APFC ALASKA PERMANENT FUND CORPORATION

Board of Trustees

Ethics, Audit & Cybersecurity Committee Meeting

September 2, 2026

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

Board of Trustees
Ethics, Audit & Cybersecurity Committee Meeting

September 2, 2026

8:30 a.m. – 12:00 p.m.

Michael J. Burns Building
David Rose Board Room (3rd Floor)
801 W 10th Street
Juneau, AK 99801

Teams Webinar Access
Join here

Teleconference Option
Phone: 323-792-6284
Phone Conference ID: 522 627 524#

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

AGENDA

WEDNESDAY, SEPTEMBER 2, 2026

8:30 a.m.	CALL TO ORDER
	ROLL CALL (Action)
	APPROVAL OF AGENDA (Action)
	APPROVAL OF MINUTES (Action) • Ethics, Audit & Cybersecurity Committee Meeting Minutes – May 28, 2026
	OPPORTUNITY FOR PUBLIC PARTICIPATION
8:45 a.m.	KPMG AUDIT REPORT (Information) Beth Stuart, Lead Audit Partner, KPMG Melissa Beedle, Audit Managing Director, KPMG
9:15 a.m.	EXECUTIVE SESSION – KPMG (Information) Discuss integrity of financial statements/controls
9:30 a.m.	DETAILED REVIEW OF FY26 YEAR-END FINANCIAL STATEMENTS (Information) Jacki Mallinger, Senior Portfolio Accountant II Valerie Mertz, Chief Financial Officer • FY26 Management's Discussion & Analysis • FY26 Financial Statements • FY26 Financial Statements Notes

10:00 a.m.	UPDATE ON LEGAL MATTERS (Information) Chris Poag, General Counsel
10:15 a.m.	*BREAK*
10:30 a.m.	CYBERSECURITY UPDATE (Action) *Executive Session* Scott Balovich, Chief Information Technology Officer
11:15 a.m.	INTERNAL CONTROL FRAMEWORK UPDATE (Information) Sebastian Vadakumcherry, Chief Risk & Compliance Officer
11:45 a.m.	ETHICS UPDATE (Information) *Possible Executive Session* Chris Poag, General Counsel Deven Mitchell, Chief Executive Officer
11:50 a.m.	OTHER MATTERS / FUTURE AGENDA ITEMS / TRUSTEE COMMENTS
12:00 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.)

SUBJECT: Approval of Minutes ACTION: __X__

DATE: September 2, 2026 INFORMATION:

BACKGROUND:

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

- May 28, 2026 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, 2026 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, 2026
7:30 a.m. – 11:05 a.m.

Valdez Convention & Civic Center, Valdez, Alaska

Trustees

Ryan Anderson, Committee Chair	Jason Brune	Ralph Samuels
Janelle Earls	Ethan Schutt	

APFC Staff

Deven Mitchell, CEO	Val Mertz, CFO	Marcus Frampton, CIO
Sebastian Vadakumcherry	Chris Poag	Paulyn Swanson
Jacki Mallinger	Jennifer Loesch	Joseph Jeralds
Larissa Goecker	Chris LaVallee	Scott Balovich
Norix Mangual	Cassandra King	Sarah Struble
Jordyn Perletti	Jessica Thornsburry	Kian Flynn
Juliette Alldredge	Lesley Creswell	Luke Kirkham
Shannon McCain		

KPMG

Melissa Beedle	Beth Stuart	Rahul Kohli
Venoth Lal	Andrew McGregor	Ryan McGurgan

Public

Alex Psilakis

CALL TO ORDER

COMMITTEE CHAIR RYAN ANDERSON called the Alaska Permanent Fund Corporation (APFC) Board of Trustees Ethics, Audit & Cybersecurity Committee meeting to order at 7:30 a.m. at the Valdez Convention & Civic Center in Valdez, Alaska.

ROLL CALL

JENNIFER LOESCH conducted the roll call. The following Committee members were present:

- COMMITTEE CHAIR RYAN ANDERSON
- TRUSTEE JASON BRUNE
- TRUSTEE JANELLE EARLS
- TRUSTEE RALPH SAMUELS

A quorum was established. Trustee Ethan Schutt also attended.

APPROVAL OF AGENDA

Chair Anderson requested approval of the May 28, 2026, agenda. J. Brune moved to approve the agenda, and R. Samuels seconded the motion. The committee approved the agenda without objection.

APPROVAL OF MINUTES

Chair Anderson introduced the minutes from the September 4, 2025, committee meeting. J. Brune moved to approve the minutes, and R. Samuels seconded the motion. The committee approved the minutes without objection.

OPPORTUNITY FOR PUBLIC PARTICIPATION

Chair Anderson opened the floor for public comment. J. Loesch confirmed no individuals raised their hands or came forward to provide comment. Chair Anderson closed the public comment period.

FY26 KPMG AUDIT PLAN AND RISK ASSESSMENT

Audit Plan and Timeline

MELISSA BEEDLE, Managing Director at KPMG, outlined the required communications and timeline for the fiscal year 2026 audit. M. Beedle reported that planning and risk assessment occurred in March and April, interim procedures would take place in May and June, and the core audit evaluation would span July through September. M. Beedle confirmed that KPMG would audit APFC's financial statements and the schedules of investments for the Alaska Mental Health Trust Authority and the Power Cost Equalization Endowment Fund.

Risk Assessment and Materiality

BETH STUART, Engagement Partner at KPMG, discussed significant financial reporting risks, emphasizing that standard procedures consistently evaluate the potential for management override of internal controls. B. Stuart clarified that public markets pose lower valuation risk and are audited by a centralized KPMG team, generally providing full valuation coverage rather than relying on statistical sampling. Private markets and real estate alternative investments receive elevated audit emphasis and involve specialized valuation teams due to complex, individual reporting structures. M. Beedle explained that KPMG applies a professional-judgment materiality threshold informed by the needs of financial-statement users and does not disclose the specific threshold to APFC or management. B. Stuart also reviewed an upcoming accounting change regarding the structural organization of the Management's Discussion and Analysis (MD&A), noting an accelerated timeline to integrate the standard. B. Stuart affirmed strict independence compliance managed through a global monitoring database.

Artificial Intelligence Integration

Chair Anderson inquired about KPMG's use of artificial intelligence to improve audit efficiency and quality. B. Stuart stated that KPMG uses Gemini in a secure, nonpublic environment. She explained that KPMG's tools review financial statements for grammar, wording, and consistency; compare audit memoranda and procedures against professional standards; and support whole-population analyses to identify unusual vendors, expenses, and transaction patterns. B. Stuart stated that the current benefit is primarily improved audit quality rather than reduced staff time and emphasized that human review remains essential.

FY26 YEAR-TO-DATE FINANCIAL STATEMENT REVIEW

CHIEF FINANCIAL OFFICER VALERIE MERTZ presented the fiscal-year-to-date financial results through March 31, 2026.

Q3 Financial Highlights

V. Mertz reported an accounting net income of $4.8 billion, representing a more than 30% increase compared to the same period in the prior fiscal year. The statutory net income totaled $5.6 billion. V. Mertz confirmed $331 million in mineral royalty deposits through March and noted nine transfers to the General Fund totaling $3.1 billion, leaving $689 million to transfer in the fourth quarter. The total return for the first three quarters reached 6.44%.

Balance Sheet and Earnings Reserve

V. Mertz stated that total assets reached approximately $88 billion at the end of March, reflecting $2.3 billion in growth since the end of FY25. Unrealized gains totaled approximately $15.1 billion, about 51% of which was associated with less-liquid asset classes. The ending fund balance was $86.4 billion, an increase of $1.3 billion since the end of FY25. The ERA totaled $14.6 billion, including $4 billion committed for the FY27 POMV transfer, $8 billion in uncommitted realized earnings, and an allocation of unrealized gains.

Inflation-Proofing Discussion

J. Brune asked about legislative appropriations for FY27 inflation-proofing and the classification of the $8 billion in uncommitted realized earnings relative to protected principal. CHIEF EXECUTIVE OFFICER DEVEN MITCHELL stated that the $59.2 billion representing actual deposits to principal was constitutionally protected. He explained that the remaining amounts were not constitutionally protected in the same manner, but whether all such amounts were legally spendable would require legal analysis. D. Mitchell identified the $8 billion in realized earnings as available for appropriation and noted that the possible appropriation of unrealized earnings had not been tested.

V. Mertz stated that the current version of the FY27 budget contained an inflation-proofing estimate consistent with the statutory amount. She provided a 12-year history of statutory inflation-proofing, indicating an estimated cumulative deficit of $4.6 billion due to seven years without appropriations and partial funding in FY24.

R. Samuels compared the estimated inflation-proofing deficit with state withdrawals from the Constitutional Budget Reserve and suggested that the two were connected from a political and budgeting perspective. V. Mertz stated that she did not have the CBR balance available and agreed to obtain the information. D. Mitchell distinguished the two mechanisms, explaining that inflation-proofing transfers remain within the Permanent Fund and reclassify assets from unprotected to constitutionally protected status, whereas the CBR is used to address budget deficits.

CYBERSECURITY AUDIT / IT SECURITY FRAMEWORK / ETHICS UPDATE

Chair Anderson provided an overview of three confidential agenda items that the committee proposed to address in executive session: the biannual cybersecurity audit conducted by KPMG, an update on the APFC IT security framework, and the quarterly ethics disclosure report provided to the Attorney General.

J. Brune moved to convene in executive session under the Alaska Open Meetings Act to discuss the APFC cybersecurity systems, IT security developments, and ethics disclosure reports filed under AS 39.52.260. J. Brune stated that immediate knowledge of this information could have an adverse effect on the investment management of the Permanent Fund and the finances of the state. R. Samuels seconded the motion. The committee entered executive session without objection.

Following the executive session, Chair Anderson reconvened the public meeting and confirmed that the committee considered only the matters specified in the motion and took no action.

AUDIT COMMITTEE SELF-ASSESSMENT

Chair Anderson reviewed the committee self-assessment and noted that he and J. Brune generally agreed on several areas for improvement, including training on emerging risks, accounting standards, financial reporting, regulatory developments, cyber incidents, vulnerabilities, testing outcomes, and continuing education. J. Brune expressed concern regarding difficulties obtaining approval from the Governor's Office for trustee travel, emphasizing that comprehensive training for all six trustees was essential for overseeing a nearly $90 billion fund providing approximately 66% of the state's general fund. J. Earls explained that she had not completed the assessment because she was new to the committee and was uncertain how to evaluate its performance. V. Mertz stated that staff would consider the feedback and respond to any specific follow-up requests from the committee.

OTHER MATTERS / FUTURE AGENDA ITEMS / TRUSTEE COMMENTS

J. Earls stated that it had been a good committee meeting and thanked the participants for their time. E. Schutt observed that the serious matters discussed demonstrated that the oversight system was working. J. Brune praised Chair Anderson's leadership and questioned whether the meeting was the first conducted under the committee's new name. Chair Anderson stated that the expanded committee had existed for approximately one to one and one-half years and had increased the

Board's focus on ethics and cybersecurity. Chair Anderson thanked APFC staff and those supporting the Valdez meeting.

ADJOURNMENT

J. Brune moved to adjourn the meeting, and E. Schutt seconded the motion. Chair Anderson adjourned the meeting.

SUBJECT:	Report of Annual Audit	ACTION:	______
DATE:	September 2, 2026	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 2026 will be completed by KPMG with a report date of September 2nd 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 for the year ending June 30, 2026

September 2, 2026

Audit results: Overview

Outstanding matters

No outstanding matters.

Auditors’ report

We plan to issue an unmodified opinion.

Uncorrected Misstatements

Uncorrected misstatements associated with reporting lag in alternative investments. See page 8.

Audit results required communications and other matters

Matters to communicate		Reference
Significant unusual transactions	X	
Uncorrected audit misstatements	✓	Page 8
Corrected audit misstatements	X	
Financial statement presentation and disclosure omissions	X	
Non-GAAP policies and practices	X	
Auditors’ report	X	
Changes to our risk assessment and planned audit strategy	X	
Significant disclosures, accounting policies and practice	✓	Page 5
Significant accounting estimates	✓	Pages 6 and 7

Matters to communicate		Reference
Related parties	X	
Going concern	X	
Other information	✓	Page 9
Subsequent events	X	
Noncompliance with laws and regulations	X	
Significant difficulties encountered during the audit	X	
Significant findings or issues discussed, or the subject of correspondence with management	X	
Management’s consultation with other accountants	X	
Disagreements with management	X	
Other significant matters	X	

✓ = Matters to report   X = 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 those charged with governance'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 to be distributed under separate covers.
Independence	See page 10
Required inquiries	See page 11

Significant disclosures, accounting policies and practices

Description of significant 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 or accounting policies and practices used by the entity during FY2026.
GASB 103 was adopted during FY26. This affected the form of the Management's Discussion and Analysis	The Fund appropriately implemented the required changes into the Management's Discussion and Analysis.

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 a third-party, Situs, 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 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

To be presented at audit committee meeting

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 statements. 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.

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 pro forma financial statements, word processing, and drafting of the financial statements.
IT Security Assessment	Point-in-time assessment of the actual effectiveness of the Company's specific security controls benchmarked against industry standard Center for Internet Security framework. This engagement was executed based on KPMG's standard, autonomous audit methodologies which are not influenced by the management or staff of the client organization

Affirmation of independence

We hereby affirm that as of September 2, 2026, the engagement team and others in the firm as appropriate, the firm and its affiliated firms, have complied with relevant ethical requirements regarding independence.

Required inquiries

- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
- Are you aware of, or have you identified, any instances of actual, suspected or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- How do you exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Has the entity entered into any significant unusual transactions?
- Have there been any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- What is the audit committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of the audit committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Have any subsequent events occurred that might affect the financial statements?
- Has there been any correspondence with regulators or licensing authorities?

Tangible outcomes

Our continuous pursuit of delivering a better audit experience to Alaska Permanent Fund Corporation.

Audit Area	Outcome	What we did	Change for better
Alternative investments	Automated data extraction for robust risk assessment	Created an automated workflow to process a large dataset to summarize activity, see movement in investment balances, and more effectively and efficiently assess risks.	Improved audit quality by providing visibility into 100% of the population, while reducing impact of audit requests by focusing only on higher risk activity
Financial reporting	Enhanced and streamlined review	Utilized AI tools to facilitate more streamlined review of disclosures, internal consistency, and conformity with new MD&A requirements.	Reduced lead time in review, providing management with more timely insights
Risk of management override	Automated data analysis for identification of higher-risk journal entries	Implemented automated journal entry analysis tool.	Improved ability to identify higher-risk journal entries and allowed us to provide more timely selections to management

On the 2026 board agenda

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

- Reassess the board's engagement in strategy—particularly scenario planning, agility, crisis planning, and resilience.
- Understand the company's AI strategy and related risks and opportunities, and closely monitor the governance structure and talent/workforce needs around the deployment and use of the technology.
- Consider the adequacy of the company's data governance framework and processes.
- Assess whether the company's cybersecurity governance framework and processes are keeping pace.
- Keep material sustainability issues embedded in risk and strategy discussions, and monitor management's preparations for sustainability reporting requirements as well as shareholder expectations.
- Sustain a healthy board-CEO relationship.
- Revisit board and committee risk oversight responsibilities and allocation among committees.

KPMG Board Leadership Center: On the 2026 board agenda

KPMG

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

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Learn about us: **kpmg.com**

APFC ALASKA PERMANENT FUND CORPORATION
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907.796.1500 | apfc.org

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

DATE: September 2, 2026 INFORMATION:_____X_____

BACKGROUND:

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

STATUS:

The financial audit for fiscal year 2026 will be completed by KPMG with a report date of September 2nd. 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 FY2026 year-end results.

APFC ALASKA PERMANENT FUND CORPORATION

FY26 Year-End Financial Statement Review

September 2, 2026

Key Takeaways

as of June 30th

- Accounting net income: **$10.1B**
- Statutory net income: **$8.2B**
- Mineral revenues deposited to corpus: **$535M**
- POMV transfers to General Fund: **$3.8B**
- Total return: **12.42%**

Total Assets
(millions)

	FY26 as of 6/30	**FY25** as of 6/30
Cash	$3,644.7	$3,797.3
Receivables	1,694.5	689.9
Investments	88,121.8	81,553.6
Securities Lending Collateral	4,768.0	4,016.7
Total assets	**$98,229.0**	**$90,057.5**

Investments

(millions)

Fair value	FY26 as of 6/30	FY25 as of 6/30
Marketable debt securities	$18,378.2	$15,987.5
Preferred and common stock	32,500.0	28,373.0
Real estate	8,275.9	9,292.0
Absolute return	7,200.6	5,836.8
Private credit	2,651.0	2,760.8
Private equity	15,026.9	14,875.2
Infrastructure	4,089.2	4,428.3
Total investments	**$88,121.8**	**$81,553.6**

Unrealized Gains (Losses)

(millions)

Asset Class	FY26 as of 6/30	FY25 as of 6/30
Marketable debt securities	$(325.1)	$(178.4)
Preferred and common stock	7,249.6	5,598.3
Real estate	1,660.2	1,850.5
Absolute return	2,743.7	2,031.2
Private credit	344.6	384.0
Private equity	5,062.4	4,904.2
Infrastructure	1,099.0	1,453.1
Derivatives & Currency	54.2	(29.0)
Total unrealized gains	**$17,888.6**	**$16,013.9**

Liabilities

(millions)

	FY26 as of 6/30	FY25 as of 6/30
Accounts payable	$1,518.9	$909.6
Income distributable	41.1	31.3
Securities Lending Collateral	4,768.0	4,016.7
Total liabilities	**$6,328.0**	**$4,957.6**

Fund Balances

(millions)

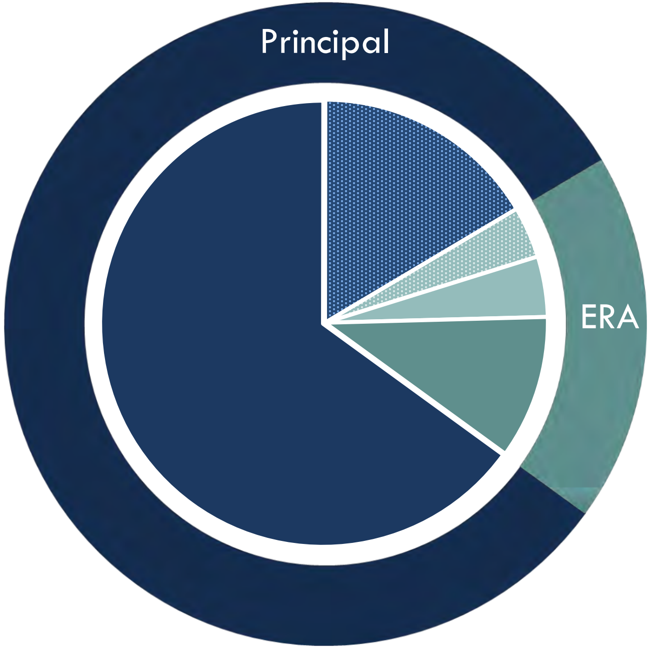
	FY26 as of 3/30	**FY25** as of 6/30
Nonspendable	$73,743.8	$72,496.7
Committed	3,996.9	3,798.9
Assigned	14,160.3	8,804.3
Total fund balances	$91,901.0	$85,099.9
Total liabilities and fund balances	**$98,229.0**	**$90,057.5**

APFC

Alaska Permanent Fund

$91.9B

TOTAL FUND BALANCE
as of June 30, 2026



$73.8B PRINCIPAL

$59.4B Permanent Deposits
For income-producing investments

$14.4B Unrealized Gains
Represents changes in asset values from the purchase date

$18.1B EARNINGS RESERVE ACCOUNT (ERA)

$3.5B Unrealized Gains
Represents changes in asset values from the purchase date

$4.0B For the FY27 POMV
Committed for the Percent of Market Value (POMV) Draw to the state's general fund for dividends and services

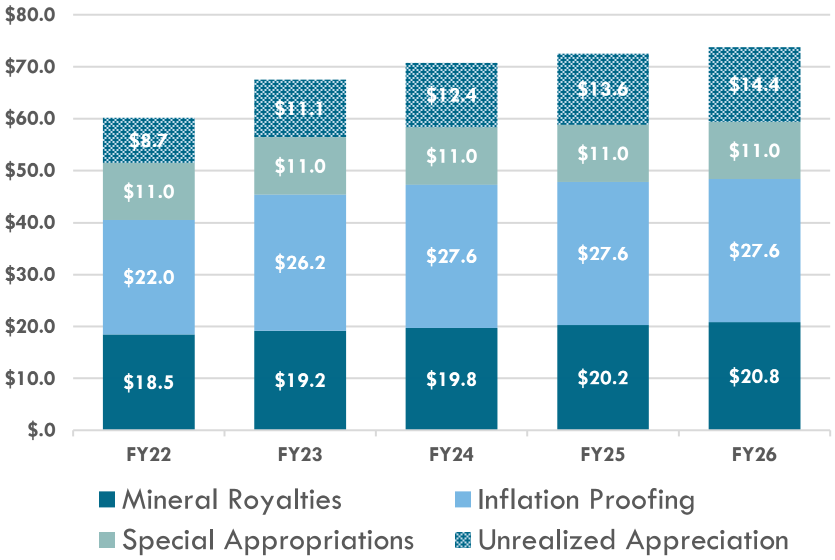
$10.6B Realized Earnings
Available for appropriation by the Legislature

Accountability to Alaskans through Transparent Reporting

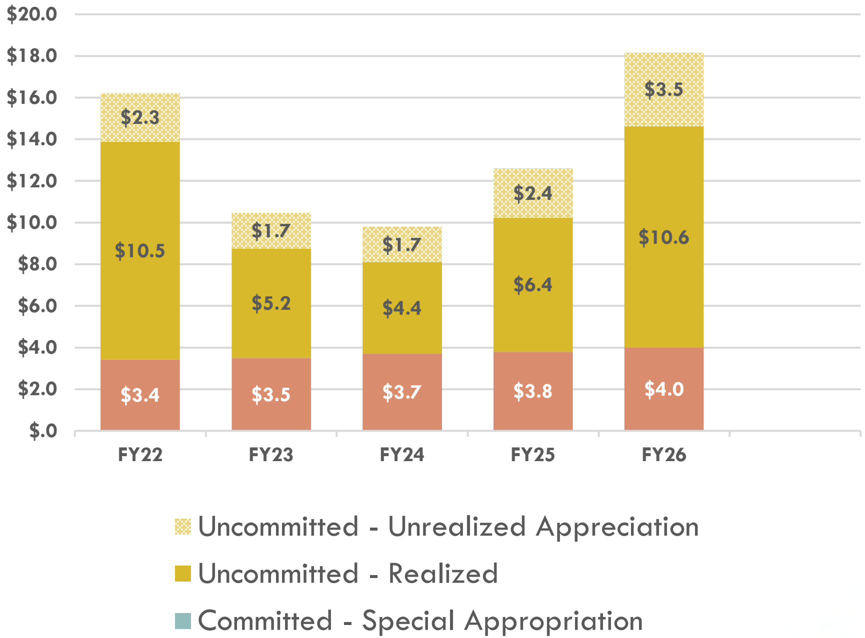
Alaska Permanent Fund: Principal and ERA

FY22-FY26 (billions)

Principal



Earnings Reserve Account (ERA)



Inflation Proofing FY16 – FY27

(millions)

Fiscal Year	Per Statute	Amount Appropriated	Surplus/ (Deficit)
2016	$47.3	$-	($47.3)
2017	501.7	-	(501.7)
2018	855.6	-	(855.6)
2019	989.5	989.5	-
2020	757.7	4,757.7	4,000.0
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)
2026	1,561.9	-	(1,561.9)
2027	1,491.0	1,491.0	-
Total	**$17,463.6**	**$12,830.5**	**($4,633.1)**

FY20 follows intent language from appropriation

FY27 statutory calculation is estimated

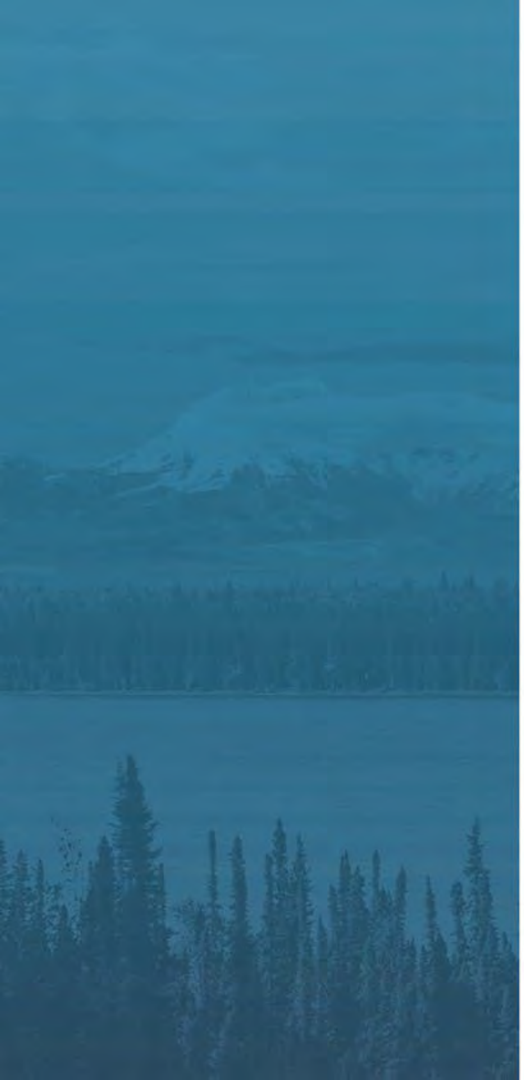
Revenues
(millions)

	FY26	FY25
Interest	$761.4	$677.3
Dividends	564.6	617.7
Real estate and other income	704.0	702.1
Total interest, dividends & other income	$2,030.0	$1,997.1
Total increase (decrease) in fair value of investments	8,260.2	6,002.9
Total revenues	**$10,290.2**	**$8,000.0**

Net Change in Investments Value

(in millions)

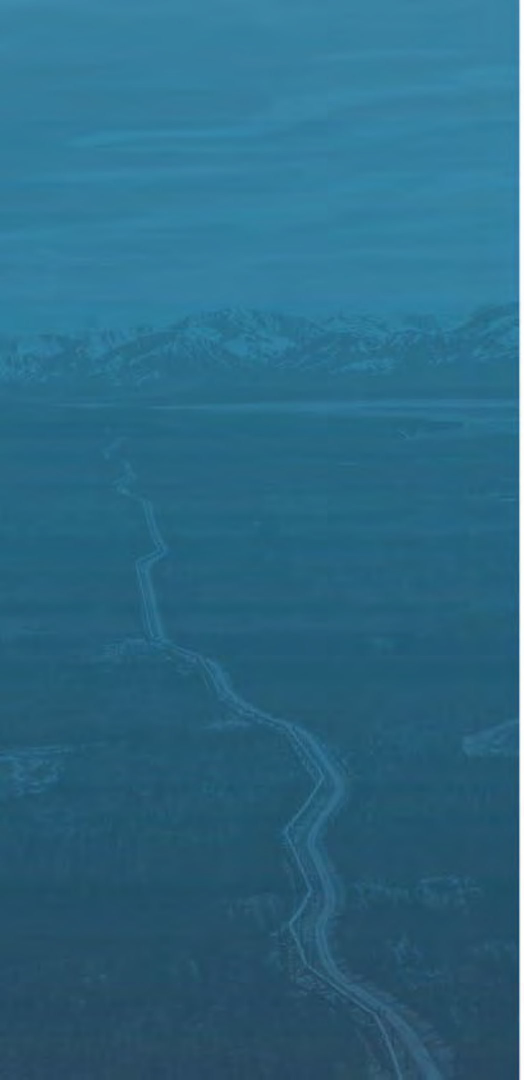
Asset Class	FY26	FY25
Marketable debt securities	$(49.0)	$505.2
Preferred and common stock	6,092.9	3,963.4
Real estate	(157.4)	45.0
Absolute return	862.5	432.7
Private credit	18.0	56.3
Private equity	1,197.2	785.3
Infrastructure	245.3	544.3
Derivatives & currency	50.7	(329.3)
Total net increase (decrease)	**$8,260.2**	**$6,002.9**



Expenditures

(millions)

	FY26	FY25
Operating expenditures	$(173.3)	$(152.6)
Other legislative appropriations	(10.8)	(10.4)
Total expenditures	$(184.1)	$(163.0)
Excess (deficiency) of revenues over expenditures	**$10,106.1**	**$7,837.0**

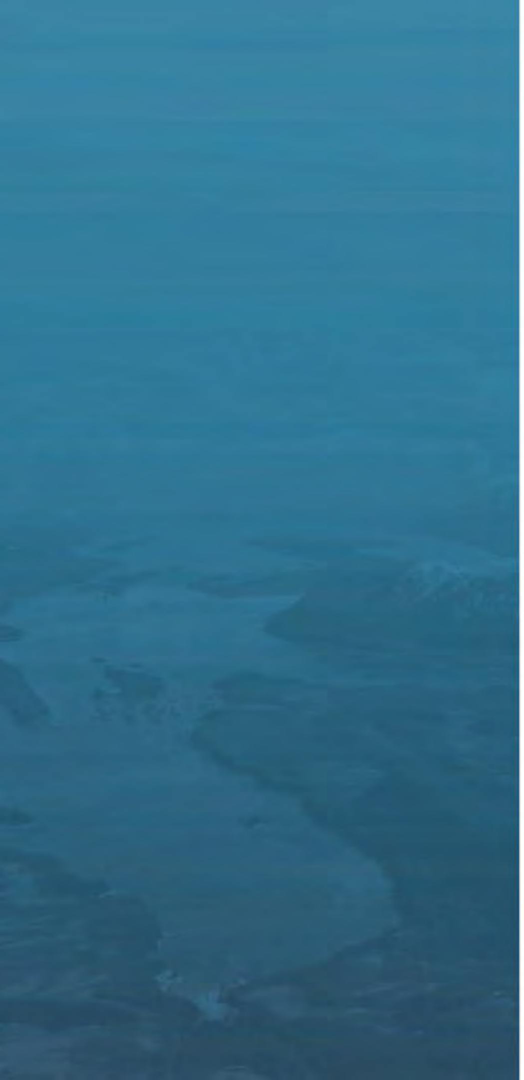


Statutory Net Income
(millions)

	FY26	FY25
Accounting (GAAP) net income	$10,106.1	$7,836.9
Unrealized (gains) losses	(1,874.7)	(1,939.8)
ACIF realized income	(41.1)	(31.3)
Statutory net income	**$8,190.3**	**$5,865.8**

Realized Earnings by Asset Class (millions)

Asset Class	FY26	FY25
Marketable debt securities	$868.3	$738.3
Preferred and common stock	5,016.7	3,925.4
Real estate	370.6	23.6
Absolute return	154.5	121.1
Private credit	179.4	227.7
Private equity	1,203.8	970.6
Infrastructure	633.1	297.8
Derivatives & currency	(43.3)	(270.8)
Other	32.4	26.5
Total	**$8,415.5**	**$6,060.2**



Changes in Fund Balances
(millions)

Other financing sources (uses)	FY26	FY25
Transfers in	$535.0	$488.7
Transfers out	(3,840.0)	(3,688.6)
Net change in fund balances	$6,801.1	$4,637.1
Beginning of period	$85,099.9	$80,462.8
End of period	$91,901.0	$85,099.9

Components of Change

(millions)

⬆	Accounting Net Income	$10.1 billion
⬆	Mineral Deposits	$535 million
⬇	POMV Transfer	$3.8 billion
⬆	**Net Change**	**$6.8 billion**

APFC ALASKA PERMANENT FUND CORPORATION

ALASKA PERMANENT FUND

Financial Statements

June 30, 2026 and 2025

(With Independent Auditors' Report Thereon)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the Alaska Permanent Fund Corporation (APFC) provides an overview and analysis of the financial activities of the Alaska Permanent Fund (Fund) for the fiscal years ended June 30, 2026 and June 30, 2025. The MD&A is intended to assist readers in understanding the Fund's financial position, results of operations, and significant changes from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements include the Balance Sheets; Statements of Revenue, Expenditures and Changes in Fund Balance; and Notes to the Financial Statements. The Balance Sheets present the Fund's financial position at year-end, while the Statements of Revenue, Expenditures and Changes in Fund Balance explain how the Fund's financial position changed during the fiscal year by reporting the revenues and expenditures that affected fund balance. Together, these statements provide complementary information about the Fund's financial condition at year-end and its operating results for the year. The Notes to the Financial Statements provide additional information and context necessary to understand the amounts reported in the financial statements. This MD&A highlights significant financial trends and events that affected the Fund during the fiscal year and discusses currently known facts, decisions, and conditions that may influence future financial results.

FINANCIAL SUMMARY

The volatility in public markets experienced in the prior fiscal year continued through June 30, 2026. The Fund ended the fiscal year (FY) at a total return of 12.42 percent. This represents a significant increase from the total return for FY2025 of 9.35 percent and is much higher than the median projection of 7.60 percent. The Fund underperformed the performance benchmark by 48 basis points in FY2026 and outperformed the performance benchmark by six basis points in FY2025. The biggest contributor to total fund performance for both FY2026 and FY2025 was the public equity asset class with returns of 23.90 percent and 16.09 percent, respectively.

FY2026's excess of revenues over expenditures was $10.1 billion. As with total return, this is a significant increase from the excess of revenues over expenditures of $7.8 billion experienced in FY2025.

Fund balance increased by $6.8 billion in FY2026 and $4.6 billion in FY2025. The larger increase in FY2026 was largely driven by an increase of 38 percent to the net increase in the fair value of investments, which went from $6.0 billion in FY2025 to $8.3 billion in FY2026.

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, 2026 balance sheet reflects a $4.0 billion commitment of fund balance for the appropriation to be transferred to the General Fund in FY2027. The June 30, 2025 balance sheet reflects a $3.8 billion commitment of fund balance for the appropriation that was transferred to the General Fund in FY2026.

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 FY2026, this amount came in at $535 million. Deposits recorded in FY2025 were $489 million.

The table below shows comparative balances for key financial metrics as of and for the years ended June 30, 2026 and 2025:

	June 30, 2026	2025	Net change	Percent
Total Assets	**$ 98,228,957,000**	90,057,471,000	8,171,486,000	9%
Total Liabilities	**6,327,953,000**	4,957,600,000	1,370,353,000	28%
Total Fund Balance	**91,901,004,000**	85,099,871,000	6,801,133,000	8%
Total Revenue	**10,290,230,000**	8,000,002,000	2,290,228,000	29%
Total Expenditures	**184,151,000**	163,033,000	21,118,000	13%
Other Financing Sources	**535,039,000**	488,723,000	46,316,000	9%
Other Financing Uses	**3,839,985,000**	3,688,590,000	151,395,000	4%
Change in Fund Balance	**6,801,133,000**	4,637,102,000	2,164,031,000	47%

The biggest driver of the change in total assets is the net increase/decrease in the fair value of investments. The Fund experienced a total return of 12.42 percent, which, when netted with the net outflows during the year, caused an 9 percent increase in total assets.

Cash collateral held by the Fund related to public securities out on loan makes up the largest liability balance. This amount fluctuates on a daily basis depending on the amount and type of collateral on hand and can be volatile. This balance increased by $751 million during FY2026, causing a 28 percent increase in total liabilities.

Total fund balance increases by the excess of revenues over expenditures recorded during the year net of cash inflows (mineral royalties) and outflows to the General Fund. The $6.8 billion increase during FY2026 is consistent with the excess of revenues over expenditures of $10.1 billion and net cash outflows of $3.3 billion.

Total revenue consists of cash flow income and the change in fair value of investments. While cash flow income is relatively stable from one year to the next, change in fair value is recorded with movements in the markets and is typically volatile. During FY2026, the change in fair value was 38 percent higher than in FY2025, contributing to the 29 percent increase in total revenue.

Operating expenditures tend to increase slightly over time with the exception of investment management fees. These management fees are largely for externally managed public equity portfolios and are based upon the market value of the securities under management. As asset values change, fees will increase or decrease accordingly. The positive returns experienced in the public equity asset class during FY2026 is the primary cause for the 13 percent increase in expenditures.

Other financing sources consists of mineral royalties that are deposited into the Fund as required in the Alaska Constitution and Statutes. This amount fluctuates with the price and production of oil.

There are two main categories of other financing uses – transfers of realized earnings to the Alaska Capital Income Fund (ACIF) as required in Alaska Statute and transfers to the State of Alaska General Fund under the Percent of Market Value (POMV) construct. The small increase in other financing uses for FY2026 was due to the increase in the POMV transfer caused by the increase in fund value over time.

Changes in fund balance are the cumulative effect of all changes outlined above. The primary driver of the $2.2 billion increase is the higher total revenue for FY2026 over FY2025.

DETAILED ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Financial Position

The value of the Fund's assets, excluding securities lending collateral, increased by $6.9 billion between June 30, 2026 and June 30, 2025. The value of the Fund's assets is most significantly impacted by investment performance. Comparative performance for each asset class is shown below:

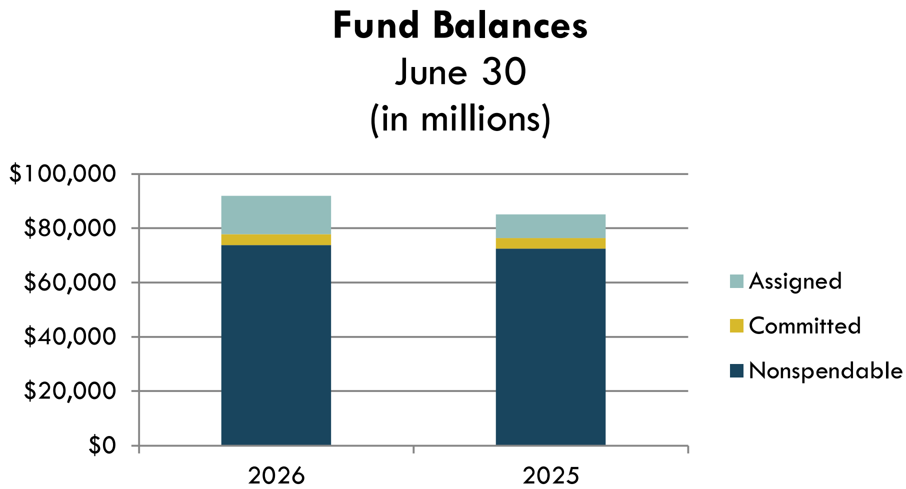
	FY2026	FY2025
Public equities	**23.90%**	16.09%
Fixed income	**4.24%**	6.67%
Private equity	**10.45%**	4.13%
Real estate	**2.58%**	1.57%
Private income	**7.01%**	11.50%
Absolute return	**12.94%**	10.18%
Tactical opportunities	**25.55%**	13.07%
Cash	**3.93%**	4.65%
TOTAL FUND	**12.42%**	9.35%

The sole amount due to the State of Alaska at the end of FY2026 and FY2025 is the transfer to the ACIF. This amount is calculated based on realized earnings and was $41 million for FY2026 and $31 million for FY2025. The $10 million increase from the prior year is due to healthier realized returns in FY2026 versus FY2025.

Total fund balance increased by 8 percent, or $6.8 billion, from FY2025 to FY2026, which is consistent with the 12.42 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 $8.3 billion, and dedicated mineral deposits of $535 million offset by operating expenses and other appropriations of $184 million, the General Fund transfer of $3.8 billion, and the ACIF transfer of $41 million.

The table below shows comparative balances for the components of fund balance as of June 30, 2026 and 2025:

	June 30,			
Balance Sheets	**2026**	**2025**	**Net change**	**Percent**
Fund balances				
Nonspendable:				
Permanent Fund corpus				
contributions and appropriations	$ **59,389,557,000**	58,854,517,000	535,040,000	1%
Unrealized appreciation on invested assets	**14,354,252,000**	13,642,208,000	712,044,000	5%
Total nonspendable	**73,743,809,000**	72,496,725,000	1,247,084,000	2%
Committed:				
General Fund appropriation	**3,996,865,000**	3,798,888,000	197,977,000	5%
Total committed	**3,996,865,000**	3,798,888,000	197,977,000	5%
Assigned for future appropriations:				
Realized earnings	**10,626,027,000**	6,432,637,000	4,193,390,000	65%
Unrealized appreciation on invested assets	**3,534,303,000**	2,371,621,000	1,162,682,000	49%
Total assigned	**14,160,330,000**	8,804,258,000	5,356,072,000	61%
Total fund balances	$ **91,901,004,000**	85,099,871,000	6,801,133,000	8%



The largest category of fund balance is nonspendable (80 percent and 85 percent as of years ended 2026 and 2025, respectively), which is not available for government appropriation by the State of Alaska.

Committed fund balance (4 percent as of years ended 2026 and 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 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. 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 FY2026, the amounts contributing to the net increase of approximately $5.4 billion in the assigned fund balance were:

- (i) realized income of $8.2 billion
- (ii) the commitment of $4.0 billion for transfer to the General Fund
- (iii) the liability to the Alaska Capital Income Fund of $41 million
- (iv) the allocation of a portion of unrealized gains and losses, which increased from FY2025 to FY2026 by $1.2 billion, to a balance of $3.5 billion.

Results of Operations

During FY2026, cash flow revenue from interest, dividends, real estate, and other sources was slightly higher than FY2025 levels at $169 million per month on average versus $166 million per month for FY2025.

The change in the fair value of investments increased by 38 percent from $6.0 billion in FY2025 to $8.3 billion in FY2026 due to strong market performance during the year.

Operating expenditures increased from FY2025 to FY2026 by 13 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 increased from FY2025 to FY2026 by 9 percent ($46 million), totaling $535 million in FY2026 compared to $489 million in FY2025. The Alaska Constitution requires that at least 25 percent of mineral royalties and related payments received by the State be transferred to the Permanent Fund. State statutes mandate an additional 25 percent on select leases be deposited. Amounts collected are dependent upon production and mineral pricing. 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 $41 million in FY2026 and $31 million in FY2025.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

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. All transfers out of the Fund, including corporate operating expenses, are subject to legislative appropriation. APFC’s operating budget must be approved by the Legislature and Governor each year.

This financial report provides an overview of the Alaska Permanent Fund's ending fund 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. Given the inherent volatility of financial markets, Fund values and income will 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, 2026	2025
Assets			
Cash and temporary investments	$	**3,644,691,000**	3,797,281,000
Receivables and other assets		**1,694,522,000**	689,898,000
Investments:			
Marketable debt securities		**18,378,149,000**	15,987,472,000
Preferred and common stock		**32,500,026,000**	28,373,005,000
Real estate		**8,275,904,000**	9,292,029,000
Absolute return		**7,200,631,000**	5,836,798,000
Private credit		**2,650,992,000**	2,760,821,000
Private equity		**15,026,903,000**	14,875,225,000
Infrastructure		**4,089,145,000**	4,428,240,000
Total investments		**88,121,750,000**	81,553,590,000
Securities lending collateral		**4,767,994,000**	4,016,702,000
Total assets	$	**98,228,957,000**	90,057,471,000
Liabilities			
Accounts payable		**1,518,862,000**	909,571,000
Income distributable to the State of Alaska		**41,097,000**	31,327,000
Securities lending collateral		**4,767,994,000**	4,016,702,000
Total liabilities	$	**6,327,953,000**	4,957,600,000
Fund balances			
Nonspendable:			
Permanent Fund corpus - contributions and appropriations		**59,389,557,000**	58,854,517,000
Unrealized appreciation on invested assets		**14,354,252,000**	13,642,208,000
Total nonspendable		**73,743,809,000**	72,496,725,000
Committed:			
General Fund appropriation		**3,996,865,000**	3,798,888,000
Total committed		**3,996,865,000**	3,798,888,000
Assigned for future appropriations:			
Realized earnings		**10,626,027,000**	6,432,637,000
Unrealized appreciation on invested assets		**3,534,303,000**	2,371,621,000
Total assigned		**14,160,330,000**	8,804,258,000
Total fund balances	$	**91,901,004,000**	85,099,871,000
Total liabilities and fund balances	$	**98,228,957,000**	90,057,471,000

See accompanying notes to the financial statements.

Alaska Permanent Fund

Statements of Revenues, Expenditures and Changes in Fund Balances

		Years Ended June 30,	
		2026	**2025**
Revenues			
Interest	$	**761,406,000**	677,324,000
Dividends		**564,562,000**	617,716,000
Real estate and other income		**704,028,000**	702,046,000
Total interest, dividends, real estate and other income		**2,029,996,000**	1,997,086,000
Net increase (decrease) in the fair value of investments:			
Marketable debt securities		**(49,030,000)**	505,167,000
Preferred and common stock		**6,092,859,000**	3,963,444,000
Real estate		**(157,429,000)**	44,996,000
Absolute return		**862,544,000**	432,719,000
Private credit		**18,029,000**	56,316,000
Private equity		**1,197,215,000**	785,273,000
Infrastructure		**245,346,000**	544,319,000
Foreign currency forward exchange contracts and futures		**149,164,000**	(99,624,000)
Currency		**(98,464,000)**	(229,694,000)
Total net increase in the fair value of investments		**8,260,234,000**	6,002,916,000
Total revenues	$	**10,290,230,000**	8,000,002,000
Expenditures			
Operating expenditures		**(173,283,000)**	(152,630,000)
Other legislative appropriations		**(10,868,000)**	(10,403,000)
Total expenditures	$	**(184,151,000)**	(163,033,000)
Excess of revenues over expenditures		**10,106,079,000**	7,836,969,000
Other financing sources (uses)			
Transfers in - dedicated State revenues		**535,039,000**	488,723,000
Transfers out - appropriations		**(3,839,985,000)**	(3,688,590,000)
Net change in fund balances	$	**6,801,133,000**	4,637,102,000
Fund balances			
Beginning of period		**85,099,871,000**	80,462,769,000
End of period	$	**91,901,004,000**	85,099,871,000

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2026 and 2025

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 amounts 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, 2026, 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 the 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 into 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 $2.0 billion at June 30, 2026 and $1.7 billion at June 30, 2025. 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*. Transfers out of the Fund are done in accordance with appropriations 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 U.S. 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 2.63 percent for FY2026 and 2.95 percent for FY2025, resulting in transfer amounts of $1.6 billion and $1.7 billion, respectively. There was no appropriation for inflation proofing for FY2025 or FY2026 so nothing was transferred in either year.

Fund balance

- *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.

- *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.

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 U.S. 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:

		2026	2025
Cash	$	**369,366,000**	240,230,000
Pooled funds		**1,278,446,000**	1,601,479,000
U.S. Treasury bills		**1,943,013,000**	1,993,359,000
FX forward exchange contracts		**53,866,000**	(37,787,000)
Total cash and temporary investments	$	**3,644,691,000**	3,797,281,000

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. Cash held outside Bank of New York was $48 million at June 30, 2026 and $85 million at June 30, 2025. Deposit amounts at Bank of New York that exceeded the FDIC insurance limit were $323 million at June 30, 2026 and $152 million at June 30, 2025.

4. RECEIVABLES AND OTHER ASSETS

Receivables and other assets at June 30 are as follows:

		2026	2025
Interest receivable	$	**169,111,000**	141,367,000
Dividends receivable		**70,484,000**	75,076,000
Sales receivable		**1,345,926,000**	404,172,000
Dedicated State revenues receivable		**108,989,000**	69,283,000
Accounts receivable		**12,000**	—
Total receivables and other assets	$	**1,694,522,000**	689,898,000

5. MARKETABLE DEBT SECURITIES

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

2026		**Cost**	**Fair value**	**Unrealized gains (losses)**
Mortgage-backed securities	**$**	**3,120,945,000**	**3,071,142,000**	**(49,803,000)**
U.S. Treasury and government notes/bonds		**2,962,307,000**	**2,936,659,000**	**(25,648,000)**
U.S. corporate bonds		**7,885,808,000**	**7,727,934,000**	**(157,874,000)**
U.S. commercial mortgage and asset-backed securities		**845,542,000**	**832,425,000**	**(13,117,000)**
U.S. exchange traded funds		**21,124,000**	**21,201,000**	**77,000**
Non-U.S. government bonds		**2,749,089,000**	**2,667,751,000**	**(81,338,000)**
Non-U.S. corporate bonds		**1,098,881,000**	**1,089,234,000**	**(9,647,000)**
Non-U.S. commercial mortgage and asset-backed securities		**32,441,000**	**31,803,000**	**(638,000)**
Total marketable debt securities	**$**	**18,716,137,000**	**18,378,149,000**	**(337,988,000)**
2025				
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)

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, the Fund's credit ratings for its marketable debt securities are as follows:

2026 NRSRO quality ratings		Domestic	Non-domestic	Total fair value	Percentage of holdings
AAA	$	730,905,000	272,295,000	1,003,200,000	5.46%
AA		580,972,000	505,979,000	1,086,951,000	5.91%
A		2,151,985,000	925,287,000	3,077,272,000	16.74%
BBB		3,219,527,000	731,543,000	3,951,070,000	21.50%
BB		1,463,718,000	299,376,000	1,763,094,000	9.59%
B		365,997,000	42,023,000	408,020,000	2.22%
CCC		-	450,000	450,000	0.00%
CC		-	-	-	0.00%
C		-	-	-	0.00%
D		-	192,073,000	192,073,000	1.05%
Total fair value rated debt securities	**$**	**8,513,104,000**	**2,969,026,000**	**11,482,130,000**	**62.48%**
Exchange traded funds		21,201,000	-	21,201,000	**0.12%**
Not rated		66,875,000	819,762,000	886,637,000	**4.82%**
U.S. government explicitly backed by the U.S. government		3,666,110,000	-	3,666,110,000	**19.95%**
U.S. government implicitly backed by the U.S. government		2,322,071,000	-	2,322,071,000	**12.63%**
Total fair value debt securities	**$**	**14,589,361,000**	**3,788,788,000**	**18,378,149,000**	**100.00%**

2025 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, the effective duration by investment type, based on fair value, is as follows:

2026	Percentage of holdings	Duration
Domestic bonds		
Mortgage-backed securities	21.05%	5.36
Treasury and government notes/bonds	20.13%	5.65
Corporate bonds	52.97%	6.63
Commercial mortgage and asset-backed securities	5.71%	1.62
Exchange traded funds	0.15%	-
Total domestic bonds	**100.00%**	**5.87**
Non-domestic bonds		
Treasury and government bonds	70.41%	7.00
Corporate bonds	28.75%	5.37
Commercial mortgage and asset-backed securities	0.84%	0.25
Exchange traded funds	0.00%	-
Total non-domestic bonds	**100.00%**	**6.47**

2025	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, which include the net fair value of equity index futures of $3.8 million at June 30, 2026 and $(2.5) million as of June 30, 2025, are summarized as follows:

2026	Cost	Fair value	Unrealized gains
Direct investments			
Domestic stock	**$ 15,170,108,000**	**19,180,280,000**	**4,010,172,000**
Non-domestic stock	**9,919,920,000**	**13,047,644,000**	**3,127,724,000**
Commingled funds	**156,598,000**	**272,102,000**	**115,504,000**
Total preferred and common stock	**$ 25,246,626,000**	**32,500,026,000**	**7,253,400,000**
2025			
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

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, 2026, 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	$ 2,969,000	(53,246,000)	331,312,000	33,036,000	314,071,000
Brazilian Real	(1,727,000)	1,918,000	111,365,000	-	111,556,000
Canadian Dollar	4,044,000	(94,127,000)	739,901,000	77,284,000	727,102,000
Chilean Peso	(646,000)	845,000	7,445,000	-	7,644,000
Chinese Yuan Renminbi	6,301,000	(458,103,000)	288,360,000	450,034,000	286,592,000
Colombian Peso	(268,000)	396,000	3,018,000	-	3,146,000
Czech Koruna	123,000	(10,852,000)	1,460,000	10,928,000	1,659,000
Danish Krone	723,000	(15,287,000)	92,098,000	14,751,000	92,285,000
Egyptian Pound	281,000	(214,000)	2,069,000	-	2,136,000
Euro Currency	71,100,000	(1,167,043,000)	3,895,492,000	956,891,000	3,756,440,000
Hong Kong Dollar	557,000	(21,273,000)	707,996,000	-	687,280,000
Hungarian Forint	93,000	(5,657,000)	9,849,000	6,061,000	10,346,000
Indian Rupee	4,696,000	-	312,023,000	-	316,719,000
Indonesian Rupiah	1,030,000	(27,217,000)	45,905,000	25,386,000	45,104,000
Israeli New Shekel	807,000	(7,318,000)	70,550,000	7,388,000	71,427,000
Japanese Yen	8,283,000	(535,642,000)	1,465,059,000	522,425,000	1,460,125,000
Kuwaiti Dinar	247,000	-	10,152,000	-	10,399,000
Malaysian Ringgit	613,000	(36,698,000)	31,177,000	36,240,000	31,332,000
Mexican Peso	132,000	(22,371,000)	74,358,000	22,040,000	74,159,000
New Taiwan Dollar	1,365,000	(1,159,000)	1,024,772,000	-	1,024,978,000
New Zealand Dollar	958,000	(28,004,000)	17,202,000	25,359,000	15,515,000
Norwegian Krone	7,243,000	(6,662,000)	55,305,000	-	55,886,000
Pakistani Rupee	33,000	-	1,878,000	-	1,911,000
Peruvian Sol	457,000	(18,654,000)	-	17,948,000	(249,000)
Philippine Peso	432,000	-	16,107,000	-	16,539,000
Polish Zloty	1,011,000	(13,694,000)	40,798,000	12,933,000	41,048,000
British Pound	18,475,000	(313,095,000)	1,163,317,000	215,038,000	1,083,735,000
Qatari Riyal	381,000	(78,000)	17,235,000	-	17,538,000
Romanian Leu	12,000	(2,764,000)	-	2,313,000	(439,000)
Russian Ruble	-	-	165,000	-	165,000
Saudi Riyal	(84,000)	478,000	67,536,000	-	67,930,000
Singapore Dollar	1,762,000	(19,103,000)	101,265,000	17,498,000	101,422,000
South African Rand	582,000	(301,000)	103,605,000	-	103,886,000
South Korean Won	(1,061,000)	(54,895,000)	1,181,693,000	58,031,000	1,183,768,000
Swedish Krona	(459,000)	(1,232,000)	154,497,000	-	152,806,000
Swiss Franc	(5,987,000)	(15,572,000)	455,811,000	9,666,000	443,918,000
Thai Baht	591,000	(23,710,000)	46,242,000	23,842,000	46,965,000
Turkish Lira	449,000	(314,000)	15,099,000	-	15,234,000
UAE Dirham	405,000	375,000	65,809,000	-	66,589,000
Total foreign currency exposure	**$ 125,923,000**	**(2,950,273,000)**	**12,727,925,000**	**2,545,092,000**	**12,448,667,000**

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 U.S. 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 held 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 FY2026, it was determined that one real estate holding was 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, $72 million of unrealized losses were realized through a write-down of cost to fair value. In FY2025, three real estate holdings were determined to be impaired and $154 million of unrealized losses were realized through a write-down of cost to fair value.

Real estate investments at June 30 are summarized as follows:

2026	Cost	Fair value	Unrealized gains
Real estate investment trusts	**$ 402,782,000**	**519,447,000**	**116,665,000**
Real estate funds and notes	**2,236,090,000**	**2,432,071,000**	**195,981,000**
American Homes 4 Rent II	**58,356,000**	**71,423,000**	**13,067,000**
Directly owned real estate			
Retail	**$ 658,822,000**	**1,307,418,000**	**648,596,000**
Office	**1,839,743,000**	**1,938,073,000**	**98,330,000**
Hotel	**58,664,000**	**64,155,000**	**5,491,000**
Industrial	**343,774,000**	**799,320,000**	**455,546,000**
Multifamily	**349,902,000**	**466,840,000**	**116,938,000**
Development	**667,526,000**	**677,157,000**	**9,631,000**
Total directly owned real estate	**$ 3,918,431,000**	**5,252,963,000**	**1,334,532,000**
Total real estate	**$ 6,615,659,000**	**8,275,904,000**	**1,660,245,000**
2025			
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

As of June 30, 2026, the APFC, on behalf of the Fund, had outstanding future funding commitments of $1.2 billion 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:

2026		Cost	Fair value	Unrealized gains
Absolute return	**$**	**4,456,939,000**	**7,200,631,000**	**2,743,692,000**
Private credit		**2,306,421,000**	**2,650,992,000**	**344,571,000**
Private equity		**9,964,468,000**	**15,026,903,000**	**5,062,435,000**
Infrastructure		**2,990,184,000**	**4,089,145,000**	**1,098,961,000**
Total alternative investments	**$**	**19,718,012,000**	**28,967,671,000**	**9,249,659,000**
2025				
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

The APFC periodically reviews alternative investments for other-than-temporary impairment. During FY2026, it was determined that three private credit funds, 42 private equity funds, and one infrastructure fund 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, $308 million of unrealized losses were realized through a write-down of cost to fair value. In FY2025, five private credit funds, 27 private equity funds, and two infrastructure funds were determined to be impaired and $281 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, 2026, the APFC, on behalf of the Fund, had outstanding future funding commitments of $49 million for absolute return, $1.5 billion for private credit, $4.6 billion for private equity, and $1.5 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 from 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, 2026, 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:

		2026	2025
Fair value of securities on loan, secured by cash collateral	$	**4,645,155,000**	3,930,579,000
Cash collateral		**4,767,994,000**	4,016,702,000
Fair value of securities on loan, secured by noncash collateral		**10,939,002,000**	7,096,069,000
Noncash collateral		**12,014,997,000**	7,708,733,000

The Fund receives 80 percent of earnings derived from securities lending transactions and the Bank retains 20 percent. During the years ended June 30, 2026 and 2025, the Fund incurred no losses from securities lending transactions. The Fund received income of $30 million and $25 million from securities lending for the years ended June 30, 2026 and 2025, 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:

		2026	2025
Accrued liabilities	$	**28,140,000**	57,947,000
Securities purchased		**1,490,722,000**	851,624,000
Total accounts payable	$	**1,518,862,000**	909,571,000

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 $3.8 billion in FY2026. For FY2027, the amount appropriated to the General Fund is $4.0 billion. This amount is shown as committed at June 30, 2026.

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 $41 million during FY2026 and $31 million during FY2025.

		2026	2025
Income distributed during the year:			
General Fund	$	**3,798,888,000**	3,657,263,000
Income distributable at year end:			
Alaska Capital Income Fund		**41,097,000**	31,327,000
Total statutory and legislative appropriations	$	**3,839,985,000**	3,688,590,000

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:

	2026	2025
Nonspendable		
Balance, beginning of year	$ **72,496,725,000**	70,738,976,000
Dedicated State revenues	**535,039,000**	488,723,000
Inflation proofing transfer from assigned	**-**	-
Change in unrealized appreciation on invested assets	**712,045,000**	1,269,026,000
Balance, end of year	$ **73,743,809,000**	72,496,725,000
Committed		
Balance, beginning of year	$ **3,798,888,000**	3,657,263,000
General Fund transfer to liability	**(3,798,888,000)**	(3,657,263,000)
General Fund commitment	**3,996,865,000**	3,798,888,000
Balance, end of year	$ **3,996,865,000**	3,798,888,000
Assigned		
Balance, beginning of year	$ **8,804,258,000**	6,066,530,000
Inflation proofing transfer to nonspendable	**-**	-
General Fund commitment	**(3,996,865,000)**	(3,798,888,000)
Settlement earnings payable to the ACIF	**(41,097,000)**	(31,327,000)
Realized earnings, net of operating expenditures	**8,231,352,000**	5,897,142,000
Change in unrealized appreciation on invested assets	**1,162,682,000**	670,801,000
Balance, end of year	$ **14,160,330,000**	8,804,258,000
Total		
Balance, beginning of year	$ **85,099,871,000**	80,462,769,000
Dedicated State revenues	**535,039,000**	488,723,000
General Fund transfer	**(3,798,888,000)**	(3,657,263,000)
Settlement earnings payable to the ACIF	**(41,097,000)**	(31,327,000)
Excess of investment revenues over expenditures	**10,106,079,000**	7,836,969,000
Balance, end of year	$ **91,901,004,000**	85,099,871,000

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

	2026	2025
Dedicated State revenues	$ **20,775,023,000**	20,239,983,000
Special appropriations	**10,885,906,000**	10,885,906,000
Inflation proofing	**27,575,717,000**	27,575,717,000
Settlement earnings	**152,911,000**	152,911,000
Total contributions and appropriations	$ **59,389,557,000**	58,854,517,000

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 – Published prices for identical assets in an active market.

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

Level 3 – 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	
2026	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Marketable debt securities					
Mortgage-backed securities	$ -	3,071,142,000	-	-	3,071,142,000
U.S. Treasury and government notes/bonds	2,923,290,000	13,369,000	-	-	2,936,659,000
U.S. corporate bonds	12,058,000	7,715,876,000	-	-	7,727,934,000
U.S. commercial mortgage and asset-backed securities	-	832,425,000	-	-	832,425,000
U.S. exchange traded funds	21,201,000	-	-	-	21,201,000
Non-U.S. government bonds	-	2,667,751,000	-	-	2,667,751,000
Non-U.S. corporate bonds	3,000	1,088,781,000	450,000	-	1,089,234,000
Non-U.S. commercial mortgage and asset-backed securities	-	31,803,000	-	-	31,803,000
Total marketable debt securities	**$ 2,956,552,000**	**15,421,147,000**	**450,000**	**-**	**18,378,149,000**
Preferred and common stock					
Domestic stock	19,158,293,000	21,987,000	-	-	19,180,280,000
Non-domestic stock	13,047,644,000	-	-	-	13,047,644,000
Commingled funds	121,332,000	-	-	150,770,000	272,102,000
Total preferred and common stock	**$ 32,327,269,000**	**21,987,000**	**-**	**150,770,000**	**32,500,026,000**
Real estate					
Real estate investment trusts	519,447,000	-	-	-	519,447,000
Real estate funds and notes	-	-	-	2,432,071,000	2,432,071,000
American Homes 4 Rent II	-	-	-	71,423,000	71,423,000
Directly owned real estate	-	-	-	5,252,963,000	5,252,963,000
Total real estate	**$ 519,447,000**	**-**	**-**	**7,756,457,000**	**8,275,904,000**
Absolute return	-	-	-	7,200,631,000	7,200,631,000
Private credit	-	-	-	2,650,992,000	2,650,992,000
Private equity	-	-	-	15,026,903,000	15,026,903,000
Infrastructure	-	-	-	4,089,145,000	4,089,145,000
Total investments	**$ 35,803,268,000**	**15,443,134,000**	**450,000**	**36,874,898,000**	**88,121,750,000**

2025		Measured using input levels Level 1	Level 2	Level 3	Measured using 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

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 as 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 2-100 days and the frequency of redemption is monthly to semiannually.

Private credit 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 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 FY2026 and FY2025, approximately $380 million and $435 million, respectively, of impairments were recorded.

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

		2026	2025
Excess of revenues over expenditures	$	**10,106,079,000**	7,836,969,000
Unrealized gains		**(1,874,727,000)**	(1,939,827,000)
Settlement earnings		**(41,097,000)**	(31,327,000)
Statutory net income	$	**8,190,255,000**	5,865,815,000

18. INVESTMENT INCOME BY SOURCE

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

		2026	2025
Interest			
Short-term	$	**64,654,000**	84,392,000
Marketable debt securities		**696,752,000**	592,932,000
Total interest	$	**761,406,000**	677,324,000
Total dividends	$	**564,562,000**	617,716,000
Real estate and other income			
Real estate investment trusts	$	**18,067,000**	29,573,000
Real estate - funds, notes, direct		**301,019,000**	308,466,000
Absolute return		**-**	40,000
Private credit		**145,184,000**	160,592,000
Private equity		**168,657,000**	155,147,000
Infrastructure		**38,519,000**	21,289,000
Other - class action, securities lending		**32,582,000**	26,939,000
Total real estate and other income	$	**704,028,000**	702,046,000

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, 2026 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, 2026 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:

		2026	2025
Fair value of FX forward contracts, beginning of year	$	**(37,788,000)**	27,603,000
Net change in fair value of FX forward contracts		**91,654,000**	(65,391,000)
Fair value of FX forward contracts, end of year	$	**53,866,000**	(37,788,000)
Notional amount of FX forward contracts, end of year	$	**8,380,015,000**	6,800,721,000

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 settlement price.

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

		2026	2025
Fair value of equity index futures, beginning of year	$	**(2,472,000)**	(732,000)
Net change in fair value of equity index futures		**6,291,000**	(1,740,000)
Fair value of equity index futures, end of year	$	**3,819,000**	(2,472,000)
Notional amount of equity index futures, end of year	$	**43,589,000**	5,657,000

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

		2026	2025
Fair value of U.S. Treasury index futures, beginning of year	$	**(3,426,000)**	135,000
Net change in fair value of U.S. Treasury index futures		**2,224,000**	(3,561,000)
Fair value of U.S. Treasury index futures, end of year	$	**(1,202,000)**	(3,426,000)
Notional amount of US Treasury index futures, end of year	$	**496,556,000**	448,205,000

20. EXPENDITURES

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

		2026	2025
Corporate expenditures			
Salaries and benefits	$	**18,994,000**	18,658,000
Communications and subscriptions		**8,461,000**	9,180,000
Consulting		**3,335,000**	3,151,000
Training, supplies and other		**1,100,000**	1,210,000
Rent		**603,000**	598,000
Travel		**528,000**	491,000
Legal and audit		**914,000**	940,000
Property and equipment		**490,000**	683,000
Subtotal corporate expenditures	$	**34,425,000**	34,911,000
Investment management and custody fees			
Investment management	$	**136,988,000**	116,146,000
Custody and safekeeping		**1,870,000**	1,573,000
Subtotal investment management and custody fees	$	**138,858,000**	117,719,000
Total operating expenditures	$	**173,283,000**	152,630,000
Other legislative appropriations from corporate receipts			
Department of Natural Resources	$	**7,636,000**	7,238,000
Department of Law		**3,132,000**	3,065,000
Department of Revenue		**100,000**	100,000
Total other legislative appropriations	$	**10,868,000**	10,403,000
Total expenditures	$	**184,151,000**	163,033,000

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, 2026 and 2025 amounted to $13.0 million and $13.1 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, 2026 and 2025 amounted to $8.5 million and $8.3 million, respectively.

APFC ALASKA PERMANENT FUND CORPORATION
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SUBJECT:	IT Security Framework	ACTION:	______
DATE:	September 2, 2026	INFORMATION:	X

BACKGROUND:

In accordance with the cybersecurity oversight requirements in the charter for the Ethics, Audit & Cybersecurity Committee, staff will provide the committee with a follow-up to the update presented at the committee's May 2026 meeting regarding APFC's IT security framework.

STATUS:

Scott Balovich, Director of Information Technology and Chief Information Security Officer, will present an informational update on the strengthening of the corporation's IT security framework completed or underway during 2026, including enhanced administrative access controls and separation-of-duties controls. No committee action is requested. Materials will be distributed at the meeting.

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SUBJECT: Internal Control Review ACTION: ____

DATE: September 2, 2026 INFORMATION: ___X_

BACKGROUND:

The internal controls review is an update provided by staff to the Board of Trustees Ethics, Audit & Cybersecurity Committee on risk management aspects focusing on Operational Risk in the context of Enterprise Risk Management (ERM) at APFC.

STATUS:

The current report provides an update of the Risk and Control Self Assessment (RCSA) process being implemented to manage operational risk. The findings of the RCSA review on the Investment Operations function are included.

APFC ALASKA PERMANENT FUND CORPORATION

Internal Controls Review

September 2, 2026

Risk and Control Self Assessment (RCSA)

Operational Risk: established a best practice review tool

- Operational risk refers to the potential for loss arising from inadequate or failed internal processes, systems, human errors, or external events that disrupt an organization's operations

- Many operational risks are hard to identify, let alone quantify. Equally, the effectiveness of specific controls can be hard to assess accurately

- APFC has an appetite for 'investment risk', a risk that APFC desires to take in pursuit of target return goals. On the other hand, operational risks ('non-investment risks') while being consequential are not desired. A key risk management goal is to minimize the absolute amount operational risk entailed

- We have established a **Risk and Control Self Assessment (RCSA)** process to manage operational risk. Having the framework in place helps articulate procedures, identify gaps and develop resolutions

RCSA: definition and objectives

- Risk and Control Self Assessments (RCSAs) provide a structured mechanism for estimating operational exposures and the effectiveness of controls.

- In so doing RCSAs help organizations to prioritize risk exposures, identify control weaknesses and gaps, and monitor the actions taken to address any weaknesses or gaps.

Key Objectives

- Ensures effective internal controls to mitigate risks
- Strengthens risk awareness and accountability
- Enhances operational risk management
- Identifies control gaps and improvement opportunities
- Supports compliance and governance

RCSA is much more than a technical exercise, they are equally important as a mechanism for promoting open discussions about operational risk.

Organizations that discuss, openly, their operational risks and the effectiveness of associated controls would be better prepared.

RCSA: key steps

1. Identify Risks – Determine operational risks within a business unit.
2. Assess Risk Impact and Likelihood – Rank risks based on severity and probability.
3. Evaluate Existing Controls – Review effectiveness of current risk controls.
4. Determine Residual Risk – Identify remaining risks after control measures.
5. Develop Mitigation Actions – Implement strategies to address gaps and enhance controls.
6. Monitor & Report – Continuously track risk exposure and update assessments.

- *A requirement, and consequent indirect benefit of the RCSA process, is the development of a procedures document for the department's/function's activities.*
- *Importantly, the RCSA process is not one-time. Assessments are conducted periodically to ensure new/updated procedures, consequent risks and controls are evaluated*

RCSA: completed for Investment Operations

- As usual it was a collaborative effort with the Investment Operations lead.

- To reiterate, a pre-requisite for conducting RCSA is the articulation of the process –essentially a list of all salient activities the function does. A summary of the list Finance developed is tabulated here

Investment Operations: functional procedures categories

	Section	# of Items
I	Trade & Cash Operations	11
II	Portfolio Operations	8
III	Counterparty Operations	5
IV	Corporate Actions	3
V	Security Operations	3
VI	Data Feeds & Connectivity	5
Total Key Functional Tasks / processes		**35**

RCSA: example review of one of the tasks Investment Operations executes

- This is an excerpt of the detailed worksheet that is used to document the review process, including key discussion points. It outlines just 1 of the 35 tasks covering the Investment Ops. RCSA exercise
- The process is iterative with multiple discussions between risk and Investment Operations staff

§	Item #	Function		Frequency	Inherent Risk	Likelihood	Impact	Risk Score	Existing Controls	Residual Risk Score	Invst Ops Thoughts (Residual Risk Score)	Appetite	Action Required	Sl No.	Risk Notes-1	Risk Notes-2	InvOps Notes
I		Trade & Cash Operations Confirm trades with counterparties, inform custodian of executed trades, effect settlement															
I	1		Trade execution via voice, Bloomberg, or Tradeweb and subsequent posting to Aladdin	daily	- agreed in venue but not posted to Aladdin - posted to Aladdin but not agreed to in venue - trade agreed to in error at venue - unauthorized trade posted to Aladdin	1	3	4	- manual reconciliation between Aladdin and venue when necessary	3		3		1	Are templates built for the recon process?	-Seems only manual verification is possible (?) -How is it determined when it is necessary to verify manually? -Should we build some criterion for manual verification? (amount, other)?	Unclear whether a template could be reasonably implemented for reconciling trades - certain trades in Tradeweb can be presented differently depending on context, in Bloomberg, trades are executed in VCON, BLOT, EMSX with similarly differing formats that would need to be manually input into a template. Manual verification is done when necessary, criteria for manual verification are all economics - i.e. security identifier, t/d, s/d, price, counterparty, instructions, direction, etc.

Investment Operations: RCSA heat maps

Risk Template

			4 Probable	3 Likely	2 Possible	1 Not Likely
			Likelihood			
1	Insignificant	**Impact**	5	4	3	2
2	Mild		6	5	4	3
3	Serious		7	6	5	4
4	Critical		8	7	6	5

Inherent Risk Map

			4 Probable	3 Likely	2 Possible	1 Not Likely
			Likelihood			
1	Insignificant	**Impact**	-	-	2	2
2	Mild		-	1	6	-
3	Serious		-	7	7	1
4	Critical		-	-	5	4
			-	**8**	**20**	**7**

Final Residual Scores

Green	<4	34
Orange	4 to 6	1
Red	>6	0
		35

<u>Action Points</u>

One item: Counterparty Operations/Collateral exchange - MSFTA, ISDA, MRA, ETD (III.5) has a residual risk score of 5 which is above Risk Appetite (max 3).
Investment Ops is actively working to build adequate controls to further mitigate risks
Investment Ops to confirm completion of control enhancement.

Conclusion: and next steps

Summary notes of Investment Operations RCSA:

- Almost all activities executed by Investment Ops had/has robust controls that mostly mitigated inherent risks.
- For the one item that had a residual risk above the defined threshold, Investment Ops developed enhanced controls to reduce residual risk
- It should be noted that it is nearly impossible to eliminate residual risk – the objective is to bring it below a low/comfortable threshold

RCSA Completed for:

- Finance
- Investment Operations
- IT *(a comprehensive control framework audit was recently completed by an independent third party, KPMG)*

Next steps: the aim is to conduct an RCSA exercise for:

- HR
- Admin
- Risk management
- Investments (focusing on non-investment risks)

APFC ALASKA PERMANENT FUND CORPORATION

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SUBJECT: Ethics Act Disclosure Review ACTION:

DATE: September 2, 2026 INFORMATION: X

A standing item is reserved on the agenda for a potential executive session of the Board of Trustees Ethics, Audit, and Cybersecurity Committee. This allows for confidential discussion with the APFC designated ethics act supervisor regarding matters that may warrant review under the Ethics Act, at the discretion of the Committee Chair or any member.