APFC ALASKA PERMANENT FUND CORPORATION

TRUSTED FOR GENERATIONS 2023

ANNUAL REPORT

TRUSTED FOR GENERATIONS

From 1976 when Alaskans voted nearly 2-to-1 for its creation, the Permanent Fund has been trusted to be a long-term financial resource for all Alaskans. Young people today are the third generation to benefit from the Fund, yet its use has changed significantly. For nearly 50 years, income from our oil industry paid the majority of state expenses, and the Permanent Fund was allowed to grow exponentially from an initial deposit of $734 thousand to $78 billion at the close of FY23.

Since FY19, earnings from the Permanent Fund have been utilized as the State's primary revenue stream. This shift is enormously important to every Alaskan because the many services, facilities, and institutions that enable our quality of life are now paid for in part by earnings made from investing the Fund.

Alaskans trust APFC's stewardship of our Fund to keep it stable yet growing so it can continue to support aspects of our society we all count on.

Our team makes every investment decision with a sense of responsibility to our fellow Alaskans and the understanding that APFC has been and must continue to be Trusted for Generations.

APFC ALASKA PERMANENT FUND CORPORATION

INTERGENERATIONAL SUSTAINABILITY

To ensure the enduring success of the Permanent Fund in producing vital revenues for the State's General Fund, consideration of structure and distribution methodology remain essential.

While positive performance returns were achieved in FY23, given the current market environment, the amount of income generated through investment activity has decreased compared to previous years. As a result, the spendable portion of the Permanent Fund is being used faster than it is being replenished.

The Fund's current two-account structure, comprised of the Principal and Earnings Reserve Account (ERA), has savings benefits but requires annual inflation-proofing to maintain its ongoing purchasing power. Additionally, since appropriations are currently limited to realized income in the ERA, including those for State revenues, constitutionally combining both accounts would ensure resources are always available.

The Board of Trustees has been on record for more than 20 years advocating to transition the Fund from its current two-account system to a single, unified account system through a constitutional amendment, which would protect the intergenerational sustainability of the Fund.

The creation of a single-account Fund and a constitutionalized, properly sized draw will ensure the Fund's resources meet the needs of today's generation as well as those of the future.

Looking forward, the Board of Trustees is developing a Trustee Paper to address some of these issues as an effective tool to inform ongoing conversation and policy dialogue related to the Alaska Permanent Fund.

VALUE GENERATED FOR ALASKA

In a state economy heavily based on non-renewable resources, the Fund generates a renewable, perpetual, and diverse revenue stream. Since the Fund was established, the total value of the Principal and Earnings Reserve Account combined has grown to more than $78.0 billion.

At the same time that growth occurred, the Fund's investment activity also produced more than $83.6 billion in realized earnings that have been used to inflation-proof the Principal, pay dividends, and help finance state services.

USES OF FUND INCOME REALIZED EARNINGS SINCE INCEPTION — $83,624,800,000

$15.4 B | $24.4 B | $22.2 B | $12.3 B | $8.8 B

PAID OUT TO CURRENT GENERATIONS	48.3%	$40.3 B
POMV Distributions Since FY19	18.5%	$15.4 B
Dividend Appropriations Through FY18	29.2%	$24.4 B
AK Capital Income Fund	0.6%	$0.5 B

SAVED FOR FUTURE GENERATIONS	51.7%	$43.3 B
Inflation-Proofing	26.5%	$22.2 B
Special Appropriations	14.8%	$12.3 B
Undistributed Realized Income	10.5%	$8.8 B

ANNUALIZED FUND RETURN SINCE INCEPTION — 8.81%

FY23 TOTAL FUND RETURN — 5.18%

TOTAL FUND VALUE AS OF JUNE 30, 2023 — $78.0 Billion

PRINCIPAL — $67.5 Billion

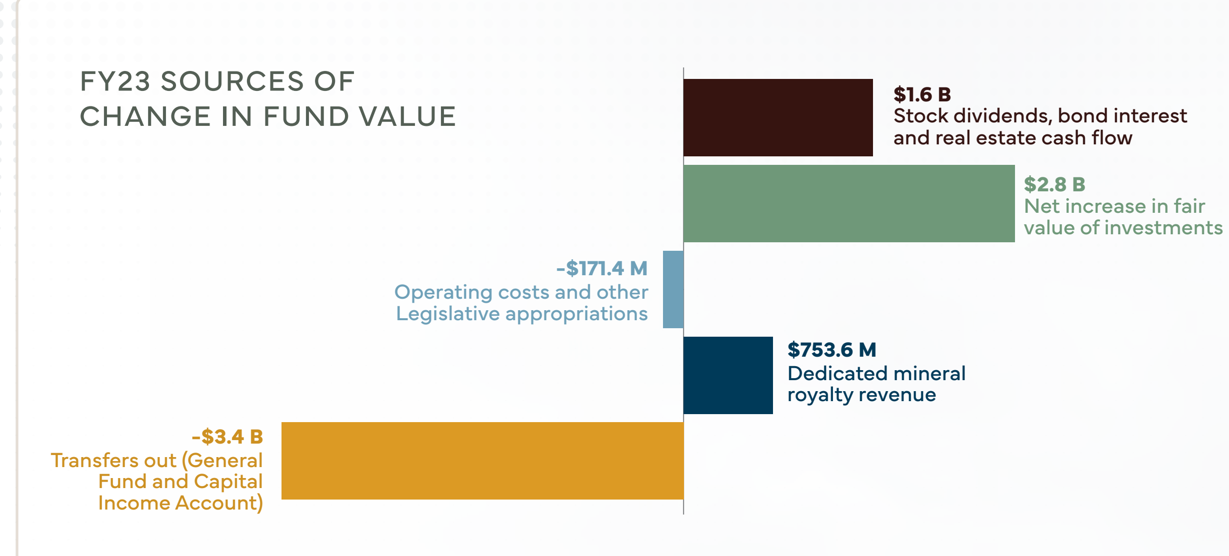
$56.4 B | $11.1 B

Deposits & Other Appropriations — Unrealized Appreciation

EARNINGS RESERVE ACCOUNT (ERA) — $10.5 Billion

$5.3 B | $1.7 B | $3.5 B

Uncommitted Realized Earnings — Unrealized Appreciation — POMV Commitment FY24



WHAT CONTRIBUTES TO THE FUND'S CHANGE IN VALUE?

Several factors contribute to the change in the Fund's value from year to year. Factors that add to the value are mineral royalties that grow the Principal and income received from investment activity that grows the Earnings Reserve Account. Factors that decrease the value include expenses incurred to support corporate operations and investment activity, as well as the transfers out of the ERA to support state government services and the dividend program. In FY23, the 5% of market value (POMV) draw to the General Fund was $3.4 billion. Additionally, the value of assets in the Fund's portfolio changes with market conditions and contributes significantly to annual value fluctuations.

INVESTING IN FUTURE LEADERS

APFC is dedicated to mentoring and supporting the professional growth of future leaders through our Internship Program. This program offers career-minded interns the chance to gain experience in finance and investment management, put their skills to the test, and make valuable contributions to the mission-oriented work of APFC.

This year, we welcomed two Alaskans who have deep-rooted passion for our state, outdoor pursuits, and academic excellence:

TATUM HINES, Finance Intern, is pursing a Master of Accounting at the University of Montana.

ELLIE KNAPP, Investment Intern, is majoring in Marketing in the Program of Liberal Studies with a minor in the Business Honors Program at the University of Notre Dame.

Tatum, as a lifelong Alaskan having benefited from the legacy and mission of APFC, sought out the Finance Internship opportunity. She recognized it as a unique opportunity in being able to apply the material she is studying at the University of Montana to real-world applications in the community she feels lucky to call home. Tatum found the most rewarding part of her internship was watching and learning how a team is built and what can be accomplished with diverse talents focused on the same vision. Tatum remarks, "It has been incredible to see what this team has built and how the Fund has grown into such an immense asset and benefit for our state. That is what makes APFC so unique and successful. It is an experience that I will never forget."

For Ellie, she was already familiar with the structure of the Investments Internship having participated as a Finance Intern in 2022. She knew that she would gain exposure to a variety of asset classes and investment strategies while contributing in a tangible way. Her investment-focused internship provided that and more, as Ellie had the opportunity to work with different asset classes and contribute to meaningful projects. These included working with Real Estate on a data project for the website and attending manager call meetings with Private and Public Equities' teams. Ellie notes, "APFC employees are top-notch professionals, and I was delighted to know that they found similar potential in me."

Both Ellie and Tatum found the office culture to be welcoming and supportive.

Ellie notes that "Professionals at APFC are patient, respectful, and eager for you to learn about their respective field. It is extremely rare that interns are not permitted to join a meeting or ask questions, and walk-ins are very encouraged."

Tatum comments, "In my time working here, I've witnessed a dedicated team and supportive office environment. It has been exciting and extremely motivating as I move forward in my next step toward a career in finance and ultimately home to Alaska."

Ellie also appreciated learning more about the history of APFC, and getting to witness the hard work that has gone into ensuring Alaska's funds are invested wisely, continue to grow sustainably, and provide for Alaskans.

Over the past 35 years, many former interns have participated in the program and have gone on to achieve remarkable success not only in Alaska, but also globally, in finance, investment, and other industries. Currently, three of our team members, including accounting and investment professionals, as well as one member of APFC's Board of Trustees, were former interns. This attests to the program's effectiveness and reflects the availability of top-notch careers for Alaskans within the state.

"Having grown up and gone to university in Alaska, I knew I wanted to stay here and put my education to good use," says Jacki Mallinger, APFC Senior Portfolio Accountant II. "APFC's Accounting Internship allowed me to do both with the added benefit of working for my home state and fellow Alaskans."

APFC is bringing former interns who have gone on to lead successful careers in finance, investment, and many other industries back together to connect with, support, and mentor each other via the APFC Intern Alumni Group on LinkedIn. APFC is proud to facilitate this networking opportunity for former and current interns to connect, learn from and help each other throughout their careers.

BECOME AN INTERN

The primary eligibility requirement for APFC's Internship Program is that students must have direct ties to Alaska, meaning they can be from Alaska going to school elsewhere or be from elsewhere and going to school in Alaska. This geographic requirement is unique and gives passionate Alaska students a better chance of gaining experience toward a future career in investment management.

Internships are generally open for applications in the fall to begin the following summer. Anyone interested in learning more or applying to the APFC Internship Program can visit apfc.org/internships.

TATUM HINES
FINANCE INTERN

ELLIE KNAPP
INVESTMENT INTERN

VALUES IN ACTION

Ongoing success requires continuous adaptation and foresight as we support and develop a team of experienced and knowledgeable professionals committed to the stewardship of one of Alaska's most precious resources and the largest sovereign wealth fund in the U.S.

In doing so, we focus our entire staff on integrity and innovation. Integrity represents our high ethical standards, operating honorably and honestly, holding ourselves accountable to others, and our solidarity as a corporation. Innovation brings forth creativity, originality, courage, and vision.

APFC is grateful for the vital support received from the Legislature, fellow Alaskans, and partners around the world who, like us, want to see Alaska's largest, renewable financial resource succeed at providing for generations to come.

The lush, coastal rainforests near Seward, Alaska, average nearly 70 inches of rainfall every year.

APFC IN FY23: STEWARDS OF ALASKA'S ENDURING FINANCIAL RESOURCE

67 full-time positions with 2 APFC Interns working on behalf of our fellow Alaskans

Leveraging AI-driven technologies to increase agility and scalability. Elevating operational performance above the norm reducing costs and creating "Operational Alpha"

Monitoring investments in more than 90 countries around the globe denominated in nearly 42 different currencies

Processing 8,640 internal trades with a value of $155 billion

Accounting for over 47,000 transactions every month across more than 840 bank accounts, holding almost 17,200 unique investments

Developing high school curriculum in collaboration with Alaska Resource Education to engage Alaska students and teachers to connect them to the Fund

LETTER FROM THE EXECUTIVE DIRECTOR

In my inaugural year as Executive Director of the Alaska Permanent Fund Corporation, and as a lifelong Alaskan born in Cordova, I am pleased to report that the people's Fund is very well managed by a talented team committed to delivering value for Alaskans.

The year proved challenging for all investment markets, but the Alaska Permanent Fund once again demonstrated its resilience by withstanding economic headwinds. We can credit the Fund's performance to our team's innovative strategies and decades-long emphasis on investing for stability and long-term growth through broad asset diversification.

The importance of the work accomplished at the Alaska Permanent Fund Corporation on behalf of the State of Alaska cannot be over emphasized. I am honored to lead one of the world's most-respected financial institutions and humbled to know our work plays a vital role in my fellow Alaskans' quality of life by delivering earnings realized from the Fund's investments. The Legislature uses these funds to pay dividends and to help finance essential services that benefit us all, from firetrucks to schools to roads.

Many stubborn market conditions carried over from FY22 into FY23 as economies continued to recover while also facing new turmoil, including war in Europe, rising interest rates, and high inflation. Fiscal year 2023 performance resulted in positive return on invested assets of 5.18% which represented a significant improvement to FY22's negative return of -1.32%. While six of the eight asset classes outperformed their benchmarks, the total Fund returns narrowly missed the year's benchmark primarily due to an unanticipated increase in the value of growth public equity stocks in the final quarter of the fiscal year.

Looking forward, I am optimistic for continued economic growth around the world, but we remain cautious about the potential for downturn. Diligence is reflected in the Board of Trustees' asset allocation for FY24. As we strive for long-term growth for the Fund and intergenerational benefit for Alaskans, guiding our team to achieve dual objectives of minimizing risk while maximizing return is my primary focus.

As you read through this annual report, you will better understand the resilience of the Permanent Fund's portfolio in bringing forth admirable results despite a difficult market cycle. That performance is due in large part to an outstanding staff of industry-leading professionals dedicated to protecting and strengthening the Fund that has become more important to Alaskans and their future descendants than ever before.

Thank you.

Deven Mitchell
Executive Director

BOARD OF TRUSTEES

The Board of Trustees honors the vision of Alaska leaders past and present in ensuring the Fund is being managed to protect the Principal and provide a maximum risk-adjusted return. In doing so, we hold ourselves accountable to Alaskans and the highest standards of fiduciary duty, ethical conduct, accountability, and integrity.

Public trust is earned over time and requires an ongoing commitment of consistent, capable leadership to uphold and preserve.

We invite members of the public to attend meetings of the Board of Trustees. Alaska works best when residents are involved and informed.

Since APFC's establishment in 1980, the Board of Trustees has upheld its fiduciary responsibility of prudently investing and managing the assets of the Permanent Fund in a manner consistent with the three legislative findings in AS 37.13.020:

The Fund should provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans.

The 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.

Ethan Schutt
Chair

Jason Brune

Adam Crum
Commissioner, Alaska Department of Revenue

Craig Richards

Gabrielle Rubenstein

Ryan Anderson
Commissioner, Alaska Department of Transportation and Public Facilities

LETTER FROM THE BOARD OF TRUSTEES CHAIR

The Alaska Permanent Fund Corporation successfully navigated through a number of important transitions last fiscal year. Among these transitions, I was honored to begin serving as Board Chair. I am grateful for the dedication, engagement, and leadership of my fellow Trustees and the Corporation's staff in stewardship of the Alaska Permanent Fund. We collectively understand our duty to the residents of Alaska—today's and tomorrow's—to ensure a successful and intergenerational Fund.

The Board of Trustees was very pleased to select Deven Mitchell to join our team as Executive Director. Despite difficult global economic conditions and market pressures not seen in decades, under Mr. Mitchell's steady leadership, the total Fund had a positive return in fiscal year 2023, and most of our asset classes outperformed their benchmarks. The strength of Alaska's Permanent Fund is quite remarkable when viewed in comparison with similarly sized funds around the world, which is due to our highly professional and well-functioning organization.

Together, the Board of Trustees extends our sincere appreciation to Chief Financial Officer Valerie Mertz for serving as Acting Executive Director during the Board's search for a permanent hire. Ms. Mertz provided outstanding leadership during what could have been a period of turmoil. We congratulate her on guiding the Corporation through challenging times with grace, professionalism, and integrity.

The Fund itself continues its transition into a vitally important source of recurring revenue for Alaska, providing a stabilizing influence on the fluctuating income our state receives from resource extraction industries by providing the majority of the state's operating budget. This stable, predictable contribution pays for the annual Permanent Fund dividend and supports essential state services.

The Fund's importance to generations of Alaskans elevates our mandate. In conversations about the Fund, I am continually reminded how remarkable it is that our predecessors had the discipline, foresight, and generosity to set aside a portion of revenues from non-renewable resources to create an inter-generational resource for every current Alaska resident, as well as our children and all those who will come after us.

Ensuring that our Fund will, in fact, benefit our state perpetually requires the same foresight required to create it. One of the Board's primary strategic objectives is to transition the Fund into one unified account, which will better protect the intergenerational compact between past generations who made sacrifices to save revenue, the current generation showing discipline to spend only a sustainable amount, and future generations of Alaskans who will continue to both benefit from the Fund and preserve it.

On behalf of the Board of Trustees, thank you to the Alaska Permanent Fund Corporation staff. We sleep well knowing that our staff will proactively position our investments for any economic conditions, as they have in the past, to both protect and grow the people's Fund for our benefit today and for many generations into the future.

Ethan Schutt
Board Chair

THE FUND:
A RENEWABLE RESOURCE

> **ALASKA CONSTITUTION ARTICLE IX, 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 Alaska Permanent Fund was created to generate wealth into perpetuity based on the recognition that oil reserves would not have the same lasting power. By generating wealth from its non-renewable foundation, the Permanent Fund has become, as intended, an enduring financial resource.

The Alaska Permanent Fund serves three primary functions: saving, producing income, and providing stability.

By constitutionally saving a portion of Alaska's natural resource wealth, by protecting its long-term value through inflation-proofing, and by investing it in a well-diversified portfolio, Alaskans have successfully converted non-renewable oil and mineral resources into a renewable resource in the form of income-producing financial assets. The realized income generated through the Fund's investment activity now provides the State of Alaska with more than $3 billion of annual revenue to support fiscal stability.

SAVINGS, INCOME AND STABILITY

Currently, The Alaska Permanent Fund functions as a single fund comprised of two separate accounts: the Principal and the Earnings Reserve Account. The Principal is the savings and investment account, while the ERA is available for appropriation by the Legislature. Historically, the ERA was used only to pay dividends to eligible Alaskans as the State had sufficient resources to support the annual budget. As the state's traditional revenues from oil and gas royalties were reduced due to price and production and as savings were depleted, the Fund's legacy was fulfilled in being able to provide Alaska with a stable revenue stream. Since FY19, the annual percent of market value (POMV) draw from the Fund has provided more than 50% of the State's Unrestricted General Fund revenues in support of state services and the dividend program.

THE PRINCIPAL – SAVINGS

As the Constitution states, the Principal of the Alaska Permanent Fund can be used only for income-producing investments and can never be spent. In 1977, the Fund received its first deposit of $734,000 from oil revenues. It continues to receive royalties from oil, gas, and mining activity on state lands, which are invested by APFC to produce income for Alaska's future.

To preserve the Fund's benefit for all generations, the Trustees firmly endorse inflation-proofing the Principal. With the Fund's current two-account structure, rising inflation presents an increasing threat to the long-term value of the Principal. A consistent annual appropriation from the ERA to the Principal of the Fund sufficient to offset the effects of inflation, as enshrined in AS 37.13.145, is essential to protect its future purchasing power.

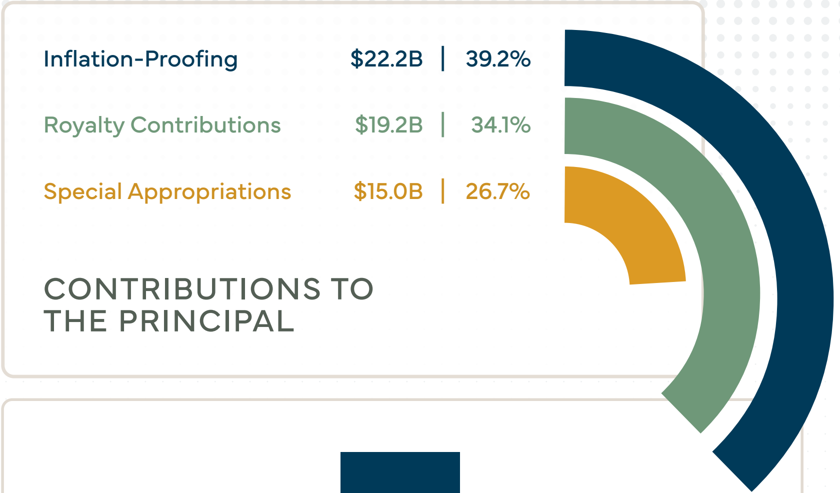
In FY23, the Legislature, in accordance with statute, appropriated the required $4.2 billion to the Principal for inflation-proofing. Historically, the Legislature has also sought to provide for real growth through special appropriations from the ERA and General Fund. Given this consistent discipline and visionary leadership, the Principal has grown to $56.4 billion of permanent savings to be invested to benefit Alaskans today and into the future.

THE EARNINGS RESERVE ACCOUNT - INCOME

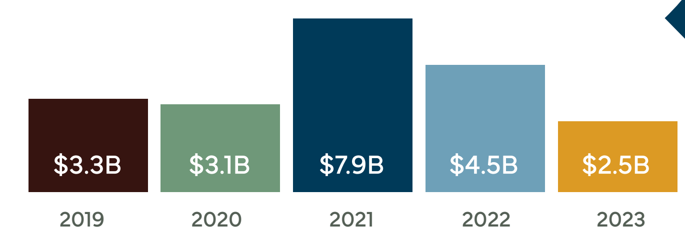
The net realized income generated by APFC's investment activity flows into the Earnings Reserve Account, as provided in state statute AS 37.13.145. This is known as statutory net income and it is calculated following generally accepted accounting principles, excluding any unrealized gains or losses. This income is deposited into the ERA and available for use by the Alaska State Legislature through its power of appropriation and a simple majority vote.

Statutory net income (SNI) is the direct result of investment activity (buying and selling of assets) and includes two components:

1. **Operating Income:** Cash inflows from stock dividends, bond interest, real estate rental fees, and income generated by other alternative investments.



CONTRIBUTIONS TO THE PRINCIPAL



STATUTORY NET INCOME (SNI) BY FISCAL YEAR IN BILLIONS

TOTAL SNI TO THE ERA OVER 5 YEARS **$21.3 B**

2. **Realized Capital Gains and Losses:** All net income (i.e., realized gains minus realized losses) generated by the sale of investments.

Statutory Net Income is unpredictable and can vary significantly from one fiscal year to the next. The FY23 experience was much lower than in past fiscal years. APFC manages the portfolio to provide a maximum risk-adjusted return, not towards gain realization as a key metric. SNI is generated through portfolio activity, including the decisions made to rebalance, sell assets, and respond to market conditions. The market conditions in FY23 were not conducive to gain realization, and the earnings value was more reflective of the recurring income received from interest and lease fees.

Through the investment of the $424 million Amerada Hess Settlement funds, $14.3 million was provided in annual realized income to the Alaska Capital Income Account per AS 37.13.145 (d). These funds are available for the Alaska State Legislature to appropriate to capital projects throughout Alaska.

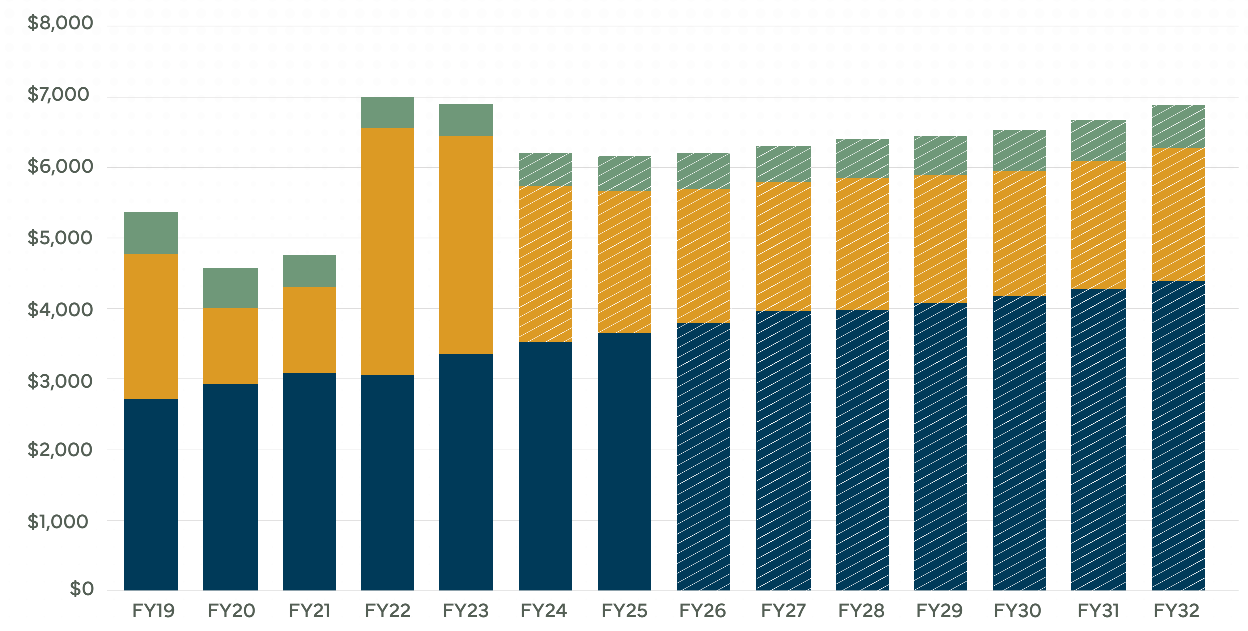
ANNUAL REVENUE DRAWS - STABILITY

There has been a significant transition in how Alaska's budget is funded, from non-renewable royalties to renewable revenues generated by the Fund's investments. Currently, earnings from the Alaska Permanent Fund are the State's primary source of undesignated General Fund revenue. Now, more than ever, the State is dependent upon APFC's effective management and investment of the Fund.

Alaska Statutes provide for an annual 5% Percent of Market Value (POMV) draw calculated by taking an average of the Fund's value over the previous five years to ensure a more predictable draw.

Since 2019, $15.4 billion has been transferred from the Permanent Fund to the Alaska General Fund through the POMV draw. In FY23 alone, the $3.4 billion POMV draw contributed to more than 50% of the State of Alaska's unrestricted revenues, more than any other single source of revenue. In FY24, the POMV draw will provide $3.5 billion in revenue to the state, and in FY25, the POMV draw calculation brings forth $3.7 billion.

The Trustees have advocated for a periodic review of the draw rate to ensure that the performance of the portfolio is keeping pace with the draw. Additionally, it is important to note that APFC does not determine policies on how the realized earnings of the Fund are used. APFC generates revenue through investment activity, while the legislative and executive branches establish policy as to how it will be used.



CONTRIBUTIONS TO THE UNRESTRICTED GENERAL FUND

FY25 POMV CALCULATION

AS 37.13.140 (b) Value Based

FY23	$77,587,500,000
FY22	$75,912,800,000
FY21	$81,472,400,000
FY20	$64,877,800,000
FY19	$65,875,900,000
5 Year Avg.	$73.1B
5% Draw	$3.7B

POMV: A RULES-BASED FRAMEWORK

Effective: enables the Corporation to effectively manage the Fund and implement prudent investment policies.

Predictable: provides known revenue that is available for appropriation by the Legislature to support state services and programs, including the dividend for eligible Alaskans.

Glacier Bay National Park and Preserve covers 3.3 million acres of mountains, glaciers, rainforests, fjords, and wild coastlines.

INVESTMENT STRATEGY FOR THE LONG RUN

APFC's Board of Trustees has engineered an Investment Policy and asset allocation that leverages the Permanent Fund's long-term horizon, structural flexibility, and considerable value.

For generations, APFC has been trusted as steward and fiduciary of the Permanent Fund, with responsibility for the prudent investment of Alaska's most valuable financial resource. Across all asset classes and in aggregate, APFC seeks to maximize returns while ensuring risks remain within well-defined thresholds.

"APFC's investment team has proven an ability to add value beyond benchmark returns by focusing on outstanding execution within investment strategies as opposed to market timing or major macro-economic calls," notes Chief Investment Officer Marcus Frampton. "Within each investment mandate, the team exercises judgement around individual security selection or asset purchases and this judgement expertly exercised is what drives long-term results."

APFC investment management focuses on achieving best-in-class overall performance while generating returns that efficiently reward risk taking. Through a combination of in-house expertise and partnerships with the industry's leading investment managers across the globe, the Corporation successfully carries out the mission of managing and investing the assets of the Permanent Fund and other funds designated by law.

Following AS 37.13.300, APFC invests the assets of the Alaska Mental Health Trust Authority and, starting in FY24, the Power Cost Equalization Endowment per AS 37.14.310. While APFC provides investment management and reporting for these assets, the programs are administered by their respective entities.

RISK MANAGEMENT

Risk is the possibility of financial loss or other adverse impacts. It is impossible to make money through investing without such a possibility. Recognizing that APFC is in the business of taking risks, the objective of risk management is not to avoid risk but, instead, to identify, understand, and manage it to acceptable levels.

Historically, APFC has been exceptionally good at risk management, which has been an important contributor to the Fund's growth over the decades and even helped it perform well during periods when other funds lost value, including during FY23.

"We have a very clear and important mandate," says Chief Risk and Compliance Officer Sebastian Vadakumcherry, "which is protection of Principal – that's the primary part of it – and maximizing returns. This has inherent contradictions. What we do in risk management is to challenge assumptions and collaborate on many fronts with teams across the organization to optimize that balance within our portfolio to best protect the Principal and maximize returns."

Risk takes many forms, from investment factors, including market, credit, and liquidity risks, to non-investment areas, including legal, reputation, regulatory, and other operational risks. So, APFC's Risk Management and Compliance team has multiple functions, from advising the investment team on the Fund's portfolio to ensuring regulatory compliance and contributing to the Corporation's IT security, strategic communications, legal due diligence, and operational controls.

APFC has always established regular targets for returns. An important development in recent years was the definition of a maximum risk appetite that also enables desired returns.

There have been only five years in which the Fund had a negative total return, one of them in FY22, and many challenging economic factors from FY22 continued into FY23. Considering the evolving economic environment, APFC has repositioned the Fund's asset allocation for FY24 and FY25 targeting a real return of 5% at a lower risk level, thereby achieving our twin goals of protecting the Principal while maximizing returns.

DRIVEN BY A DIVERSIFYING AND TARGETED INVESTMENT POLICY

ASSET ALLOCATION
AND THE BENEFITS OF DIVERSIFICATION

The Alaska Permanent Fund is viewed as one of America's largest, most effective, and globally well-positioned institutional investment funds. APFC manages a diverse global portfolio, including stocks, bonds, real estate, infrastructure, privately owned companies, and more. The asset class portfolios are managed by specialists to achieve specific long-term targets set by the APFC Board of Trustees. All are overseen by APFC Chief Investment Officer Marcus Frampton.

The Fund began with a portfolio composed exclusively of U.S. treasuries, which have provided steady, largely predictable returns. Over the years, the Alaska Legislature and the APFC Board of Trustees gradually allowed APFC to invest in more asset classes, and today, the Fund is widely diversified across eight asset classes in markets around the world.

Stocks and bonds compose ~55% of the Fund's portfolio, and ~45% is invested in the other asset classes.

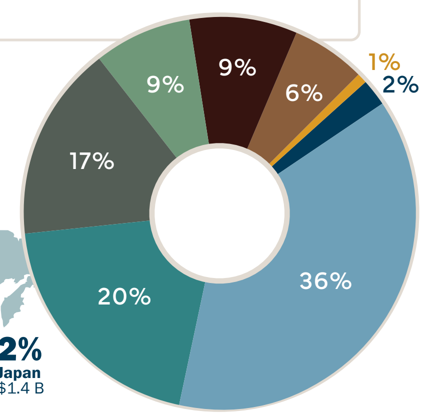
Diversification has served the Fund well over the decades, enabling it to outperform peer funds during challenging economic conditions and take advantage of opportunities. Bonds in the Fixed Income asset class, for example, can be liquidated quickly to re-invest in a different asset class. Some asset classes, such as public equities, are designed for robust returns while other asset classes, such as real estate that provides regular rent income, are included in the portfolio to provide stability and long-term value.

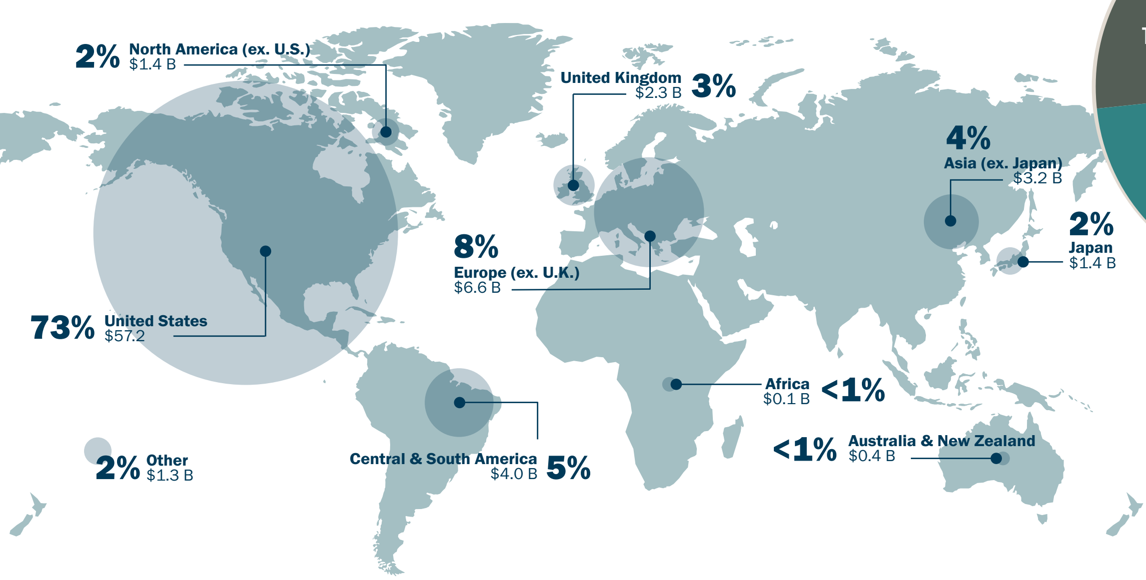
The significant advantage of Alaska's team of multi-specialized asset experts is in the breadth of the Fund's diversification. Whereas a traditional portfolio diversification is 60%-40% stocks and bonds, the Permanent Fund is invested far more broadly, providing both greater stability and increased re-allocation and growth capabilities.

ACTUAL FY23 ASSET ALLOCATION

- Public Equities 35%
- Fixed Income 18%
- Private Equity 20%
- Real Estate 10%
- Private Income 9%
- Absolute Return 7%
- Risk Parity 0%
- Cash 1%

TARGET FY23 ASSET ALLOCATION





PERFORMANCE

The Board of Trustees provides APFC with a consistent set of goals and benchmarks that allow for a balanced approach to evaluating asset-class performance.

Total Fund objectives, as outlined in APFC's Investment Policy:

> **Investment Performance:** Ability to generate an annualized return of inflation (CPI) +5% over a 10-year period (long-term target).
>
> **Investment Risk:** Ability of the Fund to achieve long-term targets while conforming to the Board of Trustees' approved risk appetite metric.

In aggregate, the total Fund's performance for the long term was favorable. Over the 10-year period, the total Fund returned 8.42%, which exceeded the Board's target return objective of 7.72%, the passive index of 5.89%, and the peer performance benchmark of 7.54%. However, in the one-year view of FY23, the total Fund's performance of 5.18% did not meet the target return objective of 7.97% and underperformed the passive benchmark of 8.78% and the performance benchmark of 5.74%.

"The last six months of the fiscal year," says APFC Chief Investment Officer Marcus Frampton, "were characterized by the banking crisis, with regional banks selling off. Banks are a significant part of the value-stock indexes we were weighted towards."

"In addition, the stock market rebounded during the second part of the fiscal year in a very narrow corridor of growth stocks, specifically the large tech stocks at the top of the S&P 500, even though much of the rest of the market declined. The Fund's portfolio being weighted away from growth stocks reversed its positive performance in the first part of FY23."

It is important to note that the Fund is invested for long-term sustainability and growth. Our team believes the market will shift again in coming months to favor our current asset allocation and the portfolio is positioned to benefit in FY24.

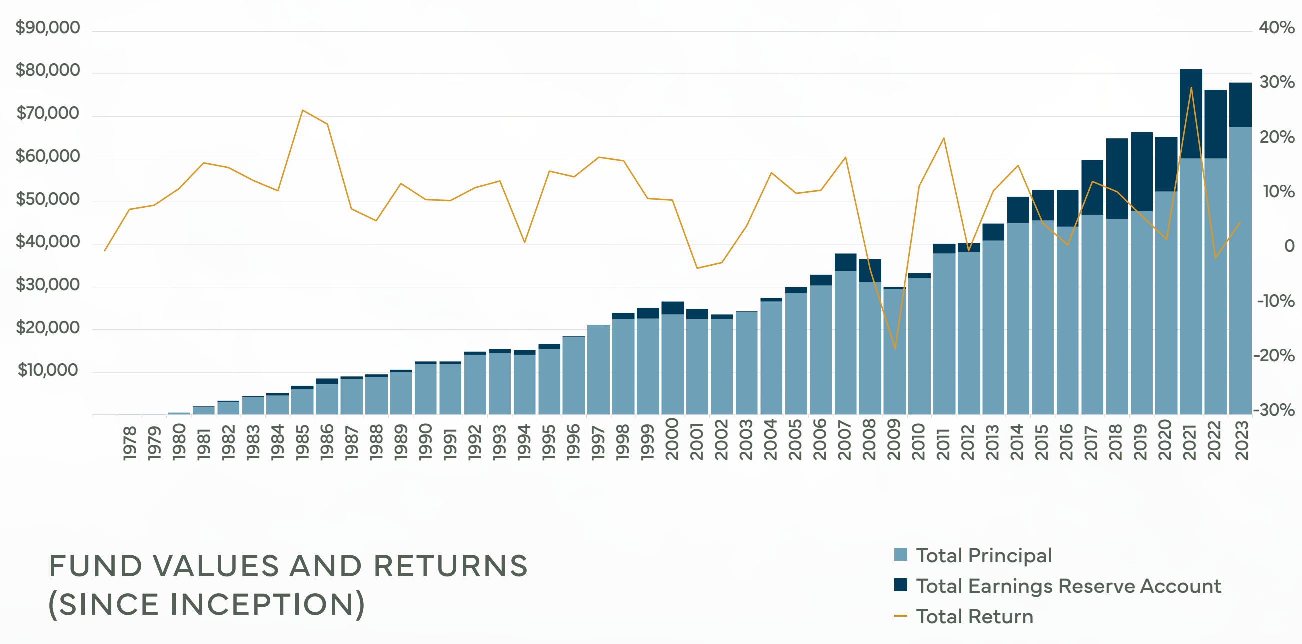
The Fund's portfolio is consistently monitored and evaluated across multiple time frames and relative to three strategic benchmarks outlined in APFC's Investment Policy:

PASSIVE INDEX BENCHMARK VALUE ADD
This short-term performance indicator is based on a blend of passive indices reflective of a traditional portfolio consisting of public equities, fixed income, and real estate investments. The objective is to earn regularized income to support the liquidity needs of the Fund while outperforming a passive global index portfolio of stocks, bonds, REITs, and US TIPs.

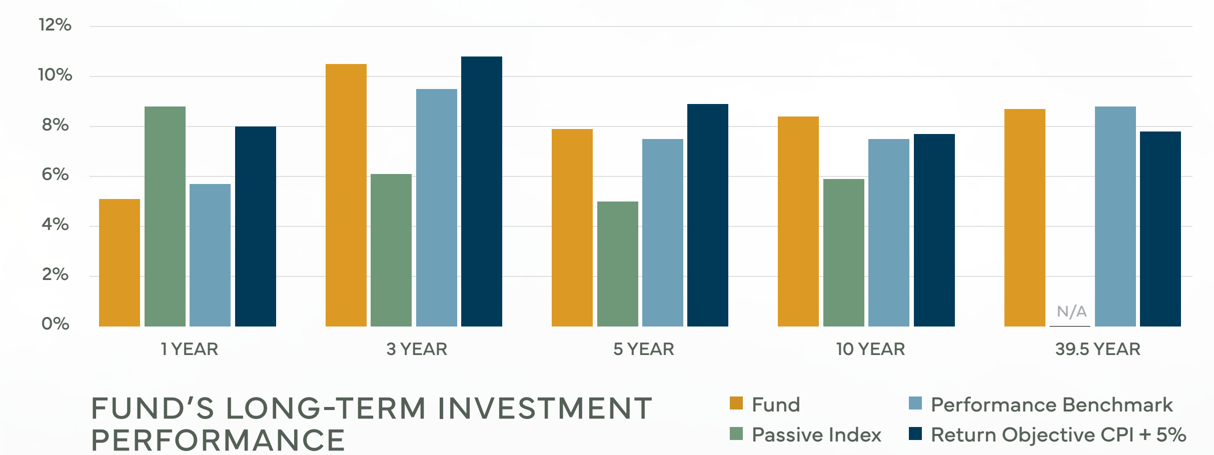
PERFORMANCE BENCHMARK PEER COMPARISON
This indicator is a blend of indices covering all asset classes, reflective of the Fund's target asset allocation.

TOTAL FUND RETURN OBJECTIVE 5% REAL RETURN
The long-term investment goal is to achieve an average real rate of return of 5% per year (CPI/inflation +5%) at risk levels consistent with large public and private funds.

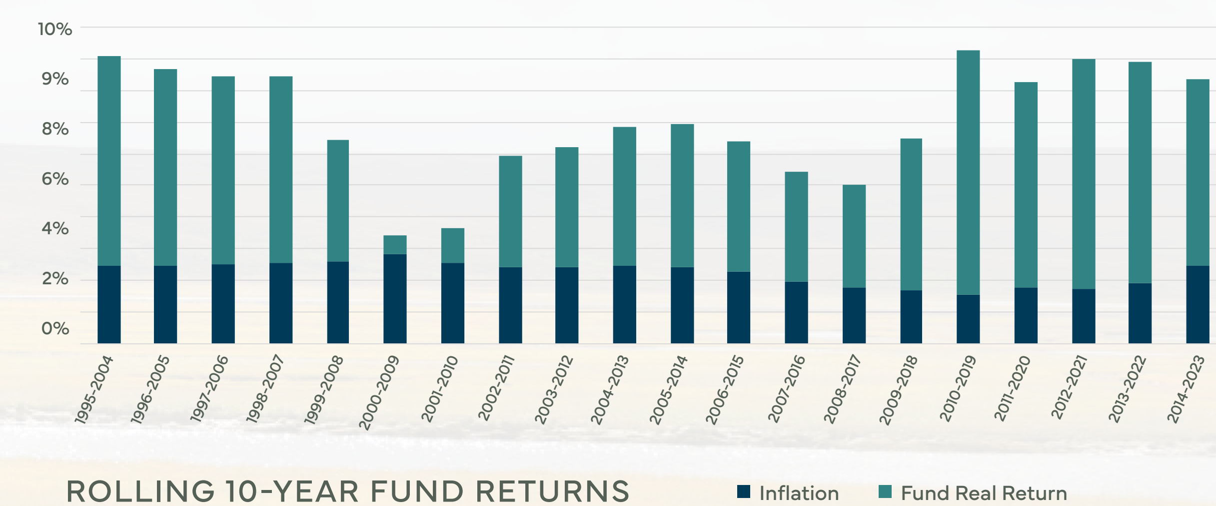
FUND VALUES AND RETURNS



FUND VALUES AND RETURNS (SINCE INCEPTION)



FUND'S LONG-TERM INVESTMENT PERFORMANCE



ROLLING 10-YEAR FUND RETURNS

Arctic wetlands under a stormy sky in Deering, located 57 miles south of Kotzebue, Alaska. The Iñupiaq placename for Deering is Ipnatchiaq.

PUBLIC EQUITIES

$27.1B
as of June 30, 2023

90 Countries Represented in Holdings
36% Target FY23 Asset Allocation

THE FUND'S PRIMARY SOURCE OF GROWTH

Public equities is an asset class comprised largely of common stocks traded on a public market, such as the New York Stock Exchange.

Public Equities has been a significant driver of the Permanent Fund's asset growth. It is an important component of the Fund's overall diversification as one of the portfolio's largest and most liquid asset classes. The Public Equities portfolio is, itself, diversified across many different industries and markets around the world to keep it resilient in challenging markets, increase liquidity for re-allocation into opportunities, and maximize long-term outperformance.

At present, 80-85% of Public Equities is managed by external firms that make day-to-day investment decisions under the guidance of APFC's internal managers and within risk thresholds determined by the APFC Board of Trustees. In aggregate, Public Equities' active external managers outperformed their benchmarks on a net-of-fee basis over the past five and 10 years.

Public Equities internal management has also gradually expanded over the past five years; currently, it is between 15-20% of the Public Equities portfolio. The largest single internally managed strategy is Tactical Tilts, which uses an allocation approach and invests in exchange-traded funds (ETFs). The strategy's top-down allocation approach complements the aggregate bottom-up stock selection managed by external managers.

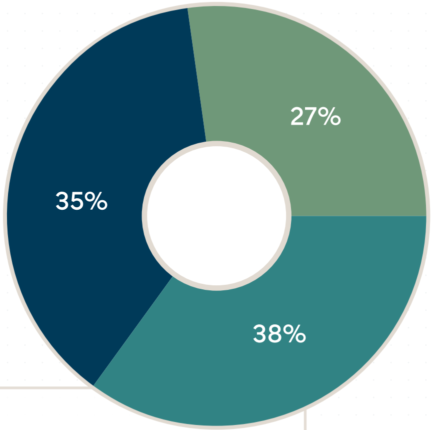
Public Equities is a well-diversified portfolio, managed with a long-term investment horizon, and with valuation discipline that keeps the portfolio's allocation tilted towards relatively cheap segments of the market that represent greater long-term return opportunities. From an allocation perspective, the relatively more compelling opportunities include value stocks, small cap stocks, and emerging markets.

PERFORMANCE IN FY23

Because many market conditions continued from FY22 into FY23, APFC held a similar portfolio allocation year to year weighted to value stocks, emerging markets, and small caps. Value stocks are generally well-established companies and considered to be lower risk with less volatility. The strategy worked well during the first half of the fiscal year as market favored lower valuation in an environment of high inflation and rising interest rates. However, conditions changed during the latter months of the fiscal year, which caused downward pressure on the portfolio relative to the benchmark.

The banking crisis brought a sell-off of regional bank stocks and had a larger negative impact across value and small cap stocks. Investors anticipated imminent recession, ignored cheap valuations, and turned away from economically sensitive areas of the market and towards perceived safety within a narrow band of growth and technology stocks. The positive sentiment associated with artificial intelligence provided further fuel to the gains in this narrow segment of the market and made it significantly more expensive on valuation when viewed from a historical perspective.

At the end of the fiscal year, Public Equities returned 14.16% against its benchmark of 16.14%. Yet, the APFC Public Equities portfolio is well within its risk guidelines, and further, strongly positioned to weather market volatility and achieve gains in FY24.



U.S. Stocks $9.5B
Global Stocks $10.3B
Non-U.S. Stocks $7.3B

STOCK PORTFOLIO BY MANDATE

CONTINUED DISCIPLINE INTO FY24

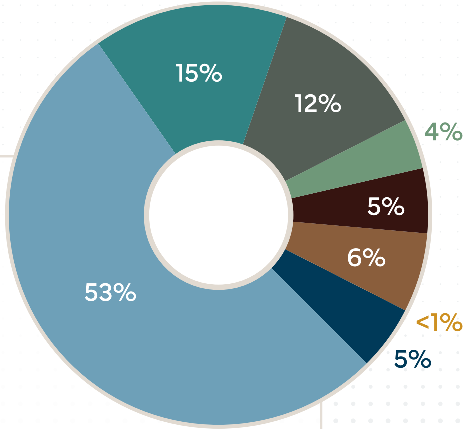
Public equities, globally, is an extremely competitive asset class, with large investment funds, endowments, and institutions that have significantly more resources than the Permanent Fund all competing for the best stock positions. Over the years, APFC's team has routinely outperformed peers by utilizing the advantage of being a long-term investor and utilizing valuation discipline.

The Fund's Public Equities portfolio is comprised of carefully risk-adjusted positions built incrementally over months in small acquisitions, rather than in short-term moves or large acquisitions.

"Investing is more about psychology than it is about math," says APFC Director of Public Equities Fawad Razzaque. "Discipline is very important when the cycle turns against you and a culture of fear trading says only some stocks are worth holding, nothing else. But we try our best not to get involved in that greed-fear psychology. We step back and see the pattern, and try to take advantage of opportunities created by such dynamics."

Ultimately, we anticipate investors will rotate back into value stocks.

"I do expect that, over the next 12 months, the underperformance [in our portfolio] will reverse," says Mr. Razzaque.



U.S. $14.3B
Europe (ex. U.K.) $4.1B
Asia (ex. Japan) $3.2B
U.K. $1.2B
Japan $1.4B
Americas $1.5B
Africa $0.1B
Global $1.3B

STOCK PORTFOLIO BY REGION

WHAT IS A VALUE STOCK? *When a company's stock price is trading lower than its business performance indicates the price should be, the stock is considered a value. There are many reasons a stock may trade lower than it should, from a change in management to market forces. But according to the company's fundamentals, the bargain price is temporary, and its stock price will likely rise. Value stocks are typically well-established companies, whereas start-ups and innovators are considered "growth stocks" because they have room to grow.*

WHAT IS TOP-DOWN OR BOTTOM-UP ALLOCATION?
Simply, when selecting stocks for a portfolio, a top-down approach prioritizes evaluation of overall economic and market conditions before selecting specific investments. A bottom-up approach focuses on individual company analysis first and then broader market and economic factors.

FIXED INCOME

$14.3B
as of June 30, 2023

12,500 Trades Internally Executed Over the Last Five Financial Years
20% Target FY23 Asset Allocation

STABLE INCOME AND A SOURCE OF LIQUIDITY

Traditionally, fixed income assets are included in a diversified portfolio as a way to balance the volatility of stocks. Yet, with smart management, these assets can be significantly profitable, which they have been for the Permanent Fund since it was first established.

Fixed income is a broad term for securities that are a form of loan to a corporation or government that needs to raise capital for a project, growth, or other expenses. This type of investment pays consistent income through interest for a set period of time, at the end of which the principal of the loan is repaid. The Fund's $14.3 billion Fixed Income portfolio mostly comprises mortgages, corporate bonds, and government bonds.

Bonds are an essential stabilizing strategy within the Fund's overall portfolio for several reasons: (1) APFC focuses on high-quality bonds, which have a strong probability of being repaid, (2) bonds' high level of liquidity enables them to serve as a source of cash, allowing the Fund to take advantage of investment opportunities within and outside of fixed income, and (3) they provide a diversification benefit to the Fund because bond prices have a low correlation to stock prices.

PERFORMANCE IN FY23

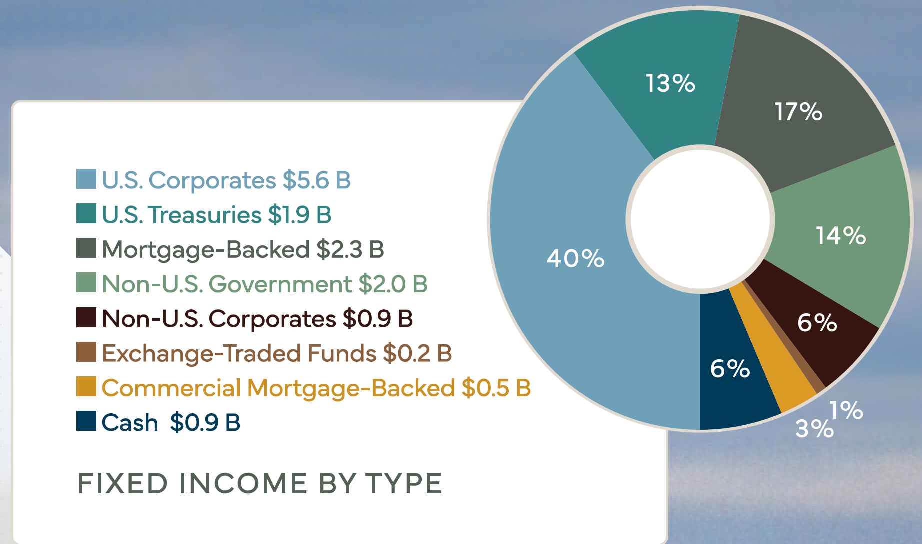
Historically, fixed income has had a low correlation with the stock market. However, in FY22, both the stock and bond markets declined as the Federal Reserve repeatedly raised interest rates in an effort to reduce inflation. Many investors sold off risk assets, driving prices down and signaling their fear of an approaching recession. Our team believed the market overreacted and took advantage of the dislocation by increasing our exposure to high-yield corporate bonds.

In FY23, the economy proved resilient, and a recession did not materialize. As the market recovered from the FY22 downturn, APFC benefited from our increased exposure to high-yield corporate bonds, resulting in a portfolio return of 1.63% versus a benchmark return of 1.12%.

CONTINUING MOMENTUM INTO FY24

The Federal Reserve has increased interest rates by 5% since 2022 to combat inflation. Although returns were negative during this increase, it has positioned the asset class at a favorable entry point. At the start of FY24, the three-month U.S. Treasury bill yielded 5.22% and credit spreads were still attractive. Inflation has receded from its peak of 9.1%, and there are indications that further rate hikes are becoming less likely. Consequently, investors have been shifting to fixed income to benefit from these elevated yields.

At the end of FY22 and the beginning of FY23, APFC divested from all of its externally managed fixed income accounts and brought the assets in-house to our Juneau-based trading desk. Our continued benchmark outperformance is testament to the APFC team's industry-leading proficiency and proves it was a good decision.



FIXED INCOME BY TYPE

A brown bear sow and her two cubs walk along the shore across the water from drill rigs in Prudhoe Bay, Alaska.

REAL ESTATE

$8.3B
as of June 30, 2023

70 Properties
9% Target FY23 Asset Allocation

Real Estate holds a unique and vital role in the APFC investment portfolio. The asset class provides an inflation-resistant cash yield that embodies characteristics of both debt and equity.

Lease payments, the contractual responsibilities of tenants, resemble fixed income obligations, while the property's residual value contains equity-like attributes.

The Permanent Fund has partial or complete ownership of residential, retail, industrial, office and other niche real estate assets in the United States and abroad. The real estate investment strategy targets a mix of investment styles, ownership structures, property life cycles and property types to achieve diversification and return objectives.

The Portfolio has long held a core focus where steady cash flow and preservation of capital are the pronounced elements of the investment. However, the current strategic plan enhances the composition by incorporating non-core investments to achieve return objectives.

HIGHLIGHTS FROM FY23

APFC's Real Estate team was active on the new investment front during the fiscal year. The portfolio increased from ~9% to ~10% of total Fund assets; progress will continue towards a strategic long-term total asset allocation target of 13%. In addition, the team was able to outperform its benchmark for the second year in a row beating the FY23 benchmark by 160 basis points.

To take advantage of higher interest rates and a constrained lending market, APFC was very active through our private real estate lending initiative. These investments will continue to provide excellent risk adjusted returns and diversification.

During FY23, the Fund expanded its "build-to-core" investment program to include 8 projects in various stages of development. The investment team believes these opportunities create high-quality, state-of-the-art assets at a substantial discount to stabilized real estate core pricing. During the year, APFC invested in its first industrial development project.

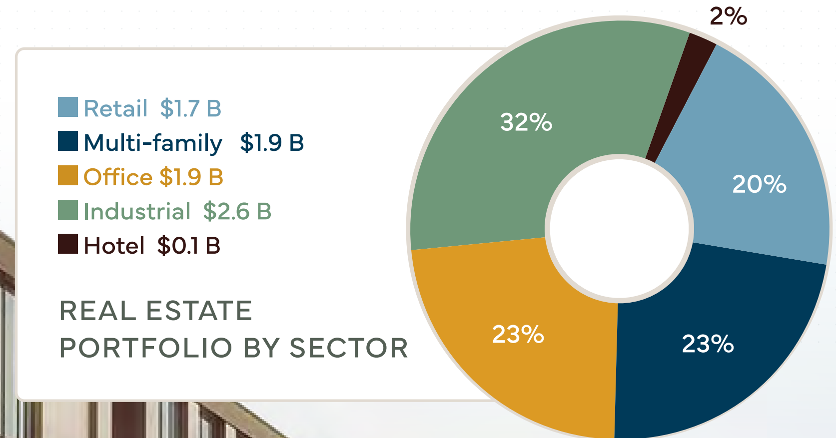
The Fund acquired new assets in the Life Science and Medical Office subsectors. Staff views these investments as more attractive than traditional office buildings as workers are typically required to be physically present in these buildings. In addition, APFC made its first investment in the Affordable Housing subsector. This is an attractive strategy given the economic resilience and durable cash flow of these investments. The essential need for housing means demand will continue throughout economic cycles, including recessionary environments.

LOOKING FORWARD

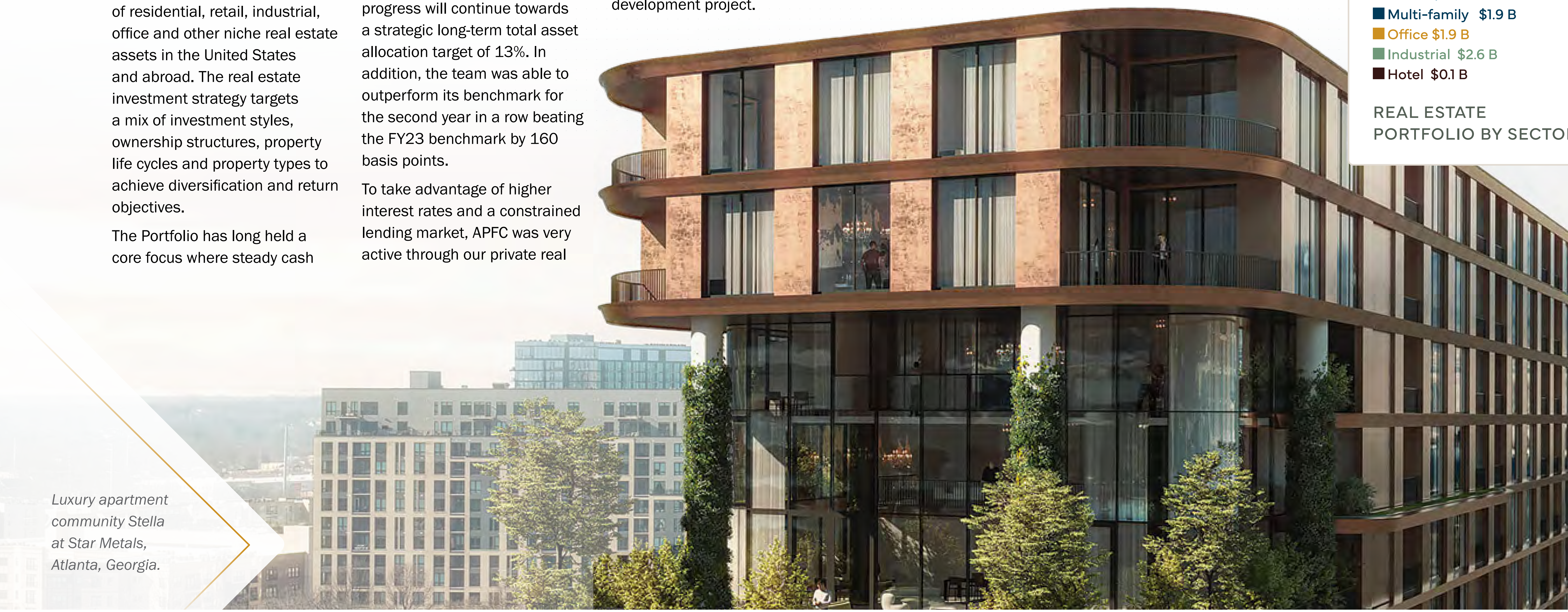
Real estate as an asset class generally performs relatively well during times of higher inflation. Property values and rental income both tend to keep pace with inflation over time. However, values have declined over the past year in all real estate sectors mostly due to higher interest rates. The direction of interest rates will be a determining factor on future real estate values.

Fundamentals are still showing strength in the multi-family and industrial sectors and continue to improve for retail. Conversely, the office sector is facing uncertainty as the trend toward remote work and long-term demand remains unpredictable post pandemic.

Staff will continue to build on progress made through the success of recent initiatives. Recalibrating the real estate portfolio has resulted in better diversification and investment performance. The Real Estate program is positioned well to generate steady cash flow and long-term performance.



REAL ESTATE PORTFOLIO BY SECTOR



Luxury apartment community Stella at Star Metals, Atlanta, Georgia.

PRIVATE EQUITY

$15.4B
as of June 30, 2023

4.2 Billion of Unfunded Commitments

7,000 Underlying Companies in the Portfolio

17% Target FY23 Asset Allocation

INVESTING IN, IMPROVING, AND SELLING PRIVATE COMPANIES

Private Equity is generally comprised of commitments to commingled fund vehicles, co-investments alongside managers into companies, and direct investments in companies.

Private equity investing requires a long-term perspective as fund commitments have terms of 10-12 years, while co-investments and direct investments may take 3 – 5 years to mature.

APFC has advantages as a private equity investor due to our scale, ability to be patient, and structural flexibility. As a result, APFC's Private Equity program has won multiple international awards since its launch in 2004, recognizing both our strong returns in the space as well as our innovative and differentiated approach. We are building a durable global portfolio that incorporates a broad range of investment strategies diversified across stage, sector, and geography.

Though Private Equity assets are characterized by limited liquidity as a result of their long investment horizons and other factors, the portfolio serves as a stabilizing force within the Permanent Fund's overall portfolio by increasing its diversification across a broad range of industries, geographies, company size and stage.

PERFORMANCE IN FY23

Generally, private equity assets perform consistently over various market environments but generate substantial distributions when stock markets are high and interest rates are low. The end of FY22 was characterized by historic declines of both stock and bond markets and the start of the Fed raising interest rates, and while investment and exit activity slowed, performance for the majority of the portfolio remained stable relative to the public equity and fixed income markets. In FY23, while the public equity markets rebounded, interest rates continued to rise, and the impact of that began to ripple through the broader economy as well as our Private Equity portfolio. When companies hold debt on their balance sheets, higher interest rates result in a larger percentage of the company's cash flow going towards higher interest payments, leaving less for capital expenditures, growth initiatives, and dividends.

In the first part of FY23, Private Equity's allocation as a percent of the total Fund allocation increased to approximately 20% driven by the rapid declines in more-liquid asset classes. In order to manage the existing exposure and provide capacity to make new investments, APFC slowed its commitment pace to the asset class. Additionally, the overall allocation to Private Equity was reduced as part of the asset allocation review.

In addition to the net asset value of the existing investments, there is approximately $4.2 billion of committed but unfunded capital (also known as "dry powder") available for managers to invest in the current environment. This money remains invested in other liquid asset classes at APFC and is funded to the managers when new investments are made.

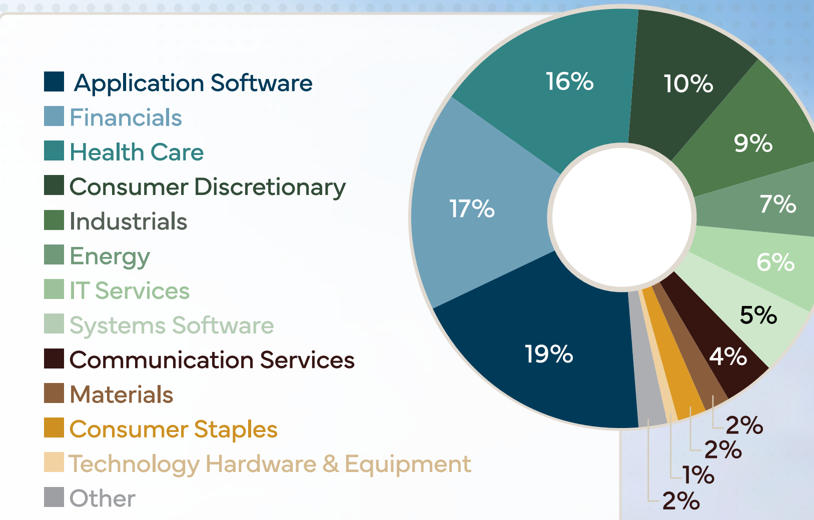
Private Equity managers are optimistic about investments they were able to make at advantageous entry points at the end of FY23 and opportunities likely to develop in FY24. As inflation continues to slow and the economy recovers, Private Equity is positioned to benefit.

"In a more-challenging environment where capital is less plentiful, there are more opportunities for us to invest in high-quality opportunities at lower prices," says APFC Director of Private Equity Allen Waldrop. "Times of turbulence and economic uncertainty can bring what turn out to be good investment opportunities for those willing and able to capitalize on them."

OUTLOOK FOR FY24

APFC's Private Equity entered FY24 optimistic about the investment opportunities that lie ahead as companies face increasing operational and financial challenges brought on by a combination of inflation, higher interest rates and a slowing economy. In this environment, capital becomes more valuable to those who need it and, thus, more expensive.

"We view everything with a long-term lens," Mr. Waldrop says. "The key theme for us this year is being focused and selective with new opportunities."



PRIVATE EQUITY BY SECTOR

PRIVATE INCOME

$6.8B
as of June 30, 2023

9% Target FY23 Asset Allocation

THREE STRATEGIES TO DIVERSIFY AND STABILIZE THE FUND

The Private Income portfolio was particularly important to the Fund throughout the economic turmoil of FY22 and FY23 because it is intentionally designed across a broad range of assets to provide income with limited volatility. Particularly relevant in recent fiscal years, Private Income assets are resilient during high or rising inflation.

Private Income is a composite comprised of three sub-portfolios:

INFRASTRUCTURE is the largest, at 59% of Private Income, comprised of large, tangible assets necessary for daily life to function. For instance, regardless of the economy, people still need roads, ports, telecommunications, railways, power, and utilities. The performance of these assets normally has muted volatility given the way private assets are valued and because of the highly contracted or protected cash flow characteristics of the businesses. However, these businesses are often highly leveraged, resulting in downward pressure on valuations from higher interest rates, though infrastructure assets tend to benefit from lower interest rates than many other asset types.

The primary goal for this sub-portfolio is to generate attractive, steady returns with limited losses across market cycles. Although there are similar assets traded publicly on the market, in APFC's portfolio, most Private Income Infrastructure assets are privately held and serve as a stabilizing diversifier to the overall Fund.

One particularly advantageous characteristic of Infrastructure assets is many act as a hedge against inflation, either through contractual escalators or monopolistic market positions that provide significant pricing power and the ability to pass higher costs through to their customers.

In FY23, Infrastructure returned 5.12% against its benchmark of 6.57%.

PRIVATE CREDIT, the next-largest component within Private Income at 31% of the portfolio, involves the issuance of loans to private companies in support of private equity sponsors in their acquisitions of businesses, among other uses. APFC's Private Credit portfolio consists primarily of senior secured loans with substantial equity cushions and financial covenants. The risk of loss given defaults exists, but private lenders can protect their investment by rapidly and proactively working with a borrower to identify problems before it's too late and having a secured claim on the business's collateral.

Given the contractual nature of returns, private credit is less risky than private equity for getting investment exposure to mid-sized businesses that drive the economy. However, the impact of a potential recession and higher-for-longer interest rates add to the possibility of poor performance and greater dispersion of returns for private credit investors. APFC is taking a thoughtful approach to the asset class, focusing on the highest quality opportunities and capital preservation.

APFC's Private Credit team generally invests in this asset class through external managers that are well-known to private equity investors and typically source corporate borrowers. In FY23, Private Credit returned 7.03% against its benchmark of 7.27%.

INCOME OPPORTUNITIES is, at 10% of the Private Income portfolio, a catch-all term for private investments that have characteristics related to Infrastructure or Private Credit but do not fit entirely within those sub-portfolios. So this sub-portfolio allows APFC to invest in opportunities that may otherwise fall between the gaps.

ASSETS WITHIN INCOME

Opportunities include timber, agriculture, movie sound stages, oil and gas royalties, and more. When the Private Income team identifies a unique opportunity that has an appropriate risk-return profile, they can act on it through Income Opportunities.

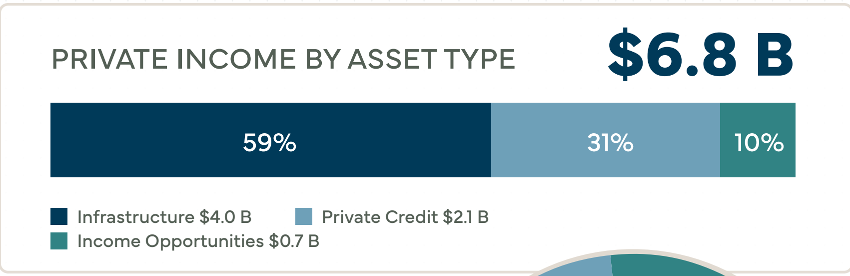
Because Income Opportunities is so widely varied and opportunistic, this area is measured against the benchmark for Private Income, which is based on 60% Infrastructure/40% Private Credit. Against that, Income Opportunities did not perform particularly well, with an end of FY23 return of -4.14% against the benchmark of 6.85%.

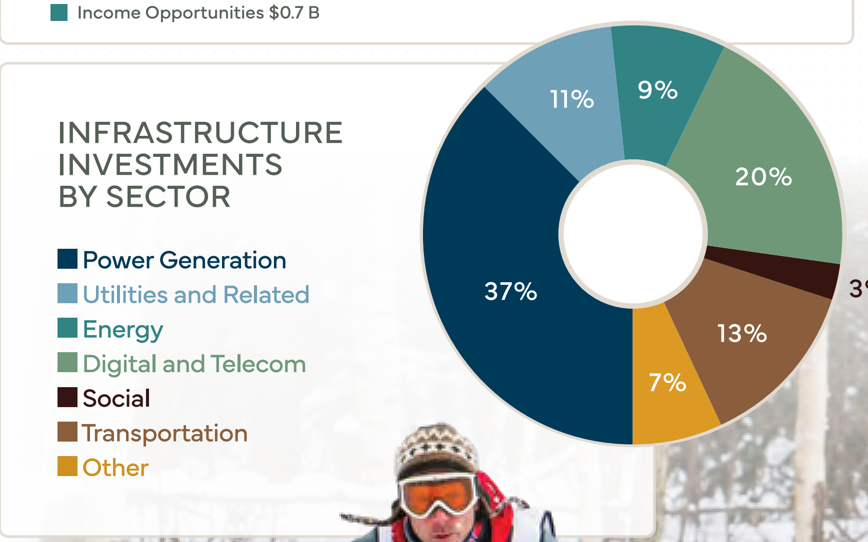
SLIGHTLY MORE CAUTIOUS MOVING INTO FY24

Looking forward to the next 12 months, the Private Income team anticipates more pain in the markets, but because of that, also more opportunities. Throughout FY23, we saw wide bid-ask spreads because asset owners were still valuing their companies at valuations from the 12 or 15 years of growth-oriented (bull) markets previous to the less favorable markets of FY22 and FY23, while potential buyers were factoring in higher interest and discount rates.

We expect to see this bid-ask spread narrow in FY24. More attractive valuations should provide good opportunities for the Private Income team.

"Groups like us that have the flexibility to continue to deploy new capital," says APFC Senior Portfolio Manager Ross Alexander, "I think we're going to be in a favorable spot. You're going to see less competition for some of these assets, feeding into our ability to buy at a better valuation. Market conditions may create some near-term pressure on our existing portfolio, but we have the ability to be patient and not react to short-term volatility."





SLED DOG RACING
A racer steers his team of sled dogs through Anchorage, Alaska.

The evening tide leaves ripples in the sand as it recedes in Eagle Beach State Recreation Center near Juneau, Alaska.

ABSOLUTE RETURN

$5.6B
as of June 30, 2023

6% Target FY23 Asset Allocation

DOWNSIDE BENEFITS, UPSIDE BENEFITS

APFC's Absolute Return program utilizes a range of hedge-fund strategies across 18 managers to provide a stabilizing influence of steady returns CPI +5% in the Fund's overall portfolio. Yet, Absolute Return's resemblance to a conventional hedge fund is only in its broadest definition.

APFC's Absolute Return team seeks to invest in a way that does not correlate to other asset classes and, significantly, achieves neutrality outside of market forces. In fact, the Absolute Return portfolio is intentionally designed to not be reactive to economic fundamentals. Rather, the entire purpose of Absolute Return is to help protect the Fund against market volatility.

Our Juneau-based team utilizes complex, innovative strategies for a portfolio that balances both positions designed to benefit in upside market movements with positions designed to benefit in downside market movements. The result is, when other asset classes experience volatility, Absolute Return achieves neutrality and, ultimately, significant positive returns.

"What I look for is pure alpha," says APFC Senior Portfolio Manager Youlian Ninkov. "That's what this portfolio is designed to achieve: pure alpha uncorrelated to traditional market betas."

Since its inception, the Absolute Return portfolio has consistently delivered, with 8.13% and 5.74% returns over the respective 3 and 5 year periods, and – as designed – less than 50% correlation to a traditional 60% stocks/40% bonds portfolio. As discussed previously in this report, one of the Permanent Fund's great strengths is its diversification well beyond a traditional 60/40 portfolio, and within that diversification, the Absolute Return portfolio's beta-neutral strategy contributes an almost unprecedented additional level of diversified stability.

APFC firmly believes that having an uncorrelated stream of positive returns is crucial for the Fund's overall portfolio. In FY23, Absolute Return outperformed its benchmark of 1.62% with a return of 3.84%.

SEEKING PURE ALPHA IN FY24

Looking ahead, the outlook for Absolute Return remains positive, particularly given the potential for volatility in the markets. So, the team's focus will be on sourcing uncorrelated assets that deliver significant growth and continued returns with the end goal of a more stable, beta-neutral portfolio.

WHAT IS ALPHA?

Alpha is the measurement of a stock or similar investment's ability to beat the market; also known as "abnormal rate of (risk-adjusted) return" against its benchmark.

RISK PARITY

$455M

as of June 30, 2023

1% Target FY23 Asset Allocation

Risk Parity is a strategy of asset allocation that strives to equally distribute risk among different asset classes. This approach aims to reduce the impact of a single asset class on total portfolio performance and diversify across multiple economic scenarios.

In reviewing performance and setting an asset allocation for the Fund to meet target return objectives, the Board agreed with the staff's recommendation to end the risk parity strategy and pursue tactical opportunities with higher expected returns. Thus, the $200 million allocation to Risk Parity was reduced to zero by the end of FY23.

Looking forward, the Board adopted a new Tactical Opportunities Strategy with a target allocation of 2% of the Fund for FY24. This asset class is designed to provide an area for the investment team to execute on opportunistic investments across public and private markets without the tracking error and other constraints imposed on other asset classes.

CASH

$1.0B

as of June 30, 2023

2% Target FY23 Asset Allocation

APFC's asset allocation includes a 2% target allocation to Total Fund Cash. The APFC investment team has the ability to invest cash balances across a range of assets, including short-term treasury bills and cash equivalents, such as commercial paper and repurchase agreements. Additionally, flexibility exists to invest cash balances in gold via a variety of exchange-traded funds.

In typical years, APFC's cash investments are targeted to earn a return in line with or modestly above the benchmark of 90-day treasury bills. In the last fiscal year, the Fund's traditional cash investments provided this with a return roughly in line with the 3.59% benchmark return. The overall asset class, however, delivered a 9.36% return on the year. This outperformance can be attributed to significant balances invested in gold ETFs during the year at opportunistic times.

Three young cyclists go for a ride around Saint Michael, a small community located near Nome, Alaska.

MANAGEMENT AND PERFORMANCE FEES

The Corporation's fiduciary duties include monitoring the actual costs of investment management. The fees associated with externally managed assets consist of (1) management fees, which are paid based on assets under management, and (2) performance fees, which increase with managers' outperformance relative to their benchmarks.

MANAGEMENT FEES

For FY23, The total investment management fees paid were $456.9 million, including external and internal management. This equates to 0.58% or 58 basis points of all assets under management for the Permanent Fund valued at $78.7 billion as of June 30, 2023, including funds managed for the Alaska Mental Health Trust Authority. APFC has three methods for the tracking and payment of management fees:

FEES FUNDED BY INVESTMENTS

Based on the value of assets under management, these fees are netted against income and retained by the investment manager before the net profit is distributed back to the Fund. These fees are not included in the annual APFC investment management fee allocation in the state's operating budget.

FEES FUNDED BY INVESTMENT MANAGEMENT APPROPRIATION

These fees reflect the value of assets under management, contractual terms for external management, and the internal costs associated with effective portfolio management, such as investment systems, due diligence, and custody fees. The fees for internal and external portfolio management are funded through the investment management fee allocation of APFC's appropriation in the state's operating budget.

APFC OPERATIONS APPROPRIATION

The Corporation's operating expenses, including personal services, travel, contractual services, commodities, and equipment, are directly related to the management of all assets in the portfolio. These costs are funded through the operations allocation of APFC's appropriation in the state's operating budget.

PERFORMANCE FEES

In certain APFC manager contracts, if the external manager has generated a return on investment in excess of a predetermined benchmark, they are entitled to share in a portion of the profits. The distinction between management and performance fees is important because a year in which APFC pays high performance fees is also a year in which APFC assets will have performed well above expectations.

Performance fees associated with public markets are generally funded by appropriation. Performance fees for private market assets are most often funded by the investments and netted out of the returns.

Current and complete information is published in the Quarterly Investment Management Fee Report, available on apfc.org

TOTAL MANAGEMENT FEES	$456.9M
FEES FUNDED BY INVESTMENTS	$342.9M
FEES FUNDED BY INVESTMENT MANAGEMENT APPROPRIATION	$94.8M
APFC OPERATIONS APPROPRIATION	$19.2M
PERFORMANCE FEES	$271.1M

Bright autumnal colors decorate the Arctic near a wind farm in Kotzebue, Alaska.

FINANCIAL STATEMENTS

Independent Auditors' Report

The Board of Trustees
Alaska Permanent Fund Corporation
(A Component Unit of the State of Alaska)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheets of the Alaska Permanent Fund (the Fund), a governmental fund of the State of Alaska, as of and for the year ended June 30, 2023 and 2022, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2023 and 2022, and the changes in its financial position for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Alaska Permanent Fund and do not purport to, and do not, present fairly the financial position of the State of Alaska , as of June 30, 2023 and 2022, or the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

KPMG LLP, a Delaware limited liability partnership and a member firm of
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KPMG International Limited, a private English company limited by guarantee.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Anchorage, Alaska
September 7, 2023

Management's Discussion and Analysis

The Alaska Permanent Fund Corporation ("APFC") management is pleased to provide this Management's Discussion and Analysis ("MD&A") of the financial activities of the Alaska Permanent Fund ("Fund" or "Permanent Fund") for the fiscal years ended June 30, 2023 and June 30, 2022. This narrative is intended to provide management's insight into the results of operations from the past two fiscal years and highlight specific factors that contributed to those results. The MD&A is comprised of three sections: financial highlights, discussion regarding use of the financial statements, and analysis of the financial statements; the sections should be reviewed together with the financial statements and related notes that follow it.

Financial Highlights

- The volatility in public markets experienced in FY2022, though not as extreme, continued through FY2023. The Fund ended the fiscal year ("FY") at a total return of 5.18 percent. This represents a significant recovery from the total return for FY2022 of –1.32 percent, though lags behind median projections. The fund underperformed the performance benchmark by 56 basis points in FY2023 and outperformed by 192 basis points in FY2022.
- FY2023's excess of revenues over expenditures (net income) was $4.3 billion. As with total return, this is a nice recovery from the $3 billion loss experienced in FY2022 and is significantly lower than FY2021's net income of $19.4 billion.
- 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, 2023 balance sheet reflects a $3.5 billion commitment of fund balance for the appropriation to be transferred to the General Fund in FY2024. The June 30, 2022 balance sheet reflects a $3.4 billion commitment of fund balance for the appropriation that was transferred in FY2023.
- 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 FY2023, this amount came in at $754 million, which includes $198 million in payments from prior years that were not appropriated at the time. Deposits recorded in FY2022 were $549 million.
- Inflation proofing of the Fund's corpus is outlined in Alaska Statute and, like the transfer to the General Fund, is subject to appropriation. In FY2023, the statutory inflation rate was 8.00 percent, which resulted in a transfer of $4.2 billion. In FY2022, the statutory inflation rate was 4.70 percent and would have resulted in a transfer of $2.4 billion, but because there was no appropriation included in the FY2022 budget, no transfer was made. There was also no appropriation for inflation proofing for FY2016 – FY2018 and FY2021. If appropriated, the transfers for all five years would have totaled $4.4 billion.
- During FY2021, legislation was passed to transfer $4 billion from the Earnings Reserve Account to the corpus in FY2022. The transfer was completed on July 1, 2021.

Using the Financial Statements

This section of the MD&A aims to introduce the Fund's required financial statement components which include Balance Sheets; Statements of Revenues, Expenditures and Changes in Fund Balances; and Notes to the Financial Statements.

Balance Sheets

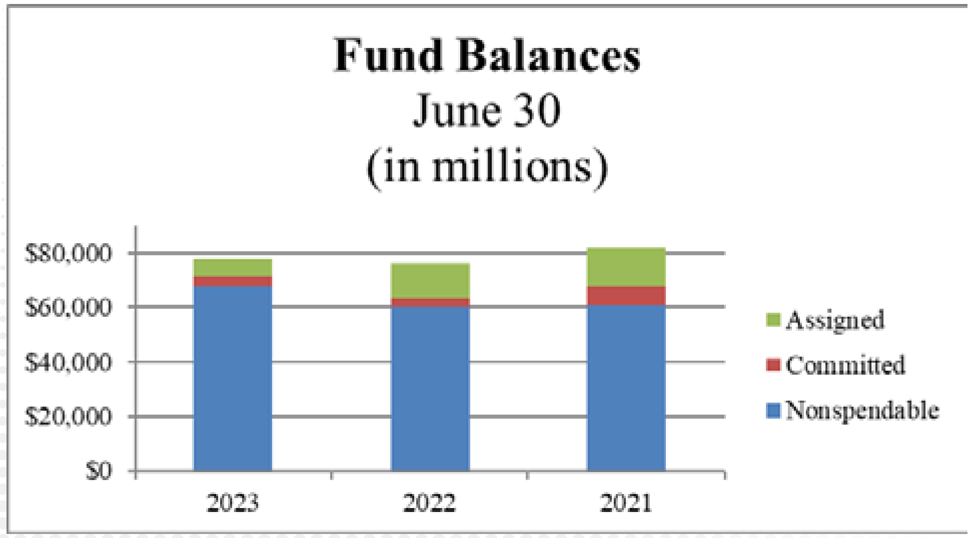
The Balance Sheets present all assets, liabilities and fund balances of the Fund as of June 30, 2023, as well as the prior fiscal year's ending balances at June 30, 2022.

Assets are grouped into broad categories for ease of readability and analysis. Receivables include cash not yet received from the sale of investments, as well as dividends and interest receivable from stock and bond holdings. Investments are broken out by traditional asset class and are shown at market value. The securities lending cash collateral (cash received from the borrower on loans of securities that is returned to the borrower once the loan is terminated without default) is shown as an asset.

Liabilities on the Balance Sheets primarily consist of obligations for investments purchased but not yet settled (shown in the accounts payable grouping), the amount payable to the State of Alaska for the Alaska Capital Income Fund (ACIF), and the securities lending cash collateral that is returned to borrowers of the Fund's stocks and bonds when the borrowers return those loaned assets to the Fund.

In the graph set forth below, fund balances are shown in three categories: nonspendable, committed, and assigned.

- The largest category is nonspendable (87 percent as of June 30, 2023) which is not available for government appropriation by the State of Alaska.
- Committed fund balance (5 percent as of June 30, 2023) represents amounts that have been signed into law before the end of the fiscal year for transfer to another account or purpose during the subsequent fiscal year. In both years, this includes the legislation which took effect at the beginning of FY2019, which provides for a 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. The assigned fund balance decreased by 45 percent from FY2022 to FY2023, from $12.8 billion to $7.0 billion. 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 FY2023, the amounts contributing to the net decrease of approximately $5.8 billion in the assigned fund balance were:
  - (i) realized income of $2.5 billion;
  - (ii) the commitment of $3.5 billion for transfer to the General Fund;
  - (iii) inflation proofing of $4.2 billion; and
  - (iv) the allocation of a portion of unrealized gains and losses, which decreased from FY2022 to FY2023 by $610 million, to a balance of $1.7 billion.



Statements of Revenues, Expenditures and Changes in Fund Balances

The Statements of Revenues, Expenditures and Changes in Fund Balances present the financial activity of the Fund over the 12 months in FY2023 and FY2022.

Revenues are shown in two sections on the statement, separating cash receipts of various investment holdings such as interest, dividends, and real estate rental income, from the change in value of investment holdings. The first section of the revenues also includes miscellaneous income such as class action litigation proceeds and securities lending income. The second section of revenues ("Net increase (decrease) in the fair value of investments") includes both realized and unrealized gains and losses on investments. Realized gains and losses are produced only through the sale of investments, while unrealized gains and losses are the result of changes in the fair value of investments without the sale of those investments. Realized and unrealized gains and losses are summarized by asset class to match the groupings on the Balance Sheets and represent the total net increase or decrease for the year in each asset category.

To derive the total net change in fund balances from the prior year to the current year, the Statements of Revenues, Expenditures and Changes in Fund Balances also include the Fund's expenditures and other sources and uses of funds. Operating expenditures include fees paid to external investment managers, salaries of APFC employees, and other routine operating costs such as rent, travel, and legal fees. Other legislative appropriations made through the State's annual budget process are obligations for support services received from other State of Alaska departments.

Dedicated State revenues transferred into the Fund's principal are based on a percentage of mineral revenues that the State receives. Transfers out of the Fund are the percent-of-market-value transfers to the General Fund and the annual deposit to the Alaska Capital Income Fund (ACIF).

Notes to the Financial Statements

The Notes to the Financial Statements are an essential element to fully understanding all financial aspects of the Fund and to interpreting the major components of the financial statements. The Notes to the Financial Statements can be found immediately following the Statements of Revenues, Expenditures and Changes in Fund Balances.

Financial Statement Analysis

This section of the MD&A is intended to provide an analysis of past fiscal years' activities and specific contributors to changes in the net assets of the Fund. The fund balance serves to provide a gauge of the financial strength of the Fund. While assets of the Fund exceeded liabilities each year by double-digit ratios, the nonspendable fund balance is unavailable for appropriation. The table set forth below was derived from the Balance Sheets of the Fund and provides a comparison of the change between balances at June 30, 2023 and 2022.

	June 30			
Balance Sheets	**2023**	**2022**	**Net change**	**Percent**
Assets				
Cash and temporary investments	$ **3,247,712,000**	4,050,405,000	(802,693,000)	(20)%
Receivables and other assets	**766,653,000**	616,955,000	149,698,000	24%
Investments	**75,275,973,000**	73,009,953,000	2,266,020,000	3%
Securities lending collateral	**1,791,238,000**	4,576,507,000	(2,785,269,000)	(61)%
Total assets	$ **81,081,576,000**	82,253,820,000	(1,172,244,000)	(1)%
Liabilities				
Accounts payable	**1,264,176,000**	1,316,140,000	(51,964,000)	(4)%
Income distributable to the State of Alaska	**14,265,000**	24,002,000	(9,737,000)	(41)%
Securities lending collateral	**1,791,238,000**	4,576,507,000	(2,785,269,000)	(61)%
Total liabilities	$ **3,069,679,000**	5,916,649,000	(2,846,970,000)	(48)%
Fund balances				
Nonspendable:				
Permanent Fund corpus - contributions and appropriations	**56,420,233,000**	51,487,347,000	4,932,886,000	10%
Unrealized appreciation on invested assets	**11,100,466,000**	8,700,308,000	2,400,158,000	28%
Total nonspendable	**67,520,699,000**	60,187,655,000	7,333,044,000	12%
Committed:				
General Fund appropriation	**3,526,088,000**	3,360,567,000	165,521,000	5%
Total committed	**3,526,088,000**	3,360,567,000	165,521,000	5%
Assigned for future appropriations:				
Realized earnings	**5,240,347,000**	10,454,488,000	(5,214,141,000)	(50)%
Unrealized appreciation on invested assets	**1,724,763,000**	2,334,461,000	(609,698,000)	(26)%
Total assigned	**6,965,110,000**	12,788,949,000	(5,823,839,000)	(46)%
Total fund balances	$ **78,011,897,000**	76,337,171,000	1,674,726,000	2%
Total liabilities and fund balances	$ **81,081,576,000**	82,253,820,000	(1,172,244,000)	(1)%

The value of the Fund's assets, excluding securities lending collateral, increased slightly between June 30, 2022 and June 30, 2023. The value of the Fund's assets is most significantly impacted by investment performance. Comparative performance for each asset class is shown below:

	FY2023	**FY2022**
Public equity	**14.16%**	-14.32%
Fixed income	**1.63%**	-10.82%
Private equity & special opportunities	**-2.08%**	17.60%
Real estate	**-2.47%**	23.41%
Private income	**4.20%**	16.20%
Absolute return	**3.84%**	7.98%
Risk parity	**not available**	-17.93%
Cash	**9.36%**	-0.83%
TOTAL FUND	**5.18%**	-1.32%

The ending values of securities lending collateral invested and the related liability are dependent upon the amount of securities out on loan on any particular day. The counterparty lending the security has the option of pledging cash or non-cash collateral. The cash collateral amount is presented on the Balance Sheets. The average value of assets on loan during FY2023 was $8.5 billion, with a low of $8.1 billion and a high of $10.0 billion. The Fund had earnings from securities lending of $24 million during FY2023, a significant decrease from $29 million received in FY2022.

In the liability section of the Balance Sheets, accounts payable primarily consist of obligations due but not yet settled on securities purchased. The open transactions can vary widely from day to day and are usually the largest portion of Fund payables, representing 98 percent in both FY2023 and FY2022.

The sole amount due to the State of Alaska at the end of FY2023 and FY2022 is the transfer to the Alaska Capital Income Fund (ACIF). This amount is calculated based on realized earnings and was $14 million for FY2023 and $24 million for FY2022. The $10 million dollar decrease from the prior year is caused by much lower realized returns in FY2023 versus FY2022.

Total fund balance increased by 2 percent from FY2022 to FY2023, or $1.7 billion, consistent with the 5.18 percent total return for the year and the net transfers out of the Fund. Components of this increase were $1.6 billion in stock dividends, bond interest, and cash flow income from other investments, $754 million in dedicated mineral deposits, increase in the fair value of investments of $2.8 billion, offset by operating expenses and other appropriations of $171 million, and the General Fund transfer of $3.4 billion.

In comparison, total fund balance decreased from FY2021 to FY2022 by 7 percent, or $5.6 billion, due to net loss of the Fund of $3.0 billion and transfers out (General Fund of $3.1 billion and ACIF of $24 million) partially offset by transfers in (State dedicated mineral revenues of $549 million).

The table below is derived from the Statements of Revenues, Expenditures and Changes in Fund Balances, and shows the annual activity of the Fund. The differences in activity in FY2023 as compared to FY2022 are shown in both dollars and percentages.

Statements of Revenues, Expenditures and Changes in Fund Balances		Year Ended June 30 2023	2022	Net change	Percent
Revenues					
Total interest, dividends, real estate and other income	$	**1,637,212,000**	1,684,102,000	(46,890,000)	(3)%
Total net increase (decrease) in the fair value of investments		**2,830,108,000**	(4,547,805,000)	7,377,913,000	162%
Total revenues	$	**4,467,320,000**	(2,863,703,000)	7,331,023,000	256%
Expenditures					
Operating expenditures		**(161,647,000)**	(142,258,000)	(19,389,000)	14%
Other legislative appropriations		**(9,725,000)**	(9,281,000)	(444,000)	5%
Total expenditures	$	**(171,372,000)**	(151,539,000)	(19,833,000)	13%
Excess (deficiency) of revenues over expenditures	$	**4,295,948,000**	(3,015,242,000)	7,311,190,000	242%
Other financing sources (uses)					
Transfers in – dedicated State revenues		**753,610,000**	548,916,000	204,694,000	37%
Transfers out – appropriations		**(3,374,832,000)**	(3,093,298,000)	(281,534,000)	9%
Net change in fund balances	$	**1,674,726,000**	(5,559,624,000)	7,234,350,000	130%
Fund balances					
Beginning of period		**76,337,171,000**	81,896,795,000	(5,559,624,000)	(7)%
End of period	$	**78,011,897,000**	76,337,171,000	1,674,726,000	2%

During FY2023, cash flow revenue from interest, dividends, real estate, and other sources was slightly lower than FY2022 levels at $136 million per month on average, down from $140 million per month on average in FY2022. Cash flow income for both FY2023 and FY2022 was higher than the average in FY2021 of $127 million per month.

The change in the fair value of investments increased by 162 percent from -$4.5 billion in FY2022 to $2.8 billion in FY2023. The public equity portfolio experienced the biggest gains during FY2023 following the downturn during FY2022. FY2022's change in fair value of investments was a 125 percent decrease from the $18.1 billion gain in FY2021, reflective of the market losses in FY2022.

Operating expenditures increased from FY2022 to FY2023 by 14 percent. This increase is in contrast with the decrease experienced between FY2021 and FY2022 of 14 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 significantly from FY2022 to FY2023 by 37 percent ($205 million), totaling $754 million in FY2023 compared to $549 million in FY2022. These transfers totaled $320 million in FY2021. Included in the FY2023 deposits are $198 million in payments from prior years that were not appropriated at the time. The Alaska Constitution requires that at least 25% of mineral royalties and related payments received by the State be transferred to the Permanent Fund. State statutes mandate an additional 25% on select leases be deposited. 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 fund the Alaska Capital Income Fund (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 $14 million in FY2023 and $24 million in FY2022. The earnings for FY2021 were $50 million.

Economic, Investment, and Political Factors

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.

Additional Information

This financial report is designed to provide an overview of the Alaska Permanent Fund's ending net asset balances and fiscal year financial activities. This report does not include any other funds owned or managed by the State of Alaska or APFC. Due to the potential volatility of the financial markets, Fund values and income may vary greatly from period to period. For more information on the Fund, both current and historical, readers are encouraged to visit www.apfc.org or send specific information requests to the Alaska Permanent Fund Corporation at 801 West 10th Street, Suite 302, Juneau, Alaska 99801.

Alaska Permanent Fund

Balance sheets

		June 30, 2023	June 30, 2022
Assets			
Cash and temporary investments	$	**3,247,712,000**	4,050,405,000
Receivables and other assets		**766,653,000**	616,955,000
Investments:			
Marketable debt securities		**13,204,001,000**	13,968,307,000
Preferred and common stock		**26,769,518,000**	25,870,083,000
Real estate		**8,263,284,000**	7,099,497,000
Absolute return		**5,334,364,000**	5,075,585,000
Private credit		**2,690,337,000**	2,527,914,000
Private equity		**15,321,168,000**	15,453,580,000
Infrastructure		**3,693,301,000**	3,014,987,000
Total investments		**75,275,973,000**	73,009,953,000
Securities lending collateral		**1,791,238,000**	4,576,507,000
Total assets	$	**81,081,576,000**	82,253,820,000
Liabilities			
Accounts payable		**1,264,176,000**	1,316,140,000
Income distributable to the State of Alaska		**14,265,000**	24,002,000
Securities lending collateral		**1,791,238,000**	4,576,507,000
Total liabilities	$	**3,069,679,000**	5,916,649,000
Fund balances			
Nonspendable:			
Permanent Fund corpus - contributions and appropriations		**56,420,233,000**	51,487,347,000
Unrealized appreciation on invested assets		**11,100,466,000**	8,700,308,000
Total nonspendable		**67,520,699,000**	60,187,655,000
Committed:			
General Fund appropriation		**3,526,088,000**	3,360,567,000
Total committed		**3,526,088,000**	3,360,567,000
Assigned for future appropriations:			
Realized earnings		**5,240,347,000**	10,454,488,000
Unrealized appreciation on invested assets		**1,724,763,000**	2,334,461,000
Total assigned		**6,965,110,000**	12,788,949,000
Total fund balances	$	**78,011,897,000**	76,337,171,000
Total liabilities and fund balances	$	**81,081,576,000**	82,253,820,000

See accompanying notes to the financial statements.

Alaska Permanent Fund

Statements of revenues, expenditures and changes in fund balances

		Year Ended June 30, 2023	Year Ended June 30, 2022
Revenues			
Interest	$	**502,731,000**	456,146,000
Dividends		**671,564,000**	696,785,000
Real estate and other income		**462,917,000**	531,171,000
Total interest, dividends, real estate and other income		**1,637,212,000**	1,684,102,000
Net increase (decrease) in the fair value of investments:			
Marketable debt securities		**(229,610,000)**	(2,467,669,000)
Preferred and common stock		**3,049,111,000**	(4,812,661,000)
Real estate		**(278,850,000)**	947,527,000
Absolute return		**144,325,000**	294,355,000
Private credit		**47,152,000**	105,756,000
Private equity		**(4,815,000)**	961,453,000
Infrastructure		**272,249,000**	485,323,000
Foreign currency forward exchange contracts and futures		**103,260,000**	188,421,000
Currency		**(272,714,000)**	(250,310,000)
Total net increase (decrease) in the fair value of investments		**2,830,108,000**	(4,547,805,000)
Total revenues	$	**4,467,320,000**	(2,863,703,000)
Expenditures			
Operating expenditures		**(161,647,000)**	(142,258,000)
Other legislative appropriations		**(9,725,000)**	(9,281,000)
Total expenditures		**(171,372,000)**	(151,539,000)
Excess (deficiency) of revenues over expenditures		**4,295,948,000**	(3,015,242,000)
Other financing sources (uses)			
Transfers in - dedicated State revenues		**753,610,000**	548,916,000
Transfers out - statutory and legislative appropriations		**(3,374,832,000)**	(3,093,298,000)
Net change in fund balances		**1,674,726,000**	(5,559,624,000)
Fund balances			
Beginning of period		**76,337,171,000**	81,896,795,000
End of period	$	**78,011,897,000**	76,337,171,000

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 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 principal and are nonspendable, unless and until they become realized, at which point they will be 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 liabilities, and the disclosure of contingent assets, liabilities, 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 two 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.

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 5% 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*. This legislation took effect for FY2019 and replaced the appropriation to the Dividend Fund. The amount appropriated prior to year-end as transferrable 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 Fund 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 United States 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 for the years ended June 30, 2023 and 2022 were 8.0 percent and 4.7 percent, respectively. The transfer would have been $2.4 billion for FY2022; however, the necessary appropriation was not included in the budget authorization, so no transfer was made. The transfer for FY2023, which was appropriated, was $4.2 billion.

Fund balance

- *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 principal and the Earnings Reserve Account.
- *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.

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 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.

Income taxes

In the opinion of legal counsel, the Fund should not be subject to United States 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.

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 eligible investments for Fund assets. 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, 2023, the APFC's strategic asset allocation targets were as follows:

Asset Class	Asset Class Target
Public equity	36%
Fixed income	20%
Private equity & special opportunities	17%
Real estate	9%
Infrastructure & private income	9%
Absolute return	6%
Risk parity	1%
Cash	2%

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 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 36 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 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 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 to 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, and step interest rates valued at $817 million at June 30, 2023 and $649 million at June 30, 2022. The current annual interest rates range from 0 to 9.7 percent.

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.

Reclassifications

APFC made certain reclassifications to the FY2022 balances in the accompanying statements to make them consistent with the FY2023 presentation.

3. CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments, which includes the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30:

		2023	2022
Cash	$	**187,170,000**	152,106,000
Pooled funds		**1,077,259,000**	1,642,066,000
Commercial paper		**19,593,000**	39,558,000
U.S. Treasury bills		**1,960,759,000**	2,174,013,000
FX forward exchange contracts		**2,931,000**	42,662,000
Total cash and temporary investments	$	**3,247,712,000**	4,050,405,000

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 which miss the money market sweep deadline and foreign currency are deposited in an interest-bearing account at the custodian. Deposit amounts that exceeded the FDIC insurance limit were $117,041,000 on June 30, 2023 and $134,831,000 on June 30, 2022.

4. RECEIVABLES AND OTHER ASSETS

Receivables and other assets at June 30 are as follows:

		2023	2022
Interest receivable	$	**109,110,000**	94,834,000
Dividends receivable		**82,258,000**	65,832,000
Sales receivable		**502,663,000**	344,411,000
Dedicated State revenues receivable		**72,622,000**	111,878,000
Total receivables and other assets	$	**766,653,000**	616,955,000

5. MARKETABLE DEBT SECURITIES

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

2023		Cost	Fair value	Unrealized gains (losses)
U.S. Treasury and government notes/bonds	**$**	**1,876,966,000**	**1,831,296,000**	**(45,670,000)**
Mortgage-backed securities		**2,389,469,000**	**2,280,689,000**	**(108,780,000)**
U.S. corporate bonds		**6,005,204,000**	**5,494,218,000**	**(510,986,000)**
Commercial mortgage and asset-backed securities		**570,923,000**	**530,881,000**	**(40,042,000)**
Non-U.S. government bonds		**2,130,200,000**	**2,018,929,000**	**(111,271,000)**
Non-U.S. corporate bonds		**941,371,000**	**894,551,000**	**(46,820,000)**
Exchange traded funds		**151,955,000**	**153,437,000**	**1,482,000**
Total marketable debt securities	**$**	**14,066,088,000**	**13,204,001,000**	**(862,087,000)**

2022		Cost	Fair value	Unrealized gains (losses)
U.S. Treasury and government notes/bonds	$	2,370,389,000	2,250,552,000	(119,837,000)
Mortgage-backed securities		1,972,826,000	1,901,040,000	(71,786,000)
U.S. corporate bonds		5,952,642,000	5,334,084,000	(618,558,000)
Commercial mortgage and asset-backed securities		682,365,000	627,443,000	(54,922,000)
Non-U.S. government bonds		1,947,074,000	1,723,348,000	(223,726,000)
Non-U.S. corporate bonds		808,325,000	734,486,000	(73,839,000)
Exchange traded funds		1,417,264,000	1,397,354,000	(19,910,000)
Total marketable debt securities	$	15,150,885,000	13,968,307,000	(1,182,578,000)

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, 2023, the Fund's credit ratings for its marketable debt securities are as follows:

NRSRO quality ratings		Domestic	Non-domestic	Total fair value	Percentage of holdings
AAA	$	320,127,000	279,036,000	599,163,000	4.54%
AA		354,904,000	439,120,000	794,024,000	6.01%
A		1,588,698,000	399,639,000	1,988,337,000	15.06%
BBB		2,730,798,000	504,589,000	3,235,387,000	24.50%
BB		736,175,000	204,080,000	940,255,000	7.12%
B		232,016,000	63,543,000	295,559,000	2.24%
CCC		—	4,078,000	4,078,000	0.03%
CC		—	—	—	0.00%
C		—	—	—	0.00%
D		—	93,481,000	93,481,000	0.71%
Total fair value rated debt securities	**$**	**5,962,718,000**	**1,987,566,000**	**7,950,284,000**	**60.21%**
Exchange traded funds		129,026,000	24,411,000	153,437,000	**1.16%**
Not rated		55,913,000	956,280,000	1,012,193,000	**7.67%**
U.S. government explicitly backed by the U.S. government		2,332,110,000	—	2,332,110,000	**17.66%**
U.S. government implicitly backed by the U.S. government		1,755,977,000	—	1,755,977,000	**13.30%**
Total fair value debt securities	**$**	**10,235,744,000**	**2,968,257,000**	**13,204,001,000**	**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, 2023, the effective duration by investment type, based on fair value, is as follows:

	Percentage of holdings	Duration
Domestic bonds		
Treasury and government notes/bonds	17.89%	6.04
Mortgage-backed securities	22.28%	6.50
Corporate bonds	53.68%	7.59
Commercial mortgage and asset-backed securities	4.89%	1.74
Exchange traded funds	1.26%	—
Total domestic bonds	**100.00%**	**6.69**
Non-domestic bonds		
Treasury and government notes/bonds	68.02%	7.72
Corporate bonds	30.14%	7.13
Commercial mortgage and asset-backed securities	1.02%	1.15
Exchange traded funds	0.82%	—
Total non-domestic bonds	**100.00%**	**7.41**

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 are summarized as follows, which include the net fair value of equity index futures of $6.8 million as of June 30, 2023 and -$1.4 million as of June 30, 2022:

2023	**Cost**	**Fair value**	**Unrealized gains (losses)**
Direct investments			
Domestic stock	**$ 11,481,670,000**	**13,998,864,000**	**2,517,194,000**
Non-domestic stock	**11,969,717,000**	**12,566,345,000**	**596,628,000**
Commingled funds	**212,824,000**	**204,309,000**	**(8,515,000)**
Total preferred and common stock	**$ 23,664,211,000**	**26,769,518,000**	**3,105,307,000**
2022			
Direct investments			
Domestic stock	$ 12,377,124,000	13,666,399,000	1,289,275,000
Non-domestic stock	12,339,879,000	12,008,546,000	(331,333,000)
Commingled funds	207,742,000	195,138,000	(12,604,000)
Total preferred and common stock	$ 24,924,745,000	25,870,083,000	945,338,000

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, 2023, 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	$	2,559,000	(61,133,000)	348,078,000	44,041,000	333,545,000
Brazil Real		891,000	-	161,207,000	-	162,098,000
Canadian Dollar		3,954,000	(53,994,000)	646,962,000	46,892,000	643,814,000
Chilean Peso		325,000	-	7,975,000	-	8,300,000
Chinese Yuan Renminbi		(1,711,000)	(226,622,000)	340,239,000	224,868,000	336,774,000
Colombian Peso		93,000	(6,116,000)	1,361,000	5,655,000	993,000
Czech Koruna		64,000	(8,157,000)	1,433,000	7,765,000	1,105,000
Danish Krone		1,402,000	(15,550,000)	167,326,000	15,134,000	168,312,000
Euro Currency		54,590,000	(743,036,000)	3,896,081,000	629,185,000	3,836,820,000
Hong Kong Dollar		5,619,000	(13,120,000)	821,933,000	-	814,432,000
Hungarian Forint		168,000	(1,145,000)	7,179,000	1,130,000	7,332,000
Indian Rupee		1,122,000	-	410,146,000	-	411,268,000
Indonesian Rupiah		674,000	(24,604,000)	87,457,000	23,961,000	87,488,000
Israeli Shekel		593,000	(11,111,000)	35,657,000	11,009,000	36,148,000
Japanese Yen		(5,029,000)	(525,287,000)	1,383,014,000	527,576,000	1,380,274,000
Kuwaiti Dinar		22,000	-	1,515,000	-	1,537,000
Malaysian Ringgit		577,000	(18,316,000)	23,033,000	18,015,000	23,309,000
Mexican Peso		840,000	(15,873,000)	73,370,000	15,339,000	73,676,000
New Taiwan Dollar		1,626,000	(366,000)	434,927,000	-	436,187,000
New Zealand Dollar		292,000	(5,044,000)	9,236,000	4,924,000	9,408,000
Norwegian Krone		477,000	(7,929,000)	59,933,000	8,027,000	60,508,000
Pakistan Rupee		3,000	-	235,000	-	238,000
Peruvian Sol		59,000	(13,975,000)	-	12,540,000	(1,376,000)
Philippines Peso		102,000	-	8,511,000	-	8,613,000
Polish Zloty		874,000	-	59,219,000	-	60,093,000
Pound Sterling		15,292,000	(240,257,000)	1,235,876,000	148,736,000	1,159,647,000
Qatari Riyal		711,000	-	18,481,000	-	19,192,000
Russian Ruble		-	-	3,327,000	-	3,327,000
Saudi Arabian Riyal		(1,199,000)	-	102,992,000	-	101,793,000
Singapore Dollar		(942,000)	1,502,000	83,610,000	-	84,170,000
South African Rand		308,000	(24,000)	61,508,000	-	61,792,000
South Korean Won		1,284,000	(59,662,000)	404,052,000	59,550,000	405,224,000
Swedish Krona		54,000	(129,000)	214,143,000	-	214,068,000
Swiss Franc		988,000	(34,529,000)	364,304,000	18,388,000	349,151,000
Thailand Baht		190,000	(16,191,000)	43,768,000	16,073,000	43,840,000
Turkish Lira		912,000	(506,000)	34,808,000	-	35,214,000
UAE Dirham		145,000	-	18,785,000	-	18,930,000
Total foreign currency exposure	**$**	**88,007,000**	**(2,101,174,000)**	**11,572,795,000**	**1,838,808,000**	**11,398,436,000**

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, multi-family and industrial real estate operating companies, private real estate funds, and other entities in which the assets consist primarily of real property. The Fund's directly owned real estate is 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 management program was initiated during FY2021 and two existing direct holdings were moved into this program. The Fund also holds a portfolio of real estate loans collateralized by income-producing, institutional real estate in the United States; these are administered by an external institutional real estate management firm.

The APFC periodically reviews real estate investments for other than temporary impairment. During FY2023, no real estate holdings were determined to be impaired. In FY2022, one real estate holding was impaired with a related write-down of $219.5 million.

Real estate investments at June 30 are summarized as follows:

2023		Cost	Fair value	Unrealized gains
Real estate investment trusts	**$**	**826,820,000**	**890,984,000**	**64,164,000**
Real estate funds and notes		**2,015,032,000**	**2,291,346,000**	**276,314,000**
American Homes 4 Rent II		**88,660,000**	**123,910,000**	**35,250,000**
Directly owned real estate -				
Retail		**778,026,000**	**1,533,849,000**	**755,823,000**
Office		**1,597,195,000**	**1,744,301,000**	**147,106,000**
Hotel		**59,409,000**	**66,121,000**	**6,712,000**
Industrial		**186,723,000**	**844,681,000**	**657,958,000**
Multifamily		**131,102,000**	**293,749,000**	**162,647,000**
Development		**410,020,000**	**474,343,000**	**64,323,000**
Total real estate	**$**	**6,092,987,000**	**8,263,284,000**	**2,170,297,000**
2022				
Real estate investment trusts	$	875,976,000	987,913,000	111,937,000
Real estate funds and notes		1,248,987,000	1,552,958,000	303,971,000
American Homes 4 Rent II		101,659,000	170,433,000	68,774,000
Directly owned real estate -				
Retail		714,005,000	1,704,483,000	990,478,000
Office		1,077,572,000	1,362,502,000	284,930,000
Hotel		59,403,000	67,993,000	8,590,000
Industrial		110,952,000	662,664,000	551,712,000
Multifamily		168,734,000	349,120,000	180,386,000
Development		231,092,000	241,431,000	10,339,000
Total real estate	$	4,588,380,000	7,099,497,000	2,511,117,000

As of June 30, 2023, the APFC, on behalf of the Fund, had outstanding future funding commitments of $400 million 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. The APFC periodically reviews alternative investments for other than temporary impairment.

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. Because of 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.

During FY2023 and FY2022, no private credit funds were determined to be impaired.

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.

During FY2023, it was determined that 19 private equity funds 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, $99.4 million of unrealized losses were realized through a write-down of cost to fair value. In FY2022, nine private equity funds were impaired with a related write-down of $38.6 million. These impairments have no impact on the carrying value of investments or on the net increase in the fair value of private equity investments.

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.

During FY2023 and FY2022, no infrastructure funds were determined to be impaired.

Alternative investments at June 30 are summarized as follows:

2023		Cost	Fair value	Unrealized gains
Absolute return	**$**	**3,996,041,000**	**5,334,364,000**	**1,338,323,000**
Private credit		**2,356,648,000**	**2,690,337,000**	**333,689,000**
Private equity		**9,633,323,000**	**15,321,168,000**	**5,687,845,000**
Infrastructure		**2,645,590,000**	**3,693,301,000**	**1,047,711,000**
Total alternative investments	**$**	**18,631,602,000**	**27,039,170,000**	**8,407,568,000**
2022				
Absolute return	$	3,802,233,000	5,075,585,000	1,273,352,000
Private credit		2,181,719,000	2,527,914,000	346,195,000
Private equity		9,220,244,000	15,453,580,000	6,233,336,000
Infrastructure		2,146,698,000	3,014,987,000	868,289,000
Total alternative investments	$	17,350,894,000	26,072,066,000	8,721,172,000

As of June 30, 2023, the APFC, on behalf of the Fund, had outstanding future funding commitments of $100 million for absolute return, $1.5 billion for private credit, $4.3 billion for private equity, and $1.4 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 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 Mellon (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 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 on the sale of any non-cash 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, 2023, 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 is as follows:

	2023	2022
Fair value of securities on loan, secured by cash collateral	**$ 1,755,665,000**	4,444,929,000
Cash collateral	**1,791,238,000**	4,576,507,000
Fair value of securities on loan, secured by non-cash collateral	**6,227,202,000**	5,734,690,000
Non-cash collateral	**6,847,010,000**	6,341,254,000

The Fund receives 80 percent of earnings derived from securities lending transactions and the Bank retains 20 percent. During the years ended June 30, 2023 and 2022, the Fund incurred no losses from securities lending transactions. The Fund received income of $23.8 million and $29.0 million from securities lending for the years ended June 30, 2023 and 2022, 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 short-term investments. Accounts payable at June 30 are summarized as follows:

	2023	2022
Accrued liabilities	**$ 24,716,000**	25,650,000
Securities purchased	**1,239,460,000**	1,290,490,000
Total accounts payable	**$ 1,264,176,000**	1,316,140,000

14. STATUTORY AND LEGISLATIVE APPROPRIATIONS

Beginning with 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 $1,680,284,000 in FY2023. An additional $1,680,284,000 was appropriated and transferred to the Dividend Fund. For FY2024, the amount appropriated is $3,526,088,000 to the General Fund. This amount is shown as committed as of June 30, 2023.

Per statute, realized earnings on the principal balance of the dedicated State revenues from the North Slope royalty case settlements (*State v. Amerada Hess, et al.*) have been appropriated from the Fund 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. Statutory and legislative appropriations made during the years ended June 30 are summarized as follows:

	2023	2022
Income distributed during the year:		
General Fund	**$ 1,680,284,000**	3,069,296,000
Dividend Fund	**1,680,283,000**	—
Income distributable at year end:		
Alaska Capital Income Fund	**14,265,000**	24,002,000
Total statutory and legislative appropriations	**$ 3,374,832,000**	3,093,298,000

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:

	2023	2022
Nonspendable		
Balance, beginning of year	$ **60,187,655,000**	60,748,410,000
Dedicated State revenues	**753,610,000**	548,916,000
Inflation proofing transfer from assigned	**4,179,276,000**	-
Commitment to principal	**-**	4,000,000,000
Change in unrealized appreciation on invested assets	**2,400,158,000**	(5,109,671,000)
Balance, end of year	$ **67,520,699,000**	60,187,655,000
Committed		
Balance, beginning of year	$ **3,360,567,000**	7,069,296,000
General Fund transfer to liability	**(3,360,567,000)**	(3,069,296,000)
General Fund commitment	**3,526,088,000**	3,360,567,000
Commitment to principal	**-**	(4,000,000,000)
Balance, end of year	$ **3,526,088,000**	3,360,567,000
Assigned		
Balance, beginning of year	$ **12,788,949,000**	14,079,089,000
Inflation proofing transfer to nonspendable	**(4,179,276,000)**	-
General Fund commitment	**(3,526,088,000)**	(3,360,567,000)
Settlement earnings payable to the ACIF	**(14,265,000)**	(24,002,000)
Realized earnings, net of operating expenditures	**2,505,488,000**	4,567,645,000
Change in unrealized appreciation on invested assets	**(609,698,000)**	(2,473,216,000)
Balance, end of year	$ **6,965,110,000**	12,788,949,000
Total		
Balance, beginning of year	$ **76,337,171,000**	81,896,795,000
Dedicated State revenues	**753,610,000**	548,916,000
General Fund transfer	**(3,360,567,000)**	(3,069,296,000)
Settlement earnings payable to the ACIF	**(14,265,000)**	(24,002,000)
Excess (deficiency) of investment revenues over expenditures	**4,295,948,000**	(3,015,242,000)
Balance, end of year	$ **78,011,897,000**	76,337,171,000

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

	2023	2022
Dedicated State revenues	$ **19,218,699,000**	18,465,090,000
Special appropriations	**14,885,906,000**	14,885,906,000
Inflation proofing	**22,162,717,000**	17,983,440,000
Settlement earnings	**152,911,000**	152,911,000
Total contributions and appropriations	$ **56,420,233,000**	51,487,347,000

On June 16, 2009, the Alaska Attorney General issued a legal opinion clarifying the accounting treatment of unrealized gains and losses. Based on the opinion, proportionate values of the unrealized appreciation or depreciation of invested assets should be allocated to nonspendable fund balances and assigned fund balances. As of June 30, 2023, the Fund's net unrealized gain was $12,825,229,000, of which $11,100,466,000 was allocated to the nonspendable fund balance and $1,724,763,000 was allocated to the assigned fund balance. As of June 30, 2022, the Fund's net unrealized gain was $11,034,769,000, of which $8,700,308,000 was allocated to the nonspendable fund balance and $2,334,461,000 was allocated to the assigned fund balance.

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 $424,399,000. 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). Prior to 2005, the statute required such earnings to be appropriated to Fund principal. The Fund realized earnings on settlement principal of $14,265,000 during FY2023 and $24,002,000 during FY2022.

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 – Quoted prices for identical assets in an active market.

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

Level 3 – Unobservable inputs. 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:

2023	Measured using input levels Level 1	Level 2	Level 3	Measured using NAV	Total
Marketable debt securities					
U.S. Treasury and government notes/bonds	$ 1,817,802,000	13,494,000	—	—	1,831,296,000
Mortgage-backed securities	—	2,280,689,000	—	—	2,280,689,000
U.S. corporate bonds	—	5,494,218,000	—	—	5,494,218,000
Commercial mortgage and asset-backed securities	—	530,881,000	—	—	530,881,000
Non-U.S. government bonds	—	2,018,929,000	—	—	2,018,929,000
Non-U.S. corporate bonds	4,000	894,128,000	419,000	—	894,551,000
Exchange traded funds	153,437,000	—	—	—	153,437,000
Total marketable debt securities	$ 1,971,243,000	11,232,339,000	419,000	—	13,204,001,000
Preferred and common stock					
Domestic stock	13,981,943,000	16,921,000	—	—	13,998,864,000
Non-domestic stock	12,566,336,000	—	9,000	—	12,566,345,000
Commingled funds	103,125,000	—	—	101,184,000	204,309,000
Total preferred and common stock	$ 26,651,404,000	16,921,000	9,000	101,184,000	26,769,518,000
Real estate					
Real estate investment trusts	890,984,000	—	—	—	890,984,000
Real estate funds and notes	—	—	—	2,291,346,000	2,291,346,000
American Homes 4 Rent II	—	—	—	123,910,000	123,910,000
Directly owned real estate	—	—	—	4,957,044,000	4,957,044,000
Total real estate	$ 890,984,000	—	—	7,372,300,000	8,263,284,000
Absolute return	—	—	—	5,334,364,000	5,334,364,000
Private credit	—	—	—	2,690,337,000	2,690,337,000
Private equity	—	—	—	15,321,168,000	15,321,168,000
Infrastructure	—	—	—	3,693,301,000	3,693,301,000
Total investments	$ 29,513,631,000	11,249,260,000	428,000	34,512,654,000	75,275,973,000

2022	Measured using input levels Level 1	Level 2	Level 3	Measured using NAV	Total
Marketable debt securities					
U.S. Treasury and government notes/bonds	$ 2,216,837,000	33,715,000	—	—	2,250,552,000
Mortgage-backed securities	—	1,901,040,000	—	—	1,901,040,000
U.S. corporate bonds	14,000	5,320,885,000	13,185,000	—	5,334,084,000
Commercial mortgage and asset-backed securities	—	627,443,000	—	—	627,443,000
Non-U.S. government bonds	—	1,723,348,000	—	—	1,723,348,000
Non-U.S. corporate bonds	4,000	731,763,000	2,719,000	—	734,486,000
Exchange traded funds	1,397,354,000	—	—	—	1,397,354,000
Total marketable debt securities	$ 3,614,209,000	10,338,194,000	15,904,000	—	13,968,307,000
Preferred and common stock					
Domestic stock	13,666,399,000	—	—	—	13,666,399,000
Non-domestic stock	12,008,533,000	—	13,000	—	12,008,546,000
Commingled funds	90,838,000	—	—	104,300,000	195,138,000
Total preferred and common stock	$ 25,765,770,000	—	13,000	104,300,000	25,870,083,000
Real estate					
Real estate investment trusts	987,913,000	—	—	—	987,913,000
Real estate funds and notes	—	—	—	1,552,958,000	1,552,958,000
American Homes 4 Rent II	—	—	—	170,433,000	170,433,000
Directly owned real estate	—	—	—	4,388,193,000	4,388,193,000
Total real estate	$ 987,913,000	—	—	6,111,584,000	7,099,497,000
Absolute return	—	—	—	5,075,585,000	5,075,585,000
Private credit	—	—	—	2,527,914,000	2,527,914,000
Private equity	—	—	—	15,453,580,000	15,453,580,000
Infrastructure	—	—	—	3,014,987,000	3,014,987,000
Total investments	$ 30,367,892,000	10,338,194,000	15,917,000	32,287,950,000	73,009,953,000

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 –at 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 from 1-91 days and the frequency of redemption is daily to quarterly.

Private credit investments are reported at 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 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.

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. Infrastructure investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 5-7 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 FY2023, approximately $99 million of impairments were recorded. During FY2022, approximately $258 million of impairments were recorded.

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

		2023	2022
Excess (deficiency) of revenues over expenditures	$	**4,295,948,000**	(3,015,242,000)
Unrealized (gains) losses		**(1,790,460,000)**	7,582,887,000
Settlement earnings		**(14,265,000)**	(24,002,000)
Statutory net income	$	**2,491,223,000**	4,543,643,000

18. INVESTMENT INCOME BY SOURCE

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

		2023	2022
Interest			
Marketable debt securities	$	**428,286,000**	448,266,000
Short-term		**74,445,000**	7,880,000
Total interest	$	**502,731,000**	456,146,000
Total dividends	$	**671,564,000**	696,785,000
Real estate and other income			
Directly owned real estate		**97,390,000**	89,821,000
Real estate investment trusts		**37,777,000**	28,373,000
Real estate funds and notes		**43,519,000**	42,925,000
Absolute return		**93,000**	10,000
Private credit		**99,977,000**	69,981,000
Infrastructure		**4,008,000**	43,200,000
Private equity		**154,074,000**	204,730,000
Class action litigation		**1,557,000**	22,664,000
Security lending, commission recapture, and other		**24,522,000**	29,467,000
Total real estate and other income	$	**462,917,000**	531,171,000

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, 2023 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 non-performance by these counterparties. The Fund's market risk as of June 30, 2023 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:

		2023	2022
Fair value of FX forward contracts, beginning of year	$	**42,662,000**	24,695,000
Net change in fair value of FX forward contracts		**(39,731,000)**	17,967,000
Fair value of FX forward contracts, end of year	$	**2,931,000**	42,662,000
Notional amount of FX forward contracts, end of year	$	**5,909,068,000**	1,867,092,000

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 settle price.

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

		2023	2022
Fair value of equity index futures, beginning of year	$	**(1,366,000)**	9,131,000
Net change in fair value of equity index futures		**8,120,000**	(10,497,000)
Fair value of equity index futures, end of year	$	**6,754,000**	(1,366,000)
Notional amount of equity index futures, end of year	$	**87,593,000**	(1,996,000)

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

		2023	2022
Fair value of U.S. Treasury index futures, beginning of year	$	**3,556,000**	(5,717,000)
Net change in fair value of U.S. Treasury index futures		**(11,219,000)**	9,273,000
Fair value of U.S. Treasury index futures, end of year	$	**(7,663,000)**	3,556,000
Notional amount of US Treasury index futures, end of year	$	**29,843,000**	36,314,000

20. EXPENDITURES

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

		2023	2022
Corporate expenditures			
Salaries and benefits	$	**15,046,000**	13,300,000
Communications and subscriptions		**6,945,000**	6,979,000
Consulting		**3,455,000**	3,071,000
Training, supplies, and other		**1,086,000**	1,029,000
Rent		**520,000**	509,000
Travel		**591,000**	508,000
Legal and audit fees		**1,017,000**	944,000
Property and equipment		**551,000**	635,000
Subtotal corporate expenditures	$	**29,211,000**	26,975,000
Investment management and custody fees			
Investment management fees		**131,188,000**	114,089,000
Custody and safekeeping fees		**1,248,000**	1,194,000
Subtotal investment management and custody fees	$	**132,436,000**	115,283,000
Total operating expenditures	$	**161,647,000**	142,258,000
Other legislative appropriations from corporate receipts			
Department of Natural Resources		**6,611,000**	6,493,000
Department of Law		**2,923,000**	2,688,000
Department of Revenue		**191,000**	100,000
Total other legislative appropriations	$	**9,725,000**	9,281,000
Total expenditures	$	**171,372,000**	151,539,000

Through the appropriations and budget process, the Legislature allocates corporate receipts to other State departments 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, 2023 and 2022 amounted to $10,712,000 and $9,023,000, 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, 2023 and 2022 amounted to $7,300,000 and $7,908,000, respectively.

A heavy-haul truck pulls a load past a section of the trans-Alaska oil pipeline south of Prudhoe Bay.

EXECUTIVE
Deven Mitchell
Executive Director

Jennifer Loesch
Executive Administrative Specialist

Chris Poag
General Counsel

INVESTMENTS
Marcus Frampton
Chief Investment Officer

Rachel Price
Investment Analyst

PUBLIC EQUITIES
Fawad Razzaque
Director of Investments - Public Equities

Joe Shinn
Investment Analyst II

Sang Won Song
Portfolio Manager

FIXED INCOME
Jim Parise
Director of Investments - Fixed Income

Chris Cummins
Senior Portfolio Manager

Michael Gumz
Credit Analyst

Tom O'Day
Portfolio Manager

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VALUES

Our employees' commitment to our values is part of the reason why APFC's work stands out in Alaska and on national stages — a track record built upon teamwork and dedication.

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.

ABOUT APFC

OUR MANDATE

The Alaska Permanent Fund is America's largest sovereign wealth fund, created by a supermajority of Alaska voters in 1976 as an amendment to our state Constitution. Alaskans intentionally established the Fund to be protected by our Constitution so it cannot be changed without a vote of the people and is not available for day-to-day government spending. What is available for government spending is money generated by investing the Fund.

Our mandate per state law is to manage and invest the assets of the Fund to "maintain safety of principal while maximizing total return."

How we achieve that balance – and fulfill our mandate – is the focus of this annual report.

ABOUT THE ALASKA PERMANENT FUND CORPORATION

The Permanent Fund was designed as a public endowment to convert a portion of the state's non-renewable oil and mineral wealth into a renewable financial resource preserved for all generations of Alaskans then and into the future.

Four years later, in 1980, Alaska's Legislature created the Alaska Permanent Fund Corporation (APFC) as a state entity tasked with managing the assets of the Permanent Fund and other funds designated by law.

APFC is not a government agency, but rather, a quasi-independent state entity. The term "quasi-independent" refers to the fact that APFC is overseen by Trustees nominated by the governor but is not directly administered by the State and has sole authority to make investment decisions for the Fund. Only the Legislature has authority to decide how to use earnings generated by investing the Fund.

APFC has been acclaimed globally for its ability to create and grow value on a sustainable basis for Alaska. Our model is based on having a Board of Trustees that sets broad investment guidance, including goals and risk tolerance, for a talented management team, which then makes specific investment decisions through asset-class directors and their staffs of asset specialists, all of whom are highly accomplished financial experts who routinely outperform their industry peers.

The term "managers" is used throughout this annual report and can refer to an individual employee of APFC (an "internal manager") or to a separate investment firm (an "external manager"). External managers are closely monitored and guided by our internal managers.

BEST PRACTICES

APFC is a global leader in sovereign wealth fund governance, transparency, and investment and is a founding member of the International Forum of Sovereign Wealth Funds (IFSWF).

In providing an enduring financial resource to benefit current and future generations of Alaskans, we hold ourselves to the highest standards of fiduciary duty, ethical conduct, accountability, and integrity.

TRUSTED
FOR GENERATIONS

"The Fund's importance to generations of Alaskans elevates our mandate. In conversations about the Fund, I am continually reminded how remarkable it is that our predecessors had the discipline, foresight, and generosity to set aside a portion of revenues from non-renewable resources to create an intergenerational resource for every current Alaska resident, as well as our children and all those who will come after us."

— **Ethan Schutt**
Chairman of the APFC Board of Trustees

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