



ALASKA PERMANENT  
FUND CORPORATION

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# Alaska Permanent Fund Corporation *Investment Policy*

**ADOPTED MAY 21, 2020**

**LAST AMENDED ON May 29, 2025, with an effective date of July 1, 2025**

*This policy outlines the investment strategy of the Alaska Permanent Fund and other assets designated by law. It defines roles, responsibilities, and guidelines for investment management and may be reviewed annually and may be amended by the Board of Trustees.*



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## I. INTRODUCTION

### A. PURPOSE

1. The purpose of this Investment Policy ("Policy") is to provide a formal plan for investing and managing the assets of the Alaska Permanent Fund and other state assets as prescribed by law ("Fund") to achieve the defined investment objectives. This Policy also defines the roles and responsibilities of the various parties involved in the investment process and facilitates external communication of the Policy. The appendices are incorporated into and form part of this Policy. Terms not defined within the body of the Policy have meanings assigned to them in the "Glossary," Appendix E of this document.
2. This document is not intended to be a static document and will be considered for possible amendment on an annual basis or any time the Board of Trustees ("Board") modifies the Alaska Permanent Fund Corporation's ("APFC") investment-related policies or asset allocation. Amendment of this Policy requires Board action as described in AS 37.13.080 and the APFC By-Laws ("By-Laws"). Following any Board approved amendment to this document, changes will be noted in Board meeting minutes and as soon as practicable this document will be amended to reflect the approved changes and posted on the APFC website.

### B. ROLES OF THE BOARD, STAFF, CONSULTANTS, AND ADVISORS

1. The Board has a responsibility to invest Fund assets in accordance with the Alaska Constitution and the prudent-investor rule provided in AS 37.13.120(a) - (e). The Board has adopted regulations (15 AAC 137.410 - 15 AAC 137.990), which define the eligible investments of Fund assets ("Regulations"). The Board has also adopted By-Laws, which delegate and empower the APFC Staff to invest and manage Fund assets consistent with the parameters of the Regulations and this Policy. Finally, through regularly scheduled and special meetings, the Board oversees the management of APFC Staff and Fund assets, and ensures that APFC has the resources needed to fulfill its objectives as effectively as possible.
2. The APFC Staff's task is to invest and manage Fund assets to fulfill the Fund's objectives, as specified by the Board, in this Investment Policy. Additionally, APFC Staff advises the Board about recommended changes to the asset allocation and this Policy to help the Fund achieve its objectives. Finally, APFC Staff, or external investment managers selected by APFC Staff, negotiates and executes all investment plans and strategies, performs risk-management functions, and helps prepare investment performance and other management reports.
3. External consultants provide advice and implementation assistance to the Board and APFC Staff related to investment programs at both the overall Fund level ("General Consultant") as well as for specific asset classes. The General Consultant also reports on the progress that the Fund is making with regard to specific investment programs and makes comparisons of Fund performance against its target benchmarks, including Fund peers.
4. Consistent with the Board's Charters and Governance Policies, up to three Investment Advisors are selected by the Board to provide education, advice, commentary, and discussion at Board meetings, or as requested by the Board.

## II. TOTAL FUND & PORTFOLIO DESIGN PHILOSOPHY

### A. TOTAL FUND OBJECTIVE

Consistent with the Legislature's findings regarding the purpose of the Alaska Permanent Fund (AS 37.13.020), the Board's objective is for the Fund to achieve the highest level of investment performance that is compatible with the Board's risk tolerance and prudent investment practices. Because of the perpetual nature of the Fund and the Legislature's finding that the Fund should benefit all generations of Alaskans, the Board maintains a long-term perspective when formulating this Policy and in evaluating Fund performance. To that end, the Board expects the Fund's design and performance will be evaluated using the following criteria:

1. **Investment Performance:** ability to generate an annualized return of CPI + 5% over a 10-year period ("long-term target")

2. **Investment Risk:** ability of the Fund to achieve the long-term target while conforming to the risk appetite approved by the Board, which can be found in Appendix C.

**B. TOTAL FUND ASSET MIX**

1. APFC's investment programs are organized by asset class and APFC Staff assist the Board in engaging in an asset allocation study for the Fund at least once every five (5) years to review asset classes, risk-return assumptions, and correlations of investment returns with applicable benchmarks and across asset classes. A key objective of the asset allocation study shall be the development, through quantitative and qualitative modeling techniques, of a diversified portfolio that specifies a "long-term target" position for each asset class. The total Fund portfolio mix will represent the portfolio that is expected to meet the Board's long-term target while conforming to the risk appetite approved by the Board.
2. Each asset class allocation percentage shall designate a "long-term target" position within the overall portfolio as well as maximum and minimum ranges around those targets, as outlined in Table I. Ranges are specified by a "green zone" which reflect normal expected variability around the targets, "yellow zone" which reflect potential remediation by APFC Staff according to prudent portfolio management over a reasonable period of time, and "red zone" which require Board approval of a remediation plan within 30 days. Ranges of these zones are expressed as percentages of the overall Fund. Details of the zones and compliance cure periods are provided in Appendix B.

TABLE 1: ASSET ALLOCATION (AA) TARGET LEVELS BY YEAR AS % OF FUND

	Public Equity	Fixed Income	Private Equity	Real Estate	Private Income	Absolute Return	Tactical Opportunities	Cash	Total Fund
<b>Green Zone</b>	+/- 5%	+/- 5%	+/- 5%	+/- 3%	+/- 5%	+/- 3%	+2%/- 1%	+2%/- 1%	
<b>Yellow Zone</b>	0 - 5%	0 - 5%	0 - 5%	0 - 3%	0 - 5%	0 - 3%	0 - 1%	0 - 1%	
<b>FY2026</b>	<b>32%</b>	<b>20%</b>	<b>18%</b>	<b>11%</b>	<b>10%</b>	<b>7%</b>	<b>1%</b>	<b>1%</b>	<b>100%</b>

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

**C. TOTAL FUND AND ASSET CLASS BENCHMARKS**

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

**TABLE 2: BENCHMARKS – CONSTITUENT INDICES AND WEIGHTS**

		Public Equity	Fixed Income	Private Equity	Real Estate	Private Income	Absolute Return	Tactical Opportunities	Fund Cash	Total Fund FY 2026
<b>Asset Allocation (AA): Target Levels- FY 2026</b>		32.0%	20.0%	18.0%	11.0%	10.0%	7.0%	1.0%	1.0%	100.0%
Benchmark Index Weights	BB ID	Asset Class / Portfolio Weights								Total Fund Weights
90 Day T-Bills	GOO1	-	5.0%	-	-	-	-	-	100%	2.00%
BB US Corporate	LUACTRUU	-	27.5%	-	-	-	-	-	-	5.50%
BB Gbl. Treasury ex-US Hedged	LGT1TRUH	-	15.0%	-	-	-	-	-	-	3.00%
BB US Agg	LBUSTRUU	-	27.5%	-	-	-	-	-	-	5.50%
BB US BB HY	BCBATRUU	-	10.0%	-	-	-	-	-	-	2.00%
Cliffwater Direct Lending TR	CDLI	-	-	-	-	40%	-	-	-	4.00%
Barclays US Securitized Index	LD19TRUU	-	10%	-	-	-	-	-	-	2.00%
BB US TIPS	LBUTRUU	-	5%	-	-	-	-	-	-	1.00%
Cambridge Pvt. Equity (Logged)	n/a	-	-	100%	-	-	-	-	-	18.00%
Cambridge Gbl. Pvt. Infra. (Logged)	n/a	-	-	-	-	60%	-	-	-	6.00%
HFRI EH Equity Market Neutral	HFRIEMNI	-	-	-	-	-	50%	-	-	3.50%
HFRI Macro	HFRIIMI	-	-	-	-	-	50%	-	-	3.50%
MSCI ACWI IMI	MIWDIM	100%	-	-	-	-	-	-	-	32.00%
NCREIF Property (Logged)	NPPITR	-	-	-	100%	-	-	-	-	11.00%
S&P 500	SPTR	-	-	-	-	-	-	100%	-	1.00%
<b>Total</b>		<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**D. TOTAL FUND PERFORMANCE MEASUREMENT AND REPORTING**

1. The Board looks to its General Consultant as the primary source of quantitative evaluation of the performance of the Fund and its investment managers. As promptly as possible after the close of each calendar quarter, the General Consultant shall submit a report to the Board, Executive Director (“ED”) and Chief Investment Officer (“CIO”) analyzing the performance of the Fund, its asset classes and investment programs, including both internally and externally managed assets. The report shall include a comparison of total Fund performance with the Board’s long-term investment objective, an analysis of the returns of each asset class as measured against established benchmarks; and an analysis of the returns of each manager or relevant groupings of managers as measured against relevant benchmarks. For the purpose of evaluating the value-added by the Fund’s investment strategy, the report shall also compare the performance of the total Fund on a one-year basis to a passive benchmark that represents the following: (1) 60% MSCI ACWI IMI; (2) 20% Barclay Global Aggregate (less fees); (3) 10% FTSE EPRA/NAREIT Rental Index; (4) and 10% US TIPS. The General Consultant’s report shall also address any special concerns or observations the General Consultant concludes should be brought to the attention of the Board, ED, and CIO.
2. At each regular quarterly Board meeting, the General Consultant will also report on the investment performance of the Fund and each asset class in comparison with Fund peers (i.e., large US Public Funds and

Endowment Funds). The comparative performance of the Fund and each asset class will be assessed and reported across multiple timeframes, including ten-year, five-year, three-year, and one-year. To the extent that peer comparisons may not be directly available for specific asset class comparisons, the General Consultant should use the Fund's Policy Benchmarks (see Table 2) as a proxy.

## **E. TOTAL FUND PORTFOLIO IMPLEMENTATION AND DELEGATIONS**

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

Approval of any Investment Recommendations referred to the ED requires the ED to take into consideration any relevant input from various non-investment functions at APFC (e.g. Legal, Finance, Operations, Admin, IT, and Risk) before making a final decision. Investment Recommendations from the Investment Committee to the ED shall be in writing and the ED shall be required to create a written record that approves or disapproves all Investment Recommendations. Any Investment Recommendations disapproved by the ED shall be reported to the Board within ten calendar days. If deemed appropriate by the Board Chair, as outlined in the APFC By-Laws, the Board may hold a special meeting to consider any Investment Recommendation disapproved by the ED.

## **F. RELATIONSHIP OF THE INVESTMENT POLICY WITH REGULATIONS AND INVESTMENT GUIDELINES**

As required by AS 37.13.120(a), the Board has adopted Regulations specifically designating the types of investments in which Fund assets can be invested. All investments authorized by this Policy shall be limited to those authorized investments and in the manner prescribed by this Policy and AS 37.13.120.

The Investment Guidelines, attached as Appendix A, supplement the Investment Policy by providing operational guidelines for APFC's internally managed investment programs. The CIO, with the consent of the ED may update the Investment guidelines from time to time; updates will be provided to the Board at its next regularly scheduled meeting.

## **III. PUBLIC MARKETS**

### **A. PUBLIC EQUITY**

#### **1. Objective**

The objective of the Public Equity portfolio is to invest in publicly traded securities authorized in 15 AAC 137.440, to exceed the performance of a well-diversified pool of global equities embodied in the **MSCI ACWI IMI Index**, while maintaining risk similar to that of the benchmark. Performance of this portfolio will be evaluated quarterly, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs and fees, on a one-year, three-year, five-year, and ten-year annualized basis.

#### **2. Structure**

Consistent with performance objectives, applicable tracking error guidelines, and other investment restrictions described in this Policy and Investment Guidelines, the Public Equity portfolio may include:

- a. Actively and quasi-passively managed equity strategies to enhance the after-fee return of the portfolio relative to its assigned benchmark; and
- b. Passively managed equity strategies to replicate, in a cost-efficient manner, the returns of a benchmark index.

#### **3. Investment Strategy**

The Public Equity portfolio will be managed by a mix of external active managers, external passive managers and internal managers. In the case of active external managers, each manager, through an investment manager agreement ("IMA"), will be directed to focus on a subset of the global equity market in which the manager has demonstrated an ability to provide risk-adjusted, after-fee returns in

excess of its respective benchmark. Each external manager's IMA will also detail its strategy, performance objectives, permitted investments and restrictions.

The CIO may also approve the internal management of a portion of the Public Equity portfolio by APFC Staff. In place of an IMA, the CIO and ED will require the approval of and adherence to Investment Guidelines that cover the relevant aspects of the portion of the Public Equity portfolio internally managed by APFC Staff. The Director of Public Equity will have primary responsibility for executing the portfolio's investment strategy. Whether externally or internally managed, all proxy voting on behalf of shares held by the Fund shall be conducted to maximize the risk adjusted return of the Fund as prescribed in Alaska Statute 37.13.120.

#### 4. Rebalancing and Mandate Modification

The Director of Public Equity may, with the approval of the CIO, rebalance assets to, from, or between individual Public Equity portfolios.

Initiating or terminating external manager mandates requires the consent of CIO and must conform to Section VIII of this Policy (Public Markets External Manager Selection).

#### 5. Risk Limits and Portfolio Restrictions

The Director of Public Equity is responsible for managing the various risks incurred and adhering to the Investment Policy. In addition to general Policy requirements, the following asset class specific restrictions apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. Short selling is prohibited by an internal or external manager of assets in this portfolio, unless authorized by the CIO and Chief Risk Officer ("CRO").
- c. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- d. All externally managed mandates must comply with Section VIII (External Manager Selection) of this Policy.
- e. Tracking Error (TE) limit for aggregate public equity asset class reduces to 200 bps by 12/31/2025 and to 100 bps by 12/31/2026. Green and Yellow bands as per Table 3 to continue.

## B. FIXED INCOME

### 1. Objective

The objective of the Fixed Income portfolio is to provide income-oriented investment returns and diversify the risks of the Fund's equity-oriented programs. The Fixed Income portfolio invests in publicly traded and other liquid income-oriented investments authorized in 15 AAC 137.430, to meet or exceed the performance of the **Fixed Income Composite Benchmark**, while staying within predefined risk constraints. Performance of this portfolio will be evaluated quarterly, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs and fees, on a one-year, three-year, five-year, and ten-year annualized basis.

### 2. Structure

Consistent with performance objectives, applicable tracking error guidelines, and other investment restrictions described in this Policy and Investment Guidelines, the Fixed Income portfolio may include:

- a. Actively and quasi-passively managed income producing strategies that enhance the after-fee return of the Fixed Income portfolio relative to its assigned benchmark; and
- b. Passively managed income producing strategies to replicate, in a cost-efficient manner, the returns of a benchmark index.

### 3. Investment Strategy

The Fixed Income portfolio will primarily be implemented by the CIO's internal APFC Staff, which may be supplemented by hiring external investment managers to manage portions of the Fixed Income portfolio which are not appropriate for internal management by APFC. Regarding the Fixed Income assets that are externally managed, each external manager, through an IMA, will be directed to focus on a subset of the Fixed Income portfolio in which the manager as demonstrated an ability to manage in relation to its respective benchmark. Each external manager's IMA will also detail its strategy,

performance objectives, permitted investments, and restrictions. The Director of Fixed Income will have primary responsibility in executing the portfolio's investment strategy.

**4. Rebalancing and Mandate Modification**

The Director of Fixed Income may, with the approval of the CIO, rebalance assets to, from, or between individual Fixed Income portfolios.

Initiating or terminating external manager mandates requires the consent of the CIO and must conform to Section VIII of this Policy (Public Markets External Manager Selection).

**5. Risk Limits and Portfolio Restrictions**

The Director of Fixed Income is responsible for managing the various risks incurred and adhering to this Policy. In addition to general Policy requirements, the following asset class specific restrictions apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. Short selling is prohibited by an internal or external manager of assets in this portfolio, unless authorized by the CIO and CRO.
- c. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- d. All externally managed mandates must comply with Section VIII (Public Markets External Manager Selection) of this Policy.
- e. *Tracking Error (TE) limit for aggregate fixed income asset class reduces to 150 bps by 12/31/2025 and to 75 bps by 12/31/2026. Green and Yellow bands as per Table 3 to continue.*

**C. TOTAL FUND CASH**

**1. Objective**

The objective of the Total Fund Cash portfolio is to:

- a. Be a source of funds available to meet the Fund's operational needs, including capital calls and appropriations from the Earnings Reserve Account to the State's general fund; and
- b. Allocate a small portion of the Fund to an asset class that is nearly risk-free and experiences extremely low volatility.

Performance of this portfolio will be evaluated quarterly and will be measured against the risk and after-fee return of the **90 Day Treasury Bills Index**, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs and fees, on a one-year, three-year, five-years, and ten-year annualized basis.

**2. Investment Strategy**

The Total Fund Cash portfolio will be internally managed at the direction of the CIO. The size and investment profile of this portfolio may fluctuate month-to-month to accommodate the Fund's liquidity requirements. The CIO will have primary responsibility in executing this portfolio's investment strategy.

**3. Authorized Investments**

The CIO may invest this portfolio in cash and the following cash equivalents:

- a. US Treasuries with a maximum final maturity of 24 months;
- b. Investment Grade US corporate bonds rated A or better with a maximum final maturity of 24 months;
- c. Reverse Repurchase Agreements ("Reverse Repo"), as authorized by 15 AAC 137.430(12);
- d. SEC registered money market investment funds;
- e. Other cash equivalents approved by the CRO and ED;
- f. Gold-backed exchange traded funds as authorized by 15 AAC 137.460; and
- g. AAA rated Asset Backed Securities with a maximum weighted average life of 24 months.

**4. Risk Limits and Portfolio Restrictions**

The CIO is responsible for managing the various risks incurred and adhering to this Policy. In addition to general Policy requirements, the following specific restrictions will apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. At any point, 80% of the portfolio should be invested in instruments with a final maturity not exceeding 181 days.
- c. Gold-backed exchange traded funds shall not exceed 50% of the Total Fund Cash portfolio at any time.
- d. Short selling is prohibited in this portfolio.
- e. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.

## D. SECURITIES LENDING

### 1. Authorized Investments

The ED is authorized to enter into a securities lending agreement with the Fund's custodian to lend domestic and non-domestic Public Equity and Fixed Income securities from the Fund's portfolio directly to borrowers for a fee in accordance with the following guidelines:

- a. The Fund's custodian shall agree to indemnify the Fund against any direct loss from:
  - i. a borrower default;
  - ii. the reinvestment of cash collateral; and
  - iii. the failure to comply with the terms and conditions of the lending agreements;
- b. Cash collateral shall be required at a minimum of 102% of the market value of the loaned securities which are denominated in the same currency as the collateral provided by the borrower;
- c. Cash collateral shall be required at a minimum of 105% of the market value of the loaned securities which are denominated in a currency other than the collateral provided by the borrower;
- d. Collateral and loaned securities shall be marked-to-market daily; and
- e. The investment of cash collateral posted by borrowers shall be restricted to those investment-grade securities permissible under the provisions of AS 37.13.120 and 15 AAC 137; unless the ED elects to have cash collateral released to the Fund to meet the Fund's liquidity needs rather than having it invested by the custodian.
- f. Non-cash collateral requirements shall be reviewed and approved by the Executive Director and a copy provided to the Board in writing.

## IV. ALTERNATIVE INVESTMENTS

### A. PRIVATE EQUITY

#### 1. Objective

The objective of the Private Equity ("PE") portfolio is to invest in illiquid growth-oriented assets authorized by 15 AAC 137.460 that are expected to generate risk-adjusted, after-fee returns that are superior to returns available in the Public Equity portfolio. Performance of this portfolio will be evaluated quarterly, in aggregate and based upon the vintage year, against the **Cambridge PE (Lagged)**, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs, fees, and carry, on a one-year, three-year, five-year, and ten-year annualized basis.

#### 2. Investment Strategy

PE investment strategies include: venture capital, growth equity, leveraged buyouts, distressed for control, and other opportunistic strategies that target returns consistent with the above strategies. Investments will generally be executed through capital commitments to limited liability commingled funds managed by external investment managers, through co-investments alongside external managers, and direct investments into operating companies. Annually, APFC Staff will provide a pacing and investment plan for Board approval that reflects the current PE exposures, assumptions, and outlook. The CIO, or their delegee, will have primary responsibility in executing the PE portfolio's investment strategy.

### 3. Diversification and Portfolio Restrictions

The CIO, or their delegatee, is responsible for managing the portfolio risks and adhering to this Policy. In constructing a diversified PE portfolio, APFC Staff will consider the following characteristics: strategy, geography, industry, manager, investment size, leverage, vintage year, and market position. In addition to general Policy requirements, the following asset class specific restrictions apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.
- b. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- c. The PE portfolio shall be invested within the following strategy diversification ranges:
  - i. Venture Capital - 10% to 45%;
  - ii. Growth Equity - 0% to 25%;
  - iii. Buyouts/ Acquisition - 25% to 75%; and
  - iv. Specialized Funds/Investments - 0% to 50%.
- d. No more than 20% of the PE Portfolio shall be invested with a single Investment Manager/General Partner.
- e. No more than 20% of the PE Portfolio shall be invested in publicly traded securities.
- f. Following the public listing of any shares of a portfolio company held by an APFC controlled investment vehicle, such shares shall be either liquidated consistent with SEC regulations within a reasonable period of time (generally at the discretion of our distribution agent), not to exceed eighteen months, or written approval to continuing holding such public securities must be received from the CIO and reported to the Board on a quarterly basis.
- g. Without the written approval of the ED and CIO, APFC (through the PE Portfolio) will not directly acquire a controlling interest in an operating company.

## B. REAL ESTATE

### 1. Objective

The objective of the Real Estate portfolio is to generate a risk-adjusted return comprised of an attractive level of current income and capital appreciation, while contributing to diversification of the Fund. Performance of the Real Estate portfolio will be evaluated quarterly against the **NCREIF NPI Expanded Property Benchmark (Lagged)**, but success in achieving the long-term objective will be measured, net of all costs, fees, and carry, on a one-year, three-year, five-year, and ten-year annualized basis.

### 2. Investment Strategy

Real Estate investments, as authorized in 15 AAC 137.450, shall primarily target:

- a. Directly-held income producing, core real estate globally;
- b. Directly-held build-to-core or other non-core properties;
- c. Equity and debt funds that invest predominantly in real estate strategies (e.g. core, core-plus, value-added, and opportunistic);
- d. Publicly traded funds (e.g. ETFs or Index), or securities (e.g. REITs, CMBS, or other structured product), where the underlying investments consist of real estate;
- e. Private funds, or securities (e.g., REITs, CMBS, or other structured product), where the underlying investments consist of real estate; and
- f. Co-investments alongside an existing Real Estate manager.

The Director of Real Estate will have primary responsibility in executing the portfolio's investment strategy.

### 3. Diversification and Portfolio Restrictions

The Director of Real Estate is responsible for managing the various risks incurred and adhering to this Policy. In constructing a diversified Real Estate portfolio, APFC Staff will consider the following characteristics: investment type, property type, geography, manager, and leverage. In addition to general Policy requirements, the following will apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII.

- b. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- c. No more than 60% of the directly-held Real Estate portfolio shall be invested in "non-core" real estate (value-add and opportunistic). "Core" category requirements are defined in Appendix D.
- d. The Real Estate portfolio will target property types included in the **NCREIF NPI Expanded Property** benchmark with weightings for each property type measured by the net asset value of assets in the portfolio against the **NCREIF NPI Expanded Property** benchmark. Without Board approval, property type weights for the Real Estate portfolio shall not exceed the higher of: (i) 5% of the Real Estate portfolio, or (2) 1.5x the **NCREIF NPI Expanded Property** benchmark weighting.
- e. In recognition that APFC Staff may pursue some niche property types that are not included in property types of the NCREIF NPI, the Real Estate portfolio may, with the consent of the CIO, include up to 10% in property types not included in the NCREIF NPI.
- f. No more than 35% of the Real Estate portfolio shall be invested with a single investment manager/general partner as measured against the target allocation for the Real Estate portfolio.
- g. Leverage on investments in the directly-held portion of the Real Estate portfolio shall be limited by investment type as follows:
  - i. Core real estate leverage is limited to 65% of the gross asset value of the investment at the time of debt placement; however, this limit can be increased to 67.5% when including transaction fees and expenses;"
  - ii. Non-Core real estate leverage is limited to 65% of the gross asset value of the investment at the time of debt placement or 65% of the project cost on build-to-core investments; however, this limit can be increased to 67.5% when including transaction fees and expenses; and
  - iii. Portfolio-wide leverage is limited to 50% of the gross asset value of the directly-held Real Estate portfolio.
- h. Aggregate investments in REITs via funds and/or other vehicles should not exceed 10% of the target allocation for the Real Estate portfolio.

#### **Infrastructure and Private Credit and Income Opportunities Portfolio**

The Infrastructure and Private Credit and Income Opportunities portfolio will be comprised of two separate investment strategies in accordance with the Policy requirements below:

### **C. INFRASTRUCTURE PORTFOLIO**

#### **1. Objective**

The objective of the Infrastructure portfolio is to provide attractive risk-adjusted returns that have inflation-protection characteristics and exhibit low correlations with other major asset classes, as authorized by 15 AAC 137.460. Performance of the Infrastructure portfolio will be evaluated quarterly against the **Cambridge Global Private Infrastructure Index (Lagged)**, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs, fees, and carry, on a one-year, three-year, five-year, and ten-year annualized basis.

#### **2. Investment Strategy**

Infrastructure investments involve the purchase of critical assets with high barriers to entry and, due to the "essential services" nature of the assets, often result in low elasticity of demand. Infrastructure investments may include energy infrastructure, transportation, water infrastructure, telecommunications, social infrastructure (e.g. lotteries, student housing, prisons), other infrastructure (e.g. protected income stream assets, other interests of infrastructure issuers, infrastructure-related assets), other real assets (e.g. timberlands, agricultural farmlands, leasable hard assets), and any other tangible or intangible asset that possesses similar characteristics as those outlined in this section.

Infrastructure investments will be executed through long-term commitments to limited liability funds managed by external investment managers, through co-investments alongside existing Infrastructure managers and direct investments into operating companies. Additionally, investments in publicly-traded stocks of companies whose business profile includes ownership of infrastructure assets (Listed Infrastructure) may be included in the portfolio. Annually, APFC Staff will provide a pacing and investment plan for Board approval that reflects the current exposures, assumptions, and outlook. The CIO, or their delegee, will have primary responsibility in executing the portfolio's investment strategy and plans.

### 3. Risk Limits and Portfolio Restrictions

The CIO, or their delegee, is responsible for managing the various risks incurred and adhering to investment policy. In constructing a diversified Infrastructure portfolio, APFC Staff will consider the following characteristics: drivers of underlying assets' cash flow, industry sector, geography, manager, strategy, investment size, and company concentration. In addition to general Policy requirements, the following will apply to this portfolio:

- Risk Limits as detailed in Table 3, Section VII.
- All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
- Investments in multiple limited liability investment vehicles managed by the same manager are permitted, however, combined investments with a single manager shall not exceed 30% of the total Infrastructure portfolio.

## D. PRIVATE CREDIT AND INCOME OPPORTUNITIES

### 1. Objective

The objective of the Private Credit and Income Opportunities portfolio is to provide attractive risk-adjusted returns that generate a high level of income and potentially provide for capital appreciation, while safeguarding principal, as authorized by 15 AAC 137.460. Performance of the Private Credit and Income Opportunities portfolio will be evaluated quarterly against the **Cliffwater Direct Lending Index (Lagged)**, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs, fees, and carry, on a one-year, three-year, five-year, and ten-year annualized basis.

### 2. Investment Strategy

Private Credit and Income Opportunities investments involve the ownership of higher yielding, illiquid investment opportunities that cover a range of risk/return profiles. The Private Credit portion of this portfolio shall target externally managed limited liability funds, co-investments, and direct investments into operating companies that target one or more of the following strategies: direct lending, subordinated and mezzanine lending, distressed debt, and opportunistic credit-oriented funds, with flexibility to pursue illiquid and liquid strategies. The Income Opportunities portion of this portfolio shall include investments such as: timberlands, asset-based lending, structured credit, life settlements, leasing and royalty strategies, and special situations that share the common characteristic of being private markets investments with an objective of income generation and downside protection, but which do not fit neatly into other portfolios. Certain portfolios within Private Credit and Income Opportunities may also include some liquid credit exposures to complement the private investments in this portfolio. Annually, APFC Staff will provide a pacing and investment plan for Board approval that reflects the current exposures, assumptions, and outlook. The CIO, or their delegee, will have primary responsibility in executing the portfolio's investment strategy.

### 3. Risk Limits and Portfolio Restrictions

The CIO, or their delegee, is responsible for managing the various risks incurred and adhering to this Policy. In constructing a diversified Private Credit and Income Opportunities portfolio, APFC Staff will consider the following characteristics: credit profile, geography, manager, strategy, investment size, and company concentration. In addition to general policy aspects, the following will apply to this portfolio:

1. Risk Limits as detailed in Table 3, Section VII.
2. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.
3. Investments in multiple vehicles managed by the same manager are permitted, however,



combined investments with a single manager shall not exceed 30% of the Private Income portfolio.

## E. TACTICAL OPPORTUNITIES

### 1. Objective

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

### 2. Investment Strategy

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

### 3. Risk Limits and Portfolio Restrictions

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

- a. absent Board approval:
  - i. no more than 50% of the net asset value of the allocation (i.e. 2% of the Fund) to the Tactical Opportunities portfolio shall be invested in private market opportunities; and
  - ii. no single investment in this portfolio shall exceed 25% of the total allocation to the Tactical Opportunities portfolio, excluding investments in this portfolio that are intended to track a publicly-traded large cap domestic equities index such as the S&P 500.
- b. Risk limits as detailed in Table 3, Section VII.
- c. Short selling is prohibited except for the purpose of hedging or reducing the risk of existing positions.
- d. All derivatives in this portfolio must comply with Section VI (Authorized Use of Derivatives) of this Policy.

## F. ABSOLUTE RETURN

### 1. Objective

The objective for the Absolute Return portfolio is to deliver reasonably consistent and accretive returns that are largely uncorrelated with traditional, market-driven asset classes. Performance of the Absolute Return portfolio will be evaluated quarterly against the **50% HFRI Equity Market Neutral and 50% HFRI Macro**, but success in achieving the long-term objective (see Table 2) will be measured, net of all costs, fees, and carry, on a one-year, three-year, five-year, and ten-year annualized basis. The long-term objective for this portfolio is to generate a return similar to the total Fund with a correlation to the total Fund of less than fifty percent (50%), as measure over rolling 36-month periods.

### 2. Investment Strategy

The Absolute Return portfolio will invest directly into comingled limited liability funds as authorized by 15 AAC 137.460. The managers of these funds will invest in public or private securities and other financial instruments and may use leverage consistent with other managers of similar strategies. It is not uncommon for the legal terms of these limited liability funds to have restrictions on liquidity, including redemption windows (e.g. monthly, quarterly, annually), notice periods (e.g. 30, 60, or 90 days), lock-ups (e.g. soft, hard), gates (e.g. investor-level, fund-level), and, at times, withdrawal fees. Following the approval of investment guidelines, a portion of the Absolute Return portfolio may be internally managed and invested in gold-backed exchange traded funds as authorized by 15 AAC 137.460.

The Absolute Return portfolio, whether internally or externally managed, shall pursue one or more of the

following investment strategies:

- a. Relative Value, including equity market neutral, fixed income arbitrage, and convertible arbitrage;
- b. Event-Driven, including merger arbitrage, distressed securities/discounted bank debt, and special situations;
- c. Directional/Tactical/Opportunistic, including long-short equity, managed futures, and global macro; and
- d. Commodities, including gold-backed exchange traded funds.

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

### 3. Risk Limits and Portfolio Restrictions

The CIO, or their delegee, is responsible for managing the various risks incurred and adhering to this Policy. In constructing a diversified Absolute Return portfolio, APFC Staff will consider the following characteristics: manager, strategy, investment size, leverage, correlation with other assets of the Fund, and liquidity. In addition to general Policy Requirements, the following restrictions will apply to this portfolio:

- a. Risk Limits as detailed in Table 3, Section VII;
- b. Relative Value Managers in the range of 0 - 75%;
- c. Event Driven Managers in the range of 0 - 50%;
- d. Directional/Tactical/Opportunistic Managers in the range of 0 - 75%;
- e. Commodities, including gold-backed exchanged traded funds in the range of 0 - 50%;
- f. At least 50% of the portfolio shall be capable of being liquidated within a 12-month period; and
- g. APFC assets invested with each internal or external manager shall not represent more than 30% of that manager's AUM.

## V. ALASKA IN-STATE INVESTMENT POLICY

### A. OBJECTIVE AND CONSIDERATIONS

To implement the requirements of AS 37.13.120(c), the Board believes the Fund should have an in-state investment policy that maintains the investment integrity of the Fund and is both proactive and impartial. As such, any internal in-state investment decision made by APFC Staff should include the following considerations:

1. Honor AS 37.13.120(c): Prescribes that if an Alaskan investment has equivalent risk and expected return comparable to or better than a similar non-Alaskan investment, the Alaskan investment should be preferred.
2. Require Compelling Risk-Adjusted Returns: To honor the prudent investor rule provided in AS 37.13.120(a), any Alaskan investment contemplated by APFC must be attractive on a stand-alone basis.
3. Ensure Fund Diversification: In order to provide sufficient risk diversification as required under AS 37.13.120(c), Board approval is required for any in-state investment that would exceed 1% of the Fund, at the time of investment.
4. Seek Participation by Another Institutional Investor: In order to ensure that an Alaskan investment opportunity is attractive on a stand-alone basis and satisfies the institutional quality requirements of 15 AAC 137.420, APFC should generally seek to invest into an Alaskan investment alongside of at least one of its peers (i.e., a large institutional investor, which may include endowments, foundations, sovereign wealth funds, or public or private pension funds).

## VI. AUTHORIZED USE OF DERIVATIVES

### A. OBJECTIVE

The purpose of this section of the Policy is to establish the permitted uses and the limitations on the use of

derivatives and establish procedures for managing risks associated with derivatives. The requirements and limitations of this section of the Policy shall apply to all derivatives transactions executed by APFC Staff and all external managers with authority to buy or sell a derivative as an agent on behalf of the of the Alaska Permanent Fund. This section of the Policy does not apply to investments in a limited liability investment vehicle in which derivatives are in the name of the limited liability investment vehicle and the liability is limited to the amount invested.

## **B. DERIVATIVES DEFINITION; SCOPE**

1. As defined in 15 AAC 137.990(6), "Derivative" means "an instrument whose value, usefulness, and marketability is dependent upon or derives from an underlying asset; classes of derivatives include futures contracts, options, forward contracts, including currency forward contracts, swaps, and options on futures."
2. Both exchange-traded and over the counter ("OTC") derivative instruments are under the scope of this Policy. The principal risk of derivatives strategies comes from the potential to lever the portfolio and to express a view on a security or risk factor without committing capital commensurate with the exposure. To mitigate this risk, the successful and prudent use of derivatives depends on:
  - a. Well-defined uses for derivatives, and avoidance of leverage;
  - b. Manager-by-manager limits on economic exposures through derivatives; and
  - c. Investment manager internal control and defined procedures for managing risk.

## **C. PERMITTED USES**

1. Permitted uses of derivatives include:
  - a. Hedge and control risks of Fund portfolios so they better align with benchmarks and objectives;
  - b. Efficiently manage portfolio exposures synthetically as opposed to trading underlying securities;
  - c. Build portfolios with targeted risk and return characteristics that otherwise could not be efficiently created with securities; and
  - d. Facilitate rebalancing.

## **D. DERIVATIVES RISK MANAGEMENT AND COMPLIANCE**

### **1. Derivative Pre-Approval Requirement**

All derivatives strategies, whether internally or externally managed, are prohibited unless specifically allowed in writing for a permitted use as a part of an investment manager's guidelines.

The use of derivatives by an external manager shall be conditioned upon the finding by the CIO and CRO that the external manager:

- a. Has demonstrated investment expertise in the use of derivatives for the strategy they have been selected to implement;
- b. Has appropriate risk management and valuation policies and procedures in place;
- c. Has legal and investment experience to limit downside effects of the proposed derivatives; and
- d. Has demonstrated the ability to effectively monitor and control the use of derivatives and has agreed to provide monthly derivative exposure reports which detail:
  - i. Total derivative exposures on a gross and net basis,
  - ii. Total collateral/margin postings on gross and net basis, and
  - iii. A list of authorized counterparties and exposure by counterparty.

### **2. Derivative Recourse Limitations**

For externally managed portfolios, all liability created by the use of derivatives in the name of the Fund must be limited to the total value of the portfolio being managed by the external manager. To ensure this requirement is met, approval of the IMA/External Manager guidelines by General Counsel is required.

### 3. Counterparty and other Requirements

- a. The counterparty to any OTC derivative transaction must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's), unless an exception is approved in writing by the CIO and CRO;
- b. The net market value, net of all collateral postings, of all OTC derivatives for any individual counterparty may not exceed 30 basis points of the total market value of the Fund.;
- c. Selling (writing) uncovered options is prohibited;
- d. The net of long and short dollar exposures to assets or currencies, whether derived from physical or derivative securities, must be less than or equal to the dollar market value of the portfolio, except for very small, inadvertent, or temporary amounts that occur in the normal course of portfolio management or authorized by the CRO;
- e. The gross dollar exposures of a portfolio in the Fund from physical and derivative securities (futures, options, swaps) cannot exceed 300% of the market value of the aggregate underlying portfolio at all times unless authorized by the CRO; and If derivatives are used by a manager to actively manage currency exposure, net short exposure to any single currency remains within limits established for that manager's strategy.

## VII. RISK MANAGEMENT & OVERSIGHT

Recognizing the relationship between return and risk, APFC consciously and deliberately assumes various risks in pursuit of its return objectives. The goal of risk management is to understand, analyze and manage these risks. The risk management function strives to create risk awareness, establish and formalize a risk management framework, and ensure risks incurred are within the Board's risk appetite. This Policy outlines the Board's approved risk management framework, which includes the salient investment risk parameters and thresholds.

### A. RISK PARAMETER AND MEASURES

APFC Staff will establish a framework for measuring absolute risk of the Fund and each asset class, as well as relative risks in comparison to established benchmarks. This framework should generally include quantifiable estimates of active and relative risk. APFC Staff will monitor and produce reports as appropriate for the Board, ED, CIO, and APFC Staff.

The salient risk parameters are listed below. Related tolerances and associated ranges are provided in Table 3.

**Asset Allocation Limits** - Target allocation levels are determined for each asset class based on quantitative modeling and qualitative inputs. Disciplined alignment to these targets is essential, albeit ensuring limited flexibility to cater to changing markets and other factors.

**Future Commitments** - Future commitments are a function of committed capital to private investments and essentially reflect a contingent cash draw liability. Monitoring and limiting future commitments relative to the Fund's overall size is important.

1. **Active Risk** - Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. Tracking error is calculated for this purpose on an ex-ante basis using a holdings-based risk analytical system.
2. **Relative Risk Limit** - Relative Value at Risk (RVaR) provides a comparison of portfolio risk relative to benchmark risk and is measured as a ratio of Portfolio VaR to benchmark VaR.

In addition to relative measures, multiple risk parameters including concentration, credit, market, and liquidity risks are monitored and controlled.

1. **Downside Risk** - Downside risk is risk of significant loss of capital. Staff will actively monitor the Fund's

downside risk relative to the risk benchmark using scenario analysis and stress testing.

2. Proxy Securities and Indices - If necessary and prudent, as determined by the CRO, APFC Staff will employ index proxies to approximate the economic characteristics of specific investments to the extent that the terms and conditions of those investments or the underlying holdings (in the case of the funds) are not readily available or where the complexity of the underlying investment renders empirical measurement impractical.
3. Private Market Asset Holdings - APFC Staff will actively monitor the portion of the Fund invested in private market asset holdings to ensure that the percent of the total fund invested in private markets adheres to the private investment limits.

## **B. CREDIT RATINGS FOR FIXED INCOME SECURITIES**

Credit ratings by the three major ratings agencies, Standard & Poor's, Moody's and Fitch will be the primary source of credit ratings for Fixed Income securities in the Fixed Income and Total Fund Cash portfolios, subject to the following:

1. In case of split ratings, the 'Bloomberg Barclays Middle Rating' methodology shall be applied (i.e. if all three agencies rate a security, the middle rating is adopted; if only two agencies rate a security, the most conservative (lowest) rating is used; if only one rates a security, that single rating is used).
2. If none of the three agencies have assigned a rating, ratings by other agencies and or implied ratings may be used with CRO approval.
3. If no agency ratings are available and a rating cannot be implied, it shall be categorized as 'Unrated.'

## **C. LEGAL RISK MANAGEMENT**

Legal documentation for all internally managed public and private investments will be reviewed, negotiated and approved by APFC General Counsel prior to execution by the ED. APFC General Counsel shall be responsible for determining when outside legal counsel should be engaged to assist in the review and negotiation of Fund investment matters, subject to applicable statutes and rules adopted by the Office of the Attorney General.

## **D. PERMITTED USE OF LEVERAGE**

APFC Staff and external managers, consistent with the requirements of 15 AAC 137.500 and this Policy (including the risk parameters established by the asset allocation ranges), is authorized to use leverage for an investment of Fund assets, provided that such leverage is non-recourse to APFC or the Fund as described in AS 37.13.120(b) and 15 AAC 137.500.

## **E. FOREIGN EXCHANGE RISK**

1. External managers and APFC Staff may, with prior approval of the CIO, transact in any foreign exchange instrument (including currency futures and forward contracts, options, and swap agreements), to implement their investment strategies, contingent upon such transactions being consistent with this Policy and the requirements of 15 AAC 137.480.
2. APFC Staff shall analyze foreign exchange risk regularly and present quarterly to the Board. This analysis includes both internal hedging and external foreign exchange overlay manager positioning and performance.

## **F. RISK COMPLIANCE, MONITORING, AND REPORTING**

The APFC Staff assigned to each Asset Class in this Policy will have primary responsibility to ensure adherence to all aspects of this Policy. Additionally, the CRO and risk management team will be responsible for monitoring compliance of Fund investment activity. The Chief Risk Officer will provide the Board and APFC Staff with a comprehensive risk profile of the Fund on a regular basis. At a minimum, this includes the Daily Risk Dashboard and more detailed quarterly updates. The quarterly reports to the Board shall include the levels for most of the



salient risk parameters described in this Policy.

**G. RISK PARAMETERS AND LIMITS**  
**TABLE 3: ASSET ALLOCATION (AA) TARGET LEVELS**

	Public Equity	Fixed Income	Private Equity	Real Estate	Private Income	Absolute Return	Tactical Opportunities	Cash	Total Fund	Low	High	Low	High
Future Outstanding Commitments <sup>1</sup>	0.0%	0.0%	7.0%	3.0%	5.0%	2.0%	0.0%	0.0%	17.0%	0%	115%	0%	125%
Benchmark	M664204USN	BBCGEMBUS22	CAMB_PE	RE_2021	CAM_PI	HFIRIPXY23	SNP500	LEH3MO_TB	LHJPMASUS24	n/a	115%	n/a	125%
Tracking Error	See III.A.5	See III.B.5							4.0%	0%	125%	0%	140%
Relative VaR <sup>2</sup>	100.0%	100.0%							100.0%	0%	125%	0%	140%
<b>% of Asset Allocation</b>													
Single Name / Issuer <sup>3</sup>	4%	4%	2%	10%	2%	n/a	n/a	n/a		0%	115%	0%	125%
Single Sub-Industry <sup>4</sup>	20%	20%	30%	n/a	30%	n/a	n/a	n/a		0%	115%	0%	125%
Single Country - EX US	10%	10%	20%	20%	20%	n/a	n/a	n/a		0%	115%	0%	125%
Total EX US	50%	30%	50%	50%	50%	n/a	n/a	n/a		0%	115%	0%	125%
Single Fund Investments <sup>5</sup>	5%	10%	10%	10%	10%	15%	n/a	n/a		0%	115%	0%	125%
Proportion of Ownership <sup>6</sup>	5%	n/a	n/a	5%	5%	n/a	n/a	n/a		0%	115%	0%	125%
Rating - Below Inv Grade	n/a	25%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
Rating - Below A- & Unrated	n/a	50%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
Rating - Unrated	n/a	5%	n/a	n/a	n/a	n/a	n/a	0%		0%	115%	0%	125%
FX - Proportion Unhedged	50%	30%	50%	50%	50%	n/a	n/a	n/a		0%	115%	0%	125%
Liquidity - Proportion w/o Weekly Liq	10%	10%	100%	100%	100%	100%	n/a	5%		0%	115%	0%	125%
Liquidity - Proportion w/o Monthly Liq	2%	2%	100%	100%	100%	100%	n/a	0%		0%	115%	0%	125%
Liquidity - Proportion w/o Quarterly Liq	0%	0%	100%	100%	100%	40%	n/a	0%		0%	115%	0%	125%
Cash & Equivalents	2%	10%	5%	5%	5%	n/a	n/a	100%		0%	115%	0%	125%
MINIMUM Cash & Equivalents	0%	0%	0%	0%	0%	n/a	n/a	30%		85%	115%	75%	125%

All Targets are Maximum Permitted except-Minimum Cash

Notes:

1. % of Total Fund
2. Ratio of Portfolio VaR to Benchmark VaR
3. Single Name/Issuer: represents security level exposure to single entity or operating company.

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

4. Definition: GICS Sub-Industry
5. Single Fund Investment: represents exposure to an external fund or external strategy-based vehicle. Excludes passive/index-based strategies
6. Proportion of Ownership: For Real Estate and Private Income, the limit is only applicable to the REIT and listed infrastructure portfolios.

## VIII. PUBLIC MARKETS EXTERNAL MANAGER SELECTION

### A. MANAGER SEARCH AND SELECTION

This section of the Policy applies to discretionary mandates assigned to external investment managers to transact and manage public market assets on behalf of the Fund (i.e. through an IMA). The Board has authorized APFC Staff to hire new investment managers upon conclusion of an appropriate search with the assistance of a qualified consultant, which can include the Board's General Consultant, contingent upon the search and hiring process adhering to the following steps:

1. Setting of relevant search criteria by APFC Staff of applicable manager qualifications;
2. Identification, with the assistance of the consultant, of a list of potential managers that are qualified to provide the investment management services needed, based on the qualifications and other search criteria established by APFC Staff;
3. Evaluation by a review committee established within the consultant's organization of the list of potential, qualified managers identified for recommendation of consideration by APFC Staff;
4. Informing the CIO of managers recommended by the General Consultant's review committee;
5. Selection by APFC Staff of between three and five finalists from those recommended by the consultant's review committee. This process may include, as part of due diligence, on-site visits by APFC Staff. Presentations to APFC Staff by the recommended managers are at the election of the CIO and ED;
6. Analysis by APFC Staff including a detailed recommendation to the CIO, considering manager-specific characteristics as well as portfolio considerations;
7. Approval of the new manager or advisor by the CIO, assignment of benchmarks as appropriate, and determination of the initial amount to be placed under management with the manager;
8. A manager shall also be required to execute a written IMA with the APFC. The IMA shall address matters of performance, compensation, term/termination, investment guidelines, among others, as the APFC and the manager consider necessary and appropriate. The use of derivatives, if any, within externally managed mandates shall conform to the Derivatives section of this Policy and be explicitly detailed in the IMA; and
9. Review and approval by the CRO and General Counsel of the proposed IMA is required prior to execution.

### B. SPECIAL SITUATIONS

In certain special circumstances, the CIO has the authority to modify or waive the criteria in the selection and hiring process outlined above. Even in such instances, the CIO retains the final manager selection authority. Use of an alternative manager search process may be considered when any one or more of these conditions exist:

1. A manager under consideration for hire has already been vetted in a significant manner either through a search process with a qualified consultant, or the manager is already employed in a manager capacity by APFC;
2. The skill for which the manager is being considered is related in a substantive manner to the role the manager already fulfills for APFC or was the subject of a manager search that first identified this manager;
3. It is in the best interest of the Fund to move more quickly than the typical search procedure permits; or
4. Due to confidentiality or specificity of the investment strategy or structure, use of the typical search procedure is not prudent.

The CIO is required to report use of the alternative manager search and selection process, along with the rationale for the use, at the next regularly-scheduled Board meeting.

**C. MONITORING AND EVALUATION OF MANAGERS**

1. The Board expects APFC Staff to monitor the performance of the Fund's external managers, using the quarterly quantitative performance reports prepared by the General Consultant and Asset Class-specific Advisors in the case of Private Markets and Alternative Investments. Monitoring manager performance may also include review of other quantitative and qualitative aspects based on on-site visits to the manager's offices, discussions with other clients of the manager, media reports and other feedback.
2. The CIO shall report to the Board any special concerns or observations they may have with respect to the performance of a manager no later than the next regular meeting of the Board.
3. The Board authorizes the CIO to terminate an investment manager. If the CIO terminates or give notice of unsatisfactory performance to a manager, they shall inform the Board of the actions and rationale at the next regularly scheduled Board meeting.

## APPENDIX A: INVESTMENT GUIDELINES

### OBJECTIVE

The objective of the APFC Investment Guidelines is to supplement the Investment Policy by providing operational guidelines for APFC's internally managed investment programs. The ED may update this Appendix from time-to-time; updates will be provided to the Board at its next regularly scheduled meeting. Deviation from these guidelines requires CIO and ED approval. Overall compliance to IPS is required.

### A. GOLD EXCHANGE TRADED FUND STRATEGY

In the fall of 2020, APFC Absolute Return Staff established the APF Real Overlay account for the implementation of the Gold ETF strategy.

#### 1. Allocation Size

The size of the Gold Exchange Traded Fund strategy will range between 0% and 50% of the size of the Absolute Return portfolio. At the security level, APFC's position in any given ETF will not exceed 10% of the ETF's Total Assets, without separate CIO approval.

#### 2. Eligible Securities

U.S. listed ETF products issued by a major ETF sponsor such as iShares, State Street, VanEck, etc. The program will invest in ETFs backed by physical gold on an unlevered basis, e.g. will not invest in derivatives-based ETFs. Currently identified examples of ETFs that fit these criteria are IAU US, GLDM US, OUNZ US.

#### 3. Benchmark

The performance benchmark is the LBMA Gold Price (BB - GOLDLNPM Index).

### B. INTERNALLY MANAGED EQUITY OVERLAY ACCOUNT

An account that may be used for rebalancing, overlay or liquidity. The account may hold only ETFs and or cash and cash equivalents. The use of derivatives in this account will require prior approval by the CIO, except when derivatives are part of ETFs.

The account size shall not exceed 3% of the Public Equity portfolio NAV at the point of investment. Given that it is not an individual strategy in itself, but rather an overlay, this account will not have its own benchmark and will roll up to the aggregate Public Equity portfolio.

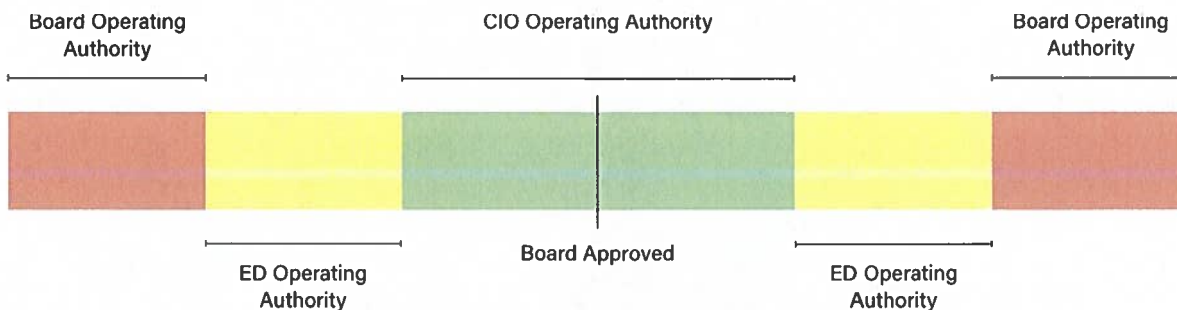
## APPENDIX B: LIMIT RANGES & COMPLIANCE CURE PERIODS

The Green Zone Operating Range ("Green Zone") concept is designed to indicate the Board approved operating risk limits.

- A. The Green Zone is the Board-approved CIO operating range.
- B. The Yellow Zone is the Board approved ED operating range.
  - 1. The Chief Risk Officer ("CRO") will notify the CIO and ED promptly upon entry into a yellow zone.
  - 2. The CIO will respond by requesting ED approval to operate within the Yellow Zone.
  - 3. With ED approval, the CIO may operate within a Yellow Zone for up to 90 consecutive days or, if longer, until the next Board meeting following entry into a Yellow Zone.
  - 4. The CRO will notify the Board (i) when approaching 90 days of operating within a Yellow Zone and (ii) monthly thereafter.
  - 5. Following Board notification, a Trustee may request in writing a meeting to discuss an extension to continue operating within the Yellow Zone.
  - 6. The Board may grant the CIO and ED an extension to continue operating within a Yellow Zone. Between Board meetings, unless a Trustee requests a meeting, the Board Chair may grant the CIO and ED an extension to continue operating within a Yellow Zone.
- C. The Red Zone is the operating range that requires Board approval.
  - 1. The CRO will notify the Board upon entry into a Red Zone.
  - 2. The CIO and ED will respond to the Board with an action plan.
  - 3. Absent Board approval, operating within a Red Zone is limited to 30 consecutive days (plus the time needed to notice a Board meeting).
  - 4. The Board has the authority to approve operating within a Red Zone, beyond 30 days.

Even though the Fund is expected to operate most of the time within the Green Zone, the Fund may periodically be within a Yellow Zone, and there may be times when the Fund will be within a Red Zone. The zones are designed to increase transparency and awareness; they should not be viewed as explicit violations. Each year a historical report showing periods of operating within the Yellow and Red Zones will be included in Board meeting packets.

### VISUAL DISPLAY OF GREEN ZONE CONCEPT



## APPENDIX C: RISK APPETITE

The risk appetite approved by Board on December 2, 2020 is defined in terms of (a) a Risk Tolerance Portfolio and (b) Liquidity level.

### A. Risk Tolerance Portfolio (RTP)

- i. The RTP is comprised of an 80% equity, 20% bond reference portfolio with the following constituents: 80% MSCI ACWI IMI, 8% BB US AGG, 8% BB US CORP, 4% BB GLBL TRS ex-US.
- ii. The maximum risk of the APFC portfolio shall not exceed that of the RTP based on two parameters:
  - Value at Risk (VaR): 1-year time horizon, 1 standard deviation, using 10 year constant-weighted historical monthly data.
  - Drawdown: Recession Global Financial Crisis from Dec 2007 to Mar 2009
- iii. The private equity risk estimate computed by Aladdin will be adjusted downward (reduced) by adjusting the private equity exposure to 75% of actual exposure when comparing to RTP.

### B. Liquidity level

- i. The combined allocated to public equities, fixed income, and cash will not be lower than 40%.

## APPENDIX D: REAL ESTATE STYLE CATEGORIZATION GUIDELINES

The purpose of these guidelines is to assist with the categorization of direct real estate holdings as core vs. non-core. Categorization shall be managed by investment staff, who should strive to represent properties as accurately as possible, and shall be reviewed regularly by the Risk and Compliance Department.

### CORE CATEGORY REQUIREMENTS

New Development	No
Material Redevelopment	No
Vacancy Rate	<30%*
Leverage	≤65%

*\*Vacancy greater than 30% persisting for more than 2 years shall be categorized as non-core.*

Core shall represent the safest assets relative to the broader investment universe. This includes stable properties undergoing very little change, high occupancy rates, low use of leverage, and predictable cash flows. Other attributes that may support core categorization could be the high credit quality of tenants, long-term leases, or positive/stable market trends specific to the property type and MSA. It is generally expected that core properties shall be located in areas with strong demand. Additionally, it is expected that a greater portion of a core property's return will be attributable to income, and that it will be operating with a profit.

## APPENDIX E: GLOSSARY

**AAC** means the Alaska Administrative Code.

**ADA** means the Americans With Disabilities Act of 1990.

**Advisors** and **Board Advisors** mean the investment professionals who comprise the Board's Investment Advisory Group.

**APFC** and **Corporation** mean the Alaska Permanent Fund Corporation, established under AS 37.13.040.

**AS** means Alaska Statutes.

**Asset Backed Securities** means an investment that is collateralized by an underlying pool of income-generating assets which are authorized by 15 AAC 1 37.430(a)(19).

**BB** means Bloomberg.

**Board** means the Board of Trustees of the APFC.

**CMBS** means commercial mortgage-backed securities.

**CFO** means the APFC's Chief Financial Officer.

**CIO** means the APFC's CIO.

**Consultant** means the Board's investment consultant(s), not including Board Advisors.

**CPI** means the Consumer Price Index.

**CRO** means Chief Risk Officer

**Custodian** means the APFC's custodian.

**Days** means calendar days.

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

**ED** means the APFC's Executive Director.

**FoF** means fund-of-funds.

**Fund** and **Permanent Fund** mean the Alaska Permanent Fund, established under Article IX, Section 15, of the Alaska Constitution, and described in AS 37.13.010.

**IMA** means investment management agreement.

**Investment Manager** and **Manager** mean investment manager(s) retained by the APFC.

**IRR** means internal rate-of-return.

**Long-Term** means over one or more business cycles.

**MBS** means mortgage-backed securities.

**RBM** means Strategic Risk Benchmark.

**Staff** means the APFC Investment Staff and, where the context requires, also means or includes the Executive Director and/or other APFC Staff.

**TE** means Tracking Error.

**Trustees** means the members of the APFC's Board of Trustees.

**VaR** means Value at Risk

## APPENDIX F: PREVIOUS INVESTMENT POLICY ADOPTION & AMENDMENTS

The previous APFC Investment Policy was adopted or amended effective as follows:

Adopted	May 27, 2010
Amended	September 30, 2010 (§14.9 added)
Amended	December 1, 2010 (§9.1 revised; new § 11.1 added and prior §§ 11.1 -11.3 and subsections thereunder renumbered; and § 18.2.4 revised)
Amended	May 20, 2011 (§18A added)
Amended	September 30, 2011 (§§ 8, 8.2, 8.3, 8.5, 9.2, 9.3.1, 9.4.1, 11.3.1, 15.3, and 15.4 revised)
Amended	December 8, 2011 (§11.3.2 revised)
Amended	February 22, 2012 (§20 revised)
Amended	April 23, 2012 (§§16.3.1 and 16.3.2 revised; and Specific Policy Modifications for Tysons Corner Phase I Project and Mariner Frontier Fund, L.P. added)
Amended:	February 27, 2013 (§§15.2, 15.3, and 15.4 revised)
Amended	May 22, 2013 (§§9.5.4, 9.5.5, 12.4, 12.6, 13.2, 13.3.1, 13.3.3, 14.9.4.10, 16.1.2, 16.1.3, 16.1.4, 16.2, 16.3, 16.3.1, 18A, 23.2, and 23.5 revised; Specific Policy Modification for Mariner Frontier Fund, LP. revised; Specific Policy Modification for Crestline AK Permanent Fund, L.P. added; and Addendum re Internal Investment Managers added)
Amended	May 23, 2013 (§§3.1, 3.3, 5.3, 6, 8 (including Table 8a), 8.1 revised; §8.2 deleted; §§ 8.3-8.5 renumbered (as §§ 8.2-8.4) and newly-renumbered §§ 8.2-8.4 revised; and §§9.2, 9.3.1, 9.4.1, 10, 11.3.1, and 22.2 revised)
Amended	February 26, 2014 (§§23.3.1, and 23.2 revised; and Addendum re Internal Investment Managers revised)
Amended	May 21, 2014 (§14.9.4.10 (including Table 14.9.4.10.1) revised)
Amended	December 10, 2014 (§§8, 9.3.1, 11.3.2, 14.2.2, and Table 14.5.4.1 revised)
Amended:	May 19, 2015 (§§15 and 16, including conforming changes in other sections revised)
Amended	September 27, 2016
Amended	December, 2016 (§§ 9, 10 and 12, including conforming changes in other sections revised)
Amended	May 23, 2018, complete re-write of the Policy and Guidelines. Changes to be effective on July 1, 2018
Amended	September 27, 2018 (§5, Alaska Investment Policy was revised)
Amended	May 21, 2020, complete rewrite of the Investment Policy changes effective July 1, 2020
Amended	September 24, 2020 Amended § III D total fund cash and § IV E absolute return to authorize investment in gold ETFs.
Amended	May 20, 2021 amended: (1) § II A to include reference to Risk Appetite approved by the Board on December 9, 2020; (2) §IV A 3 to include a new subsection (g), which is a control restriction in place of existing 10% ownership restriction; (3) § IV B 3 G to increase authorized leverage on core real estate; (4) § VII G update table 3 risk parameters to

include clarifications and changes to existing limits; (5) Appendix A to include most recent Investment guidelines approved by the ED; and (6) add Appendix C to include Risk Appetite parameters approved by the Board on December 9, 2020.

Amended May 18, 2022 amended: (1) § II C modify benchmarks for fixed income, private credit and income opportunities and absolute return; (2) § II E modify investment committee process to provide for single investment committee held by CIO; (3) in numerous places in the Policy make clear that decision to hire or terminate an external public markets manager only needs the consent of the CIO; (4) in the following assets classes identify the CIO or their delegee as the person responsible for the investment strategy, instead of the Deputy CIO of private markets: (i) private equity; (ii) infrastructure and private credit; and (iii) absolute return; (5) §IV A (3) only require the consent of the CIO to hold APFC controlled public securities longer than 18 months after the company has gone public; (6) §IV B(g)(ii) increase the real estate portfolio wide leverage from 40% to 50%; (7) § IV C & D eliminate the restriction on APFC's investment with an Infrastructure or private credit manager representing more than 30% of that manager's AUM; (8) § VII G reduce private equity outstanding commitment level from 10% to 7%; and (9) provide Board with copy of the investment guidelines that have changed since the last Board Meeting.

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

Amended May 30, 2024 amended: Tables 1 and 2 in § II were updated to reflect asset allocation changes approved by the Board.

Amended July 25, 2024 amended: (1) Appendix A section F adds Internally Managed Global and International Low Vol Portfolios guidelines; (2) Appendix A section A adds clarification that securities will be equally weighted at the time of rebalance; (3) Appendix A sections A, D and E edits portfolio size limits from percent of Fund to percent of the public equity asset class; (4) § III D. 1. f. adds details related to non-cash collateral in relation to securities lending; (5) § IV B. 3. d. updates the real estate property type mix benchmark to 85% NCREIF + 15% MSCI REIT to be in line with performance benchmark; and (6) Appendix D added to provide real estate style categorization guidelines.

Amended May 29, 2025 with an effective date of July 1, 2025 amended: (1) Table 1: Green and Yellow zones corrected for Tactical Opportunities and Cash; (2) Table 2: Benchmark for Real Estate changed to 100% NCREIF property index and Bloomberg ID for S&P 500 corrected to SPTR; (3) III.A.5: Tracking Error limits for Public Equities updated; (4) III.B.5: Tracking Error limits for Fixed Income updated; (5) IV.B. Real Estate: Benchmark updated and a max limit for REITS included; (6) Table 3: Tracking Error limits updated and note 5 modified; (7) Appendix A: Investment Guidelines: internal public equity portfolio guidelines deleted, and new Equity Overlay account introduced.