

TRUSTED FOR GENERATIONS

2024 MID FISCAL YEAR REVIEW

FY 2024 AS OF DECEMBER 31, 2023

ANNUALIZED FUND RETURN

Since Inception

8.73%

TOTAL FUND RETURN

FYTD 24 6 Months

3.54%

TOTAL FUND VALUE

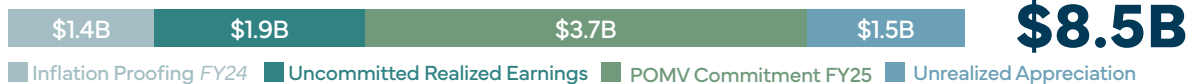
as of December 31, 2023

\$77.4B

PRINCIPAL



EARNINGS RESERVE ACCOUNT (ERA)



MESSAGE FROM THE EXECUTIVE DIRECTOR & CEO

Since the establishment of the Alaska Permanent Fund, its impact on the financial landscape of Alaska has deepened while **its responsibility to provide lasting financial benefits remains unchanged.**

APFC is generating about \$10 million of revenue per day for the state of Alaska through our investment of the Fund. Currently, earnings from the Alaska Permanent Fund are the state’s primary source of undesignated General Fund revenue to support both the Permanent Fund Dividend, as well as other programs and services that we all rely on.

As a lifelong Alaskan, I’m continually astounded by the history, foresight, and vision that the founders of the Alaska Permanent Fund exhibited. By permanently allocating a portion of the royalties and providing ongoing protection against inflation, they made sacrifices to ensure all generations would benefit from the state’s resource wealth. The resilience demonstrated over the years in defending and advancing the Fund to its present level is something that every Alaskan can take great pride in.

This legacy frames the duty and responsibility for us as the current generation of Alaskans, to protect and manage the wealth of the Fund. We face many challenges in today’s dynamic market but remain diligent in our portfolio management, focusing on achieving best-in-class performance. Investing the Fund to ensure that it benefits us both today and in the long term requires commitment, discipline, and accountability.

While the Fund and its use have evolved, APFC’s commitment to Alaskans remains unwavering. I am honored to lead a team of talented professionals dedicated to ensuring we meet the expectations of our fellow Alaskans. Together, we are building upon a legacy of responsible management to secure the Fund for our shared future.

Thank you,

DEVEN MITCHELL
Executive Director & CEO



FIDUCIARY DUTY

For generations, APFC has been trusted as a steward and fiduciary of the Permanent Fund, with responsibility for the prudent investment of Alaska’s most valuable financial resource.

ALASKA STATUTE 37.13.020 FINDINGS

The people of the state, by constitutional amendment, have required the placement of at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses received by the state into a permanent fund. The legislature finds with respect to the fund that

1. The fund should provide a means of conserving a portion of the state’s revenue from mineral resources to benefit all generations of Alaskans;
2. The fund’s goal should be to maintain safety of principal while maximizing total return;
3. The fund should be used as a savings device managed to allow the maximum use of disposable.

The Permanent Fund Alaska Constitution Article IX, Section 15

At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the Principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

PERFORMANCE

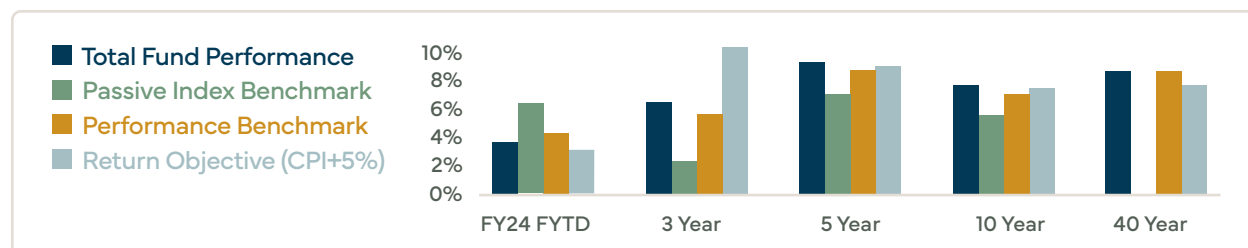
We have reached the halfway point of the 2024 fiscal year, and we have seen strong performance in financial markets that have driven a fiscal year-to-date return of 3.54%. As the markets strengthen, we are also pleased by the resiliency of the portfolio’s ability to handle fluctuations.

Marcus Frampton, APFC’s Chief Investment Officer expressed confidence in the portfolio’s performance “APFC remains well positioned across the Fund’s diversified asset classes to achieve our stakeholders’ goals in a variety of market environments. I am encouraged by the strong benchmark relative performance of our more liquid asset classes. Namely, Public Equities, Fixed Income, Tactical Opportunities, and Absolute Return all outperformed their respective benchmarks by material margins. Benchmark relative performance for APFC’s private market asset classes suffered from valuation write-downs in various portfolio positions. We believe that private market performance is best viewed on a

multi-year basis, and viewed through this lens: APFC’s private market portfolio has added significant value to the Fund over the past decade.”

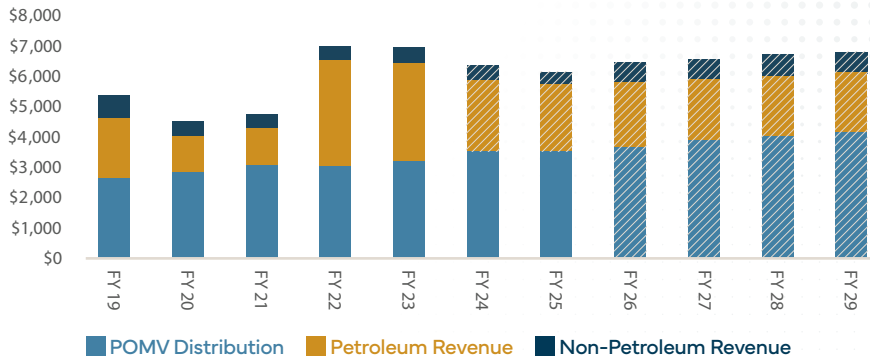
We assess our performance based on benchmarks that measure how effective our active strategy is. These benchmarks provide a meaningful comparison to our peers and help us track progress toward our goal of achieving a 5% real return as set by the Board. During the first six months of this fiscal year, our total Fund return has fallen behind two of our three performance indicators. However, we believe in a long-term investment strategy and are happy to report that our total Fund return of 7.83% over the 10-year period is currently ahead of all our performance benchmarks.

Monthly performance reports are available on apfc.org and comprehensive portfolio updates are provided during quarterly meetings of the Board of Trustees.



FOR GENERATIONS

Now, more than ever, the State is dependent upon the Alaska Permanent Fund as a primary source of renewable revenue.



FY25 POMV CALCULATION

AS 37.13.140 (b)

FY23	\$77,586,800,000
FY22	\$75,911,500,000
FY21	\$81,471,500,000
FY20	\$64,876,500,000
FY19	\$65,876,000,000

5 yr AVG \$73,144,460,000

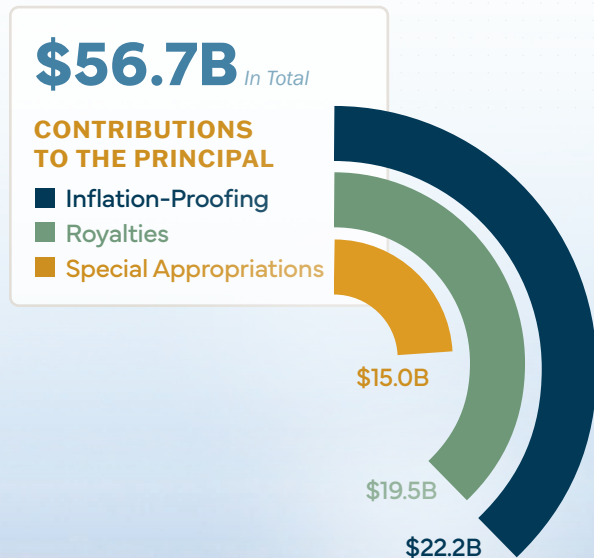
5% Draw \$3,657,223,000

THE FUND: A RENEWABLE REVENUE RESOURCE

The Alaska Permanent Fund was created to generate wealth into perpetuity knowing that oil reserves would eventually diminish.

The Permanent Fund has become, as intended, an enduring financial resource

The Permanent Fund has become, as intended, an enduring financial resource. By generating wealth from its non-renewable resource foundation, the Fund has grown from an initial deposit of \$734 thousand in royalties to \$77.4 billion at the close of December 2023. This remarkable trajectory is a testament to the visionary leadership of the Alaskans who laid the foundation of the Fund with a strong commitment to intergenerational benefit.



THE TWO ACCOUNT STRUCTURE

The Fund's current two-account structure comprises the Principal, which is not spendable, and the Earnings Reserve Account (ERA), which is spendable. Legislative appropriations from the Fund are limited to the balance of realized earnings in the ERA.

While positive performance returns have been achieved, the current market cycle has yielded below average realized income as compared to previous years. As a result, the spendable portion of the Permanent Fund is being used faster than it is being replenished.

The Board of Trustees has been on record for more than 20 years to transition the Fund from its current two-account system to a one-unified account system with a constitutional distribution for enduring sustainability and benefit.

INVESTMENT STRATEGY

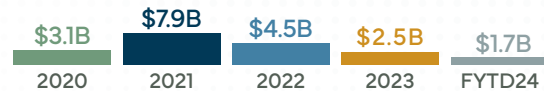
To maximize returns and safeguard the Principal is at the core of our risk adjusted return investment strategy.

The Board of Trustees, leadership, and staff have diversified the portfolio’s asset allocation to fortify the long-term investment horizon for the Fund. A commitment that echoes the Fund’s dedication to benefit not just the present, but also the future generations of Alaskans.

Through a combination of in-house expertise and partnerships with the industry’s leading investment managers across the globe, the Corporation manages and invests the assets of the Permanent Fund and other funds designated by law, including the Alaska Mental Health Trust and the Power Cost Equalization Endowment. While APFC provides investment management and reporting for these assets, the programs are administered by their respective entities.

STATUTORY NET INCOME

Statutory net income (SNI) by fiscal year in billions



There is a statutory definition for how investment earnings become spendable. When we realize income – that is ‘money’ that is put into the Earnings Reserve Account and is available to be spent by the Legislature for state needs. Earnings from the increased value of investments that we haven’t sold are not available to spend and are labeled ‘unrealized.’

APFC makes money by leasing our real estate properties, receiving interest payments on our bond holdings, cashing in on stocks, and selling investments. Income can vary greatly from one year to the next given market conditions. The determination as to when to sell an investment is based on our mandate to maximize returns for intergenerational benefit.

ASSET ALLOCATION

APFC has a remarkable history of successfully navigating volatile market conditions and seizing dynamic investment opportunities. APFC’s investment management strategy relies on effective asset allocation and management of each asset class.

The Fund has evolved over the last 40 years from 100% bond investments in 1977 to now include investments in the stock market, real estate, and alternatives. The Board’s asset allocation focuses on achieving the Fund’s long-term return objective of CPI + 5% with prudent diversification and within the approved risk profile. This strategy has served the Fund well over the decades, and ensures sustainability into the future.

VALUES IN ACTION

In 2023, for the third year in a row, APFC was recognized as one of the “Best Places to Work in Money Management” by Pensions & Investments. As a mission-driven corporation committed to delivering outstanding returns for generations of Alaskans, this award underscores our commitment to the work we do to manage and invest the Alaska Permanent Fund.



TARGET ASSET ALLOCATION

FY 24

- Public Equities 34%
- Fixed Income 20%
- Private Equity 16%
- Real Estate 10%
- Private Income 9%
- Absolute Return 7%
- Tactical Opportunities 2%
- Cash 2%

