

**News Release****For Immediate Release: May 31, 2024****Contact: Pauly Swanson 907.796.1520****APFC TRUSTEES UNANIMOUSLY APPROVE UPDATED ASSET ALLOCATION, FY25 BUDGET AND THIRD-PARTY REVIEW OF TRUSTEES AND STAFF COMMUNICATIONS**

**UTQIAGVIK** – The Board of Trustees of the Alaska Permanent Fund Corporation (APFC) held its quarterly meeting in Utqiagvik and via webinar on May 29 and 30. At the meeting, the Board unanimously adopted an updated asset allocation. In addition, the Board voted to approve the FY25 operating budget with a directive to maintain the Anchorage office and to contract with a third-party law firm to provide a review of Trustee and Staff communications over the past six years, as well as the recent unauthorized release of internal records.

Conducting meetings throughout the state underscores APFC's commitment to work on behalf of all Alaskans. A meaningful exchange with the North Slope Borough included a sharing of the Permanent Fund's history, global investment strategy, and growth in recognition of synergies that exist in managing investment funds to provide for generations through a renewable financial resource. The discovery of oil on the North Slope paved the way for the Permanent Fund, a financial resource that now benefits all Alaskans. It was a unique honor for the Trustees to hold this quarterly meeting in Utqiagvik, where the Board came together in the interest of providing for future generations.

"I would like to thank Mayor Josiah Patkotak and the community for welcoming us. We recognize the significance of the North Slope as the ultimate source of funds that now comprise the Permanent Fund. In the delicate social and cultural balance that is Alaska, the Inupiat of the North Slope were the stewards of these lands that now comprise the source of our common and intergenerational wealth. We thank them for their hospitality." -Chair Ethan Schutt

**FY25 Operating Budget: Status of Anchorage Office & Third-Party Review**

The Board approved the FY25 budget with a directive to maintain the Anchorage Satellite Office. Expanding APFC's in-state presence by opening a satellite office in Anchorage, in addition to the existing Juneau Headquarters, has been part of the strategic plan for the past four years. The Anchorage office has already proven instrumental in supporting APFC's younger Alaskan workforce, offering additional in-state work options and ensuring the continued success and growth of APFC. Trustees noted the vote sends a reassuring message to all current Anchorage staff that there is a continued commitment to maintaining that satellite office.

The Board unanimously approved hiring a law firm to provide a third-party review of communications between Trustees and Staff for the past six years, as well as the recent unauthorized release of internal records. Additionally, The Board acknowledged recommendations by the Governance committee to implement additional best practices in setting the standard for an endowment-style sovereign wealth fund.

## **Asset Allocation Discussion & Adoption**

After diligent consideration, the APFC Board of Trustees unanimously voted to increase the portfolio's allocation to both Private Equity and Private Income. While the Board is responsible for setting asset allocation, it does not make investment decisions. APFC staff execute the Investment Policy set forth by the Board to maximize a risk-adjusted return. The Investment Policy also provides some flexibility for staff, with bands around the target allocations for each asset class.

The following asset allocation targets for fiscal year 2025 were set forth and adopted by the Board of Trustees for the Alaska Permanent Fund effective July 1, 2024:

- Public Equities 32% (no change)
- Fixed Income 20% (no change)
- Private Equity 18% (+3)
- Real Estate 11% (-2)
- Private Income 10% (+1)
- Absolute Return 7% (no change)
- Tactical 1% (-1)
- Cash 1% (-1)
- TOTAL: 100%

APFC Chief Investment Officer Marcus Frampton commented, “The Fund’s asset allocation targets have been adjusted on the margin to reflect changing market conditions, asset class fundamentals, and existing Fund exposures. I believe that the new target asset allocation for FY 2025 represents a highly efficient and balanced portfolio that is consistent with the return objectives that our stakeholders rely upon.”

The Board also unanimously approved the motion to adjust the total fund performance benchmark to reflect updated target asset allocations and the direction for staff to manage private markets pacing to reflect changed ultimate targets.

## **Performance**

CIO Frampton provided an overview of the Fund’s performance and positioning against its current target asset allocations. The Fund's total assets reached \$81.8 billion at quarter-end, up from \$80.3 billion in Q4 2023, and continues to outperform both its passive and performance benchmarks over longer-term periods. “Private markets might have had a tough quarter, but there’s noise in the numbers. It’s difficult to look at market returns over the short-term,” said Frampton. “We’re cautiously optimistic that things will be trending in a better direction next year. We remain focused on prudent asset allocation and sustainable long-term growth as we seek to secure stable returns for the benefit of all Alaskans.”

## **Risk**

Sebastian Vadakumcherry, APFC Chief Risk & Compliance Officer, presented an overview of historical and forward-looking measures of risk for the Total Fund and its underlying asset classes. The risk assessment is independently conducted, focusing on investment policy considerations that aim to ensure the Fund’s future stability. “APFC is currently in compliance with all of our risk limits

and risk thresholds,” said Vadakumcherry. “Additionally, all of the asset allocation options presented to the Board are within APFC’s designated risk appetite.”

### **Public Equity**

Fawad Razzaque, Director of Public Equity Investments at APFC, presented on APFC’s Public Equity Portfolio, including an overview of its asset allocation and manager programs. The portfolio utilizes a scorecard system that evaluates three performance elements: active selection, active allocation, and internal and external management. “We’re pleased that despite a challenging market, our strategies have been successful,” said Razzaque. “Our equities portfolio continues to add value by beating its benchmark and achieving returns. Public equities net-of-fee active returns were ahead of benchmark by 90 basis points per year over the last five years, putting us comfortably above our targets.”

As a complement to the Public Equities overview, Richard Bernstein Advisors (RBA) and Pzena Investment Management (Pzena) each presented on public equities to provide the Board with deeply researched market perspectives and share compelling investment opportunities. RBA provided information on portfolio positioning, the importance of geographic diversification, and the potential impacts of macroeconomic trends. Pzena highlighted opportunities in value stocks across geographies, including the U.S., China, and emerging markets.

The next meeting of the Board of Trustees will be the regular meeting on July 24, 2024, in Fairbanks and via WebEx. The Audit Committee is also scheduled to hold a virtual meeting on June 6, 2024. Meeting information can be found at [apfc.org/the-board-of-trustees/board-of-trustees-meetings/](https://apfc.org/the-board-of-trustees/board-of-trustees-meetings/).

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### **About APFC**

APFC was created by the Alaska State Legislature in 1980 as an independent state entity tasked with managing the assets of the Alaska Permanent Fund on behalf of current and future generations of Alaskans and other funds designated by law.

The Alaska Permanent Fund is a globally recognized sovereign wealth fund established in 1976 by Alaskans to preserve and convert the State's non-renewable mineral and oil wealth into a renewable financial resource. The Fund's ability to sustainably create and grow value for Alaska supports the State's economic stability and prosperity, safeguarding its resources for future generations.



From left to right: Executive Assistant Jennifer Loesch, CEO & Executive Director Deven Mitchell, Trustees Ryan Anderson, Jason Brune, Adam Crum, Chair Ethan Schutt, Trustee Craig Richards, and Callan Associates Steve Center and Greg Allen. Seated at the presenter's table is Richard S. Pzena, Founder, Principal, Chairman, Co-Chief Investment Officer, Portfolio Manager.

