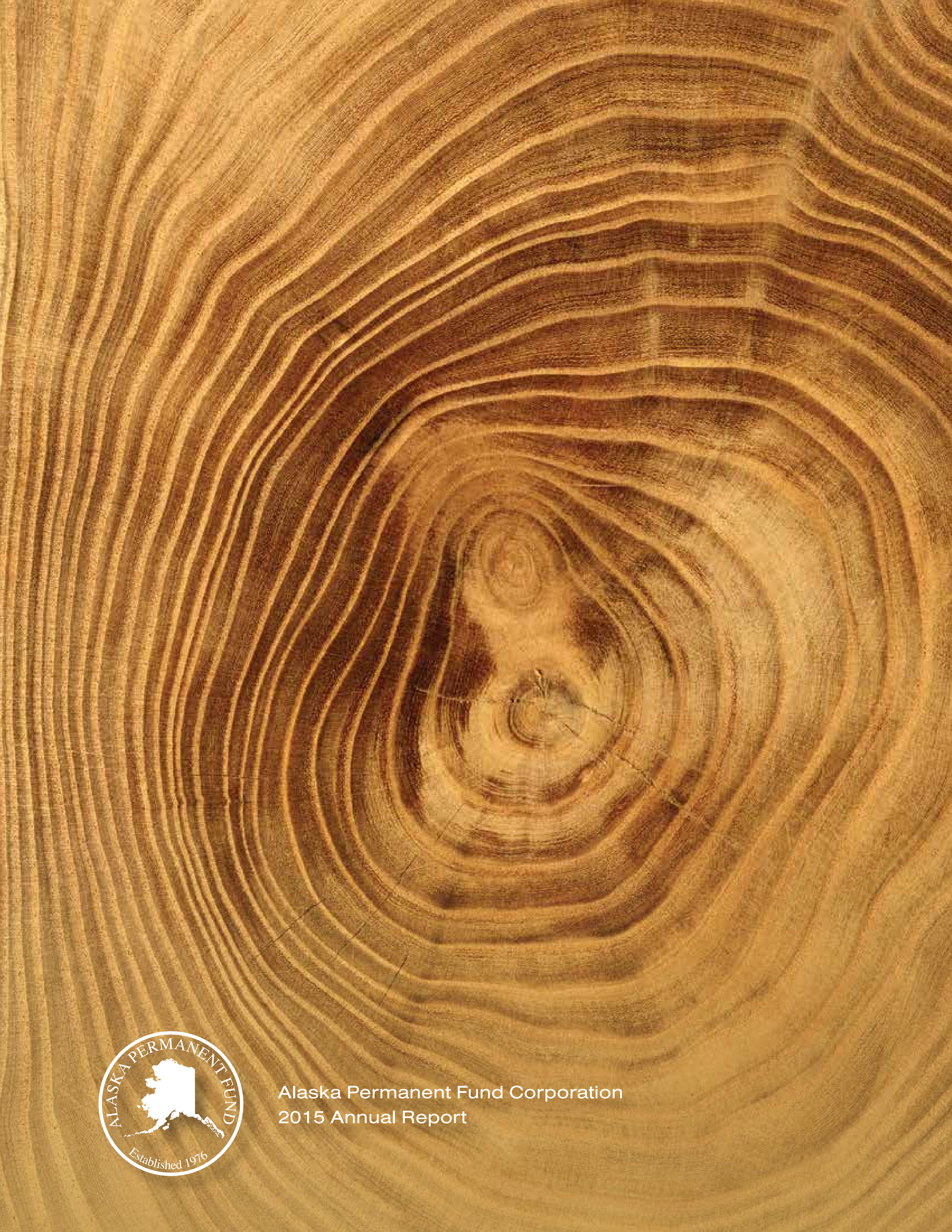

ALASKA PERMANENT FUND
Established 1976

Alaska Permanent Fund Corporation
2015 Annual Report

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The Alaska Permanent Fund is an investment savings account that belongs to the State of Alaska. It was created in 1976 by a voter-approved amendment to the Alaska Constitution. The beneficiaries of the Fund are the State of Alaska and all present and future generations of Alaskans.

The Permanent Fund is made up of two parts: nonspendable (principal) and assigned (realized income). The nonspendable portion of the Fund is invested permanently and cannot be spent without amending the state constitution through a majority vote of the people. Decisions about uses of the assigned portion are made each year by the people's elected representatives – the Alaska State Legislature and the governor. The Alaska Permanent Fund Corporation ("APFC") manages the Fund.

Use of Fund Income

Since inception (in billions)

46% Paid out to Current Generations	23.5
54% Saved for Future Generations	27.7

APFC Target Asset Allocation

by Traditional Asset Class for Fiscal Year 2015

36% Stocks	6% Absolute Return Strategies
20% Cash and Bonds	4% Infrastructure
12% Real Estate	16% Other
6% Private Equity	

APFC Target Asset Allocation

by Economic Condition for Fiscal Year 2015

- 55% Company Exposure
- 20% Special Opportunities
- 19% Real Assets
- 6% Cash and Interest Rates

LETTER FROM THE CHAIR

A tree grows and changes over the course of its life, adding rings of experience and structure; similarly, the Alaska Permanent Fund and the Corporation grow and change as well. As the longest serving Executive Director in the Corporation's history, Mike Burns guided the Permanent Fund through a significant amount of structural growth. Over the years he worked tirelessly with the Board, staff and legislature to increase the sophistication of the Fund's investments and bring more of the management in-house.

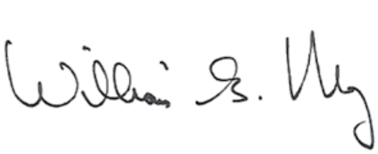
The Board of Trustees hired Mike in August, 2004 following Bob Storer's retirement. One of Mike's first accomplishments was to shepherd legislation which removed outdated investment limits from state law, allowing the Board to invest under the prudent institutional investor standard. He also worked to gain the passage of a provision that requires cause for the removal of the public board members, helping retain institutional knowledge and smoothing the transition between administrations.

During his tenure, he helped create new programs, such as the infrastructure portfolio. Mike worked alongside the Corporation's Chief Investment Officer, Jay Willoughby, to make the Permanent Fund's first direct private equity investment in American Homes 4 Rent, which buys single family homes across the U.S. and manages them as rental housing. He also encouraged the Board to undertake the Fund's first construction project, the recently completed expansion at Tysons Corner Center outside Washington, D.C.

Mike's retirement in June of this year brought his direct influence on the Fund and the Corporation to a close, but the impact of his work will be felt for many years to come. The Board has valued his wisdom and dedication to progress, and his contributions are immeasurable.

Mike brought more to the table than his business experience and leadership skills. He was also a genuinely kind and steady presence, and a pleasure to work with. We were all saddened by his passing this summer. He will be sorely missed. The best tribute that we can offer is to continue managing the Permanent Fund in the prudent and professional manner that he displayed.

Joining us in that task is Randy Hoffbeck, who became a Trustee following his appointment to the position of Commissioner of Revenue. Trustee Hoffbeck has more than 30 years of experience in a range of finance related positions, including the Director of Administration and Finance and CFO for the North Slope Borough and work as the lead appraiser in the valuation and administration of tax assessments on all oil and gas properties in the State of Alaska. We appreciate the service of outgoing Trustee Angela Rodell, and wish her well in her future endeavors.

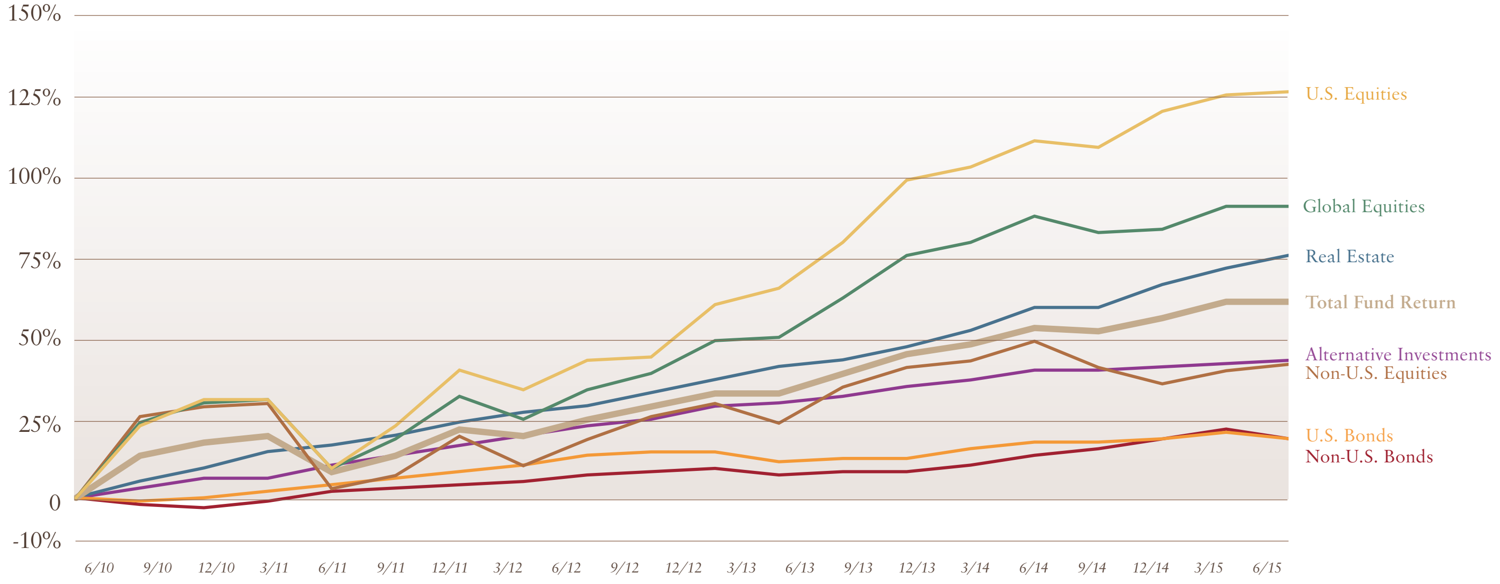


William Moran

(From left to right) Randall Hoffbeck, Larry Cash, Carl Brady, Bill Moran, Larry Hartig, Gary Dalton

The Effects of Diversification

Five Year Cumulative Return



LETTER FROM THE CEO

Although my tenure at the Alaska Permanent Fund Corporation drew to a close shortly before the end of the fiscal year, the APFC's Acting CEO and Chief Financial Officer Valerie Mertz asked if I would review the Permanent Fund's performance as I have for each year since I started in 2004.

For fiscal year 2015, the Fund gained 4.9 percent, well ahead of the composite benchmark return of -1.4 percent, and ended June 30 with a value of $52.8 billion, up $1.6 billion from the prior fiscal year-end. Although the Fund's performance ended the fiscal year in positive territory, it was at times a volatile year, and some asset classes produced losses.

After two years of rising markets, the correction we saw at the start of the year wasn't wholly unexpected. The U.S. stock portfolio produced mildly negative returns, with greater losses in the overseas stock investments. U.S. bond holdings were essentially flat, while non-U.S. holdings were up for the quarter in contrast to stocks. Private equity and infrastructure did well in the first part of the year, but for the most part the other portfolios were relatively flat or down for the period.

Despite the poor performance of the domestic markets at the start of the fiscal year, U.S. economic indicators appeared sound, and the Fund's U.S. stock and bond portfolios turned around in the fall. Both portfolios were up for the second quarter, as were the non-U.S. bond holdings and the Fund's real estate and private equity investments. European and Asian markets faced more challenging circumstances, and the Fund's non-U.S. and global stock portfolios had losses in the second quarter.

However, in the third quarter of the fiscal year non-U.S. stocks began to turn around while the Fund's U.S. stock portfolio continued to produce gains, and U.S. bonds ended in positive territory, making up ground lost in the first quarter. Non-U.S. bonds also continued to climb upward, as did real estate and private equity. After two quarters of flat performance, the absolute return portfolio also ended the third quarter in positive territory.

The final quarter of the fiscal year started off with U.S. stocks heading up while non-U.S. markets were providing slight gains. But concerns over Greece and its pending debt-default shook markets world-wide, causing losses for June that produced almost flat performance for the quarter. U.S. and non-U.S. bonds did not fare as well, losing ground in the fourth quarter, while the Fund's private equity portfolio, which is based primarily in the U.S., was up for the period.

We were pleased to welcome new staff to the APFC over the course of the fiscal year. Jane Sherbrooke, our finance intern in 2014, returned after graduation to become an Operations Analyst in the Finance Department. Matt Olmsted joined the Corporation as a Fixed Income Credit Analyst, and Chris Poag transferred from the Alaska Department of Law to serve as the APFC's General Counsel. When I first started at the Permanent Fund, I said that I was impressed by the sense of purpose shown by the APFC staff and that I immediately held them in high regard. Over the years I continued to appreciate the skill and dedication shown by all of the staff, and I think these newest members are valuable additions to the team.

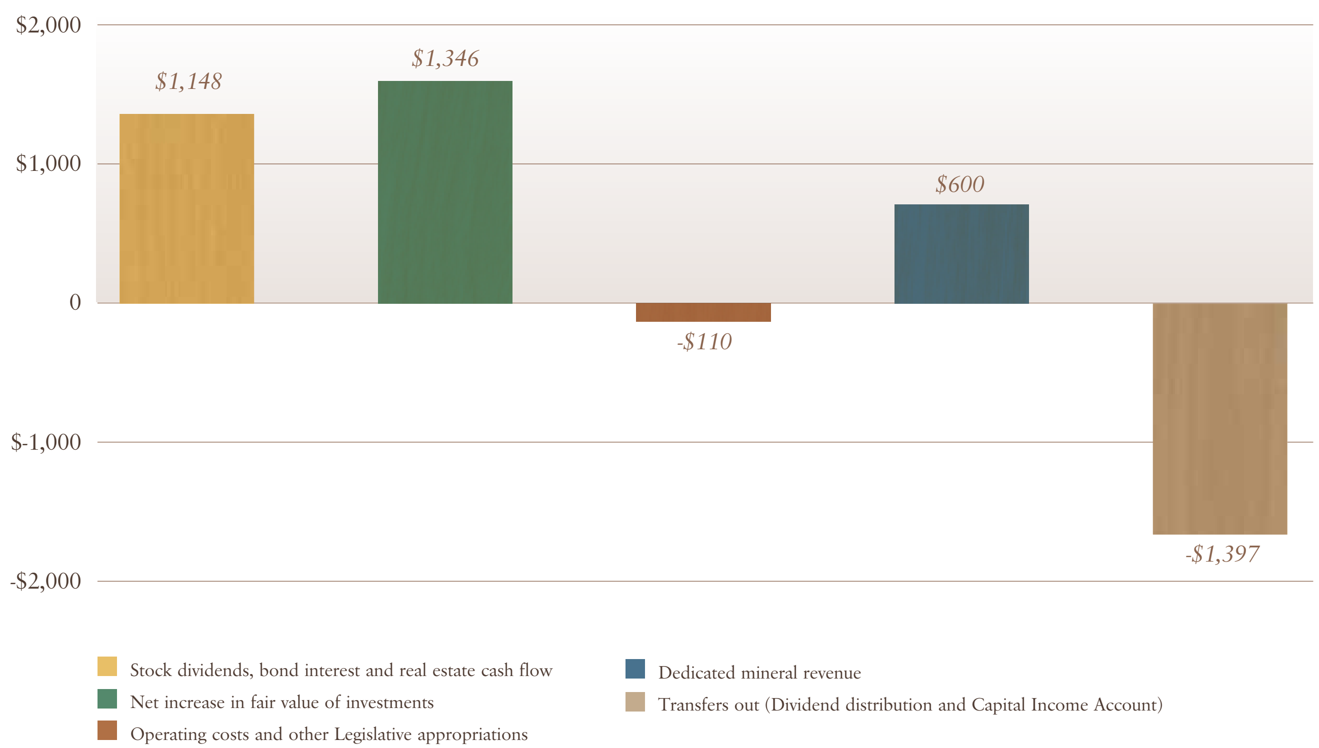
As one of the early sovereign wealth funds, and the largest state-level fund of its kind in the United States, the Permanent Fund attracts attention from all over the world as a model for how to turn a non-renewable natural resource into a renewable financial resource. It is an important part of Alaska's history and our state's future, and I am honored to have been given the opportunity to contribute my efforts alongside those of the Board of Trustees and our staff.

Michael J. Burns
July 2, 2015

"I am honored to have been given the opportunity to contribute my efforts alongside those of the Board of Trustees and our staff."

Source of Change in Fund Value

Fiscal Year 2015 (In Millions)



INVESTING FOR THE LONG RUN

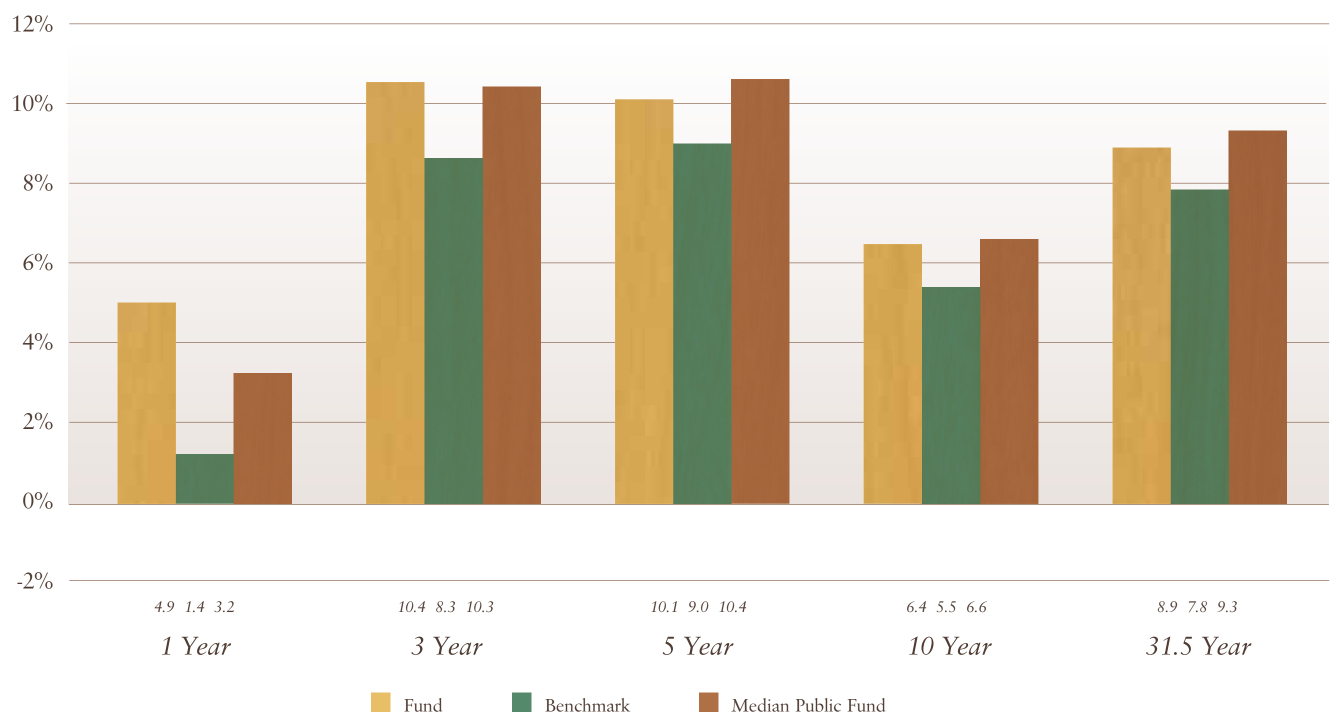
The Board of Trustees' statutory direction is to generate the maximum return while protecting principal. To meet both of these objectives, the Board sets an asset allocation that is designed to provide a 5 percent real rate of return over time with a prudent level of risk.

Rolling 10-Year Return

Annualized Returns for Periods Ending June 30

Fund's Long-Term Investment Performance

Annualized Returns for Periods Ending June 30

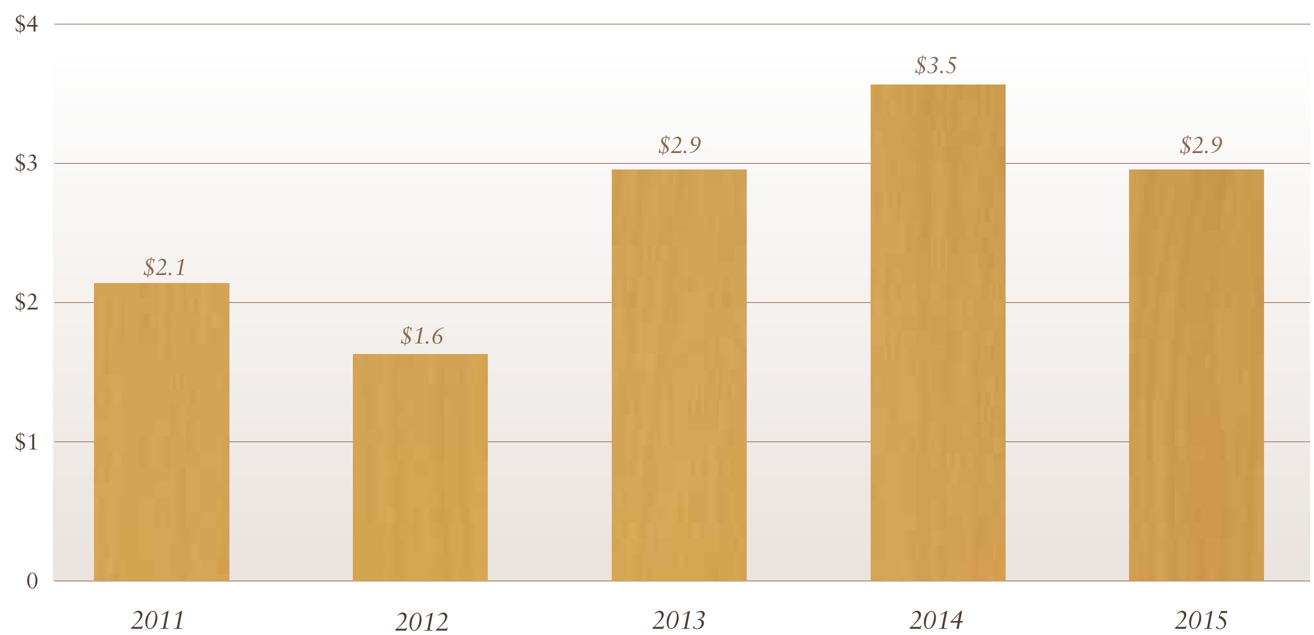


Fund Fiscal Year 2015 Performance

Statutory Net Income

by Fiscal Year (in billions)

Statutory net income is used to calculate the annual Permanent Fund Dividend distribution. Statutory net income excludes any settlement income from the North Slope royalty case (State v. Amerada Hess, et al.) and any unrealized gains or losses.



BONDS

Although the markets ended the period with gains, fiscal year 2015 was not an easy year for bonds. In the U.S., volatility continued throughout the year, with yields declining (and prices rising) during the first half of the year, only to lose most of the gains over the next six months. Non-U.S. bonds fared no better, with developed market portfolios suffering greater than average volatility as Eurozone rates traced a similar path to U.S. yields. Emerging markets were thrown into turmoil by a combination of depreciating currencies and waning appetite for risk. Even during this uncertain environment, portfolio performance was broadly positive, with mixed results versus the benchmarks.

U.S. Bonds

The Permanent Fund's $11.1 billion U.S. bond portfolio gained 1.2 percent for fiscal year 2015, behind the Barclay's U.S. Aggregate Index return of 1.9 percent. The bulk of this portfolio is managed internally by the Corporation's staff.

The corporate bond portfolio ended the year at $2.8 billion and returned 1.6 percent, ahead of the Barclay's Capital U.S. Corporate Index return of 0.8 percent. The $3.0 billion intermediate corporate bond portfolio returned 1.7 percent versus the Barclay's U.S. Intermediate corporate index of 1.5 percent. The CMBS portfolio returned 2.1 percent, compared to the Barclay's Capital U.S. CMBS ERISA Eligible AAA Index return of 2.2 percent, and ended the year with a value of $313 million. The $610 million MBS portfolio gained 2.7 percent, ahead of the Barclay's Capital U.S. MBS Index return of 2.3 percent.

The $1.0 billion U.S. government portfolio gained 2.2 percent for the period versus Barclay's Capital U.S. Treasury Index return of 2.3 percent. The $592 million APFC-managed Treasury Inflation Protected Securities (TIPS) portfolio lost 1.8 percent, while the Barclay's Capital U.S. TIPS benchmark returned -1.7 percent.

The internally managed U.S. Aggregate Portfolio returned 1.7 percent, compared to the Barclay's U.S. Aggregate Portfolio Index return of 1.9 percent, ending the year with a value of $1.0 billion.

The Permanent Fund has three external domestic managers which oversee high yield bond and intermediate TIPS portfolios. The $154 million Capital Guardian high yield portfolio returned 0.3 percent for the fiscal year, while the $358 million Oaktree high yield portfolio lost 0.4 percent. In comparison, the Barclay's Capital Global High Yield Corporate (Hedged) Index returned 0.2 percent for the period. Alaska Permanent Capital Management oversees a $586 million intermediate TIPS portfolio for the Fund, which lost 1.7 percent for the period, versus Barclay's Capital 1-10yr TIPS Index loss of 2.0 percent.

Non-U.S. Bonds

As a whole, the Permanent Fund's non-U.S. bond investments lost 2.4 percent for the fiscal year, ending June 30 with a value of $978 million. The $214 million internally managed non-U.S. portfolio returned 3.6 percent for its first full fiscal year, compared to the Barclay's Capital Global Treasury ex-U.S. Index (Hedged) return of 4.0 percent. The external portfolio managed by Rogge Global Partners returned 3.6 percent for the year, with an ending value of $314 million. Capital Guardian's $450 million high yield emerging market debt portfolio lost 8.5 percent for the year, compared to the custom benchmark loss of 8.7 percent.

Bond Portfolio

by Internal vs External Management as of June 30, 2015 (in billions)

84%	Internally Managed	9.3
16%	Externally Managed	1.8
	Total	$11.1

Bond Portfolio

by Region as of June 30, 2015 (in billions)

79%	U.S.	8.8
21%	Non-U.S.	2.3
	Total	$11.1

Bond Portfolio

by Security Type as of June 30, 2015 (in billions)

48%	U.S. Corporates	5.4
20%	U.S. Treasuries	2.2
11%	Non-U.S. Government	1.2
7%	Mortgage-Backed	0.8
4%	CMBS	0.4
10%	Non-U.S. Corporates	1.1
	Total	$11.1

STOCKS

After two years of solid gains in the global stock markets, they continued their climb at a more tepid pace during fiscal year 2015. Several factors drove performance for the period, with the more significant ones being a persistent strength in the U.S. dollar on the back of an improving domestic market, declining commodities prices, particularly in the energy sector, and continued uncertainty over the economic slowdown in China and Europe. In general, the first half of the fiscal year was marked by continued strength of U.S. and large market capitalization stocks. The lead then passed to non-U.S. and small capitalization stocks during the second half of the period, with weakness in emerging markets and strength in growth oriented stocks being more persistent themes. The cumulative result was positive returns for U.S. stocks and negative returns for non-U.S stocks for the full fiscal year.

For fiscal year 2015 the total public stock portfolio declined 0.1 percent, underperforming the MSCI ACWI IMI benchmark, which returned a positive 0.8 percent. The underperformance was largely driven by the overweight to non-U.S. and small capitalization stocks in the portfolio relative to the benchmark.

The U.S. stock portfolio gained 7.2 percent for fiscal year 2015, versus the Russell 3000 benchmark return of 7.3 percent. The overweight in small capitalization stocks relative to this benchmark explained the relative underperformance in the U.S. portfolio, offset by positive contribution from the active managers. The portfolio ended June 30 with a value of $6.7 billion.

Strength in the U.S. dollar had a significantly negative impact on the Permanent Fund's non-U.S. portfolio. The portfolio delivered positive returns in local currency terms, however the overall performance turned negative when translated into U.S. dollars. The $9.1 billion non-U.S. stock portfolio lost 5.2 percent for the fiscal year, compared to the -5.0 percent return of the MSCI ACWI IMI ex-U.S. return, with the underperformance explained by the overweight to emerging markets stocks. For the most part, growth stocks outperformed value stocks. Large capitalization companies were ahead at times, but small cap stocks were the stronger performers for the full period in both non-U.S. developed and emerging markets.

Mid-way through the fiscal year, four active managers were added to increase the diversification within the non-U.S. portfolio: Schroder Investment Management North America Inc., LSV Asset Management, Johnston Asset Management Corporation, and J.P. Morgan Investment Management Inc. Schroder and LSV focus on value companies, while the latter two focus on growth companies.

Ending the fiscal year with a value of $5.2 billion, the Fund's global portfolio gained 1.2 percent for the period. In comparison, the MSCI ACWI index returned 0.7 percent.

Stock Portfolio

by Regional Mandate as of June 30, 2015 (in billions)

32%	U.S. Stocks	6.7
25%	Global Stocks	5.1
43%	Non-U.S. Stocks	9.1
	Total	$20.9

U.S. Stock Portfolio

by Company Capitalization as of June 30, 2015 (in billions)

19%	Small/Mid-cap	1.3
81%	Large-cap	5.4
	Total	$6.7

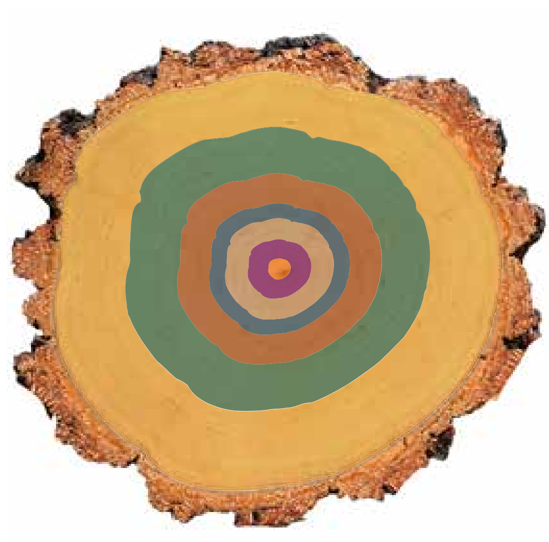
Stock Portfolio

by Active and Passive Management Styles as of June 30, 2015 (in billions)

69%	Active	14.4
24%	Passive	5.0
7%	Quasi-Passive	1.5
	Total	$20.9

Stock Portfolio

by Region as of June 30, 2015 (in billions)



39%	U.S.	8.2
18%	Europe ex U.K.	3.8
15%	Asia ex Japan	3.0
7%	U.K.	1.3
9%	Japan	2.0
8%	Americas	1.7
4%	Other	0.9
	Total	$20.9

REAL ESTATE

The Permanent Fund's real estate portfolio gained 9.8 percent for fiscal year 2015, ending June 30 with a value of $6.5 billion. The benchmark changed mid-way through the fiscal year, from UBS Global REIT index to the FTSE EPRA/NAREIT Developed Rental index. The composite return produced from these indexes was 1.3 percent for the period.

Private Real Estate

The Fund's $4.1 billion portfolio of 58 directly held properties gained 13.1 percent for the fiscal year, slightly outperforming the NCREIF Property Index return of 13.0 percent. While the bulk of the portfolio is based in the U.S., overseas properties comprise $216 million of the total.

The spring of 2015 brought the grand opening of the three-building expansion at Tysons Corner Center outside Washington D.C. Tysons Corner has been an important part of the Fund's real estate portfolio since 1985, and the Fund co-owns the property with operating partner, Macerich. Built to take advantage of the new Silver Line metro service from downtown, the expansion includes the 429-unit VITA luxury apartment building, the 535,000 square foot Tysons Tower office building and the Hyatt Regency hotel, with 310 guest rooms and suites. A one-acre plaza area provides direct access to the metro station and links the new properties to Tysons Corner shopping center. The elevated plaza provides space for community events, outdoor recreation, and tenant sponsored events. This expansion solidifies Tysons premier location and position within the marketplace and is expected to increase the value and earning potential of this flagship property.

Two recent initiatives saw progress this fiscal year: European real estate, where the Permanent Fund was able to make a favorable entry in a new market, and U.S. industrial properties, acquiring properties in a growth segment underweight in the portfolio. The Fund purchased a 50 percent interest in Zenia Boulevard Shopping Centre in Alicante, Spain and Alegro Alfigade Shopping Centre in Lisbon, Portugal. Through these acquisitions, APFC was able to form a promising strategic partnership with Immochan, a large European owner and operator of retail properties throughout the continent. In the industrial sector, Valwood & CentrePort Industrial Park, a multi-building property located in Dallas, was purchased at the start of the fiscal year, and Faraday, a warehouse located in Carlsbad, California was added shortly thereafter.

Retail and multi-family properties continue to be overweight in the portfolio, because these segments are expected to outperform the overall NCREIF NPI on a risk-adjusted basis, over the long term. In particular, the Permanent Fund's retail properties are focused in areas demonstrating strong demographics and higher income per capita, in cities including New York City, Austin, Chicago and Washington D.C. In the multi-family space, Simpson Housing LLLP owns and operates large multi-family properties across the U.S. The Permanent Fund's share of the partnership, which it jointly owns with the State of Michigan Retirement System, was valued at $1.1 billion on June 30, and earned 15.8 percent for the fiscal year.

Lastly, another strong theme in the portfolio is urbanization, where staff has worked to move out of suburban locations and into amenities-rich, dominant Central Business District locations. Two suburban office buildings, located in California and Georgia, were sold in fiscal year 2015 to facilitate this shift in the portfolio.

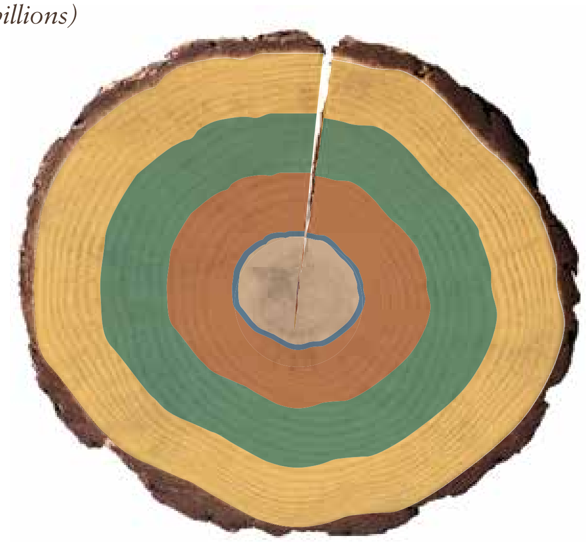
Public Real Estate

AEW Capital Management oversees a $408 million global real estate investment trust (REIT) portfolio for the Permanent Fund, which returned 2.3 percent for the fiscal year, compared to the custom composite return of 1.3 percent.

The Fund's investment in the American Homes 4 Rent REIT comprises about 21 percent of shares outstanding. The company purchases single family homes and manages them as rental properties in a number of locations across the U.S. Initial investments in the company were made as direct venture capital, and the REIT was moved to the real estate portfolio after the company went public in 2013. The Fund's $718 million share of the company declined 8.6 percent for fiscal year 2015. The benchmark for this investment is the MSCI U.S. REIT Index, which gained 3.9 percent.

Real Estate

by Property Type as of June, 2015
(in billions)



25%	Retail	1.6
24%	Multifamily	1.6
27%	Office	1.7
4%	Industrial	0.3
20%	REITs	1.3
	Total	$6.5

Tysons Corner Center expansion, Washington, D.C. opened 2015

PRIVATE ASSETS

Private market assets are typically investments that do not trade in public markets or have very limited liquidity, and benefit from a long investment horizon. This includes equity holdings in private companies and partnerships, infrastructure investments in critical service assets, other real assets investments such as timberlands, as well as private debt investments such as loans extended to companies outside of the traditional bond and bank loan markets.

The Corporation's methods of making private asset investments has evolved over the ten years since the start of the private markets program to include more direct investment decision-making by staff. Greater control by staff results in better governance, clearer alignment of interests, lower costs, and an increased ability to shape the Permanent Fund's private asset portfolio in a timely and prudent manner.

The private markets program has evolved from complete reliance on third-party gatekeepers in 2004, to include the direct selection of infrastructure investments and private equity investments in 2006 and 2012, respectively. Most recently, internally-managed programs for co-investing directly in infrastructure and private equity transactions alongside third-party managers were implemented. With these developments, the APFC's staff is playing an increasing role in the selection and management of investments with the ultimate objective of generating the highest risk-adjusted net-of-fee returns on invested capital within the risk guidelines set by the Board. This also allows the Fund to minimize fees to outside advisors, further boosting net returns.

Altogether, the private markets program represents a 12 percent target allocation for the Permanent Fund, comprised of 6 percent to private equity, 4 percent to infrastructure and other real assets, and 2 percent to private credit. The private markets portfolio enjoyed broad success in fiscal year 2015, delivering considerable gains and, in every category, outperforming applicable benchmarks.

Private Equity

The Permanent Fund's growing private equity portfolio is comprised of venture capital investments, growth equity investments, buyouts, and special situations. To mitigate risk, the portfolio is diversified across managers, strategies, geographies, industries, and time. This strategy is implemented through commitments to both private equity funds and private equity co-investments.

In contrast to the APFC's typical fund commitments, co-investments made by staff are comparatively small, direct investments alongside selected private equity managers. Co-investments are typically accompanied by more information (on industries, strategies, and investment themes) and have little or no fee burden. Since becoming active in private equity co-investments in late fiscal year 2014, this activity has allowed the APFC to identify talented investment managers, inform fund commitment decisions, and reduce overall administrative costs.

The Fund's private equity assets were valued at $3.2 billion as of June 30, and returned 16.5 percent for fiscal year 2015. The program's benchmark, a 60/40 blend of U.S. and non-U.S. stocks, returned 2.6 percent over the same period. Over the last three years, private equity returned 18.6 percent. In fiscal year 2015, $711 million was committed to 32 new partnerships and co-investments, bringing the Fund's cumulative commitments to private equity to $5.8 billion. Over this period the Permanent Fund has also received back a total of $2.4 billion from distributions and liquidations of prior investments. Although it typically takes 8 to 10 years for a new private equity program to mature, private equity has already contributed positively to the overall performance of the Fund by delivering a net internal rate of return (net IRR) of 11.6 percent since inception ten years ago.

Infrastructure and Other Real Assets

In 2015, the Permanent Fund's Board of Trustees approved an amendment to the Investment Policy extending the infrastructure mandate to include other real assets. This modification follows the successful move into infrastructure co-investments in 2012 and listed infrastructure in 2013, and provides staff further flexibility to pursue the most attractive investment opportunities available. Staff may now consider other real assets that have similar risk and return characteristics of infrastructure. This flexibility enables the Permanent Fund to invest opportunistically rather than keeping an artificially rigid focus on traditional infrastructure sectors, which have experienced dramatic increases in capital flows in the past several years.

The $1.5 billion infrastructure and other real assets portfolio returned 4.7 percent for fiscal year 2015, compared to a decline of 1.7 percent for the asset class' benchmark FTSE Core Developed Infrastructure Index. Over the past three years, the program has delivered 9.7 percent net returns annually. The net IRR for the program since its 2006 inception is 5.9 percent, broadly in-line with the long-term return objective of inflation plus 5.5 percent.

Investments through nine private infrastructure funds comprise the bulk of the portfolio, totaling $1.2 billion. A $125 million commitment to Morgan Stanley Infrastructure II was the single new addition for the fiscal year, and topped up an original $125 million commitment in fiscal year 2014 for a total commitment of $250 million.

Listed infrastructure represents investments in publicly traded infrastructure securities. These investments increase liquidity in the portfolio and allow staff to take advantage of relative value discrepancies between the public and private markets in certain infrastructure sectors. Valued at $356 million as of June 30, the APFC's listed infrastructure investments produced a 1.8 percent return for the Fund for fiscal year 2015 compared to a 1.7 percent decline in the FTSE Core Developed Infrastructure Total Return Index.

Co-investments are additional interests in existing private infrastructure investments, and provide greater exposure to this asset class while exhibiting lower (or no) fee drag to returns. At year's end, the Permanent Fund had one infrastructure co-investment, valued at $35 million. The investment returned 15.0 percent for the fiscal year and has produced a net IRR of 12.1 percent from its investment date.

Private Credit

The Permanent Fund's private credit program consists of three mezzanine debt commitments and a diversified credit opportunities portfolio managed by Crestline Investors, Inc.

Mezzanine debt is comprised of subordinated loans to private companies, a majority of which are controlled by private equity firms. The Fund invests in mezzanine debt through a fund managed by Oaktree Capital Management and two Audax Management Company funds. Together these investments were valued at $247 million on June 30. For the year they returned 9.6 percent, compared to the LIBOR plus 600 basis points benchmark return of 6.2 percent. The mezzanine debt program for the Permanent Fund has produced a since-inception net IRR of 9.0 percent versus the benchmark return of 6.2 percent.

Crestline's Credit Opportunities Fund is a fund-of-funds that invests opportunistically across various segments of the public and private credit markets. The Permanent Fund's $960 million investment in this vehicle returned 3.6 percent for fiscal year 2015, compared to the 1.8 percent return of the Global High Yield plus 150 basis points benchmark return.

On a since-inception net IRR basis, as of June 30, the Crestline fund has returned 7.5 percent compared to the benchmark return of 8.9 percent. The Permanent Fund has begun a program of making diversified private credit fund investments directly, allowing staff a greater decision-making role and better control over the private credit program. This increased direct activity will complement the Fund's current managers' efforts in the private credit markets.

Infrastructure Investments (Paid-in Commitments)

by Sector as of June 30, 2015 (in millions)

50%	Energy	669
38%	Transportation	510
11%	Water and Waste Management	149
1%	Communication	18
	Total	$1,347

ALTERNATIVE INVESTMENTS AND SPECIAL OPPORTUNITIES

Alternative investments and special opportunities are investments that do not fall easily into the Permanent Fund's traditional asset classes. Some of these investments are a blend of holdings from different asset classes. Other investments may eventually fit into one of the traditional classes, but due to a new structure, approach or their opportunistic nature, are held separately in the special opportunities class in their early years.

Absolute Return and External CIO/ Real Return

All of the managers within the absolute return and real return programs can be classified as absolute return. Absolute return strategies are constructed from a variety of securities selected to achieve a target return within defined risk limits. Instead of relying on the direction of markets, investment managers attempt to generate uncorrelated returns from traditional stock and bond investments by employing sophisticated trading and hedging strategies. The five managers with portfolios in the absolute return program are Crestline Investors Inc., Lazard Asset Management, Mariner Investment Group, Bridgewater Associates and Blackstone Asset Management. As a group, the absolute return managers gained 1.7 percent for the fiscal year, ending June 30 with a value of $3.1 billion. Two benchmarks are used for comparison purposes, LIBOR +4 for lower risk investments, which returned 4.2 percent, and LIBOR +6 for higher risk investments, which returned 6.2 percent for the fiscal year. Three managers, AQR Capital Management, Bridgewater Associates (with a separate portfolio under this program), and Goldman Sachs Asset Management, oversaw portfolios that were classified as real return through fiscal year 2015. Together these portfolios were valued at $2.2 billion on June 30, and returned 3.4 percent for the fiscal year versus the 5.1 percent CPI + 5 percent benchmark return.

Emerging Markets

The Fund's two emerging market multi-asset class mandates invest in a blend of stocks, bonds and currencies, exclusively in emerging markets. The Fund invested with two of the largest investment managers in the area, PIMCO and Capital Guardian Trust Company in 2011. The flexibility of the strategy allows these managers to select the most advantageous publicly traded investments from both a risk and return perspective. Geo-political concerns and declining commodity prices dampened returns in emerging markets during the year. The $251 million PIMCO portfolio declined 7.3 percent for the period, while the Capital Guardian portfolio was down 7.6 percent, ending June 30 with a value of $426 million. In comparison, the custom benchmark was down 6.9 percent for the fiscal year.

Private CIO

In fiscal year 2014, the Board approved the private CIO program, which grants selected managers discretion to make investments in privately held companies. Carlyle Natural Resource Partnership was created with a mandate to focus on natural resource companies, including energy, agriculture, and metals and mining. As of June 30, $118 million of $950 million in total commitments had been drawn down, and $27 million distributed back to the Fund. $150 million was committed to Apollo Global Management, LLC this fiscal year for investments in credit opportunities, of which $79 million has been drawn down.

The total portfolio was valued at $159 million on June 30, and lost 5.6 percent for the fiscal year. It is typical for private equity investments to experience a J-curve in which investments must mature for several years before returns become positive. We expect these investments to follow this path.

True Special Opportunities

The Fund's true special opportunities include both direct investments in private firms and funds. These investments provide the opportunity for the Permanent Fund to hold greater stakes in promising opportunities along with the ability to negotiate lower fees compared to other private equity investments. The program ended fiscal year 2015 with a value of 1.9 billion and a return of 260 percent. These gains were significantly influenced by the performance of Juno Therapeutics.

Ventures

Juno Therapeutics is a biotechnology firm that re-engages a patient's own immune system to treat cancer. The Fund invested $129 million over several months beginning in late 2013. When Juno went public in December, 2014, the Fund held 25.5 million shares, slightly under 30 percent of the shares outstanding. On June 30, each share was worth $53.33, compared to the opening price of $24, and bringing the total value of the Fund's holdings in Juno Therapeutics to $1.4 billion.

The Fund entered into two new ventures in fiscal year 2015: American Homes 4 Rent II (AH4R II) and Denali Therapeutics Inc. (Denali).

AH4R II is a subsidiary of American Homes 4 Rent (AH4R), a company that buys, renovates and rents single family homes. The Fund was an early partner in AH4R, and continues to own a 21 percent stake in the public company through the real estate portfolio. The new venture focuses on higher-end homes purchased for rent in select areas of the U.S. As of June 30, $120 million had been drawn down to invest in the partnership and was valued at $119 million.

Denali Therapeutics Inc. is a biotechnology firm focused on the discovery and development of therapies for patients with neurodegenerative diseases, including Alzheimer's disease, Parkinson's disease and ALS. The Fund has committed $153 million which will be drawn down over several months. Denali was founded by scientists, industry experts and investors who share the vision that recent scientific insight into the genetic causes and biological processes underlying neurodegenerative disease, together with new translational medicine tools, offer an unprecedented opportunity to discover and develop effective medicines. As of June 30, $9 million has been invested out of a larger commitment and the Permanent Fund owns 27 percent of the company.

Funds

Private equity funds differ from investments such as hedge funds in that commitments are not drawn upon unless promising investment opportunities are found. Within Special Opportunities, three new commitments were made to funds in fiscal year 2015:

- $100 million to ARCH VIII, managed by ARCH Venture Partners and focused on early stage venture capital investments, primarily in life science and physical sciences firms. In addition, the Fund has the ability to co-invest up to $100 million in the underlying ventures. As of June 30, $20 million has been drawn across the primary and co-investment funds, and $1.6 million has been distributed back to the Permanent Fund.
- $550 million to Dyal Capital Partners, to be used for minority investments in the management company of firms that manage private equity investments. Similar to the Arch investment, the Fund has the ability to co-invest up to $500 million in the underlying ventures. As of June 30, $132 million has been drawn down.
- $50 million to Altitude Life Sciences II, with $50 million in co-investment rights, for venture capital investments primarily in life sciences companies. As of June 30, $4.8 million has been drawn down.

In addition, the Permanent Fund has ongoing commitments of $500 million to Blackstone (with an additional $500 million in co-investment rights) for minority investments in the management company of firms that manage hedge fund investments, $384 million to Riverstone – AKRC LLC to invest in the energy sector, and $25 million to the Oaktree Emerging Markets Opportunities Fund. Capital called by these investments totaled $468 million on June 30, distributions back to the Fund totaled $94 million, and the holdings were worth $393 million at the end of the fiscal year.

Alternative Investments

by Fund Type as of June 30, 2015
(in billions)

39% Absolute Return	3.1
27% Real Return	2.2
7% Emerging Market Opportunities	0.6
2% Private CIO	0.2
18% Ventures	1.5
7% Private Equity Funds	0.6
Total	$8.2

APFC INTERNSHIP PROGRAM

The Alaska Permanent Fund Corporation and our participating investment managers are committed to mentoring interested Alaska students for careers in asset management, finance and related fields through our longstanding APFC Internship Program.

To qualify to apply for these internships, a student must either be enrolled full-time in an Alaska university, or be an Alaska resident attending school outside of Alaska. Recent graduates also qualify to apply. More details are at www.apfc.org.

This year, over half of our program's nine alumni hailed from the University of Alaska, Fairbanks. UAF has a strong record of participation, due in a large part to the UAF Student Investment Fund (SIF). The SIF course trains students in asset management while generating funds for need-based scholarships and generates a pipeline of talent for our Intern Program. UAF students Nicholas Brodie, Joseph Cahill, Robert Christe, Mats Eriksson, and Kevin Liu participated in internships in 2015. The UA system produced another 2015 intern: Brandon Brewster, a 2015 UAA grad. Additionally, three Alaskans attending school outside completed the APFC 2015 intern roster: Samuel Kurland, Bradley Schierhorn, and Paul Strickler.

APFC Trustees are pleased that their continued support for this program has resulted in 320 Alaska high quality internships served by Alaska students since 1988.

Kevin Liu *Samuel Kurland*

Kevin Liu, UAF
Alaska Permanent Fund Corporation, Juneau, AK
"...an amazing opportunity to realize my potential in the finance industry, knowing that my work has contributed to all Alaskans."

Samuel Kurland, Stanford
Alaska Permanent Fund Corporation, Juneau, AK
"My APFC investment office internship provided practical experience with investment concepts and hands-on experience with powerful tools, including Bloomberg."

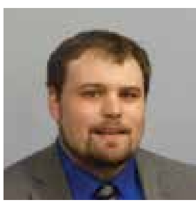
We greatly appreciate our partner firms, schools, and especially our interns for their role in another productive 2015 internship summer.

Alaska Permanent Capital Mgt
Allianz Global Investors
Crestline Advisors, Inc.
Mariner Investment Group
McKinley Capital Mgt
Rogge Global Partners
APFC

Brandon Brewster, UAA

Alaska Permanent Capital Management, Anchorage, AK

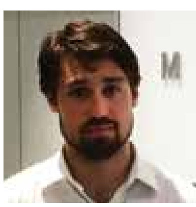
"At APCM we discussed global issues such as the Greek debt crisis and China's stock market, which have given me a better knowledge of markets outside the US."



Nicholas Brodie, UAF

McKinley Capital Management, Anchorage, AK

"My internship with McKinley gave me the chance to see first-hand what it is like to work in the fast paced world of finance."



Joseph Cahill, UAF

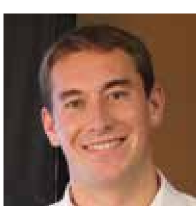
Allianz Global Partners, San Francisco, CA

"The APFC internship program provides Alaska students a wonderful opportunity to gain real world experience in a high paced, exciting environment."

Mats Eriksson, UAF

Crestline Investors, Inc., Fort Worth, TX

"It was exciting and thought-provoking to listen to presentations by some of the smartest people in the industry, and to hear their views on current events and market outlooks."



Bradley Schierhorn, Dartmouth

Alaska Permanent Capital Management, Anchorage, AK

"Working at APCM has been great for my development towards beginning a career; I gained exposure that I might not have received at a larger firm."

Paul Strickler, University of Utah

Rogge Global Partners, New York, NY

"I gained significant exposure to finance through a fixed income perspective. My university courses laid the groundwork, but an internship through the APFC program provided the next step in exploring and securing a career as a financial analyst."

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, 2015 and June 30, 2014. 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

- Fiscal year ("FY") 2015 results were not as strong as that of the prior two, however the Fund ended the year strongly against its benchmarks with a total investment return of 4.91 percent. Closest to the FY 2015 performance was FY 2003 with a 4.46 percent return. FY 2015's results are slightly above the mid-point of the range of returns since 1985, which have ranged from -17.96 percent to 25.58 percent.
- FY 2015's excess of revenues over expenditures (net income) was $2.4 billion, a significant decrease over FY 2014 which had a net income of $6.8 billion, the highest ever in the history of the Fund.
- The Alaska Permanent Fund dividend is calculated using a five-year rolling total of net income as defined by Alaska Statutes, which excludes unrealized gains and losses (statutory net income). The FY 2015 rolling total increased by more than $1 billion over FY 2014 resulting in a slight increase in the total dividend payment, which went from $1.2 billion in FY 2014 to $1.4 billion in FY 2015.
- The portion of dedicated State of Alaska revenues deposited into the principal of the Fund is based on mineral prices and production. In FY 2015, the deposits came in below FY 2014's deposits by 23 percent at $600 million. This is the result of continued decreased production in combination with a dramatic drop in oil prices during the year.
- Inflation proofing of the Fund's corpus is outlined in Alaska Statutes. In FY 2015, the inflation rate was 1.62 percent and $624 million was transferred to the non-spendable fund balance for inflation proofing. In FY 2014, the inflation rate was 1.46 percent which resulted in a slightly lower transfer to non-spendable fund balance of $546 million.
- Investments in privately traded alternative assets continued to grow. During FY 2015 the APFC made new commitments to infrastructure investments totaling $236 million. As of June 30, 2015 APFC had total commitments to private equity of $9.3 billion as compared to one year prior when commitments were $6.7 billion, which equates to a 39 percent increase in commitment.

Using the Financial Statements

This section of the MD&A aims to provide an introduction to 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, 2015, as well as the prior fiscal year's ending balances at June 30, 2014.

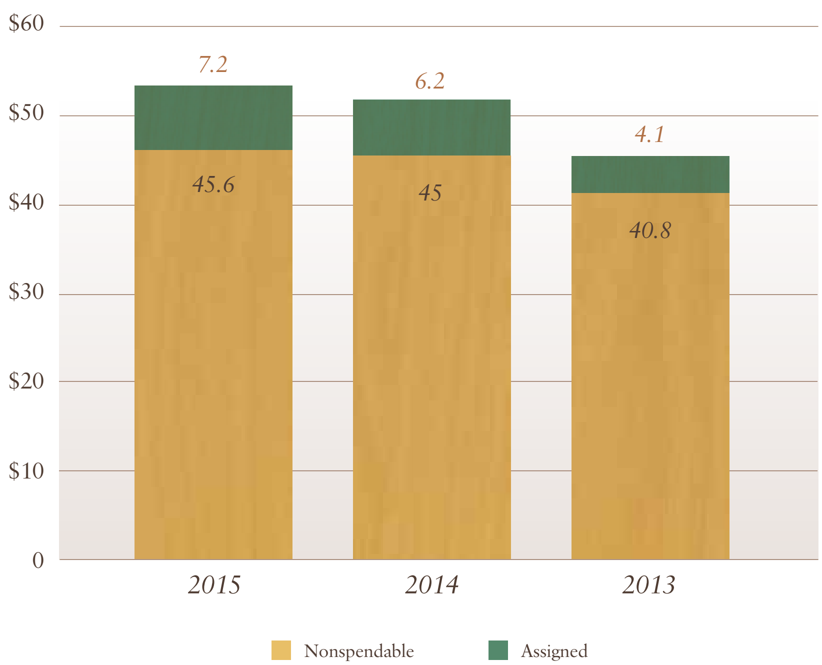
Assets are grouped into broad categories for ease of readability and analysis. Receivables include cash not yet received from the sale of investments, as well as dividends and interest receivable from stock and bond holdings. Real estate assets shown on the Balance Sheets include direct investments in real estate properties, an investment in a real estate operating company and stock holdings of real estate investment trusts (REITs). The securities lending collateral (cash and securities 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 (i) investments purchased but not yet settled (shown in the accounts payable grouping), (ii) the amount payable to the State of Alaska for the Permanent Fund dividend and the Alaska Capital Income Fund, and (iii) 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 two categories: non-spendable and assigned. The largest category is non-spendable (86 percent as of June 30, 2015) and is not available for government appropriation by the State of Alaska. The remaining balance (the assigned fund balance) is available for government appropriation. The assigned fund balance increased by 15 percent from FY 2014 to FY 2015, from $6.2 billion to $7.2 billion. Generally only four 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 dividend payout; inflation proofing (a transfer of assets from the assigned to the non-spendable fund balance); and the change in unrealized gains and losses allocated to the assigned fund balance. During FY 2015, the amounts contributing to the net increase of approximately $1 billion in the assigned fund balance were (i) realized income of $2.9 billion, (ii) the dividend payout of $1.4 billion, (iii) the inflation proofing transfer of $624 million, and (iv) the allocation of a portion of unrealized gains and losses, which increased from FY 2014 to FY 2015 by $41 million, to a balance of $1.0 billion.

Fund Balances

Ending Balance as of June 30 (in billions)



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 FY 2015 and FY 2014.

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 a 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 includes 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 to pay (i) the Permanent Fund dividend per Alaska Statutes section 37.13.145(b) and (ii) the annual deposit to the Alaska Capital Income Fund (ACIF) per Alaska Statutes section 37.13.145(d).

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 (excluding securities lending collateral, held separately by the custodian for repayment to the borrower upon a loan's completion), the nonspendable fund balance is unavailable for appropriation. The table set forth on the next page was derived from the Balance Sheets of the Fund, and provides a comparison of the change between balances of June 30, 2015 and 2014.

The Fund's assets, excluding securities lending collateral, grew 3 percent between June 30, 2014 and June 30, 2015. The biggest growth was seen in private equity and real estate, with returns of 16.46 percent and 9.82 percent, respectively. Domestic and non-domestic fixed income returns were down from FY 2014, returning 1.15 percent and -2.37 percent, respectively for the fiscal year. Domestic equities performed well during the year with a return of 7.18 percent. In contrast, the non-domestic market was in negative territory with a return of -5.2 percent. Global equities were generally flat at 1.23 percent. Gains were seen in the infrastructure and real return portfolios with returns of 4.73 percent and 3.43 percent respectively.

From June 30, 2013 to June 30, 2014 the Fund's fair value of invested assets, excluding securities lending collateral, increased significantly, going from $46.3 billion at the end of 2013 to $53.2 billion at the end of 2014. In FY 2014, public and private equity markets in all regions experienced the most growth, however all asset classes ended the year in positive territory. Highest returns were realized in domestic, global and private equities, which were up by 26.95 percent, 24.96 percent and 24.27 percent, respectively. Domestic and non-domestic fixed income returns were more modest at 4.83 percent and 5.49 percent, respectively.

Balance Sheets
As of June 30

		2015	2014	Net Change	Percent
Assets					
Cash and temporary investments	$	1,889,529,000	2,997,444,000	(1,107,915,000)	(37)%
Receivables, prepaid expenses and other assets		622,817,000	301,047,000	321,770,000	107%
Investments		52,491,154,000	49,922,049,000	2,569,105,000	5%
Securities lending collateral invested		896,616,000	1,393,669,000	(497,053,000)	(36)%
Total assets	$	55,900,116,000	54,614,209,000	1,285,907,000	2%
Liabilities					
Accounts payable	$	805,855,000	740,064,000	65,791,000	9%
Income distributable to the State of Alaska		1,397,146,000	1,266,763,000	130,383,000	10%
Securities lending collateral		896,616,000	1,393,669,000	(497,053,000)	(36)%
Total liabilities	$	3,099,617,000	3,400,496,000	(300,879,000)	(9)%
Fund Balances					
Nonspendable:					
Permanent Fund corpus — contributions and appropriations	$	39,164,944,000	37,940,617,000	1,224,327,000	3%
Not in spendable form — unrealized appreciation on invested assets		6,473,149,000	7,061,771,000	(588,622,000)	(8)%
Total nonspendable	$	45,638,093,000	45,002,388,000	635,705,000	1%
Assigned for future appropriations:					
Realized earnings		6,146,515,000	5,236,644,000	909,871,000	17%
Unrealized appreciation on invested assets		1,015,891,000	974,681,000	41,210,000	4%
Total assigned		7,162,406,000	6,211,325,000	951,081,000	15%
Total fund balances		52,800,499,000	51,213,713,000	1,586,786,000	3%
Total liabilities and fund balances	$	55,900,116,000	54,614,209,000	1,285,907,000	2%

Due primarily to timing of transactions, receivables increased by more than 100 percent between the end of FY 2014 and FY 2015, going from $301 million to $623 million. 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. These values, which can change significantly from day to day and year to year, have generally stabilized after the extreme high lending volumes in 2006-2007 followed by low lending levels after the global financial crisis in 2008-2009. The average value of assets on loan during FY 2015 was $6.2 billion, with a low of $4.6 billion and a high of $7.8 billion.

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 greater than 96 percent of both the FY 2015 and FY 2014 accounts payable balances. The increase of $66 million from FY 2014 to FY 2015 was due to an increase in pending bond purchases of $139 million, offset by a decrease in pending stock purchases of $70 million and in operating payables of $3 million.

Income distributable to the State of Alaska, which is based primarily on the dividend calculation mandated by statute, increased by 10 percent from FY 2014 to FY 2015. The dividend calculation is based on a five-year rolling total of statutory net income (which excludes unrealized gains and losses). Because the FY 2015 statutory net income of $2.9 billion replaced the FY 2010 statutory net income of $1.6 billion in the rolling total, the calculated amount due to the State increased by $138 million, going from $1.2 billion in FY 2014 to $1.4 billion in FY 2015. This is the highest payout in the history of the Fund. As of June 30, 2013, a balance of $634 million was due to the State, just slightly more than at the end of FY 2012. This illustrates how the payout calculation can fluctuate significantly over time.

Also using a calculation based on realized earnings, the Alaska Capital Income Fund (ACIF) transfer due to the State for FY 2015 was $24 million and for FY 2014 was $32 million. The $8 million dollar decrease from the prior year is due to significantly lower realized returns in FY 2015 versus FY 2014. The transfer due for FY 2013 was $30 million, slightly less than that for FY 2014.

The total fund balance increase of $1.6 billion from FY 2014 to FY 2015 was due primarily to increases in the value of the investments. The overall investment return on Fund investments for FY 2015 was 4.56 percent. Also contributing to the increase in fund balance were FY 2015's receipts of dedicated mineral revenue deposits from the State of Alaska which were $600 million, down 23 percent from the FY 2014 dedicated revenues of $779 million. FY 2013's receipts totaled $840 million, making FY 2015 the third straight year with a decrease in contributions from mineral royalties. Also affecting fund balance were the dividend and ACIF payouts of $1.4 billion in total, and operating expenditures and legislative appropriations of $110 million.

The total fund balance increase from FY 2013 to FY 2014 was due to the net of the transfers in (State dedicated mineral revenues of $779 million) and the transfers out (dividend and ACIF of $1.3 billion), with the other contributor being net income of the fund of $6.8 billion.

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 FY 2014 as compared to FY 2015 are shown in both dollars and percentages.

Statements of Revenues, Expenditures and Changes In Fund Balances

Year ended June 30

	2015	2014	Net Change	Percent
Revenues				
Interest, dividends, real estate and other income	$ 1,148,092,000	1,169,384,000	(21,292,000)	(2)%
Increase in the fair value of investments	1,346,361,000	5,786,286,000	(4,439,925,000)	(77)%
Total revenues	$ 2,494,453,000	6,955,670,000	(4,461,217,000)	(64)%
Expenditures				
Operating expenditures	$ (101,933,000)	(100,834,000)	(1,099,000)	1%
Other Legislative appropriations	(8,558,000)	(7,142,000)	(1,416,000)	20%
Total expenditures	(110,491,000)	(107,976,000)	(2,515,000)	2%
Excess of revenues over expenditures	$ 2,383,962,000	6,847,694,000	(4,463,732,000)	(65)%
Other Financing Sources (uses)				
Transfers in – dedicated State revenues	$ 599,969,000	779,448,000	(179,479,000)	(23)%
Transfers out – appropriations	(1,397,145,000)	(1,266,763,000)	(130,382,000)	10%
Net change in fund balances	$ 1,586,786,000	6,360,379,000	(4,773,593,000)	(75)%
Fund Balances				
Beginning of period	51,213,713,000	44,853,334,000	6,360,379,000	14%
End of period	$ 52,800,499,000	51,213,713,000	1,586,786,000	3%

During FY 2015, cash flow revenue from interest, dividends, real estate, and other sources continued to recover from the 2008-2009 global financial crisis, but interest rates on bonds remained low. Total cash flow income was slightly lower for FY 2015 at $96 million per month on average, down from $97 million in FY 2014 which was a dramatic increase from $90 million in FY 2013. FY 2015's level is approaching FY 2008's average of approximately $100 million per month. The increase in the fair value of investments dropped sharply from $5.8 billion in FY 2014 to $1.3 billion in FY 2015, a decrease of 77 percent, due to weaker overall performance of investments in FY 2015. In contrast, the increase in FY 2013 was $3.4 billion, a 72 percent increase over the prior year. Operating expenditures experienced a slight increase from FY 2014 to FY 2015 of 1 percent. A noteable decrease occurred between FY 2013 and FY 2014 of 16 percent due to unusual incentive fee payments to investment managers in FY 2013. Manager fees in FY 2015 totaled $89 million and in FY 2014 totaled $87 million. Total fees paid out in FY 2013 totaled $120 million.

Transfers in of dedicated State revenues decreased from FY 2014 to FY 2015 by 23 percent ($179 million). These transfers totaled $840 million in FY 2013. FY 2012 was the highest year for receipts at $915 million. Declining production combined with the dramatic drop in the price of oil caused this significant decrease in mineral royalties received by the fund in FY 2015.

Transfers out of the Fund are for two purposes: 1) an appropriation to fund the Permanent Fund dividend payment, and 2) an appropriation to fund the Alaska Capital Income Fund (ACIF). The dividend calculation is based on realized earnings averaged over a rolling five-year period. Applying this formula, the FY 2015 results supplanted the FY 2010 results. The difference in statutory net income between these years is $1.3 billion, causing the dividend distribution to go up by $138 million in FY 2015, an increase of 11%. The increase was more dramatic from FY 2013 to FY 2014 at 100 percent, or $630 million. The ACIF transfer is based on realized earnings for only one year; it is not averaged over multiple years. ACIF realized earnings of $24 million in FY 2015, $32 million in FY 2014 and $30 million in FY 2013.

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 diversification of 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 changes in the Alaska Statutes 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. 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 P.O. Box 115500, Juneau, Alaska 99811 5500.

KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying balance sheets of Alaska Permanent Fund (the Fund) as of June 30, 2015 and 2014, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaska Permanent Fund as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of a 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, 2015 and 2014, or changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matter

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 21-26 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2015 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

KPMG LLP

September 9, 2015

Balance Sheets
as of June 30

		2015	2014
Assets			
Cash and temporary investments	$	1,889,529,000	2,997,444,000
Receivables, prepaid expenses and other assets		622,817,000	301,047,000
Investments:			
Marketable debt securities		11,116,428,000	11,963,468,000
Preferred and common stock		20,895,990,000	20,443,127,000
Real estate		6,480,891,000	5,892,084,000
Real return		2,190,503,000	2,115,743,000
Absolute return		3,140,575,000	2,775,521,000
Private equity		5,239,202,000	3,130,850,000
Infrastructure		1,494,454,000	1,342,448,000
Distressed debt and mezzanine debt		1,352,603,000	1,364,779,000
Emerging markets total opportunities		580,508,0000	894,029,000
Total investments	$	52,491,154,000	49,922,049,000
Securities lending collateral invested		896,616,000	1,393,669,000
Total assets	$	55,900,116,000	54,614,209,000
Liabilities			
Accounts payable	$	805,855,000	740,064,000
Income distributable to the State of Alaska		1,397,146,000	1,266,763,000
Securities lending collateral		896,616,000	1,393,669,000
Total liabilities	$	3,099,617,000	3,400,496,000
Fund Balances			
Nonspendable:			
Permanent Fund corpus – contributions and appropriations	$	39,164,944,000	37,940,617,000
Not in spendable form – unrealized appreciation on invested assets		6,473,149,000	7,061,771,000
Total nonspendable	$	45,638,093,000	45,002,388,000
Assigned for future appropriations:			
Realized earnings		6,146,515,000	5,236,644,000
Unrealized appreciation on invested assets		1,015,891,000	974,681,000
Total assigned		7,162,406,000	6,211,325,000
Total fund balances		52,800,499,000	51,213,713,000
Total liabilities and fund balances	$	55,900,116,000	54,614,209,000

See accompanying notes to the financial statements.

Statements of Revenues, Expenditures & Changes In Fund Balances
year ended June 30

		2015	2014
Revenues			
Interest	$	**357,123,000**	289,091,000
Dividends		**550,297,000**	617,199,000
Real estate and other income		**240,672,000**	263,094,000
Total interest, dividends, real estate and other income	$	**1,148,092,000**	1,169,384,000
Net increase (decrease) in the fair value of investments:			
Marketable debt securities		**(258,979,000)**	281,519,000
Preferred and common stock		**(300,910,000)**	3,995,686,000
Real estate		**380,366,000**	376,725,000
Real return		**63,787,000**	271,054,000
Absolute return		**54,372,000**	149,728,000
Private equity		**1,608,839,000**	460,405,000
Infrastructure		**53,817,000**	127,531,000
Distressed debt and mezzanine debt		**36,261,000**	141,727,000
Emerging markets total opportunities		**(98,269,000)**	70,413,000
Foreign currency forward exchange contracts and futures		**118,978,000**	(3,805,000)
Currency		**(311,901,000)**	(84,697,000)
Total net increase in the fair value of investments		**1,346,361,000**	5,786,286,000
Total revenues	$	**2,494,453,000**	6,955,670,000
Expenditures			
Operating expenditures	$	**(101,933,000)**	(100,834,000)
Other Legislative appropriations		**(8,558,000)**	(7,142,000)
Total expenditures		**(110,491,000)**	(107,976,000)
Excess of revenues over expenditures	$	**2,383,962,000**	6,847,694,000
Other Financing Sources (uses)			
Transfers in — dedicated State revenues	$	**599,969,000**	779,448,000
Transfers out — statutory and Legislative appropriations		**(1,397,145,000)**	(1,266,763,000)
Net change in fund balances	$	**1,586,786,000**	6,360,379,000
Fund Balances			
Beginning of period		**51,213,713,000**	44,853,334,000
End of period	$	**52,800,499,000**	51,213,713,000

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 perpetuity. 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 APFC's 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 statute and subsequent appropriation, the APFC transfers (i) a portion of the Fund's realized earnings to the State's dividend 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, and (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). 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. The Alaska Constitution specifies that principal can only be used for income-producing investments specifically designated by law, and is therefore unavailable for appropriation by the Legislature. Unrealized gains and losses (appreciation/depreciation) on Fund assets are allocated proportionately between the nonspendable fund balance and the assigned fund balance. 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 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, real return, absolute return, distressed and mezzanine debt, 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 held at futures brokers, petty cash, U.S. Treasury bills, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes 1.2 percent to cash. APFC's 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.

Dividend appropriations

Statutory net income excludes realized earnings from contributions made in the North Slope royalty case settlement (State v. Amerada Hess, et al.) and unrealized gains and losses on the Fund's investments. Current Alaska statutes limit the amount that can be transferred for dividend appropriation each year to one-half of the smaller of (i) 21 percent of the Fund's five-year rolling statutory net income or (ii) the assigned fund balances at fiscal year end. This limitation can be superseded by legislative appropriation.

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 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.

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 nonspendable fund balances and assigned fund balances.

Futures

Certain equity and fixed income managers for the Fund are permitted to buy and sell equity and interest rate index futures. The gross fair value of futures does 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 index futures. Realized gains and losses on futures are included in the net increase in the fair value of investments at the time the futures contract expires. The net change in unrealized gains and losses is included in the net increase in the fair value of investments.

Income taxes

In the opinion of legal counsel, the Fund should not be subject to federal income taxation under the doctrine of implied statutory immunity for states and because it is an integral part of the State, and the APFC should not be subject to federal income taxation 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.

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 of the nonspendable fund balance, excluding unrealized gains and losses, at the end of the fiscal year. Using this formula, the inflation proofing rate for the year ended June 30, 2015 was 1.62 percent, and $624,357,000 was transferred from the assigned to the nonspendable fund balance. The calculated rate for FY 2014 was 1.46 percent, and $545,962,000 was transferred from the assigned to the nonspendable fund balance.

Investments and related policies

Carrying Value of Investments

The Fund's investments are reported at fair value in the financial statements. 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. For marketable debt and equity securities, including real estate investment trusts, fair values are obtained from independent sources using published market prices, quotations from national security exchanges, and security pricing services. Fair values of investments that have no readily ascertainable fair value are determined by management using the fair value of the capital account balances nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Direct investments in real estate are subject to annual appraisals and audits. All alternative investments undergo annual independent financial statement audits.

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 risk and asset classes. At June 30, 2015, the APFC's strategic asset allocation targets were as follows:

Risk Class	Asset Class	Risk Class Target	Asset Class Target
Cash & Interest Rates		6%	
	Cash		1.2%
	U.S. Government Bonds & International Developed Government Bonds (currently hedged)		4.8%
Company Exposure		55%	
	Global Credit		11%
	Public/Private Credit		2%
	Global Equity		36%
	Private Equity		6%
Real Assets		19%	
	Real Estate		12%
	Infrastructure		4%
	U.S. Treasury Inflation Protection Securities		3%
Special Opportunities		20%	
	Absolute Return Mandate		6%
	Real Return Mandate		7%
	Emerging Markets Multi-Asset		2%
	Fixed Income Aggregate		2%
	Debt Opportunities		1%
	True Special Opportunities		2%

Capital that is not invested in the special opportunities risk class resides in the company exposure risk class. 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 risk and 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 cash and interest rate risk class is 6 percent, with the green zone range set at 5-7.5 percent, the yellow zone range set at 7.5-9 percent, and red zone ranges set at allocations of less than 5 percent or greater than 9 percent. 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 5 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, both internal and external, 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.

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's 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 5.0, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of 5.0 percent.

At June 30, 2015, the Fund held fixed income investments with floating, variable, and step interest rates, valued at $151,024,000. These fixed income investments were both domestic and non domestic, and had current annual interest rates ranging from 0 to 15 percent.

Transfers In

Contributions from dedicated State revenues are recorded when certain revenues defined by statute are received or reported by the Alaska Department of Natural Resources. Contributions from appropriations and other sources are recorded when received.

Transfers Out

Transfers out to other State agencies are recorded when measurable.

3. CASH AND TEMPORARY INVESTMENTS

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

Cash and Temporary Investments
as of June 30

		2015	2014
Cash	$	**101,785,000**	101,904,000
Pooled funds		**1,786,778,000**	2,894,564,000
U.S. Treasury bills		**966,000**	976,000
Total cash and temporary investments	$	**1,889,529,000**	2,997,444,000

Uninvested cash was held at the custodian, sub-custodian, or futures 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.

4. RECEIVABLES, PREPAID EXPENSES AND OTHER ASSETS

Receivables, prepaid expenses and other assets at June 30 are as follows:

Receivables, Prepaid Expenses and Other Assets
as of June 30

		2015	2014
Interest receivable	$	**74,647,000**	94,146,000
Dividends receivable		**58,686,000**	49,004,000
Sales receivable		**424,373,000**	140,734,000
Dedicated state revenues receivable		**65,111,000**	17,163,000
Total receivables, prepaid expenses and other assets	$	**622,817,000**	301,047,000

5. MARKETABLE DEBT SECURITIES

Marketable debt securities at June 30 are summarized as follows, categorized by debt instrument type and by country of registration:

Marketable Debt Securities
as of June 30

		Cost	Fair Value	Unrealized Gains (Losses)
2015				
Treasury and government notes/bonds	$	**3,729,987,000**	**3,717,730,000**	(12,257,000)
Mortgage-backed securities		**815,922,000**	**821,264,000**	**5,342,000**
Corporate bonds		**3,956,455,000**	**3,896,390,000**	(60,065,000)
Commercial mortgage/asset-backed securities		**389,415,000**	**387,735,000**	(1,680,000)
Non-U.S. treasury and government bonds		**1,285,547,000**	**1,196,747,000**	(88,800,000)
Non-U.S. corporate bonds		**1,099,154,000**	**1,096,562,000**	(2,592,000)
Total marketable debt securities	$	**11,276,480,000**	**11,116,428,000**	**(160,052,000)**
2014				
Treasury and government notes/bonds	$	2,344,934,000	2,370,233,000	25,299,000
Mortgage-backed securities		851,742,000	861,832,000	10,090,000
Corporate bonds		5,242,368,000	5,349,365,000	106,997,000
Commercial mortgage/asset-backed securities		336,866,000	340,454,000	3,588,000
Non-U.S. treasury and government bonds		1,129,318,000	1,158,364,000	29,046,000
Non-U.S. corporate bonds		1,854,722,000	1,883,220,000	28,498,000
Total marketable debt securities	$	11,759,950,000	11,963,468,000	203,518,000

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 (approximately 92 percent of bond mandates at June 30, 2015), 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 BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates (approximately 8 percent of bond mandates at June 30, 2015) are allowed to hold positions in assets with below investment grade ratings (high yield bonds) based on the terms of their contracts. 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, 2015, the Fund's credit ratings for its marketable debt securities are as follows:

Marketable Debt Credit Ratings
as of June 30

NRSRO Quality Ratings		Domestic	Non-Domestic	Total Fair Value	% of Holdings
AAA	$	446,140,000	187,400,000	633,540,000	5.70%
AA		253,948,000	479,123,000	733,071,000	6.59%
A		1,550,446,000	618,494,000	2,168,940,000	19.51%
BBB		1,579,382,000	735,446,000	2,314,828,000	20.82%
BB		26,396,000	74,780,000	101,176,000	0.91%
B		47,789,000	109,200,000	156,989,000	1.41%
CCC		31,430,000	7,622,000	39,052,000	0.35%
CC		510,000	6,664,000	7,174,000	0.06%
C		–	–	–	0.00%
D		1,475,000	–	1,475,000	0.01%
Total fair value of rated debt securities	$	3,937,516,000	2,218,729,000	6,156,245,000	55.38%
Commingled bond funds		365,464,000	–	365,464,000	3.29%
Not rated		23,218,000	74,580,000	97,798,000	0.88%
U.S. government explicitly backed by the U.S. government (AA)		3,896,981,000	–	3,896,981,000	35.06%
U.S. government implicitly backed by the U.S. government (AA)		599,940,000	–	599,940,000	5.40%
Total fair value of rated debt securities	$	8,823,119,000	2,293,309,000	11,116,428,000	100%

7. MARKETABLE DEBT DURATION

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2015, the effective duration by investment type, based on fair value, is as follows:

Marketable Debt Duration
as of June 30

	Percent of Bond Holdings	Duration
Domestic Bonds		
Treasury and government notes/bonds	42.14%	2.25
Mortgage-backed securities	9.31%	0.50
Corporate bonds	44.16%	2.72
Commercial mortgage/asset-backed securities	4.39%	0.22
Total domestic bonds	100%	5.69
Non-Domestic Bonds		
Non-U.S. treasury and government bonds	52.18%	3.38
Non-U.S. corporate bonds	47.82%	2.50
Total non-domestic bonds	100%	5.88

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 (based on currency of trade), and include the net fair value of equity index futures of -$1.6 million as of June 30, 2015 and $662,000 as of June 30, 2014:

Preferred and Common Stock
as of June 30

		Cost	Fair Value	Unrealized Holding Gains (Losses)
2015				
Direct investments				
Domestic stock	$	6,130,187,000	8,204,937,000	2,074,750,000
Non-domestic stock		11,211,255,000	12,266,269,000	1,055,014,000
Commingled funds		465,459,000	424,784,000	(40,675,000)
Total preferred and common stock	$	17,806,901,000	20,895,990,000	3,089,089,000
2014				
Direct investments				
Domestic stock	$	5,541,414,000	7,862,625,000	2,321,211,000
Non-domestic stock		9,739,880,000	11,903,231,000	2,163,351,000
Commingled funds		480,021,000	677,271,000	197,250,000
Total preferred and common stock	$	15,761,315,000	20,443,127,000	4,681,812,000

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 into various countries and currencies.
At June 30, 2015, the Fund's cash holdings, foreign currency forward 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 Exposure
as of June 30

Foreign Currency		Cash & Equivalents	Foreign Exchange Forward Contracts	Public & Private Equity	Debt	Total Foreign Currency Exposure
Australian Dollar	$	2,500,000	67,694,000	447,412,000	15,460,000	533,066,000
Brazilian Real		1,595,000	(11,039,000)	203,760,000	27,368,000	221,684,000
British Pound Sterling		22,739,000	(167,397,000)	2,020,013,000	42,619,000	1,917,974,000
Canadian Dollar		10,062,000	(22,911,000)	628,878,000	13,258,000	629,287,000
Chilean Peso		131,000	(1,881,000)	16,461,000	3,900,000	18,611,000
Chinese Yuan Renminbi		3,273,000	–	–	–	3,273,000
Colombian Peso		543,000	(4,272,000)	3,916,000	20,363,000	20,550,000
Czech Koruna		93,000	–	2,876,000	–	2,969,000
Danish Krone		730,000	(5,713,000)	123,694,000	1,747,000	120,458,000
Egyptian Pound		37,000	–	1,859,000	–	1,896,000
Euro Currency		10,059,000	(177,754,000)	2,665,231,000	211,978,000	2,709,514,000
Ghanaian Cedi		414,000	–	–	7,511,000	7,925,000
Hong Kong Dollar		23,197,000	(7,656,000)	1,050,182,000	–	1,065,723,000
Hungarian Forint		712,000	(85,000)	3,002,000	6,404,000	10,033,000
Indian Rupee		2,313,000	(967,000)	331,457,000	60,253,000	393,056,000
Indonesian Rupiah		970,000	(2,218,000)	87,856,000	39,794,000	126,402,000
Israeli Shekel		(779,000)	4,244,000	55,892,000	–	59,357,000
Japanese Yen		(9,768,000)	32,959,000	1,897,183,000	152,845,000	2,073,219,000
Malaysian Ringgit		741,000	(7,944,000)	112,839,000	22,688,000	128,324,000
Mexican Peso		2,037,000	(29,690,000)	116,922,000	82,807,000	172,076,000
New Zealand Dollar		98,000	(24,437,000)	14,652,000	8,127,000	(1,560,000)
Nigerian Naira		170,000	–	–	3,940,000	4,110,000
Norwegian Krone		541,000	(34,591,000)	67,970,000	11,479,000	45,399,000
Peruvian Nuevo Sol		3,000	–	–	5,863,000	5,866,000
Philippine Peso		393,000	(357,000)	26,163,000	2,168,000	28,367,000
Polish Zloty		446,000	(3,424,000)	20,725,000	5,182,000	22,929,000
Qatari Riyal		5,000	–	37,072,000	–	37,077,000
Russian Ruble		69,000	–	–	2,334,000	2,403,000
Singapore Dollar		1,150,000	(2,853,000)	80,918,000	8,041,000	87,256,000
South African Rand		2,626,000	(12,354,000)	238,042,000	30,465,000	258,779,000
South Korean Won		1,750,000	(19,628,000)	406,192,000	9,590,000	397,904,000
Swedish Krona		189,000	11,158,000	219,046,000	3,241,000	233,634,000
Swiss Franc		(5,494,000)	(69,388,000)	581,247,000	–	506,365,000
Taiwan Dollar		6,694,000	(2,813,000)	441,584,000	–	445,465,000
Thai Baht		345,000	194,000	84,495,000	–	85,034,000
Turkish Lira		1,072,000	(133,000)	79,864,000	40,860,000	121,663,000
UAE Dirham		–	–	31,878,000	–	31,878,000
Uruguay Peso		–	–	–	1,453,000	1,453,000
Total foreign currency exposure	$	81,656,000	(493,256,000)	12,099,281,000	841,738,000	12,529,419,000

Cash amounts in the schedule above include receivables, payables, certificates of deposit, 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 assets are invested in U.S. cash, equities, and debt, as well as in direct real estate properties, real return mandates, absolute return and similar funds, and infrastructure, all of which 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, and other entities in which the assets consist primarily of real property. The Fund invests in real estate directly 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 Fund's directly owned real estate investments.

The APFC periodically reviews real estate investments for other than temporary impairment. During FY 2015 it was determined that a real estate property was impaired and would not recover its carrying costs over the remaining estimated holding period of the asset. In order to reflect the impairment in the statutory net income and fund balance classification, $1.8 million of unrealized losses were realized through a write-down of cost to fair value. The impairment has no impact on the carrying value of investments or on the net increase/(decrease) in the fair value of investments. There was no impairment recognized in FY 2014.

Real estate investments at June 30 are summarized as follows:

Real Estate Investments
as of June 30

		Cost	Fair Value	Unrealized Holding Gains (Losses)
2015				
Real estate investment trusts	$	**939,638,000**	**1,126,831,000**	**186,743,000**
American Homes 4 Rent II		**118,766,000**	**118,766,000**	**–**
Directly owned real estate:				
Retail		**676,775,000**	**1,539,478,000**	**862,703,000**
Office		**1,279,564,000**	**1,739,944,000**	**460,380,000**
Hotel		**50,358,000**	**50,358,000**	**–**
Development		**49,415,000**	**49,411,000**	**(4,000)**
Industrial		**231,022,000**	**289,834,000**	**58,812,000**
Multifamily		**1,098,829,000**	**1,566,719,000**	**467,890,000**
Total real estate	$	**4,444,367,000**	**6,480,891,000**	**2,036,524,000**
2014				
Real estate investment trusts	$	904,024,000	1,193,331,000	289,307,000
American Homes 4 Rent II		39,638,000	39,638,000	–
Directly owned real estate:				
Retail		742,158,000	1,496,869,000	754,711,000
Office		1,264,001,000	1,552,445,000	288,444,000
Industrial		196,615,000	237,084,000	40,469,000
Multifamily		1,061,228,000	1,372,717,000	311,489,000
Total real estate	$	4,207,664,000	5,892,084,000	1,684,420,000

11. ALTERNATIVE INVESTMENTS

Alternative investments include the Fund's investments in or through real return mandates, absolute return strategies, private equity, infrastructure, distressed debt, and mezzanine debt. The APFC periodically reviews alternative investments for other than temporary impairment.

The objective for the real return mandate is to produce a 5 percent real return (in excess of inflation) over the longer of one business cycle or five years. Each manager's contract specifies permitted investments and liquidity guidelines. Investments are generally in commingled proprietary funds structured as limited partnerships.

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 is invested in three existing limited partnerships, in which the Fund is the only limited partner ("fund-of-one"). In late FY 2015, two direct investments were added, in which the Fund is one of many limited partners. External investment management services 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 ascertainable market prices 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 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 select private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by 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 ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY 2015 it was determined that three private equity funds were impaired and would not recover their carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in the statutory net income and fund balance classifications, $29 million of unrealized losses were realized through a write-down of cost to fair value. In FY 2014, one private equity fund was impaired with a related write-down of $6.7 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. The limited partnerships undergo annual independent audits. Infrastructure investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

The Fund invests in distressed debt through limited partnerships that invest either directly in distressed debt or in commingled limited liability funds with a distressed debt or credit opportunity focus. The Fund invests in mezzanine debt through limited partnerships that invest directly in mezzanine debt. These investments are funded over time, as opportunities arise. The limited partnerships and funds undergo annual independent audits. Distressed debt and mezzanine investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Alternative investments at June 30 are summarized as follows:

Alternative Investments
as of June 30

		Cost	Fair Value	Unrealized Holding Gains
2015				
Real return	$	**1,750,363,000**	**2,190,503,000**	**440,140,000**
Absolute return		**2,918,369,000**	**3,140,575,000**	**222,206,000**
Private equity		**3,579,669,000**	**5,239,202,000**	**1,659,533,000**
Infrastructure		**1,427,313,000**	**1,494,454,000**	**67,141,000**
Distressed and mezzanine debt		**1,149,480,000**	**1,352,603,000**	**203,123,000**
Total alternative investments	$	**10,825,194,000**	**13,417,337,000**	**2,592,143,000**
2014				
Real return	$	1,666,246,000	2,115,743,000	449,497,000
Absolute return		2,454,444,000	2,775,521,000	321,077,000
Private equity		2,734,978,000	3,130,850,000	395,872,000
Infrastructure		1,232,624,000	1,342,448,000	109,824,000
Distressed and mezzanine debt		1,144,899,000	1,364,779,000	219,880,000
Total alternative investments	$	9,233,191,000	10,729,341,000	1,496,150,000

As of June 30, 2015, the APFC, on behalf of the Fund, had outstanding future funding commitments of: $4.6 billion for private equity; $781 million for infrastructure; and $183 million for distressed and mezzanine debt investments combined. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

12. EMERGING MARKETS TOTAL OPPORTUNITIES

APFC's emerging market multi-asset class mandates represent portfolios that invest across the spectrum of liquid securities: stocks, bonds and currency. This flexibility gives the managers the ability to select the most advantageous publicly traded investments from both a risk and return perspective without the limitation of security type.

Emerging market mandates at June 30 are summarized as follows:

Emerging Markets Total Opportunities
as of June 30

		Cost	Fair Value	Unrealized Holding Losses
2015				
Emerging markets total opportunities	$	**648,928,000**	**580,508,000**	**(68,420,000)**
2014				
Emerging markets total opportunities	$	925,733,000	894,029,000	(31,704,000)

13. 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 the loaned securities for domestic 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, the 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, 2015, 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:

Securities Lending
as of June 30

		2015	2014
Fair value of securities on loan, secured by cash collateral	$	**837,250,000**	1,294,366,000
Cash collateral		**896,616,000**	1,393,669,000
Fair value of securities on loan, secured by non-cash collateral		**5,782,162,000**	2,995,522,000
Non-cash collateral	$	**6,341,870,000**	3,287,519,000

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the years ended June 30, 2015 and 2014, the Fund incurred no losses from securities lending transactions. The Fund received income of $16,440,000 and $12,010,000 from securities lending for the years ended June 30, 2015 and 2014, respectively, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

14. 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:

Accounts Payable
as of June 30

		2015	2014
Accrued liabilities	$	**23,814,000**	27,323,000
Securities purchased		**782,041,000**	712,741,000
Total accounts payable	$	**805,855,000**	740,064,000

15. INCOME DISTRIBUTABLE TO THE STATE OF ALASKA

The Legislature appropriates portions of the Fund's statutory net income to the Permanent Fund Dividend Fund (Dividend Fund), a sub-fund of the State's general fund created in accordance with Alaska Statute 43.23.045 and administered by the Alaska Department of Revenue. The Dividend Fund is used primarily for the payment of dividends to qualified Alaska residents. In addition, the Legislature has appropriated a portion of the dividend distribution to fund various other agency activities. 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. Income distributable to the State at June 30 is summarized as follows:

Income Distributable to the State of Alaska
as of June 30

		2015	2014
Dividends	$	**1,326,305,000**	1,200,417,000
Appropriation to the Departments of:			
Health and Social Services		**17,725,000**	17,725,000
Revenue		**8,242,000**	8,246,000
Corrections		**20,830,000**	8,446,000
Total to Dividend Fund	$	1,373,102,000	1,234,834,000
Alaska Capital Income Fund		**24,044,000**	31,929,000
Total income distributable	$	1,397,146,000	1,266,763,000

16. FUND BALANCES

Fund balance activity during the years ended June 30 is summarized as follows:

Fund Balances
as of June 30

		2015	2014
Nonspendable			
Balance, beginning of year	$	**45,002,389,000**	40,799,542,000
Dedicated State revenues		**599,969,000**	779,448,000
Inflation proofing transfer from assigned fund balance		**624,357,000**	545,962,000
Change in unrealized fair value appreciation on invested assets		**(588,622,000)**	2,877,437,000
Balance, end of year	$	45,638,093,000	45,002,389,000
Assigned			
Balance, beginning of year	$	**6,211,324,000**	4,053,792,000
Inflation proofing transfer to nonspendable fund balance		**(624,357,000)**	(545,962,000)
Dividends paid or payable to the Permanent Fund Dividend Fund		**(1,373,102,000)**	(1,234,834,000)
Settlement earnings payable to the ACIF		**(24,044,000)**	(31,929,000)
Realized earnings, net of operating expenditures		**2,931,374,000**	3,562,802,000
Change in unrealized fair value appreciation on invested assets		**41,210,000**	407,455,000
Balance, end of year	$	7,162,406,000	6,211,324,000
Total			
Balance, beginning of year	$	**51,213,713,000**	44,853,334,000
Dedicated State revenues		**599,969,000**	779,448,000
Dividends paid or payable to the Permanent Fund Dividend Fund		**(1,373,102,000)**	(1,234,834,000)
Settlement earnings payable to the ACIF		**(24,044,000)**	(31,929,000)
Excess of investment revenues over expenditures		**2,383,963,000**	6,847,694,000
Balance, end of year	$	52,800,499,000	51,213,713,000

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

Nonspendable Fund Balance
as of June 30

		2015	2014
Dedicated State revenues	$	**15,889,857,000**	15,289,889,000
Special appropriations		**6,885,906,000**	6,885,906,000
Inflation proofing		**16,236,269,000**	15,611,911,000
Settlement earnings		**152,912,000**	152,911,000
Total contributions and appropriations	$	**39,164,944,000**	37,940,617,000

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, 2015, the Fund's net unrealized gain was $7,489,040,000, of which $6,473,149,000 was allocated to the nonspendable fund balance and $1,015,891,000 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 dividend calculation 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 $24,044,000 during FY 2015 and $31,929,000 during FY 2014.

17. STATUTORY NET INCOME

By Alaska law, statutory net income is computed in accordance with U.S. generally accepted accounting principles (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 and income, regardless of source. Consequently, GAAP excess of revenues over expenditures and statutory net income differ. Statutory net income is used to compute the amount available for the annual Permanent Fund dividend.

The APFC periodically reviews investments for other than temporary impairment of value. Investments with fair values significantly less than costs 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 FY 2015, approximately $31 million of impairments were recorded. During FY 2014, approximately $7 million of impairments were recorded.

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

Statutory Net Income
as of June 30

		2015	2014
Excess of revenues over expenditures	$	**2,383,963,000**	6,847,694,000
Unrealized gains		**547,413,000**	(3,284,892,000)
Settlement earnings		**(24,044,000)**	(31,929,000)
Statutory net income	$	**2,907,332,000**	3,530,873,000

18. INVESTMENT INCOME BY SOURCE

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

Investment Income By Source
as of June 30

		2015	2014
Interest			
Marketable debt securities	$	**345,490,000**	278,171,000
Short-term domestic and other		**11,633,000**	10,920,000
Total interest		**357,123,000**	289,091,000
Total dividends	$	**550,297,000**	617,199,000
Real Estate and Other Income			
Directly owned real estate net rental income	$	**163,031,000**	173,639,000
Real estate investment trust dividends		**23,109,000**	24,137,000
Real return interest and dividends		**10,396,000**	13,997,000
Absolute return management expenses, net of dividend and interest income		**(12,240,000)**	(15,061,000)
Distressed and mezzanine debt interest income, net of fees		**17,091,000**	26,201,000
Infrastructure interest and dividend income, net of fees		**20,410,000**	14,261,000
Private equity dividend income, net of management expenses		**(843,000)**	11,492,000
Class action litigation income		**2,901,000**	1,984,000
Loaned securities, commission recapture and other income		**16,817,000**	12,444,000
Total real estate and other income	$	**240,672,000**	263,094,000

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, 2015 ranged between one and 112 days.

The counterparties to the FX forward contracts consisted 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, 2015 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for fiscal year 2015 and 2014 are summarized as follows:

Foreign Exchange Contracts, Futures, and Off-Balance Sheet Risk
as of June 30

		2015	2014
Balances at June 30			
Face value of FX forward contracts	$	**2,345,395,000**	1,855,805,000
Net unrealized holding losses on FX forward contracts		**(2,333,000)**	(2,199,000)
Fair value of FX forward contracts	$	**2,343,062,000**	1,853,606,000
Activity for Fiscal Years Ending June 30			
Change in unrealized holding losses	$	**(138,000)**	(17,708,000)
Realized gains (losses)		**104,127,000**	(618,000)
Net increase (decrease) in fair value of FX forward contracts	$	**103,989,000**	(18,326,000)

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and beginning in FY 2012, the internal fixed income management team began trading U.S. Treasury index futures. Equity index futures are traded in both domestic and non domestic markets based on an underlying stock exchange value. Equity and fixed income index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures for fiscal year 2015 and 2014 is summarized as follows:

Equity Index Futures Activity and Balances
as of June 30

		2015	2014
Balances at June 30			
Face value of equity index futures	$	141,247,000	143,192,000
Net unrealized holding gains (losses) on futures		(1,586,000)	662,000
Fair value of Equity index futures	$	139,661,000	143,854,000
Activity for Fiscal Years Ending June 30			
Change in unrealized holding losses	$	(2,020,000)	(120,000)
Realized gains		20,164,000	17,445,000
Net increase in fair value of futures	$	18,144,000	17,325,000

Activity and balances related to U.S. Treasury index futures for fiscal year 2015 and 2014 is summarized as follows:

U.S. Treasury Index Futures Activity and Balances
as of June 30

		2015	2014
Balances at June 30			
Face value of U.S. Treasury index futures	$	(236,582,000)	39,178,000
Net unrealized holding gains on futures		157,000	44,000
Fair value of U.S. Treasury index futures	$	(236,425,000)	39,222,000
Activity for Fiscal Years Ending June 30			
Change in unrealized holding gains (losses)	$	(113,000)	1,397,000
Realized gains (losses)		537,000	(4,200,000)
Net increase (decrease) in fair value of futures	$	424,000	(2,803,000)

The face value of FX forward contracts and futures shown in these schedules is not required to be included in the Fund's balance sheets. All other balance and activity amounts shown above are included in the Fund's financial statements within the net increase in fair value of investments on the Statement of Revenues, Expenditures and Changes in Fund Balances.

20. EXPENDITURES

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

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.

Expenditures
as of June 30

		2015	2014
APFC Operating Expenditures			
Salaries and benefits	$	7,428,000	6,943,000
Communications and electronic services		1,964,000	1,851,000
Consulting fees		2,096,000	2,363,000
Training, supplies, services and other		539,000	575,000
Rent		376,000	376,000
Travel		277,000	317,000
Legal and audit fees		177,000	334,000
Property and equipment		142,000	183,000
Public information and subscriptions		87,000	96,000
Subtotal APFC operating expenditures	$	13,086,000	13,038,000
Investment Management and Custody Fees			
Investment management fees		87,637,000	86,644,000
Custody and safekeeping fees		1,210,000	1,152,000
Subtotal investment management and custody fees		88,847,000	87,796,000
Total operating expenditures, investment management and custody fees	$	101,933,000	100,834,000
Other Legislative Appropriations From Corporate Receipts			
Department of Natural Resources		5,797,000	5,664,000
Department of Law		2,578,000	1,478,000
Department of Revenue		183,000	–
Total other Legislative appropriations		8,558,000	7,142,000
Total expenditures	$	110,491,000	107,976,000

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 postemployment 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 for the benefit of PERS members. Total salaries subject to PERS for the years ended June 30, 2015 and 2014 amounted to $5,126,000 and $4,758,000, 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, 2015 and 2014 amounted to $3,819,000 and $3,569,000, respectively.

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Alaska Permanent Fund Corporation
2015 Annual Report

This publication on the activities and financial condition of the Alaska Permanent Fund is submitted in accordance with AS 37.13.170.
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