



Alaska Permanent Fund

40 Years of Fortitude

January 2017



Alaska Permanent Fund Corporation

1969: The Debate Begins

Alaska receives
\$900 million in
Prudhoe lease
sale bonuses

Prior year state
budget:
\$112 million



The Alaska Constitution

40 years ago, in 1976, Alaskans in an historic vote amended the Constitution of the State of Alaska by a margin of 75,588 to 38,518 and created the Alaska Permanent Fund.

Alaska Constitution Article IX, Section 15 Section 15. Alaska Permanent Fund.

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.



The Corporation



The Alaska State Legislature passed SB 161 in 1980 establishing the Alaska Permanent Fund Corporation, a sound management structure to maximize the Fund's ability to generate investment returns, and entrusted the Board of Trustees with the fiduciary oversight.

APFC's Mission - to manage and invest the assets of the permanent fund and other funds designated by law



The Board of Trustees

As the fiduciaries, the Trustees have a duty to Alaskans in assuring that the Fund is managed and invested in a manner consistent with legislative findings: AS 37.13.020

- The Permanent Fund should provide a means of conserving revenue from mineral resources ***to benefit all generations of Alaskans***
- The Permanent Fund's goal should be to ***maintain safety of principal*** while ***maximizing total return***
- The Fund should be used as a savings device managed to ***allow the maximum use of disposable income from the fund for the purposes designated by law.***



APFC Values in Action

CEO Angela Rodell

Investments
17 PFT

Finance
10 PFT

Legal Counsel
Human Resources
Admin Support
7 PFT

Information
Technology
5 PFT

Integrity

We act in an honorable, respectful, professional manner that continually earns and justifies the trust and confidence of each other and those we serve.

Stewardship

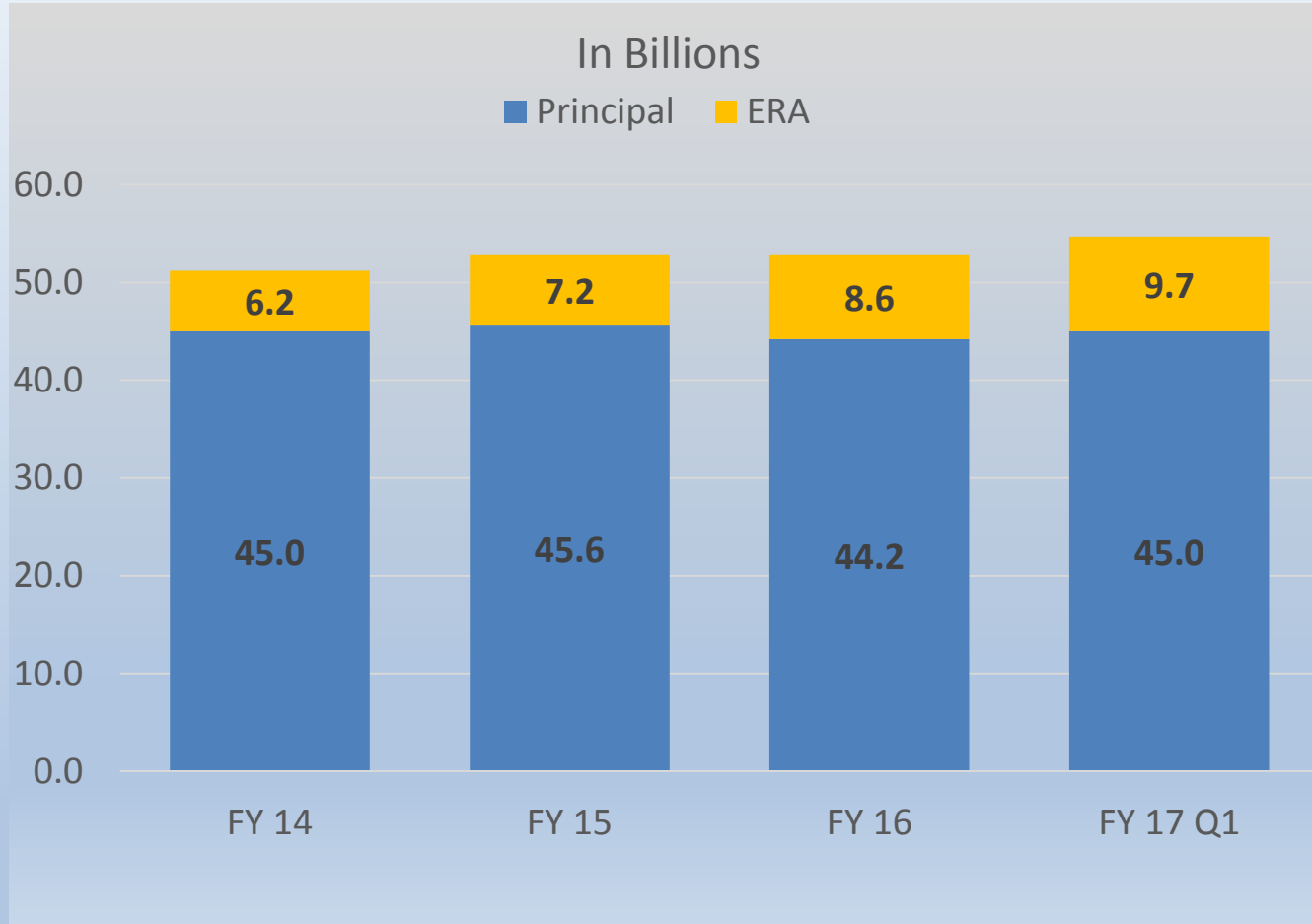
We are committed to wisely investing and protecting the assets, resources, and information with which we have been entrusted.

Passion

We are driven to excellence through self-improvement, innovative solutions and an open, creative culture. We are energized by the challenges and rewards of serving Alaskans.



Value of The Fund



Renewable Resource

Use of Income Since Inception

\$29.1 billion

- **Saved for Future Generations of Alaskans**
- ERA
- Inflation Proofing
- Other Appropriations

\$24.3 billion

- **Distributed to Current Generations of Alaskans**
- Dividend Fund
- Alaska Capital Income Fund

\$52.8 billion

- Fund Value FY16
- **Principal \$44.2**
- **ERA \$ 8.6**



Statutory Net Income

Statutory net income excludes unrealized gains and losses; ***only realized gains are transferred to ERA.***

In 1998, the definition of “income” for accounting purposes was modified to account for “unrealized gains and losses.”

Unrealized gains earned by principal are a part of principal and unrealized gains earned by ERA are part of ERA.

Fiscal Year	Realized Net Income	Realized Return*
2005	\$1,754	6.30%
2006	\$2,689	8.66%
2007	\$3,428	9.96%
2008	\$2,938	7.77%
2009	(\$2,475)	-7.86%
2010	\$1,590	4.91%
2011	\$2,143	5.96%
2012	\$1,568	4.02%
2013	\$2,927	6.97%
2014	\$3,530	7.52%
2015	\$2,907	5.67%
2016	\$2,198	4.27%

*Internally calculated based on average Fund market value



Inflation Proofing

Provides a deposit back to corpus

Maintains purchasing power of corpus

Since Inception of the Fund –

- Inflation Proofing
 - ✓ added \$16.2 billion to corpus
- Royalty Deposits
 - ✓ added \$16.1 billion to corpus

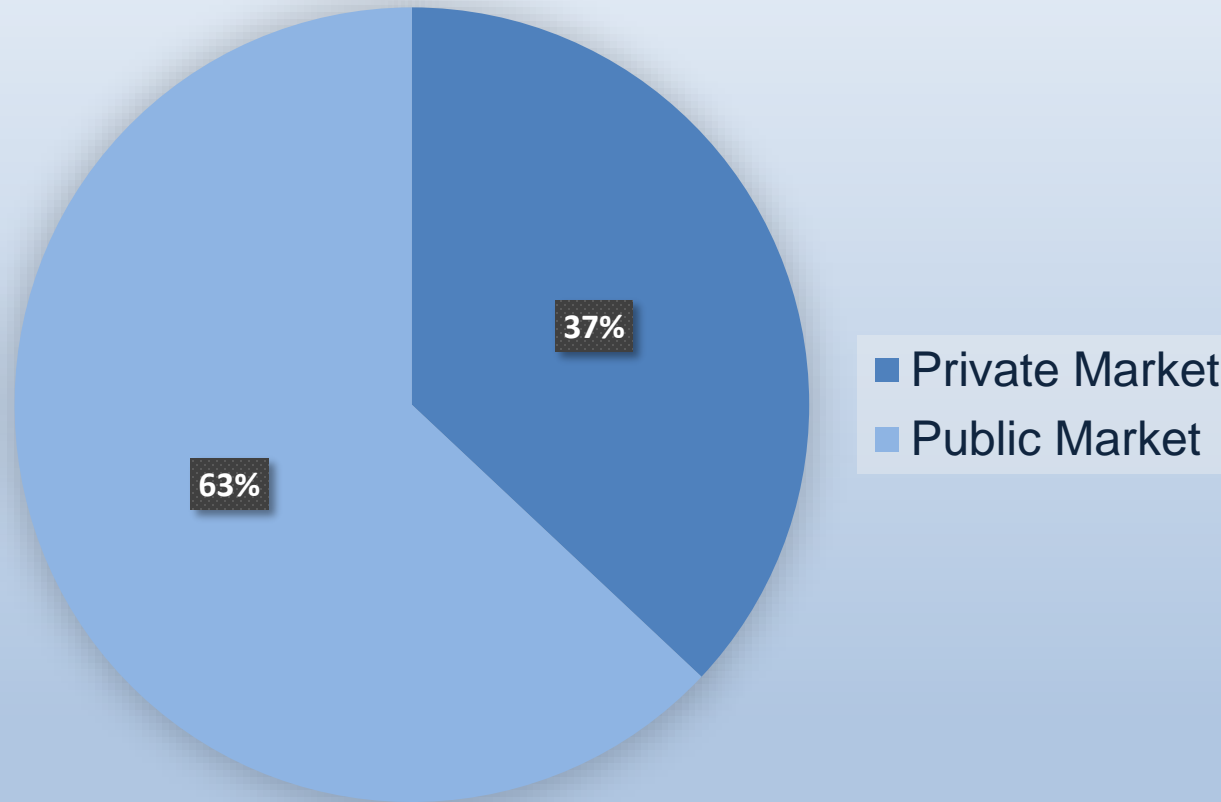
Based on value of corpus on June 30 and the change in inflation rate over the prior two calendar years.

Fiscal Year	Inflation Transfer	Royalty Deposits
2005	\$641	\$481
2006	\$856	\$601
2007	\$860	\$532
2008	\$808	\$844
2009	\$1,144	\$651
2010	\$0	\$679
2011	\$533	\$887
2012	\$1,073	\$915
2013	\$743	\$840
2014	\$546	\$779
2015	\$624	\$600
2016	\$0	\$285



\$54.8 Billion Portfolio

FY17 Q1 as of September 30, 2016



Asset Allocation Structure

Growth

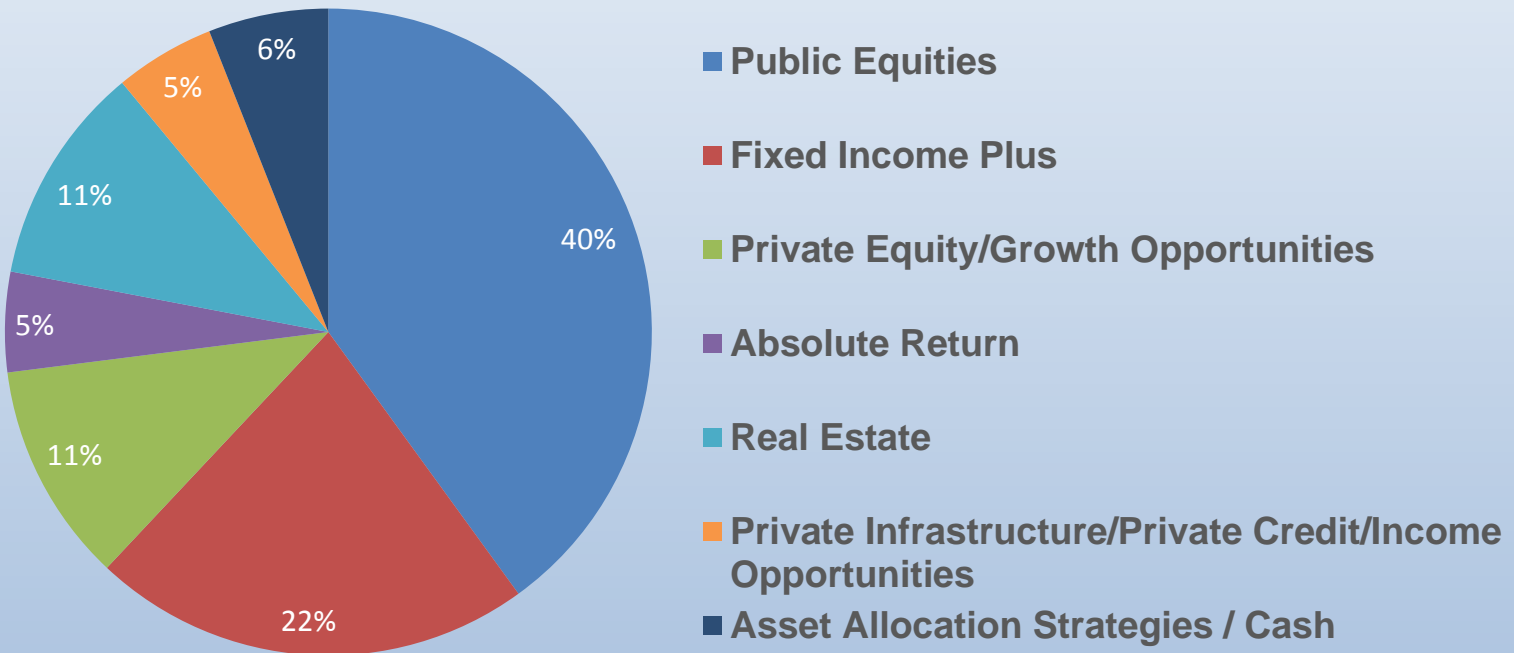
- Tradable/Liquid
 - Public Equities (Stocks)
- Illiquid
 - Private Equity
 - Absolute Return
 - Allocation Strategies

Income

- Tradable/Liquid
 - Fixed Income Plus (Bonds)
 - Cash
- Illiquid
 - Real Estate
 - Infrastructure



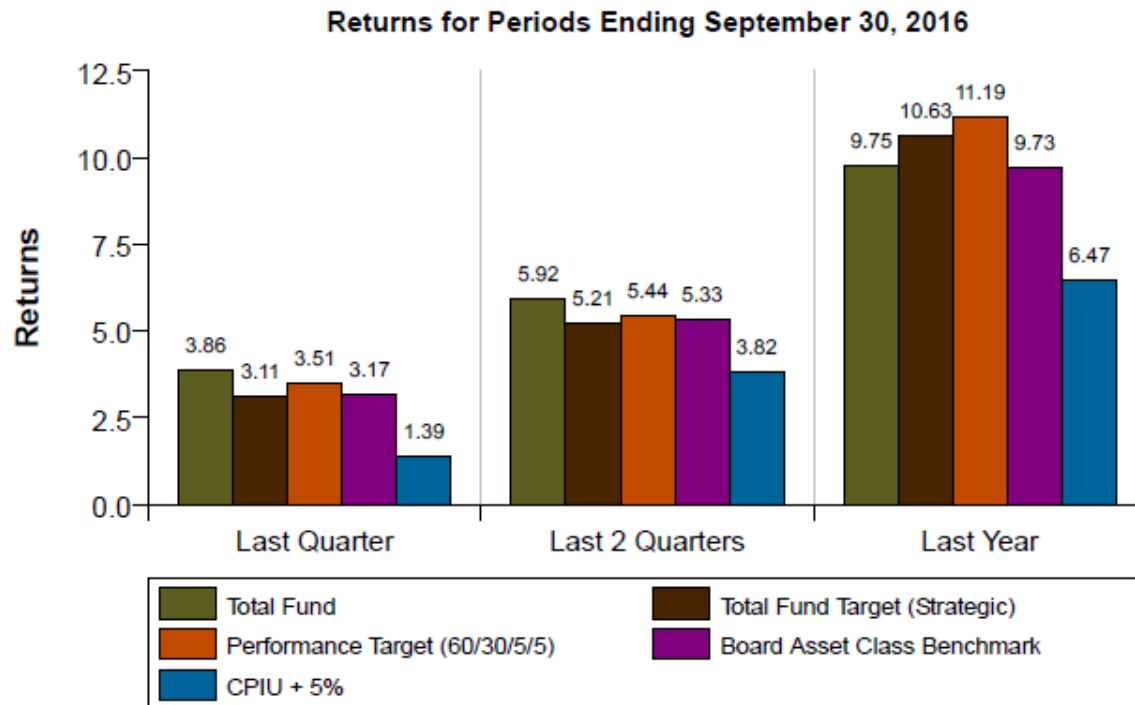
Target Asset Allocation



Performance FY17 Q1

APFC Total Fund Cumulative Returns

Total Fund versus Total Fund Targets



- Current Total Fund Target = 52.5% MSCI ACW IMI, 13.1% Bloomberg Barclays Global Corporate Hedged, 8.0% Bloomberg Barclays Global Treasury Hedged, 2.2% Bloomberg Barclays TIPS, 2.0% Bloomberg Barclays Mortgage Index, 7.6% MSCI REIT, 4.4% FTSE Developed Core Infrastructure, and 10.1% 3-month Treasury Bills

Callan Associates
Public Markets Performance Review
APFC Board of Trustees Meeting – Dec 2016

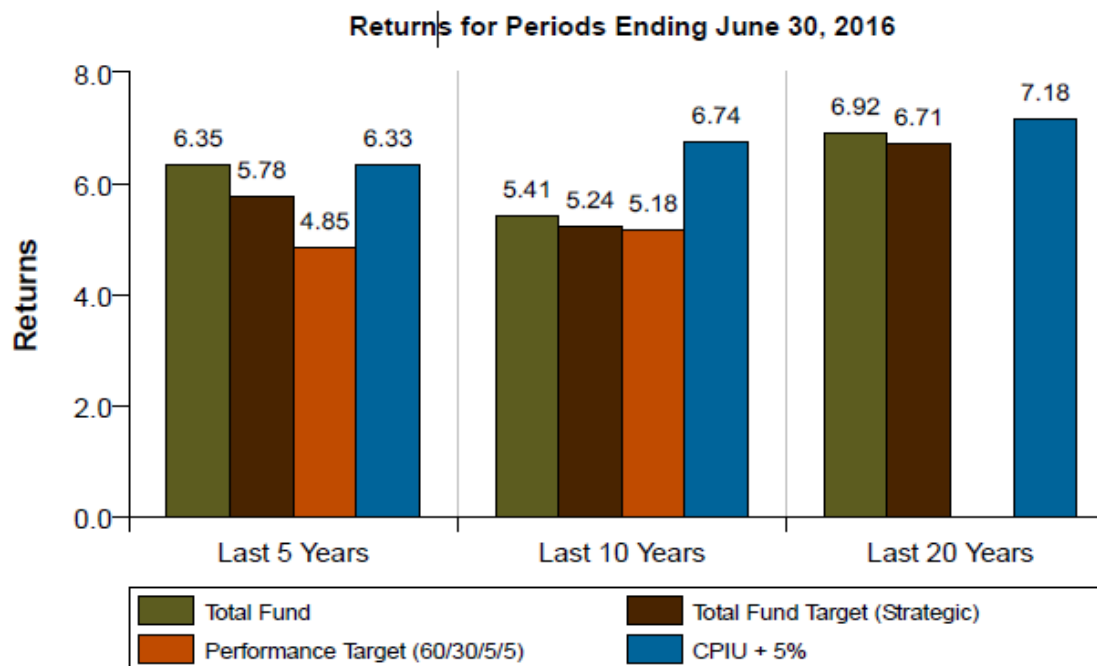


Alaska Permanent Fund Corporation

Performance Past 20 Years

APFC Total Fund Cumulative Returns

Total Fund versus Total Fund Targets

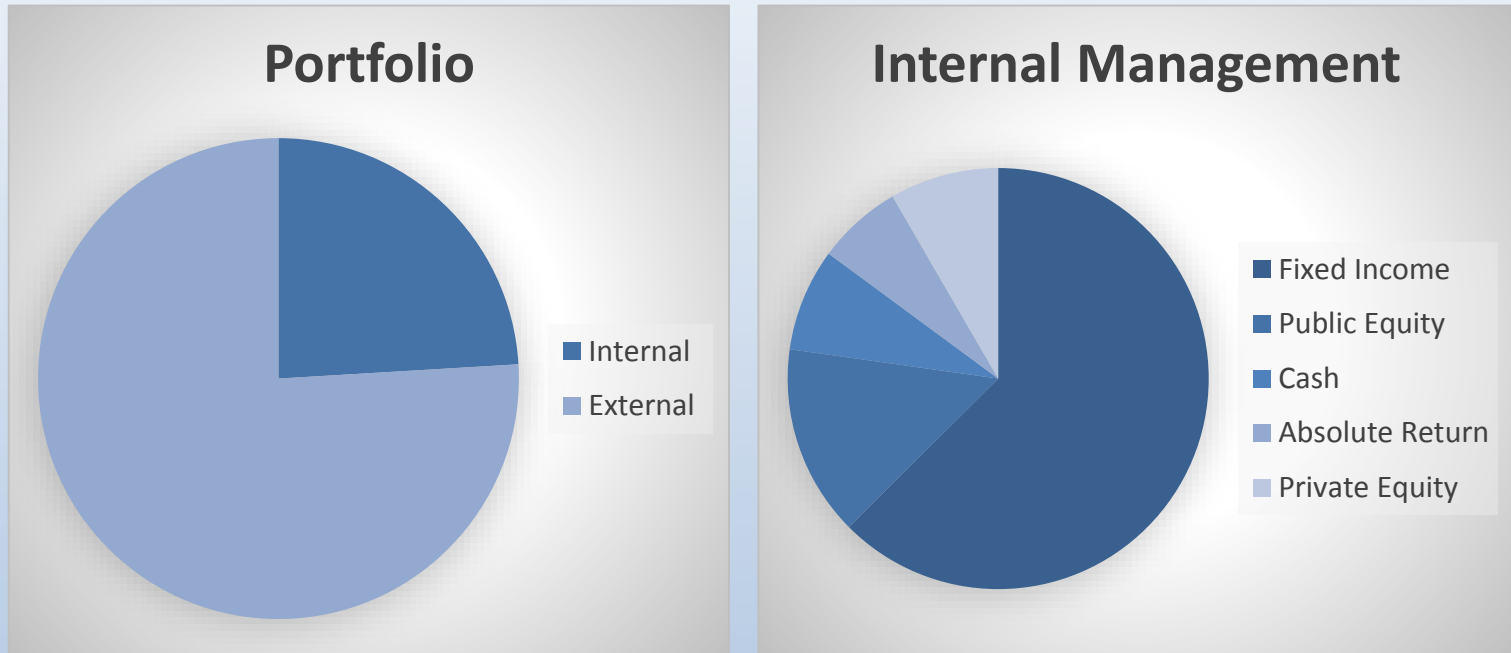


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Callan Associates
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Management of the Fund



In FY16, \$12.7 billion of the Permanent Fund's \$52.8 billion in assets was managed in-house, 24% of the total assets under management.

APFC continues to work towards an optimal mix of in-house versus external management capabilities.



Real Estate

Value of Direct RE Investments
\$5.5 billion

Real Estate Internal Mgmt.
\$83,333/month

Monthly Cash Flow
\$21.2 million (gross of fees)

Compare to:
30-year Treasury Bonds
2.875% coupon rate

Monthly Cash Flow
\$13.2 million

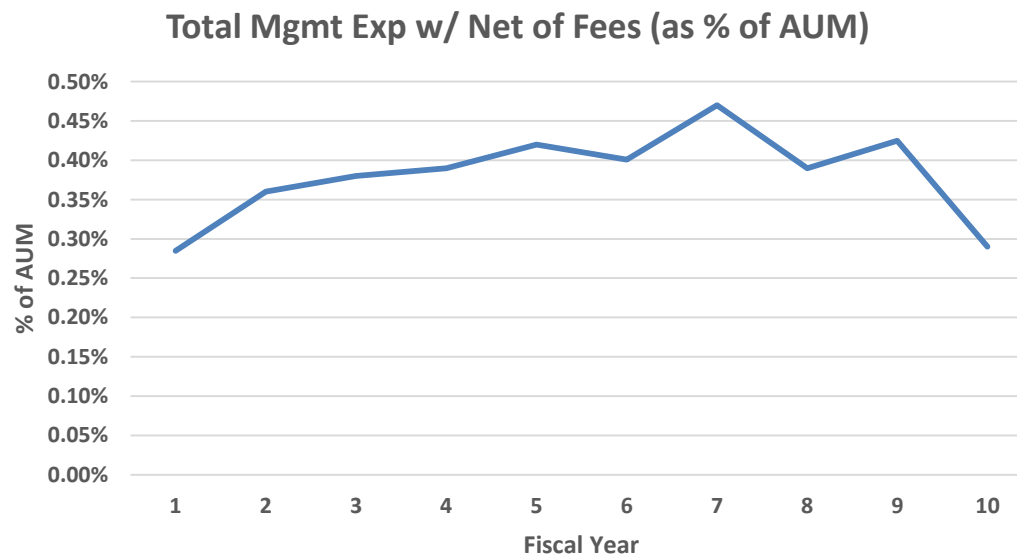


Since 2011, APFC has:

Beat Performance Benchmark: Outperformed 60% stock, 30% bond, 10% real assets mix by 1.56% (6.41% versus 4.85%)

Improved Diversification: Reduced value-at-risk from 24% to 19% by increasing private markets investments from 22% to 30%

Reduced Management Expenses: Declined from 42bps on assets-under-mgmt. to 29bps (a 31% reduction)

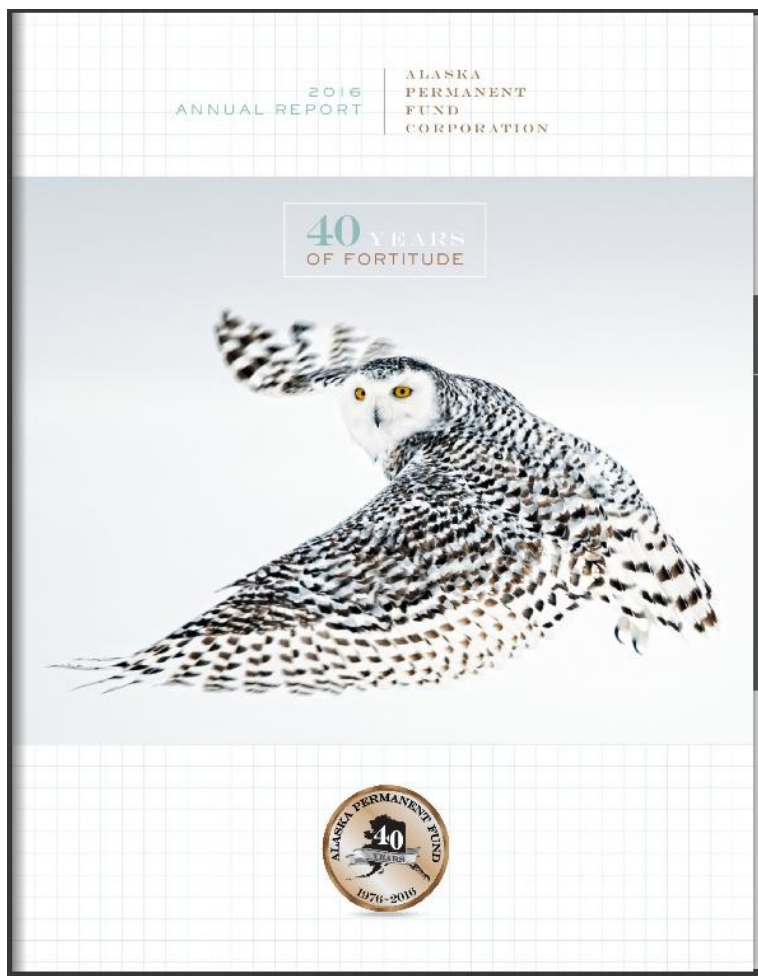


Key Takeaways

- Fortitude: Strength
- Flexible, Adaptive: Role is Changing
- Corporation Key to Success of The Fund
- Continued Investment into The Corporation:
 - People
 - Workplace Environment
 - Resources



www.apfc.org



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