid conflicts of interest.
- No identifying data collected unless voluntarily provided by reporter.

APFC Reporting Landing Page

https://report.syntrio.com/alaskapermanentfund

1. Employee submits a report.
2. Syntrio encrypts and anonymizes the submission.
3. Report is delivered into the Cases Management System.
4. HR Director reviews and informs CEO, assigns investigator and/or elevates as necessary.
5. Investigation and resolution documented and retained in CMS.
6. If the reporter has authorized communication, they are notified to the extent possible and appropriate of the status and outcome.

https://report.syntrio.com/alaskapermanentfund


APFC ALASKA PERMANENT FUND CORPORATION

syntrio CONNECTS STANDARD

Español

Employee Reporting Hotline

At the Alaska Permanent Fund Corporation (APFC), we are committed to maintaining a workplace that upholds the highest ethical standards and values a culture of integrity, stewardship, and passion. Effective ethics is a team effort involving the participation and support of every employee. APFC will not tolerate any wrongdoing or impropriety, and management will take the appropriate measures and act quickly in addressing any issues in violation of Alaska Permanent Fund Corporation and State of Alaska policies.

If you encounter workplace concerns such as unethical behavior, misconduct, harassment, or other policy violations and are uncomfortable reporting through normal channels, we encourage you to use the Lighthouse Services - Anonymous Employee Hotline. This independent, third-party service allows you to report issues confidentially and anonymously.

Regular business matters that do not require anonymity should be directed to the employee's supervisor and should not be submitted using this service.

We appreciate your effort in helping us maintain a safe and ethical workplace.

Report an Incident

To report an incident, click the Submit button below.

Submit

Already Made a Report?

To follow-up or get the status of an existing report, click a button below.

Already have a PIN | Don't have a PIN

Company Documents

To view Company documents, click on the link(s) below

Download the Company Policy

CONFIDENTIALITY COMMITMENT

Syntrio is an independent provider that assists your organization to identify improper activity. We are committed to protecting the identity of all persons who use our secure reporting system. Reports are submitted by Syntrio to the organization's designee, and may or may not be investigated at the sole discretion of the organization. Although we will not disclose your identity without your express permission, it is possible that your identity may be discovered during an investigation of the matter reported because of information you have provided.

Mitratech - 13301 Galleria Cir Bldg B Ste 200, Austin, TX 78738 - reports@syntrio.com

APFC ALASKA PERMANENT FUND CORPORATION