

# INVESTED WITH ALASKANS



ALASKA PERMANENT FUND CORPORATION

## FY22 MID-FISCAL YEAR REVIEW

### FUND VALUES AND RETURNS

As of December 31, 2021

ANNUALIZED RETURN SINCE INCEPTION

9.16%

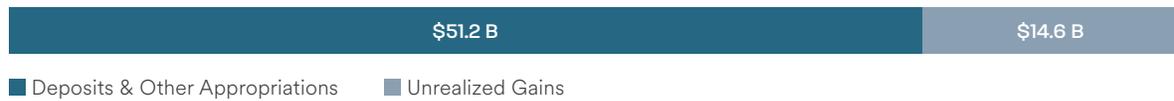
TOTAL FUND VALUE

\$82,412,500,000

FY22 TO-DATE TOTAL RETURN

5.95%

PRINCIPAL **\$65.8 Billion**



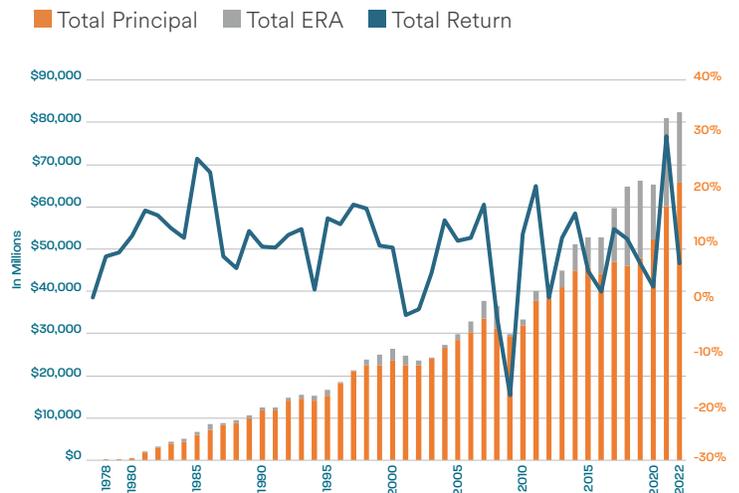
EARNINGS RESERVE ACCOUNT (ERA) **\$16.6 Billion**



## PERFORMANCE

Performance of public market assets for the Fund has been relatively muted FYTD as gains in the global equity markets in the first six months through December have been surrendered in January. In this environment, the investment team has taken a posture of overweighting value and lower volatility equities, thus being well-positioned if the developing market trends persist. On the private market side, the Fund’s portfolio continues to perform well. Overweights to retail and office sectors within the real estate portfolio have been addressed through new investment in industrial and multi-family assets. The underlying health of portfolio companies within private equity, private credit and infrastructure remain quite robust.

### FUND VALUES AND RETURNS (Inception through FY22 to-date)



### ALASKA’S RENEWABLE FINANCIAL RESOURCE

The Alaska Permanent Fund has transferred, as of February 1, 2022, \$1.9 billion of the total FY22 POMV (percent of market value) draw of \$3,069,296,016 from the Earnings Reserve Account to the State’s General Fund per the appropriation and the methodology established in AS 37.13.140 (b). The remaining \$1.2 billion of the annual transfer continues to be invested in the Fund for maximum return, before being transferred in coordination with the State’s Treasury Division as a revenue source for the fiscal year ending June 30, 2022.

# MESSAGE FROM THE ACTING EXECUTIVE DIRECTOR



When the Alaska Permanent Fund was established in 1976, it was done with the understanding that the Fund would provide for all generations of Alaskans. This long-term vision was reinforced in the establishment of the Alaska Permanent Fund Corporation in 1980 when Governor Jay Hammond signed SB161, finding that “the fund should provide a means of conserving a portion of the state’s revenue from mineral resources to benefit all generations of Alaskans.” This is the underlying premise upon which we at APFC work every day, unified in our shared values and commitment to Alaskans.

During APFC’s current leadership transition, our fellow Alaskans should know that the continuity of corporate-level work remains effective and collaborative. As professionals, we adhere to our mission to protect and grow the Fund. Our main objective remains unchanged, and APFC continues to manage the Fund to achieve the maximum risk-adjusted returns for the benefit of all Alaskans. We do this through a diversified portfolio engineered to take advantage of compelling opportunities in various market conditions. Together, APFC strives to exceed all benchmarks for performance while remaining open and accountable in safeguarding the assets of Alaska’s most valuable financial resource.

**Valerie Mertz**  
Acting Executive Director and Chief Financial Officer

## PRINCIPAL CONTRIBUTIONS

From Inception to December 31, 2021

The Principal is the permanent part of the Alaska Permanent Fund and is to be used only for income-producing investments per the Constitution. The Principal’s real growth is through royalty contributions, special appropriations, and inflation proofing. The Principal also holds the unrealized gains and losses on invested assets recognized from the time they are purchased until they are sold, at which time the net profits are transferred to the Earnings Reserve Account.

### \$18.4\* Billion Royalty Deposits

AS 37.13.010 (a) (1) and (a) (2)

The constitutionally required minimum of 25% of royalty proceeds and the statutorily mandated deposits of 50% for leases after 1979.

\*Includes estimated FY22 Royalty Deposits.

### \$18.0 Billion Inflation Proofing

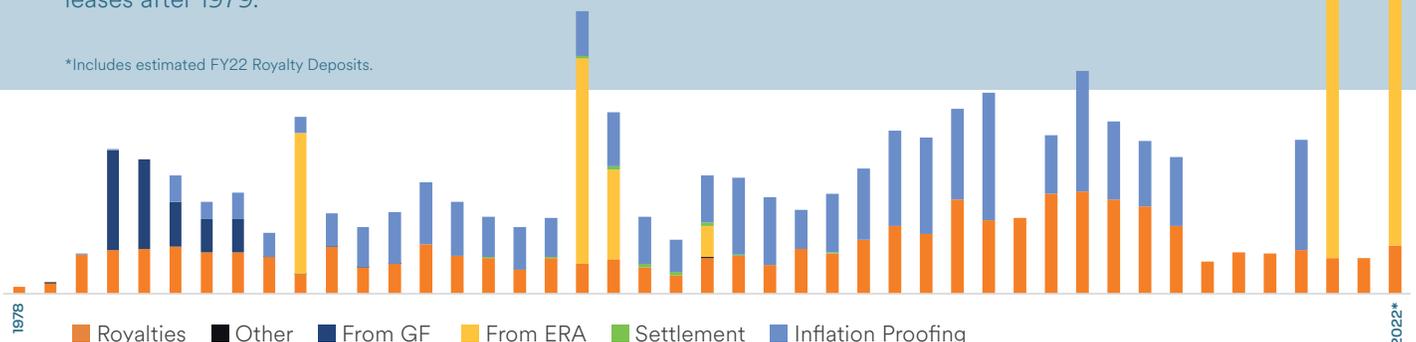
AS 37.13.145 (c)

The inflation proofing to maintain intergenerational purchasing power of Principal is based on total deposits into the Principal of the Fund and the annual inflation rate calculated per statute.

### \$15.0 Billion Special Appropriations

AS 37.13.010 (a) (3)

Legislative Deposits from the General Fund \$2.7 B and the ERA \$12.3 B.



# STRONGER WITH VALUES

**In 2021, APFC was recognized as a Best Place to Work in Money Management by Pensions & Investments.**

Each day, APFC Trustees and staff are energized by the challenges and rewards of serving Alaskans. The successes of the Fund and the Corporation are shared with all Alaskans, as they are founded in our commitment to ensure that these financial assets are wisely invested and produce compelling long-term results for generations to come. APFC's guiding principles and long-range investment vision are underscored by our professionalism and dedication to the shared values that unite us: *integrity, stewardship and passion.*



## A STABLE AND SUSTAINABLE PATH FORWARD

Through the value-based formula for Fund withdrawals of 5% annually, \$3.4 billion is available in FY23 for the Legislature to appropriate in support of the State's annual budget for essential governmental services in education, health, public safety, transportation and more.

This established and reliable withdrawal structure known as the Percent of Market Value (POMV) has long been supported by the Board of Trustees as a constitutional amendment to protect the Fund's long-term value and to provide a known and sustainable payout.

## REVENUE GENERATED FOR ALASKA

As the Alaska Permanent Fund's earnings now contribute the majority of the State's unrestricted spending, APFC Trustees continue to support and reinforce the rules intended to protect the Fund for the long term.

A rules-based methodology for deposits into and withdrawals from the Permanent Fund can ensure a genuinely renewable financial resource for the benefit of all generations of Alaskans.

**Adherence to Rules:** A system of well-designed rules and formulaic calculations promotes sustainability and stability of real growth through Principal deposits, while enabling the Corporation to organize investment policies allowing for prudent investment of the Fund. Clearly defined saving and spending policies must be embedded in any system of rules.

**Ensure Sustainability:** Requires annual formulaic withdrawals from the ERA at an amount that the long-term balance of the account is able to support. The Board recommends instituting a process that would require periodic review of draw assumptions as market conditions change.

**Automatic Inflation Proofing:** Given the Permanent Fund's current two-account structure with investment earnings moving into the ERA, annual inflation proofing ensures that the purchasing power of the Principal is maintained.

**Promote Real Growth:** Results in more income and thus higher sustainable draws in the future; it is necessary to preserve and protect intergenerational wealth as Alaska continues the extraction of its finite natural resources.

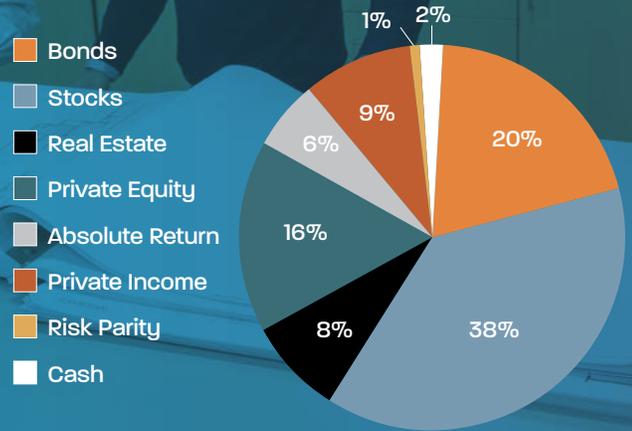
The Percent of Market Value draw is calculated by taking 5% of the average market value of the Alaska Permanent Fund for the first five of the preceding six fiscal years.	FY23 POMV Calculation AS 37.13.140 (b) Value Based
	FY21 \$81,472,600,000
	FY20 \$64,877,600,000
	FY19 \$65,876,800,000
	FY18 \$64,470,000,000
	FY17 \$59,360,900,000
	average
	5Yr Avg \$67,211,600,000
	X 5% \$3,360,600,000

# INVESTMENT STRATEGY

APFC strives to maintain a well-diversified investment portfolio that distributes risk and generates the highest possible return within the mandate given by the Board. APFC's asset allocation is set by the Board, reviewed annually, and designed to deliver risk-adjusted returns of 5% plus CPI over the long term for the benefit of all generations of Alaskans.

The Fund is invested across eight asset classes in both public and private markets, a portfolio designed to deliver compelling long-term returns under various market conditions. APFC's investment management strategy relies on the combination of an effective asset allocation and active management of each asset class. Viewed as one of the largest, most effective institutional investors among U.S. investment plans, APFC actively partners with leading investment managers and institutional investors on each major continent to gain access to profitable investment opportunities around the globe.

## FY22 ASSET ALLOCATION



## WEALTH FOR ALL GENERATIONS

**\$734,000** was deposited in the Alaska Permanent Fund in 1977 after the first oil passed through the newly completed Trans Alaska Pipeline System.

In 1980, the Alaska Permanent Fund Corporation was created by the Alaska State Legislature as an independent state entity responsible for managing and investing the assets of the Permanent Fund.

The successful stewardship of the Fund is based on a model of governance that includes: an effective independent management and organizational structure, the adherence to accountability measures, defined legal and regulatory framework, established policies and procedures, and being a leader in establishing best practice standards.

Having grown in value and sophistication, the Fund is now recognized globally as a model for converting a non-renewable natural resource into a renewable financial resource.

As it continues to play an increasingly vital role in supporting Alaskans today and for generations to come, by mid-fiscal year 2022, the Fund was valued at over

**\$82 BILLION.**



### ALASKA CONSTITUTION ARTICLE IX, SECTION 15, PROVIDES:

*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.*



### MISSION

*To manage and invest the assets of the Permanent Fund and other funds designated by law.*

### VISION

*To deliver outstanding returns for the benefit of all current and future generations of Alaskans.*

**Visit [apfc.org](http://apfc.org) for more information.**