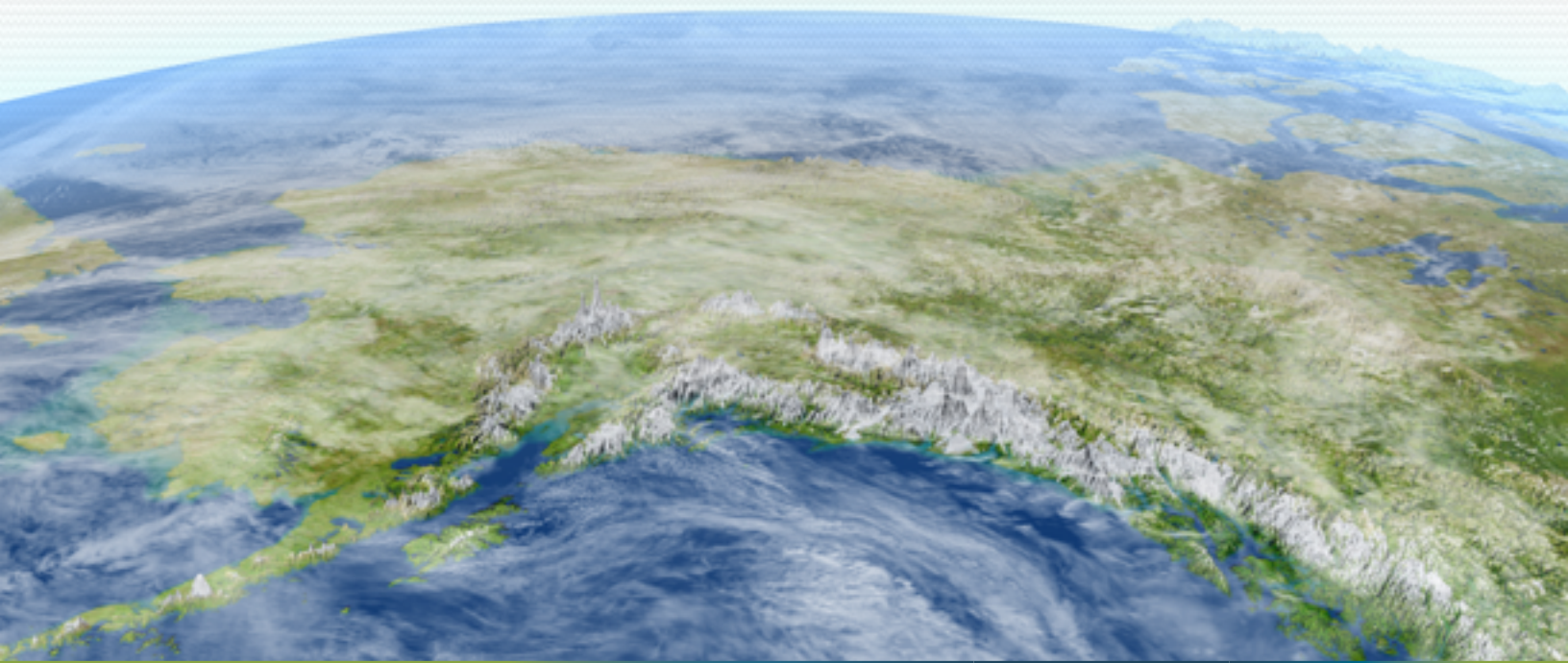


A GLOBAL PERSPECTIVE

ANNUAL REPORT 2018



APFC

ALASKA PERMANENT
FUND CORPORATION

OUR MANDATE

The Alaska Permanent Fund is a globally recognized sovereign wealth fund, established in 1976 by Alaskans as a public trust to preserve and convert the State's non-renewable oil and mineral wealth into a renewable financial resource for generations of Alaskans.

The Alaska Permanent Fund Corporation (APFC) was created by the Alaska Legislature in 1980 as an independent state entity tasked with the mission ***to manage and invest the assets of the Permanent Fund and other funds designated by law.***

APFC's stewardship of the Fund is founded on governing principles that include: fiduciary oversight by a Board of Trustees, defined legal and regulatory responsibilities, strict adherence to accountability measures, and use of recognized best practice standards.

BOARD OF TRUSTEES

William Moran, Chair

Carl Brady, Vice Chair

Marty Rutherford, Trustee

Craig Richards, Trustee

Sheldon Fisher, Trustee

Andrew Mack, Trustee

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LETTER FROM THE CHAIR

WILLIAM G. MORAN

The Alaska Permanent Fund (Fund) has grown from the first deposit of \$734,000 to a globally recognized, leading sovereign wealth fund based on the vision and commitment of Alaskans to preserve and invest a portion of our state's resource wealth. As the sophistication and global reach of the Fund's investment portfolio continues to evolve, APFC's adherence to our fundamental principles of strong governance and strict observance of our mandate become all the more essential in the daily operations of managing the assets under our stewardship.

"Trustees should always have a due regard for the contract with the public and the foundation of the trust upon which this institution is built."
Hugh Malone, Trustee, 1985-1990

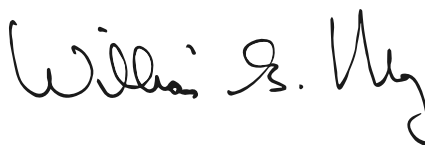
Our mission is clear: To manage and invest the assets of the Permanent Fund and other funds designated by law. The Board of Trustees works together with APFC's Leadership Team to ensure that the Corporation has the resources, policies, and strategic directives necessary to implement a long-term, well-diversified investment strategy designed to protect the Principal of the Fund and maximize returns to benefit all generations of Alaskans.

In our capacity as the fiduciaries of the Fund, the Board of Trustees meets on a quarterly basis to review the performance of each asset class and assess progress in the implementation of strategic initiatives. The drive and commitment of APFC's staff to be best-in-class in all aspects of fund management is both impressive and encouraging—Alaskans can be proud of the work that this team is doing on their behalf to ensure that our state's precious financial

assets are prudently invested, befittingly protected, and fully accounted for according to best standards and practices.

As the Board's Chair, I am honored to continue serving with my fellow Trustees and lead this group of dedicated and knowledgeable Alaskans. Our governor-appointed Board is comprised of four public members and two members from the governor's cabinet. This past year, we welcomed Trustee Andrew Mack, Commissioner of the Department of Natural Resources, to the Board; while Trustee Sheldon Fisher transitioned to the seat designated for the Commissioner of Revenue. Former Trustee Randy Hoffbeck served admirably in that seat previously, and we wish him well in his calling to the ministry. Trustee Craig Richards was appointed to the public seat most recently held by Larry Cash. Mr. Richards previously served on the Board from 2015 to 2016, and we welcome back his experience as a fiduciary to the Fund. We would like to thank former Trustee Cash for his service to Alaskans and appreciate his ongoing work in fortifying Alaska's trade relationships.

While the Alaska Permanent Fund continues to grow in global stature and emerge as an integral part of our state's fiscal future, Alaskans can be assured that the Board of Trustees and the team of investment professionals at the Alaska Permanent Fund Corporation will remain vigilant in our commitment to providing a foundation of trust and transparency in our stewardship of these financial assets.



INVESTING FOR ALASKA

The Alaska Permanent Fund Corporation manages and invests the assets of the United States' largest Sovereign Wealth Fund, the Alaska Permanent Fund, on behalf of current and future generations of Alaskans.

APFC's investment model has been recognized globally for its ability to create and grow value on a sustainable basis for Alaska. The model is based on strong governance with expert board leadership, strategic investment partnerships and initiatives, selection of best-in-class asset managers, and the ability to attract and retain top professional talent. Our structure and processes set APFC apart and provide our staff and partners the support and autonomy required to be exceptionally agile and responsive in the global market.

PARTNERSHIP APPROACH

Working directly with partners—including private and public companies, banks, governments, pension funds, and managers of capital—is at the heart of what we do. We identify and cultivate relationships with like-minded partners globally to broaden our investment reach and build success together, with cooperation, trust, and transparency. Our investment approach combines internal investment teams with premier external managers who complement our internal capabilities. Our external partners offer access to well-researched investment opportunities and provide in-depth analysis, experience, and ongoing management services in markets we could not easily access directly. In turn, our partners value us as a knowledgeable, sophisticated investor and a trusted financial partner.

GLOBAL RECOGNITION

In recognition of Alaska's achievement in creating and growing a world-class investment organization, APFC welcomed awards for the outstanding work that is being done by our Private Equity and Absolute Return investment teams. The Alaska Permanent Fund was selected as the North American Private Equity Institutional Limited Partner (LP) Investor of the Year for 2017 by *Private Equity International*. This award affirms APFC's positioning in private markets and our commitment to developing a globally competitive investment strategy. The recognition of APFC's Absolute Return program as the *Institutional Investor's* Sovereign Wealth Fund of the Year in Hedge Fund Investments represents a successful milestone in the Trustees' and Staff's shared vision for internal management of the program. This in-house approach requires significant contributions from APFC's Legal, Finance, and Investment Teams and has resulted in significant fee savings while achieving the objective of earning attractive returns in a variety of market environments.

CEO REPORT

ANGELA M. RODELL

Great things happen when you have a dedicated team full of passion and perseverance. Such was the case for the Alaska Permanent Fund Corporation (APFC) in Fiscal Year 2018 (FY18). Global recognition has been very fulfilling for our small but mighty team, and it highlights the outstanding performance of APFC's staff, who continue to achieve exceptional investment returns for Alaska. While accolades from our sovereign wealth peers indicate our strong international presence and performance, I am most encouraged by the recognition and support that APFC has received here at home from our state leaders and the Alaska public.

Receiving the valuable resources necessary to expand our in-house management team will result in an even more efficiently managed Corporation and Fund as we strive to meet the Board of Trustees' long-term objective of achieving an optimal mix of internal and external management capabilities. Bringing more management in-house provides career opportunities here in Juneau, Alaska, while having the direct benefits of fee reduction and enhanced investment flexibility. The true assessment of effective portfolio management is results based, and over the past five years, APFC's active engagement and investment of the Fund has generated an additional return of 2.10% over the passive benchmark, which is added value of \$4.7 billion to the Alaska Permanent Fund (Fund).

Alaska is now relying on the Fund in new ways; APFC's ability to add value and secure compelling investment opportunities while diversifying and controlling risks has never been more important. In FY18, the Fund's investments gained 10.74% and the Fund ended June 30, 2018 with assets under management totaling \$64,894,345,000. In working together with our partners worldwide, I was pleased

to see the quality and diversity of the portfolio's investment returns across all asset classes. Double-digit performance returns have been achieved in both our public equity holdings and our private market asset classes of infrastructure and private equity and special opportunities. The Fund benefits from having a board-authorized investment structure that allows APFC to identify and respond to targeted opportunities and risks within a shifting global financial landscape.

In recognition of Alaska stakeholders' efforts to establish a fiscal plan designed to ensure the future sustainability of the Fund, the Board of Trustees adopted Resolution 18-01 supporting the adherence to a rules-based, legal framework for Fund transfers. The passage and enactment of SB 26, Chapter 16 SLA 18, supports the resolve of the Trustees, "the hallmark of any plan must be that it is sustainable, occurs through a legally adopted rules-based framework, and not be ad hoc."

With the progress we have made, it is important for us to not lose sight of our mission and to continue to educate our stakeholders—as they look towards the Fund to be part of Alaska's fiscal solution. Alaskans can be assured, APFC will not let up on our basic foundational construct and our commitment to being responsible stewards of the financial assets that Alaskans have entrusted to our management.



APFC VISION STATEMENT

OUR VISION IS TO DELIVER SUSTAINED, COMPELLING INVESTMENT RETURNS AS THE UNITED STATES' LEADING SOVEREIGN ENDOWMENT MANAGER, BENEFITTING ALL CURRENT AND FUTURE GENERATIONS OF ALASKANS.

FY18 TOTAL FUND ASSETS UNDER MANAGEMENT
(AS OF JUNE 30, 2018)

\$64,894,345,000

FY18 TOTAL FUND RETURN

10.74%

ANNUALIZED FUND RETURN SINCE INCEPTION

8.86%

PRINCIPAL

\$46,029,992,000

\$40.2 B

\$5.8 B

● CONSTITUTIONALLY PROTECTED DEPOSITS ● UNREALIZED GAINS

EARNINGS RESERVE ACCOUNT (ERA)

\$18,864,353,000

\$13.7 B

\$2.4 B

\$2.7 B

● REALIZED EARNINGS ● UNREALIZED GAINS ● COMMITMENT TO THE GENERAL FUND

FY18 SOURCES OF CHANGE IN FUND VALUE

\$1.6 B

STOCK DIVIDENDS, BOND INTEREST, AND REAL ESTATE CASH FLOW

\$4.1 B

NET INCREASE IN FAIR VALUE OF INVESTMENTS

-\$146 M

OPERATING COSTS AND OTHER APPROPRIATIONS

\$353 M

DEDICATED MINERAL REVENUE

-\$769 M

TRANSFERS OUT (CAPITAL INCOME ACCOUNT AND DIVIDEND)

An aerial photograph of a wide, winding river flowing through a lush, green forested valley. The river has several meanders and is bordered by dense evergreen and deciduous trees. In the background, a range of rugged, dark mountains stretches across the horizon under a clear sky. The lighting suggests a bright, sunny day, casting long shadows and highlighting the textures of the forest and the river's surface.

ALASKA CONSTITUTION ARTICLE IX, SECTION 15 ALASKA PERMANENT FUND

At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

THE FUND

A RENEWABLE RESOURCE

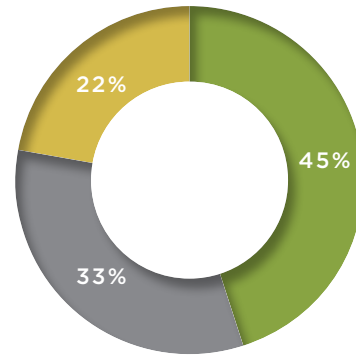
Growth of the Fund is generated through deposits to the Principal and through returns on investments in stocks, bonds, real estate, infrastructure, and private entities. The Alaska Permanent Fund is invested under one comprehensive strategy with two separate accounts. The Principal is constitutionally protected as the depository for **at least 25% of all mineral royalties** and may only be used **for income producing investments**. The Earnings Reserve Account (ERA) is statutorily established in AS 37.13.140 - **provided by law**, to hold the net investment earnings of the Fund and can be appropriated by the Alaska State Legislature for any state purpose.

Recognizing that this is a pivotal time for our state, the Board of Trustees encouraged and supported the efforts of Alaska stakeholders to establish a rules-based framework designed to ensure the future sustainability of the Fund and meet the needs of Alaskans both today and in the future. The passage of SB 26 - Chapter 16 SLA 18 provides a statutory framework for Fund withdrawals based on a percent of market value (POMV) methodology and is subject to annual appropriation by the Legislature. Under this rules-based system, the FY19 state operating budget includes a 5.25% POMV draw from the Fund for distribution to the General Fund, a portion of which is further distributed to the dividend fund for payment of 2018 Permanent Fund Dividends to eligible Alaskans. This commitment to the General Fund is reflected in the FY18 financial statements.

The Board of Trustees serve as the Fund fiduciaries ensuring that financial assets are managed and invested in a manner consistent with three legislative findings in AS 37.13.020.

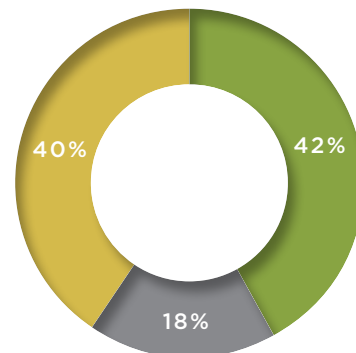
AS 37.13.020 (1)—THE PERMANENT FUND SHOULD PROVIDE A MEANS OF CONSERVING A PORTION OF THE STATE’S REVENUE FROM MINERAL RESOURCES TO BENEFIT ALL GENERATIONS OF ALASKANS.

USE OF FUND INCOME FROM THE ERA (SINCE INCEPTION)



- PAID OUT TO CURRENT GENERATIONS | \$27.8 B
- TRANSFERS TO PRINCIPAL | \$20.6 B
- UNSPENT EARNINGS | \$13.7 B

CONTRIBUTIONS TO PRINCIPAL (SINCE INCEPTION)



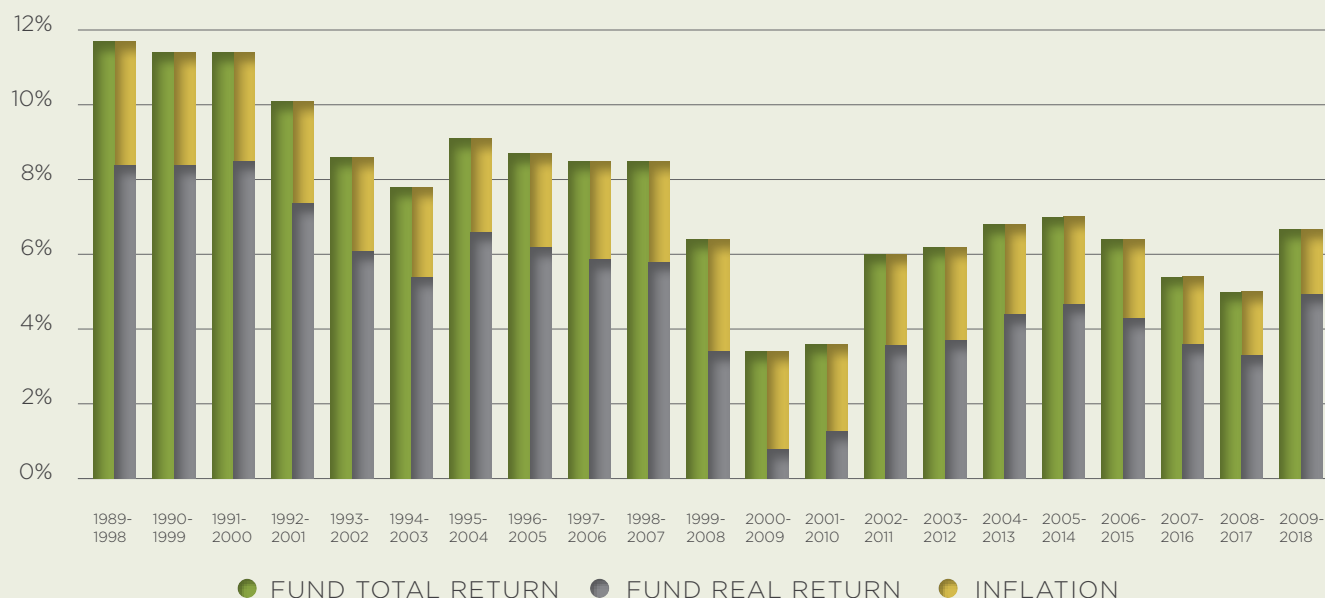
- MINERAL REVENUE | \$16.9 B
- SPECIAL APPROPRIATIONS | \$7.1 B
- INFLATION PROOFING | \$16.2 B

By saving a portion of Alaska’s natural resource wealth, by protecting its long-term value, and by investing it in a well-diversified portfolio, Alaskans have successfully converted non-renewable oil and mineral resources into a renewable resource in the form of income-producing financial assets.

AS 37.13.020 (2)—THE PERMANENT FUND’S GOAL SHOULD BE TO MAINTAIN SAFETY OF PRINCIPAL WHILE MAXIMIZING TOTAL RETURN.

The Trustees strictly adhere to the Prudent Investor Rule and emphasize diversification and long-term goals in their asset allocation strategy. Additionally, the Trustees firmly endorse inflation proofing the Principal of the Fund to preserve the purchasing power for the benefit of all generations.

ROLLING 10-YEAR FUND RETURNS



AS 37.13.020 (3)—THE FUND SHOULD BE USED AS A SAVINGS DEVICE MANAGED TO ALLOW THE MAXIMUM USE OF DISPOSABLE INCOME FROM THE FUND FOR THE PURPOSES DESIGNATED BY LAW.

Statutory net income is transferred annually, at the close of the fiscal year, to the ERA. This statutory net income calculation differs from accounting net income, in that it does not take into account the unrealized gains and losses of the portfolio and is based only on the net realized gains and losses of the Fund.

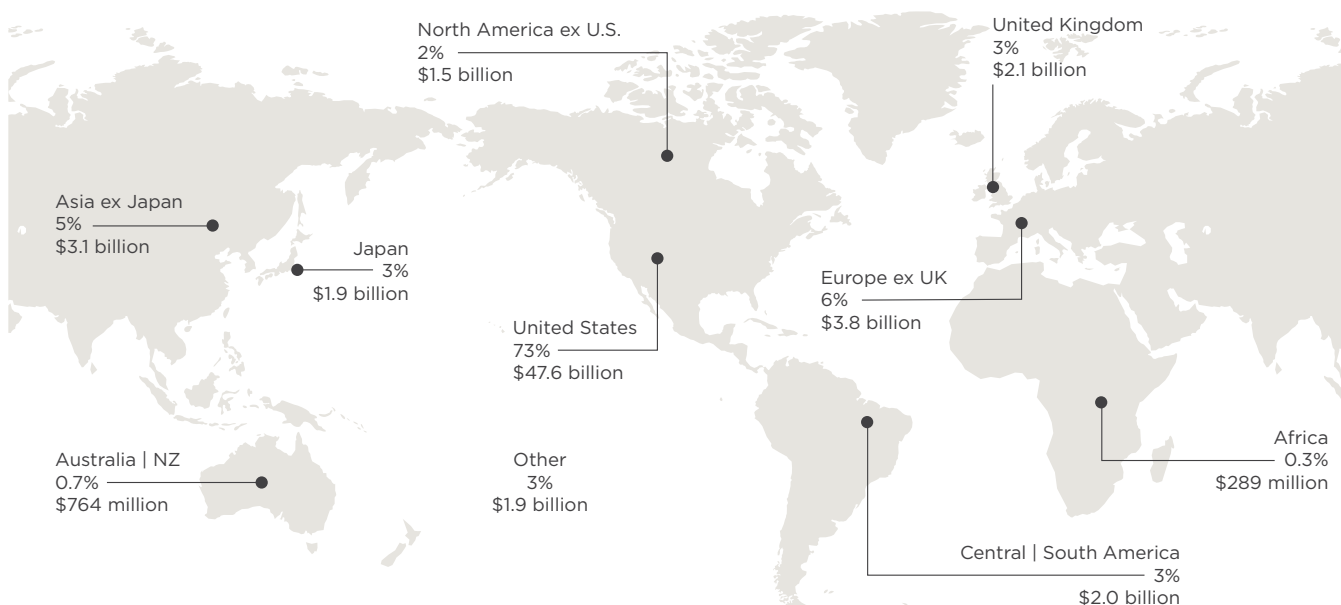
STATUTORY NET INCOME BY FISCAL YEAR



VALUE GENERATED FOR ALASKA

Viewed as one of the largest, most effective, and globally-positioned institutional investors among U.S. investment plans, the Permanent Fund is well positioned throughout the world economy.

APFC actively partners with leading investment managers and institutional investors on each major continent with the objective of gaining access to advantageous investment opportunities around the globe.



BENCHMARKS AND VALUE ADDED

Strategic Performance Benchmarks are set by the Board of Trustees and are an integral part of managing the Fund, as they allow for the evaluation of asset class performance and monitoring of risks relative to passive and peer comparisons.

The performance of the total Fund is measured against three benchmarks that have been approved by the Board of Trustees and are incorporated in APFC's Investment Policy:

SHORT TERM - PASSIVE INDEX BENCHMARK

The short-term performance indicator for the Fund is based on a blend of passive indices reflective of a traditional portfolio consisting of public equities, fixed income, and real estate investments. Outperformance

of the Total Fund versus this Passive Index Benchmark is representative of the value added by APFC staff through active portfolio management.

MEDIUM TERM - BLENDED PERFORMANCE BENCHMARK

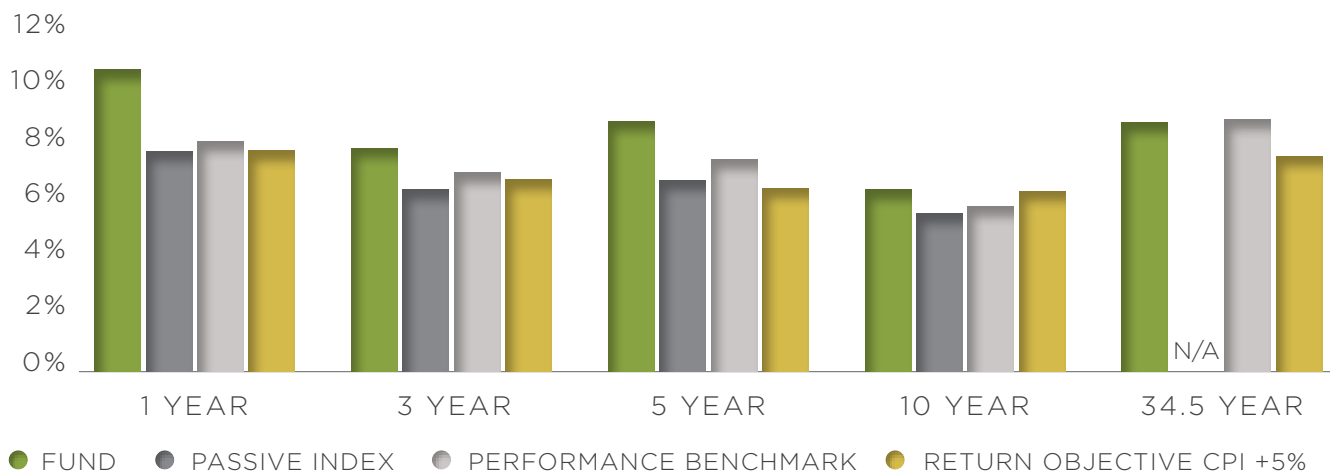
A blend of indices reflective of the Board's target asset allocation is used to assess the Fund's performance against peer investor comparisons. The portfolio's performance measured against this benchmark indicates how effectively staff has implemented the Board's plan for the Fund.

LONG TERM - TOTAL FUND RETURN OBJECTIVE

The Board's long-term investment goal for the Fund is to achieve an average real rate of return of five percent per year, CPI/Inflation +5%, at risk levels broadly consistent with large public and private funds. It is recognized that there may be years or a period of years when the Fund does not achieve this goal, followed by years when the goal is exceeded.



FUND'S LONG-TERM INVESTMENT PERFORMANCES



The APFC team works diligently to actively manage the Fund and meet or exceed the established performance benchmarks. The outperformance of the Total Fund versus the Passive Index Benchmark represents the value-added growth to the Fund that APFC's staff generates in higher returns through active asset allocation and portfolio management. This value-added performance is reflective of APFC's commitment to actively manage the portfolio on a global scale to maximize returns for Alaska.

VALUE ADDED IN FY18

\$1.7b
RETURNING
2.91%
OVER THE PASSIVE
INDEX BENCHMARK

VALUE ADDED OVER 5 YEARS

\$4.7b
RETURNING
2.10%
OVER THE PASSIVE
INDEX BENCHMARK

INVESTMENT STRATEGY

APFC’s goal is to have well-diversified, long-term investments that distribute risk and generate the highest possible return within the mandate given by the Board of Trustees.

APFC’s management strategy and performance relies on the combination of an effective asset allocation and active investment of each asset class. APFC employs a combination of internally-managed direct investments, alongside externally-managed fund investments, in order to secure access to high-quality, global opportunities.

The Fund is invested across seven asset classes in both public and private markets, a portfolio designed to deliver compelling long-term returns under a variety of potential market conditions.

ASSET ALLOCATION STRUCTURE

GROWTH

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

INCOME

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

Each asset class contributes to the total Fund return and provides quality and diversity of the portfolio’s investments.

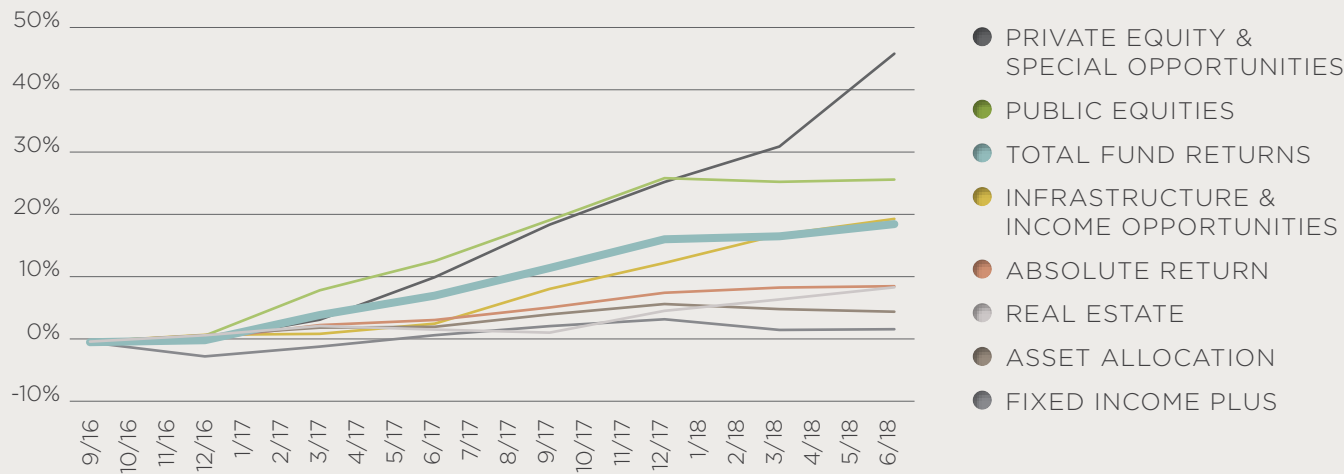
FY18 TARGET ASSET ALLOCATION

The asset allocation structure is organized by growth and income strategies, as well as liquidity objectives. This strategic categorization provides a framework for ensuring that investment return targets are commensurate with the risks undertaken.

- PUBLIC EQUITIES
- FIXED INCOME PLUS
- PRIVATE EQUITY & SPECIAL OPPORTUNITIES
- REAL ESTATE
- INFRASTRUCTURE, CREDIT, & INCOME OPPORTUNITIES
- ASSET ALLOCATION STRATEGIES
- ABSOLUTE RETURN



CONTRIBUTIONS OF DIVERSIFIED ASSETS TO THE TOTAL FUND RETURN



PORTFOLIO PERFORMANCE

Asset classes are managed by a dedicated team of investment professionals focused on achieving best-in-class overall performance. Investments are spread across most markets, countries, and currencies to achieve broad exposure to global growth opportunities. The advantage of the Fund's long-term horizon, stable construct, and size are leveraged to create value and produce compelling returns for Alaska.

APFC's investment approach is designed to generate investment returns which efficiently reward the investment risks undertaken through the production of both regularized income, as well as capital gains.

Success is measured against strategic benchmarks over three time horizons—Long-Term (5+ years): generate total returns in excess of inflation/CPI + 5%, Medium-Term (3 years): aim to achieve top-quartile investment returns in relation to institutional investor peers, and Short-Term (1 year): earn regularized income sufficient to support the operating and related needs of the Alaska state government while outperforming a passive global index portfolio of stocks and bonds.

Benchmarks for each asset class are included on the monthly performance report posted on our website at apfc.org.

Values shown here and elsewhere in the front section of the report are based on classification as dictated by asset allocation and portfolio management. Financial statement classification of investments is based on a traditional asset class structure. While there are slight differences in these asset class categorizations, the total fund value is the same under either scenario.

	Market Value <i>June 30th 2018</i>	FY18	3 Years	5 Years
Total Fund	\$ 64.9 B	10.74%	7.96%	8.91%
Public Equities	\$ 26.7 B	11.72%	8.50%	9.52%
MSCI ACWI IMI Benchmark		11.14%	8.34%	9.60%
Fixed Income Plus	\$ 13.9 B	0.99%		
Public Income Benchmark		0.86%		
Private Equity & Special Opportunities	\$ 7.2 B	32.70%	14.56%	23.84%
Cambridge Private Equity Benchmark		18.27%	12.66%	13.81%
Real Estate	\$ 3.9 B	6.99%	9.20%	9.99%
NCREIF Total Index Benchmark		7.12%	8.72%	10.00%
Infrastructure, Credit, & Income Opportunities	\$ 4.4 B	16.68%	13.81%	12.02%
60% FTSE/40% BC US corp HY Benchmark		4.49%	5.20%	6.65%
Absolute Return	\$ 2.8 B	5.95%	3.28%	3.39%
Custom Absolute Return Benchmark		5.67%	5.73%	5.91%
Asset Allocation	\$ 6.0 B	2.58%	2.25%	2.94%
Custom Asset Allocation Benchmark		5.89%		

- All returns are annualized (for periods greater than one year), and provided by Callan Associates, Inc.
- For investments within Private Equity and Special Opportunities, Real Estate, and Infrastructure, Private Credit, and Income Opportunities asset classes, returns are lagged one (1) quarter.



PUBLIC EQUITIES STOCKS

APFC's Public Equity allocation is actively structured to perform well in a variety of market environments. The components of this structure include asset allocation, external manager selection, and internal management of equities.

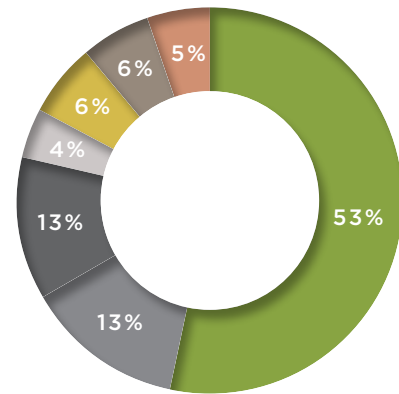
Public Equity allocation decisions are both strategic (long-term) and tactical (intermediate-term) and are based on long-term expected returns, valuation, fundamentals, and macroeconomic trends. We implement our asset allocation decisions predominantly through external fund managers across active, quasi-passive, and passive strategies. A small but increasing part of our allocation is managed internally, through exchange traded funds (ETFs). Over the past year, the primary contribution to returns came from repositioning of assets between U.S. and international markets and excess return generated by the Fund's active and quasi-passive managers.

For the Fiscal Year ended June 30, 2018, APFC's \$26.7 billion Public Equity portfolio delivered an 11.72% return compared to an 11.14% gain for the MSCI ACWI IMI, outperforming the benchmark by 58 basis points.

Despite a volatile global macroeconomic and political risk environment, the APFC Public Equity portfolio responded positively to the dynamic market conditions with gains across all sectors: Domestic Equities up 14.79% versus 14.78% for the Russell 3000 index, International Equities up 8.39% versus 7.75% return for the MSCI ACWI ex-U.S. index, and Global Equities up 11.51% versus 11.14% return for the Global benchmark. Overall, the solid performance of the Fund's external managers and the repositioning of assets between U.S. and international equity markets benefitted the Public Equity portfolio returns.

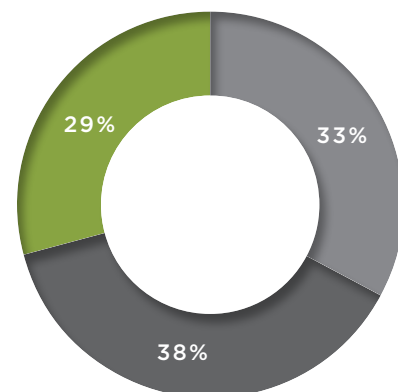
In the first half of the fiscal year, APFC's greater allocation favoring emerging markets benefitted the Public Equity portfolio's absolute and relative performance as emerging markets outperformed global equity markets from July through December. In the second half of the fiscal year, in view of the strength of the U.S. Dollar, APFC repositioned assets to modestly favor U.S. Equities relative to international equity markets. This strategy strengthened the fiscal year performance as U.S. Equities significantly outperformed global equity markets during the last six months of the fiscal year.

STOCK PORTFOLIO BY REGION



- U.S. | \$14 B
- EUROPE EX UK | \$3.3 B
- ASIA EX JAPAN | \$3.1 B
- UK | \$1.2 B
- JAPAN | \$1.7 B
- AMERICAS | \$1.6 B
- OTHER | \$1.4 B

STOCK PORTFOLIO BY REGIONAL MANDATE



- U.S. EQUITIES | \$8.6 B
- GLOBAL EQUITIES | \$10.1 B
(Multinational, including approximately \$5.4 B in U.S. Holdings)
- INTERNATIONAL EQUITIES | \$7.6 B

FIXED INCOME PLUS

BONDS, REITS, LISTED INFRASTRUCTURE

The Fixed Income Plus portfolio provides a steady stream of income to the State of Alaska while acting as an anchor of stability during times of crisis and volatility. Our Juneau-based trading desk has a direct line to all the major banks on Wall Street and technology allows our APFC managers to effectively trade bonds with the same speed and efficiency as the largest global asset managers. Trade execution and life cycle management is supported by APFC's Internal Trade Operations Team. The middle office is responsible for trade confirmation, portfolio reconciliation, security data maintenance, and value retention through timely settlement and communication with counterparties.

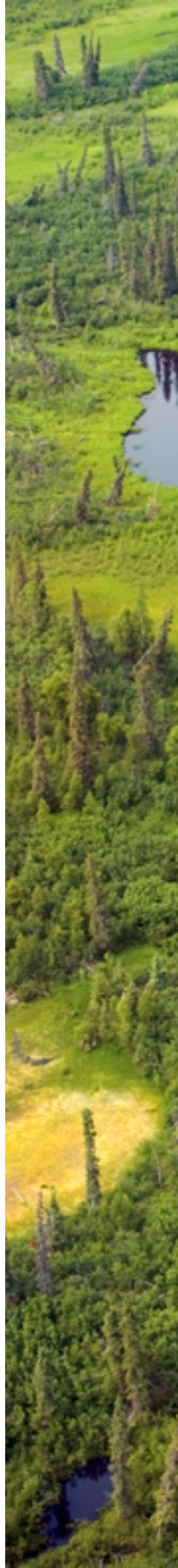
The Fixed Income Plus team's philosophy is to make targeted, high conviction macro bets when market dislocations occur, while taking advantage of daily technical factors that present relative value opportunities. Reversion to the mean, the assumption that a bond's spread will tend to move to the average price over time, is a powerful force in the fixed income market. With a disciplined process and proper risk controls, the team has outperformed the index over different market cycles. One key driver of the excellent performance is security selection within corporate bonds. The team is able to leverage the size of the fund to gain access to bonds in the new issue market before they are actively traded in the secondary market.

The majority of this portfolio's assets, \$9.8 billion in bonds, are managed internally, saving the State millions of dollars in investment management fees annually. The internally managed assets are comprised of Corporate Bonds, Treasury Inflation Protected Securities (TIPS), U.S. Government Bonds, Foreign Government Bonds, and Mortgage Backed

Securities. The remaining \$4.1 billion in Fixed Income Plus assets are invested with external managers in asset classes that require resources and specialized local knowledge to adequately manage risk. These markets include Emerging Market Government Bonds, Real Estate Investment Trusts, and Listed Infrastructure.

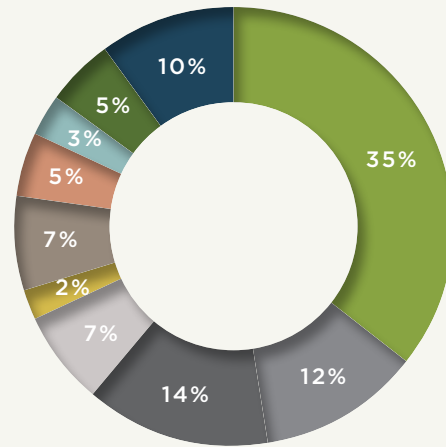
FY18 was a turbulent year for the fixed income market with interest rates rising, inflation rising, and corporate spreads widening. All three of these factors are headwinds to the performance of fixed income assets. In years where these factors are all moving in a negative direction, it is challenging to navigate the markets. Despite the market environment, Fixed Income Plus returned 0.99% during the fiscal year, exceeding the benchmark's return of 0.86%. The team was able to provide positive absolute returns during this period through investments in Foreign Government Bonds, TIPS, Real Estate Investment Trusts, and Listed Infrastructure. Our returns placed us in the 11th percentile of the Public Fund Domestic Fixed Income group for the fiscal year.

APFC's Fixed Income team has recently partnered with the Private Income team to launch a hybrid credit effort named Alaska Direct Alternative Credit (ADAC). ADAC is a \$1 billion strategy split between a private investment portfolio and a publicly traded High Yield Corporate Bond portfolio. The fixed income team will manage \$500 million of High Yield Bonds internally, saving the state roughly \$2 million in investment management fees annually. Managing the assets internally will also allow the team to tailor the portfolio's allocation and liquidity profile to align with the ADAC strategy as a whole.



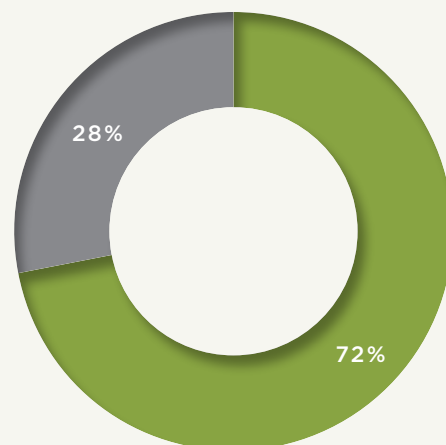


FIXED INCOME PLUS BY TYPE



- U.S. CORPORATES | \$5 B
- U.S. TREASURIES | \$1.7 B
- NON-U.S. GOVT | \$2 B
- MORTGAGE-BACKED | \$1 B
- CMBS | \$0.2 B
- NON-U.S. CORPORATES | \$1 B
- EXCHANGE TRADED FUNDS | \$0.7 B
- CASH | \$0.4 B
- LISTED INFRASTRUCTURE | \$0.7 B
- REITS | \$1.4 B

FIXED INCOME PLUS INTERNAL VS EXTERNAL MANAGEMENT



- INTERNALLY MANAGED | \$10 B
- EXTERNALLY MANAGED | \$4 B

PRIVATE EQUITY & SPECIAL OPPORTUNITIES

Private Equity and Special Opportunities (PESO) describes a broad range of investment strategies, structures, and tactics linked by several common characteristics. Most PESO investments are in private companies that are inaccessible through public securities exchanges. Private investments are typically characterized by very long investment horizons and limited liquidity but bring to the Fund increased diversification and superior returns. The Fund's scale, patience, and structural flexibility provide a comparative advantage in private markets and have allowed the fund to contribute to and benefit from the growth of more than 3,000 underlying investments.

These investments are accessed through long-term commitments to funds managed by our investment partners as well as targeted, direct investments into operating companies.

In FY18, APFC continued its strategy of cultivating robust, long-term partnerships with exceptional investors applying specialized skills and unique insights

to increase the value of the companies or assets they acquire. Fund commitments are diversified across strategies, geographies, and industries and represent the largest portion of our investing activities. APFC has committed \$12.6 billion to external managers, generating gains of \$3.8 billion since program inception in 2004.

APFC continues to co-invest alongside our investment partners and—when our investment horizon, scale, and structural flexibility provide an advantage—invest directly into promising growth companies and undervalued assets. APFC continued to support its existing portfolio companies in FY18 through follow-on rounds, and also invested in new platform investments across healthcare, energy, software, and other industries. APFC has invested \$1.1 billion into operating companies, generating a 2.8x multiple of cost and gains of \$1.8 billion since program inception in 2013.

In FY18, the private equity market continued its upward trajectory, with heightened valuation driven by aggressive competition for investments. Against this backdrop, APFC has endeavored to invest in funds and operating companies that leverage transformative operational intervention and accretive buy-and-build strategies to generate above-market returns. By leveraging our reputation as a preferred Limited Partner, APFC has secured access to many best-in-class new managers while continuing to grow with our current roster of high-quality fund managers.

The Private Equity and Special Opportunities portfolios generated an exceptional return of 32.7% in FY18, and 23.8% annualized over the last 5 years. In FY18, the Private Equity portfolio generated 27.9% returns, while the Special Opportunities portfolio generated 40.1% returns. Both portfolios meaningfully outperformed the Cambridge Private Equity benchmark of 18.3%. The FY18 return was the highest achieved by any asset class for any year in APFC's history. The PESO portfolio has outperformed its public market benchmark, generating an incremental \$3.2 billion of gains to APFC since inception.

REPRESENTATIVE CO-INVESTMENTS



REPRESENTATIVE DIRECT INVESTMENTS





*APFC WAS SELECTED AS THE
NORTH AMERICAN PRIVATE EQUITY
INSTITUTIONAL LIMITED PARTNER
(LP) INVESTOR OF THE YEAR
FOR 2017 BY INDUSTRY PEERS
IN A SURVEY CONDUCTED BY
PEI MAGAZINE. THIS WELCOMED
RECOGNITION AFFIRMS APFC'S
COMMITMENT TO DEVELOPING
A GLOBALLY COMPETITIVE
INVESTMENT STRATEGY AND
ORGANIZATION.*

REAL ESTATE

APFC's Real Estate portfolio is comprised of primarily direct holdings of moderately leveraged, institutional quality, core real estate assets. The Real Estate portfolio exhibits a risk-return profile in between equities and fixed income. It provides a steady source of current income and can be expected to outperform more leveraged private markets strategies in challenging markets.

Throughout FY18, pricing of institutional real estate assets continued its climb reaching new levels, which made for a challenging acquisitions environment. For the APFC real estate program, this was particularly difficult following the disposal of one of our single largest investments, Simpson Housing. Given the expensive acquisition market, a plan has been formulated to expand the internationalization of our portfolio through commitments to real estate funds, which will produce efficient deployment and diversification. APFC recommitted additional capital to its Lincoln Property Company joint venture to source industrial transactions and is currently evaluating a number of acquisitions. We worked to identify expansion

and development projects on existing sites and are partnering with Greystar, the largest, proven, multi-family developer in the United States. A new investment management firm dedicated to private debt investments, Heitman Capital Management, was hired in 2018 to introduce assets to the portfolio that provide down side protection in a pricey, late-stage market. We are looking forward to future performance outcomes as these strategic initiatives begin to take shape in our portfolio.

Retail continues to be the sector receiving the most press attention. As e-commerce roars forward, "bricks and mortar" retail is being reshaped to compete for shoppers via experiential components. The top malls benefit from tenancies such as restaurants and cinemas, which provide experiences unduplicated online, while smaller centers are more susceptible to retailer distress. APFC's portfolio holds a combination of both of these retail types and we are working on a plan to redevelop or dispose of weaker properties as we work to rationalize our outsized retail exposure. In the meantime, our retail properties have continued to outperform benchmark indices overall.



Real Estate assets include the Fund’s partial or complete ownership of 52 residential, retail, industrial, and office buildings in the United States, Spain, Portugal, and the United Kingdom.

Our Alaska holding is the Michael J. Burns Building in Juneau, housing our APFC office, in addition to other state and private sector entities.

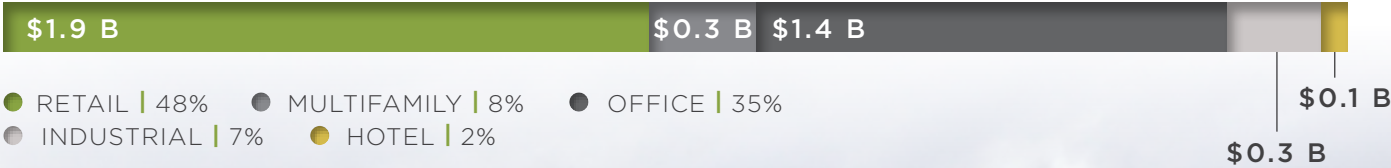
During FY18, the overall Real Estate portfolio delivered a return to the Fund of 6.99%, adding to its stable, long term performance over 3- and 5-year periods of 9.20% and 9.99%, respectively.

APFC’s properties continue to receive awards and designations for sustainability. We were the first investor on the west coast to receive the LEED Gold EB, Leadership in Energy and Environmental Design for

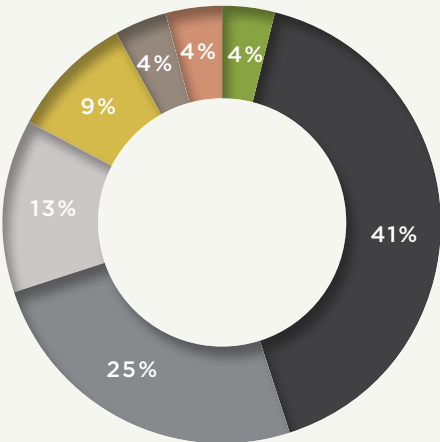
Existing Buildings designation and continue to garner worldwide attention with a third of our properties holding sustainability designations. Our most recent award was granted to our retail property located in Warrington, United Kingdom—Golden Square. This shopping center received the Bronze designation at the Green World Environment Awards for a number of environmental savings, including achieving “zero waste to landfill.” As the international community embraces green efforts, we look to our portfolio to stand shoulder to shoulder in this arena and also to gain meaningful cost savings by doing so.

DIRECT REAL ESTATE BY PROPERTY TYPE

\$3,945,204,000

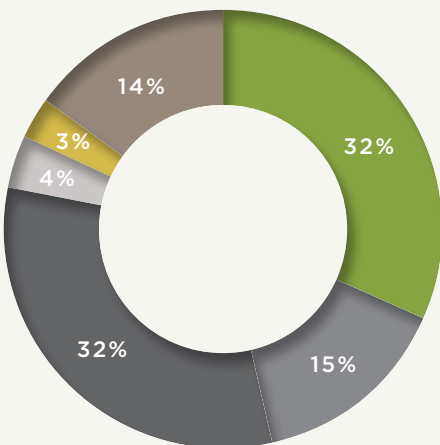


INFRASTRUCTURE BY SECTOR



- WATER & WASTE MANAGEMENT | \$107.9 M
- TRANSPORTATION | \$986.0 M
- POWER GENERATION | \$597.4 M
- REGULATED UTILITY | \$322.1 M
- MIDSTREAM AND OIL & GAS STORAGE | \$207.6 M
- TIMBER | \$98.6 M
- TELECOM & OTHER | \$106.8 M

INFRASTRUCTURE BY REGION



- U.S., CANADA, & PUERTO RICO | \$764.5 M
- U.K. | \$367.3 M
- CONTINENTAL EUROPE | \$773.4 M
- AUSTRALIA | \$88.5 M
- JAPAN | \$73.9 M
- EMERGING MARKETS/OTHER | \$358.8 M



PRIVATE INCOME

INFRASTRUCTURE, PRIVATE CREDIT, AND INCOME OPPORTUNITIES

The Private Income strategy aims to provide the Fund with a high level of income and limited volatility, through investments in infrastructure, private credit, and other income opportunities. Across the portfolio, investments are designed to link attractive net returns, steady income, and limited volatility.

Over the past decade, APFC has deliberately grown the Fund's exposure to private, income-generating investments. Infrastructure has been the biggest beneficiary of this growth, increasing from 0.6 percent of NAV in FY08 to 3.7 percent in FY18. This longstanding commitment to finding top-tier infrastructure managers, and co-investing alongside them, paid off significantly in FY18 as the Infrastructure portfolio generated returns of 22.87 percent, 21.49 percent, and 16.35 percent over the trailing one-year, three-year, and five-year periods, respectively. Many of APFC's managers have developed, de-risked, and grown assets purchased after the global financial crisis and are now exiting into a market with strong demand for infrastructure investments. We believe the returns in FY18 are a product of a long-term commitment to private markets and a disciplined focus on selecting quality partners.

Driven by the outperformance in Infrastructure, the Private Income portfolio contributed returns of 16.68 percent, 13.81 percent, and 12.02 percent over the trailing one-year, three-year, and five-year periods, respectively. These returns provided between 300-600 basis points of excess return, relative to the total Fund over those same periods.

Private Credit, which staff continues to transition from the legacy, outsourced approach, has benefitted from an uplift in interest rates, a low default environment, a reduction in fees paid to external managers, and an increase in the concentration of our higher conviction managers. The Private Credit portfolio generated returns of 8.79 percent, 6.47 percent, and 7.20 percent over the trailing one-year, three-year, and five-year periods, respectively.

It was a challenging year for the Income Opportunities portfolio due to a write-down on the largest position, a joint venture with American Homes 4 Rent. The partnership, which made up the majority of the Income Opportunities portfolio until the fourth quarter of FY18, has been a valuable contributor to the Fund since inception, and we believe it will continue to generate positive returns for the Fund going forward. In spite of the challenges, the Income Opportunities portfolio generated a 1.90 percent return in FY18, and a 7.88 percent return over the trailing three-year period. In May, APFC announced the launch of a \$1 billion hybrid credit effort named Alaska Direct Alternative Credit (ADAC). Investments in ADAC will include a liquid portfolio of internally managed non-investment grade bonds and ETFs, and a private portfolio of co-investments alongside APFC's Private Credit managers. We expect this initiative to generate accretive returns for the Income Opportunities portfolio.

SELECT INVESTMENTS



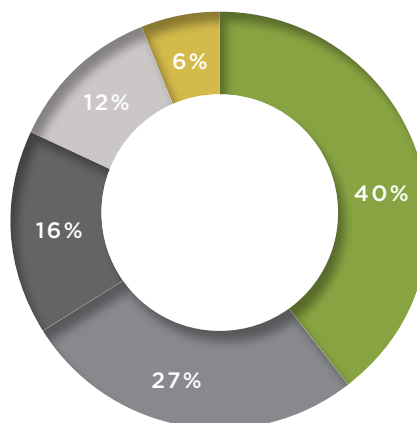
ABSOLUTE RETURN

APFC's Absolute Return portfolio is designed to deliver uncorrelated returns in excess of the Fund's total return objective by investing with managers that employ a variety of alternative investment strategies. Two years ago, the portfolio was restructured from a fund-of-funds model to an in-house, staff-driven program and since that time has delivered on its objectives earning an attractive return with low correlation to the Fund. As of June 30, 81 percent of the portfolio's commitments are internally managed as the legacy fund-of-funds continue to distribute cash.

During FY18, the Absolute Return strategy weathered the first period of market turmoil since the APFC Board approved the transition to a direct approach targeting accretive returns with minimal correlation in May 2016. The portfolio performed within expectations, losing 0.27 percent in February and gaining 0.49 percent in March, while the S&P 500 Total Return Index lost 3.69 percent and 2.54 percent during those months. While this is only one data point and the market thereafter resumed an upward trend, this performance is an indication that the strategy is on track. After adding six new managers in FY18, the Absolute Return portfolio consists of 16 managers including two legacy fund-of-funds managers that are in redemption.

The portfolio generated a positive return in nine of the last twelve months and generated a 5.95 percent return for FY18, 28 basis points in excess of the HFRI Total HFOF Universe benchmark return. In recognition of the progress this portfolio has made, *Institutional Investor* magazine recognized APFC as Sovereign Wealth Fund of the Year in Hedge Fund Investments for 2017. We are pleased to accept this award, and will continue our efforts to ensure this portfolio delivers attractive, uncorrelated returns to the Fund.

INTERNALLY MANAGED STRATEGY MIX



● EQUITY RELATIVE VALUE

Equity RV funds build market neutral portfolios of long and short equity positions through a number of strategies, including both fundamental and quantitative analysis.

● MACRO

Macro funds develop top-down views of the world based on analysis of economic, fundamental, and geopolitical factors to take directional positions in a variety of instruments and securities, traditionally with an emphasis on derivatives.

● CTA/GAA

While Commodity Trading Advisors and Global Asset Allocators could be classified separately, in our portfolio these funds take a systematic and directional approach to trading instruments such as futures, FX contracts, and equity indices based on quantitative signals.

● FIXED INCOME RELATIVE VALUE

Fixed Income RV funds use long and short positions in fixed income assets, as well as derivatives, to profit from arbitrage, mean-reversion, or positive carry anomalies in the market.

● EVENT DRIVEN

Event Driven funds identify undervalued companies or securities through fundamental research with a catalyst that will unlock that value. These catalysts may be known, but uncertain and complex, such as a merger or restructuring, or they may require action by the fund in the case of an activist position.

INTERNAL/EXTERNAL MANAGEMENT



● LEGACY FUND-OF-FUNDS ● INTERNALLY MANAGED



ASSET ALLOCATION STRATEGIES

The Asset Allocation Strategies portfolio comprises a variety of strategies that are invested in a manner which reflects a similar risk/return profile as the Total Fund. The portfolio is comprised of \$1.3 billion in Cash and Liquid Securities, \$2.2 billion in a Liquidity Overlay portfolio, \$2.0 billion (notional) in a Currency-Hedging portfolio, and \$2.5 billion in a Multi-Asset Class, known as the eCIO mandate.

Cash and liquid securities are a fundamental component of the Asset Allocation Strategies portfolio. These investments play an important role within a well-diversified investment portfolio and serve several purposes, including protection against inflation, stability for the portfolio, liquidity, and diversification benefits relative to other assets. Cash and liquid securities are managed internally, and the amount held is determined by APFC's investment strategy, time horizon, and risk tolerance.

During FY18, APFC initiated its externally managed liquidity overlay program, in which \$2.2 billion of cash reserves were exposed to equity and fixed income markets through securitization. Over time, this program is expected to reduce the performance drag caused by holding cash, while assisting staff with managing liquidity needs and the rebalancing of assets.

Also added in FY18 was an externally managed, foreign currency overlay strategy designed to mitigate unwanted foreign currency risk, given that the Fund is exposed to foreign currency from both public and private investments around the globe. The size of this mandate is currently \$2.0 billion in notional value. The program aims to mitigate adverse impacts of

weakening foreign currency and add value over the benchmark by 100 basis points per annum over a three- to five-year period for the Total Fund.

The Asset Allocation Strategies portfolio includes \$2.5 billion invested in Multi-Asset Managers through the eCIO program. The Multi-Asset class strategy consists of partnering with "best-in-class" institutional asset management firms which serve as APFC's "external CIOs." There are several objectives related to this mandate: sharing asset allocation, risk management, and other leading investment practices. The eCIOs strive to achieve the Total Fund's five-percent real return objective, while operating within the Total Fund's overarching risk guidelines. The expectation is that they will produce superior risk-adjusted returns with lower volatility, smaller drawdowns, and higher liquidity over the long term.

In FY2018, the eCIO program faced several challenges due to unforeseen market movements. Spikes in volatility, emerging market underperformance, interest rate movements, and other geopolitical factors all put downward pressures on eCIO manager returns. Despite these pressures, the three eCIO managers produced positive returns, adding a total of 4.45% during FY18.

APFC INTERNS

ZACHARY HEBERT & GRANT AINSWORTH



INTERNSHIP PROGRAM

The Alaska Permanent Fund Corporation is committed to nurturing Alaska students and mentoring them for careers in asset management, finance, and related fields through our longstanding APFC Internship Program. For over three decades, APFC has invested in the futures of Alaska students, and many return to invest in Alaska's future with careers at APFC. This Trustee-supported program has resulted in more than 300 high-quality internships filled by Alaska students since 1988.

In striving to offer meaningful experiences in various aspects of the investment industry, this year APFC was pleased to mentor two Alaska interns: Grant Ainsworth, a Finance major and student of the University of Portland in Oregon, and Zachary Hebert, an Accounting and Finance major at Washington State University.

Grant Ainsworth served as an Investments Intern with the APFC Internship Program this past summer. Ainsworth applied for the program because it offered valuable experience while being in a location accessible to the beautiful Alaska outdoors. Having known about the program since high school, he was ecstatic to finally be selected for this opportunity as a college student. Among the various responsibilities that Ainsworth had, one of his favorites was compiling and sending out daily dashboards of the Fund's performance to all of APFC's staff and the Board of Trustees. He was also able to work with Blackrock, an investment management firm, to create and update templates and reports. Ainsworth feels that his time spent at APFC has prepared him well for his future by giving him a better understanding of the different aspects of investing, which in turn gave him a better grasp on the direction he wants to go in with his future career.

"Seeing the inner workings and being on the ground floor of this massive sovereign fund is an experience that I will never forget." Grant Ainsworth

Zach Hebert began filling out an application for the APFC Internship Program while still in high school, yet had to put that on hold once realizing he did not qualify until enrolling in college. He was thrilled to have the opportunity to apply in 2018, remaining true to his dream of getting involved in the investments industry in his home state of Alaska. Hebert served as a Finance Intern, which meant it was crucial for him to do his job efficiently and correctly. Upon completion of the program, Hebert felt that he had learned a lot about investment manager contracts and how sovereign wealth funds operate—preparing him for a future career in the field.

"The opportunity that APFC gives Alaska college students is world-class and everyone who is majoring in any business degree in Alaska should apply for the internship." Zach Hebert

Both Ainsworth and Hebert appreciated the corporate office environment and staff at APFC. They felt they learned how to create meaningful working relationships, were comfortable asking questions, had welcoming support from staff, and were impressed with the dynamic organization of APFC. Hebert said, *"The most rewarding part of my internship was who I worked with. I loved working with everyone at APFC and it has made my internship one of my most enjoyable life experiences."* Ainsworth also noted that the APFC staff provided *"a better understanding of investments, the Fund, and my future career path and I am so grateful!"*

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.



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 the Alaska Permanent Fund (the Fund) as of June 30, 2018 and 2017, 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 the Alaska Permanent Fund as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



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, 2018 and 2017, 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 3-9 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 7, 2018, on our consideration of the Alaska Permanent 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 7, 2018
Anchorage, Alaska

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, 2018 and June 30, 2017. 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

- At 10.74 percent total return, fiscal year (FY) 2018 results were not quite as strong as the 12.89 percent of FY2017 but still significantly higher than the average over the Fund's history. Total fund return for FY2018 outperformed the performance benchmark of 8.20 percent by more than 250 basis points. Closest to the FY2018 performance was FY2013 with a 10.93 percent return. FY2018's results are substantially above the mid-point of the range of returns since 1985, which have ranged from -17.96 percent to 25.58 percent.
- FY2018's excess of revenues over expenditures (net income) was \$5.5 billion. This represents a decrease from FY2017 of \$1.2 billion but is significantly higher than FY2016's level of \$398 million.
- Alaska Statutes dictate that the Alaska Permanent Fund dividend is calculated using a five-year rolling total of net income as defined by Statutes, which excludes unrealized gains and losses (statutory net income). The dividend transfer is subject to Legislative appropriation, which may be made for an amount equal to the statutory calculation, or may be made for another amount. The transfer amount for FY2018, as appropriated, was \$726 million, which is less than 50 percent of the transfer amount calculated per Alaska Statutes.
- During FY2018, legislation was passed which provides for a transfer from the Earnings Reserve Account to the General Fund to help balance the State's budget. The amount of the transfer is based upon a percentage of the average market value of the Fund at the end of the first five of the preceding six fiscal years. The legislation took effect on July 1, 2018. The FY2018 balance sheet reflects a commitment of fund balance of \$2.7 billion for this purpose in FY2019. The Alaska Permanent Fund dividend is then transferred from the General Fund.
- The portion of dedicated State of Alaska revenues deposited into the principal of the Fund is based on mineral prices and production. In FY2018, this amount came in at \$353 million, just below FY2017's deposits of \$365 million.
- Inflation proofing of the Fund's corpus is outlined in Alaska Statute and, like the dividend transfer, is subject to appropriation. In FY2018, the inflation rate was 2.13 percent. For the third consecutive year, there was no appropriation for this purpose so no transfer to the corpus was made. The inflation-proofing transfer for FY2018 as defined in Statute would have been \$856 million. In FY2017, the statutory inflation rate was 1.26 percent which would have resulted in a transfer to principal of \$502 million. Inflation proofing was appropriated for FY2019.

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, 2018, as well as the prior fiscal year's ending balances at June 30, 2017.

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

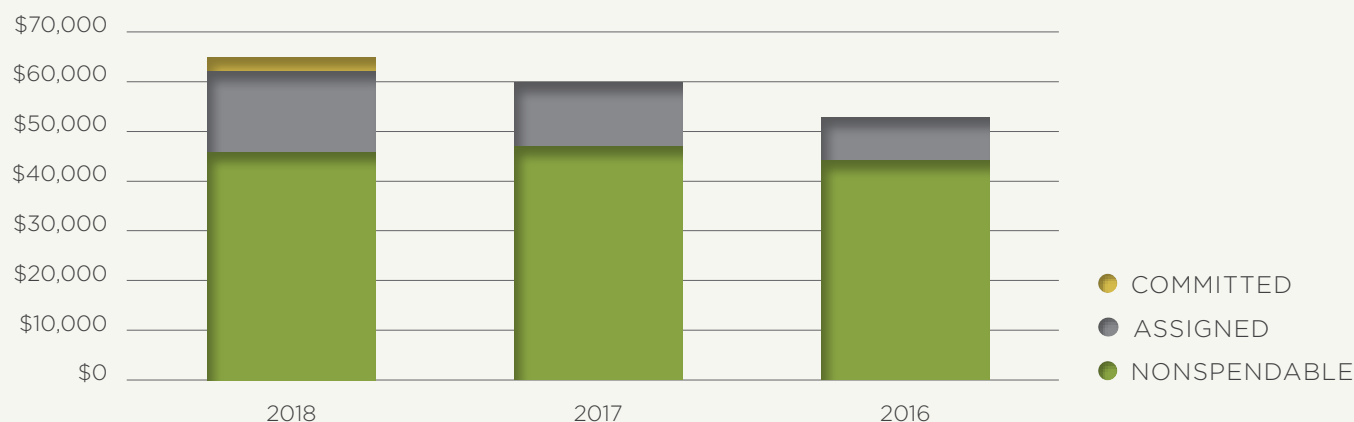
Liabilities on the Balance Sheets primarily consist of obligations for (i) investments purchased but not yet settled (shown in the accounts payable grouping), (ii) the amount payable to the State of Alaska for the Alaska Capital Income Fund, and (iii) the securities lending cash collateral that is returned 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 three categories: non-spendable, committed, and

assigned. The largest category is non-spendable (71 percent as of June 30, 2018) and is not available for government appropriation by the State of Alaska. New legislation, effective in FY2019, which provides for a percent-of-market-value transfer from the Earnings Reserve Account to the General Fund, results in a commitment of fund balance for FY2018. The remaining balance (the assigned fund balance) is available for government appropriation. The assigned fund balance increased by 26 percent from FY2017 to FY2018, from \$12.8 billion to \$16.1 billion. Generally, five factors contribute significantly to changes in the assigned fund balance: investment cash flow income including transactional realized gains and losses (statutory net income); the State of Alaska dividend payout; the State of Alaska general fund transfer; 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 FY2018, the amounts contributing to the net increase of approximately \$3 billion in the assigned fund balance were (i) realized income of \$5.6 billion; (ii) the dividend payout of \$726 million; (iii) the commitment of \$2.7 billion for transfer to the General Fund; and (iv) the allocation of a portion of unrealized gains and losses, which increased from FY2017 to FY2018 by \$450 million, to a balance of \$2.4 billion.

FUND BALANCES

(JUNE 30, IN MILLIONS)



MANAGEMENT'S DISCUSSION AND ANALYSIS

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 FY2018 and FY2017.

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 and (ii) the annual deposit to the Alaska Capital Income Fund (ACIF). Beginning in FY2019, transfers out of the fund will include the percent-of-market-value transfer to the General Fund for the Permanent Fund dividend and general government.

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 below was derived from the Balance Sheets of the Fund, and provides a comparison of the change between balances of June 30, 2018 and 2017.

Balance Sheets	June 30 2018	June 30 2017	Net change	Percent
Assets				
Cash and temporary investments	\$ 4,906,054,000	2,653,513,000	2,252,541,000	85%
Receivables, prepaid expenses and other assets	664,105,000	544,753,000	119,352,000	22%
Investments	60,089,408,000	57,311,078,000	2,778,330,000	5%
Securities lending collateral invested	2,011,760,000	1,314,953,000	696,807,000	53%
Total assets	\$ 67,671,327,000	61,824,297,000	5,847,030,000	9%
Liabilities				
Accounts payable	\$ 721,827,000	699,180,000	22,647,000	3%
Income distributable to the State of Alaska	43,395,000	25,067,000	18,328,000	73%
Securities lending collateral	2,011,760,000	1,314,953,000	696,807,000	53%
Total liabilities	2,776,982,000	2,039,200,000	737,782,000	36%
Fund balances				
Nonspendable:				
Permanent Fund corpus - contributions and appropriations	40,167,394,000	39,814,299,000	353,095,000	1%
Not in spendable form - unrealized appreciation on invested assets	5,862,598,000	7,155,294,000	(1,292,696,000)	(18)%
Total nonspendable	46,029,992,000	46,969,593,000	(939,601,000)	(2)%
Committed to:				
General Fund appropriation	2,722,654,000	—	2,722,654,000	n/a
Total committed	2,722,654,000	—	2,722,654,000	n/a
Assigned for future appropriations:				
Realized earnings	13,739,046,000	10,863,205,000	2,875,841,000	26%
Unrealized appreciation on invested assets	2,402,653,000	1,952,299,000	450,354,000	23%
Total assigned	16,141,699,000	12,815,504,000	3,326,195,000	26%
Total fund balances	64,894,345,000	59,785,097,000	5,109,248,000	9%
Total liabilities and fund balances	\$ 67,671,327,000	61,824,297,000	5,847,030,000	9%

MANAGEMENT'S

DISCUSSION AND ANALYSIS

The value of the Fund's assets, excluding securities lending collateral, increased by 9 percent between June 30, 2017 and June 30, 2018. Losses were experienced in the U.S. aggregate, U.S. corporate, and emerging market fixed income portfolios with returns of -0.41 percent, -0.72 percent, and -1.49 percent, respectively. Public equities, real estate, and absolute return more than offset those losses, contributing 11.67 percent, 6.99 percent, and 5.95 percent, respectively. Private equity & special opportunities and infrastructure & income opportunities were the strongest performers with returns of 32.7 percent and 16.68 percent, respectively.

The value of the Fund's assets, excluding securities lending collateral, increased by 11 percent between June 30, 2016 and June 30, 2017. Small losses were seen in the non-domestic fixed income and Treasury Inflation Protected Securities (TIPS) portfolios, with returns of -1.57 percent and -0.62 percent, respectively. All other mandates experienced gains during FY2017. The strongest performance occurred in the international, global, and domestic equity portfolios, with returns of 22.57 percent, 18.77 percent, and 20.08 percent, respectively. Private equity was also a significant contributor at 20.98 percent for the fiscal year.

Primarily due to an increase in pending public equities sales at year-end, receivables increased by 22 percent from FY2017 to FY2018, going from \$545 million to \$664 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 can change significantly from day to day and year to year, depending on activity in the market. The average value of assets on loan during FY2018 was \$7.7 billion, with a low of \$6.8 billion and a high of \$8.1 billion. The Fund had earnings from securities lending of \$26.3 million during FY2018, a significant increase from \$17.1 million received in FY2017.

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 96 percent of the FY2018 and FY2017 accounts payable balances. The increase of \$22.7 million from FY2017 to FY2018 was due to an increase in pending public equities and alternatives purchases of \$108.6 million and \$4 million, respectively, offset by a decrease in pending operating payables, bond, and real estate purchases of \$2.3 million, \$17.1 million, and \$70.5 million, respectively.

In past years, income distributable to the State of Alaska included the amount appropriated to fund the dividend program. In FY2018 and FY2017, the dividend appropriation was not payable until the next fiscal year. Therefore, there is no liability for this purpose at the end of fiscal years 2018 or 2017. For example, the 2017 dividend amount was payable in FY2018, which began July 1, 2017, and paid in the Fall of 2017. In FY2016, income distributable to the State of Alaska was \$713,765,000.

The sole amount due to the State of Alaska at the end of FY2018 and FY2017 is the transfer to the Alaska Capital Income Fund (ACIF). This amount is calculated based on realized earnings and was \$43.4 million for FY2018 and \$25.1 million for FY2017. The \$18.4 million dollar increase from the prior year is caused by significantly higher realized returns in FY2018 versus FY2017. The transfer due for FY2016 was \$18 million.

Total fund balance increased by 9 percent from FY2017 to FY2018, with an increase of \$5.1 billion, consistent with the total return for the year 10.74 percent. Components of this increase were increases of \$1.6 billion for cash flow income, \$353 million in dedicated mineral deposits, and an increase in the fair value of the portfolio of \$4.1 billion, offset by operating expenses of \$146 million, and the dividend transfer of \$726 million.

Deposits from the State of Alaska were down 3 percent from the FY2017 dedicated revenues of \$365 million.

The total fund balance increase from FY2016 to FY2017 of \$7 billion was due to the net of the transfers in (State dedicated mineral revenues of \$365 million) and the transfer out (ACIF of \$25 million), with the other contributor being net income of the fund of \$6.7 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 FY2018 as compared to FY2017 are shown in both dollars and percentages.

Statements of Revenues, Expenditures, and Changes in Fund Balances	Year Ended June 30			
	2018	2017	Net change	Percent
Revenues				
Interest, dividends, real estate, and other income	\$ 1,580,508,000	1,254,067,000	326,441,000	26%
Increase/(decrease) in the fair value of investments	4,090,948,000	5,551,355,000	(1,460,407,000)	(26)%
Total revenues	5,671,456,000	6,805,422,000	(1,133,966,000)	(17)%
Expenditures				
Operating expenditures	(138,799,000)	(121,260,000)	(17,539,000)	14%
Other Legislative appropriations	(7,159,000)	(8,578,000)	1,419,000	(17)%
Total expenditures	(145,958,000)	(129,838,000)	(16,120,000)	12%
Excess of revenues over expenditures	5,525,498,000	6,675,584,000	(1,150,086,000)	(17)%
Other financing sources (uses)				
Transfers in – dedicated State revenues	353,095,000	364,893,000	(11,798,000)	(3)%
Transfers out – appropriations	(769,345,000)	(25,067,000)	(744,278,000)	2,969%
Net change in fund balances	5,109,248,000	7,015,410,000	(1,906,162,000)	(27)%
Fund balances				
Beginning of period	59,785,097,000	52,769,687,000	7,015,410,000	13%
End of period	\$ 64,894,345,000	59,785,097,000	5,109,248,000	9%

During FY2018, cash flow revenue from interest, dividends, real estate, and other sources was at an all-time high, mostly due to the growing size of the portfolio as well as the gradual increase in interest rates. Total cash flow income was higher than for FY2017 at \$132 million per month on average, up from \$105 million per month on average in FY2017. The change in the fair value of investments decreased by 26% from \$5.6 billion in FY2017 to a \$4.1 billion gain in FY2018. Operating expenditures experienced a notable increase from FY2017 to FY2018 of 14 percent. This increase was about the same as between FY2016

and FY2017 at 15 percent. Manager fees in FY2018 totaled \$119 million (approximately 19 basis points) and in FY2017 were \$103 million (approximately 18 basis points). Total fees paid out in FY2016 were \$91 million, approximately 17 basis points. Investment management fees are largely based upon assets under management so, as the fund grows, so do fees to manage it.

Transfers in of dedicated State revenues decreased from FY2017 to FY2018 by 3 percent (\$12 million) and totaled \$353 million compared to \$365 million in FY2017. These transfers totaled \$284 million in FY2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Historically, 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 and ACIF transfers are subject to Legislative appropriation. The amount appropriated for FY2018 dividends was \$726 million. Beginning with FY2019, the dividend will be funded as a portion of the appropriated percent-of-market-value transfer from the Earnings Reserve Account to the General Fund.

The total transfer amount will be shown as committed fund balance at the end of the year in which the appropriation is made, and the commitment will be released when the transfer to the General Fund is made. The ACIF transfer is based on realized earnings for only one year; it is not averaged over multiple years. ACIF realized earnings of \$43.4 million in FY2018 and \$25.1 million in FY2017. The earnings for FY2016 were \$18.1 million.

ECONOMIC, INVESTMENT, AND POLITICAL FACTORS

The market value of and earnings from the Fund's assets are directly impacted by the volatility of the financial markets, as well as investment decisions made by the Trustees, internal Fund management, and external Fund investment managers. Diversification of asset allocation and diversification of investments within each allocation are intended to mitigate the risk of volatility of the financial markets. APFC, as a component unit of the State of Alaska, is subject to changes in the Alaska Statutes that govern APFC and the Fund.

ADDITIONAL INFORMATION

This financial report is designed to provide an overview of the Alaska Permanent Fund's ending net asset balances and fiscal year financial activities. This report does not include any other funds owned or managed by the State of Alaska or APFC. Due to the potential volatility of the financial markets, Fund values and income may vary greatly from period to period. For more information on the Fund, both current and historical, readers are encouraged to visit www.apfc.org, or send specific information requests to the Alaska Permanent Fund Corporation at P.O. Box 115500, Juneau, Alaska 99811-5500.



FINANCIAL STATEMENTS

Balance Sheets	June 30, 2018	June 30, 2017
Assets		
Cash and temporary investments	\$ 4,906,054,000	2,653,513,000
Receivables, prepaid expenses, and other assets	664,105,000	544,753,000
Investments:		
Marketable debt securities	11,546,620,000	10,114,640,000
Preferred and common stock	26,248,730,000	25,354,335,000
Real estate	5,460,939,000	6,886,835,000
Absolute return	5,288,072,000	4,567,024,000
Private equity	7,198,347,000	6,818,147,000
Infrastructure	3,035,277,000	2,458,345,000
Private credit	1,311,423,000	1,111,752,000
Total investments	60,089,408,000	57,311,078,000
Securities lending collateral invested	2,011,760,000	1,314,953,000
Total assets	\$ 67,671,327,000	61,824,297,000
Liabilities		
Accounts payable	\$ 721,827,000	699,180,000
Income distributable to the State of Alaska	43,395,000	25,067,000
Securities lending collateral	2,011,760,000	1,314,953,000
Total liabilities	2,776,982,000	2,039,200,000
Fund balances		
Nonspendable:		
Permanent Fund corpus - contributions and appropriations	40,167,394,000	39,814,299,000
Not in spendable form - unrealized appreciation on invested assets	5,862,598,000	7,155,294,000
Total nonspendable	46,029,992,000	46,969,593,000
Committed to:		
General Fund appropriation	2,722,654,000	—
Total committed	2,722,654,000	—
Assigned for future appropriations:		
Realized earnings	13,739,046,000	10,863,205,000
Unrealized appreciation on invested assets	2,402,653,000	1,952,299,000
Total assigned	16,141,699,000	12,815,504,000
Total fund balances	64,894,345,000	59,785,097,000
Total liabilities and fund balances	\$ 67,671,327,000	61,824,297,000

See accompanying notes to the financial statements.

Statements of Revenues, Expenditures, and Changes in Fund Balances	Year Ended June 30,	
	2018	2017
Revenues		
Interest	\$ 459,393,000	310,709,000
Dividends	640,620,000	563,012,000
Real estate and other income	480,495,000	380,346,000
Total interest, dividends, real estate, and other income	1,580,508,000	1,254,067,000
Net increase (decrease) in the fair value of investments —		
Marketable debt securities	(424,610,000)	(62,397,000)
Preferred and common stock	2,362,762,000	4,125,607,000
Real estate	65,591,000	102,594,000
Absolute return	221,732,000	351,810,000
Private equity	1,599,786,000	1,056,562,000
Infrastructure	337,403,000	259,221,000
Private credit	62,492,000	85,281,000
Foreign currency forward exchange contracts and futures	(19,519,000)	69,069,000
Currency	(114,689,000)	(436,392,000)
Total net increase in the fair value of investments	4,090,948,000	5,551,355,000
Total revenues	5,671,456,000	6,805,422,000
Expenditures		
Operating expenditures	(138,799,000)	(121,260,000)
Other Legislative appropriations	(7,159,000)	(8,578,000)
Total expenditures	(145,958,000)	(129,838,000)
Excess of revenues over expenditures	5,525,498,000	6,675,584,000
Other financing sources (uses)		
Transfers in - dedicated State revenues	353,095,000	364,893,000
Transfers out - statutory and Legislative appropriations	(769,345,000)	(25,067,000)
Net change in fund balances	5,109,248,000	7,015,410,000
Fund balances		
Beginning of period	59,785,097,000	52,769,687,000
End of period	\$ 64,894,345,000	59,785,097,000

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. ENTITY

The Constitution of the State of Alaska (State) was amended by public referendum in 1976 to dedicate a portion of certain natural resource revenues to the Alaska Permanent Fund (Fund). Contributions to the Fund are to be invested in income-producing investments authorized by law. 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. 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 annual appropriation, APFC transfers (i) a portion of the Fund's realized earnings to the State's dividend or general fund, (ii) a portion of realized earnings sufficient to offset the effect of inflation on contributions and appropriations to the nonspendable balance of the Fund, 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 APFC and is subject to appropriation by the Legislature. The nonspendable fund balance (referred to in the Alaska Constitution as the principal) includes the historical cost basis of contributions and appropriations. Because the Alaska Constitution specifies that principal can only be used for income-producing investments, it is unavailable for appropriation by the Legislature. Unrealized gains and losses (appreciation/depreciation) on Fund assets are allocated proportionately between the principal and the Earnings Reserve Account. The unrealized amounts allocated to contributions and appropriations are considered a component of principal and are nonspendable, unless and until they become realized, at which point they will be transferred to the Earnings Reserve Account in the assigned (realized earnings) fund balance. All assets are aggregated for investment purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In preparing the financial statements, APFC management is required to make estimates and assumptions as of the date of the balance sheet that affect the reported amounts of assets and liabilities and the disclosure of contingent assets, liabilities, revenues, and expenses for the period. The fair value of real estate, absolute return, private equity, infrastructure, and private credit 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. APFC's asset allocation includes 1.9 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. Typically the annual appropriation from the Earnings Reserve Account to the dividend fund follows the formula set out in Alaska Statute 37.13.140, which provides for 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. Based on advice from the Alaska Department of Law, the annual dividend transfer may occur only by legislative appropriation, and the Legislature may establish the amount of appropriation as a lump-sum dollar amount rather than a formula. Dividend appropriations are recognized in the Fund's financial statements as of the date the Legislature indicates the transfer to the dividend fund should occur. Dividend appropriations that are directed by the Legislature for a future transfer date are recognized as Assigned Fund balance. FY2018 is the last year a direct appropriation from the Earnings Reserve Account to the dividend fund took place due to legislative changes enacted in June 2018.

General Fund appropriations

In FY2018 the Legislature passed Senate Bill 26, which creates a percent of market value draw on the Earnings Reserve Account for transfer to the general fund.

Alaska Statute 37.13.140 was amended to specify the formula for percent of market value as 5.25% of the average market value of the fund as of June 30 for the first five of the preceding six fiscal years, including the fiscal year just ended. The average market value of the fund includes the Earnings Reserve Account, but not the principal attributed to the settlement of *State v. Amerada Hess*. The amount appropriated prior to year end as transferrable to the general fund for the next fiscal year is shown as Committed fund balance on the financial statements at June 30.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Fund balance

Unrealized gains and losses

A State of Alaska Attorney General's Opinion dated June 16, 2009 clarified the accounting treatment of the Fund's unrealized gains and losses by providing that unrealized appreciation or depreciation on invested assets should be allocated proportionately to principal and the Earnings Reserve Account.

Nonspendable fund balance

Nonspendable fund balance includes items that cannot be spent. This includes the corpus of the Permanent Fund, and the unrealized gains and losses allocated to it.

Committed fund balance

Committed fund balance can only be used for specific purposes subject to constraints imposed by a formal action of the Alaska Legislature, the State's highest level of decision-making authority. This formal action is the passage of a law creating, modifying or rescinding an appropriation. Earnings Reserve Account amounts appropriated to the General Fund are included in this classification. The commitment will be released when the transfer to the General Fund has been made.

Assigned fund balance

Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are not committed. The Alaska Legislature is the body authorized by the Alaska Constitution to assign amounts to a specific purpose. Alaska Statute 37.13.020 authorizes the Legislature to assign funds in the Earnings Reserve Account. The Earnings Reserve Account includes realized earnings and the unrealized gains and losses allocated to it.

Futures

Certain equity and fixed income managers for the Fund are permitted to buy and sell equity and interest

rate index futures. The gross contract and fair value of futures do not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets, based on the difference between the future's purchase price and the current value of such 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 because it is an integral part of the State, and 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. 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 rates for the years ended June 30, 2018 and 2017 were 2.13 percent and 1.26 percent, respectively; however, no transfers were made due to the lack of legislative appropriation for this purpose. Inflation proofing was appropriated for FY2019.

Investments and related policies

Carrying value of investments

The Fund considers all of its ownership interests in securities and other assets to be investments because they are held for the purpose of income or profit and have a present service capacity based solely on their ability to generate cash or be sold to generate cash. Investments are reported at fair value in the financial statements. Investments without a readily determinable fair value are generally reported by using the net asset value per share (or its equivalent) of the investment. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance.

State investment regulations

In accordance with Alaska Statute 37.13.120(a), the Trustees have adopted regulations designating the types of eligible investments for Fund assets.

The regulations follow the prudent investor rule, requiring the exercise of judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the Fund over time while maximizing the expected total return from both income and the appreciation of capital.

Investment policy – Asset allocation

The Trustees have established a long-term goal of achieving a five percent real rate of return over time on the Fund's investment portfolio. To help achieve this goal, the Trustees allocate the Fund's investments among various asset classes. At June 30, 2018, APFC's strategic asset allocation targets were as follows:

Asset Class	Asset Class Target
Public Equities	39%
Fixed Income Plus	22%
Private Equity/Special Opportunities	11%
Real Estate	11%
Private Credit/Infrastructure/Income Opportunities	6%
Absolute Return	5%
Asset Allocation	6%

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, 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), APFC's executive director can approve target deviations for up to 90 days within

a broader range (the "yellow zone"), and the Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the public equities class is 39 percent, with the green zone range set at 35-45 percent, the yellow zone range set at 30-35 and 45-55 percent, and red zone ranges set at allocations of less than 30 percent or greater than 55 percent. In a similar manner, the APFC investment policy also requires APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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. 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. 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% 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. 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. APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or APFC (on behalf of the Fund). For the Fund's non-

domestic securities held by most sub-custodians, 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. APFC manages the Fund's exposure to interest rate risk in part through tracking error guidelines set forth in 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, 2018, the Fund held fixed income investments with floating, variable, and step interest rates, valued at \$995,628,000. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from 0 to 38 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 and represent a present obligation to pay.

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:

	2018	2017
Cash	\$ 323,264,000	154,954,000
Pooled funds	3,963,473,000	1,614,620,000
U.S. Treasury bills	619,317,000	883,939,000
Total cash and temporary investments	\$ 4,906,054,000	2,653,513,000

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:

	2018	2017
Interest receivable	\$ 106,942,000	79,768,000
Dividends receivable	72,891,000	57,866,000
Sales receivable	430,975,000	365,086,000
Dedicated state revenues receivable	53,297,000	42,033,000
Total receivables, prepaid expenses, and other assets	\$ 664,105,000	544,753,000

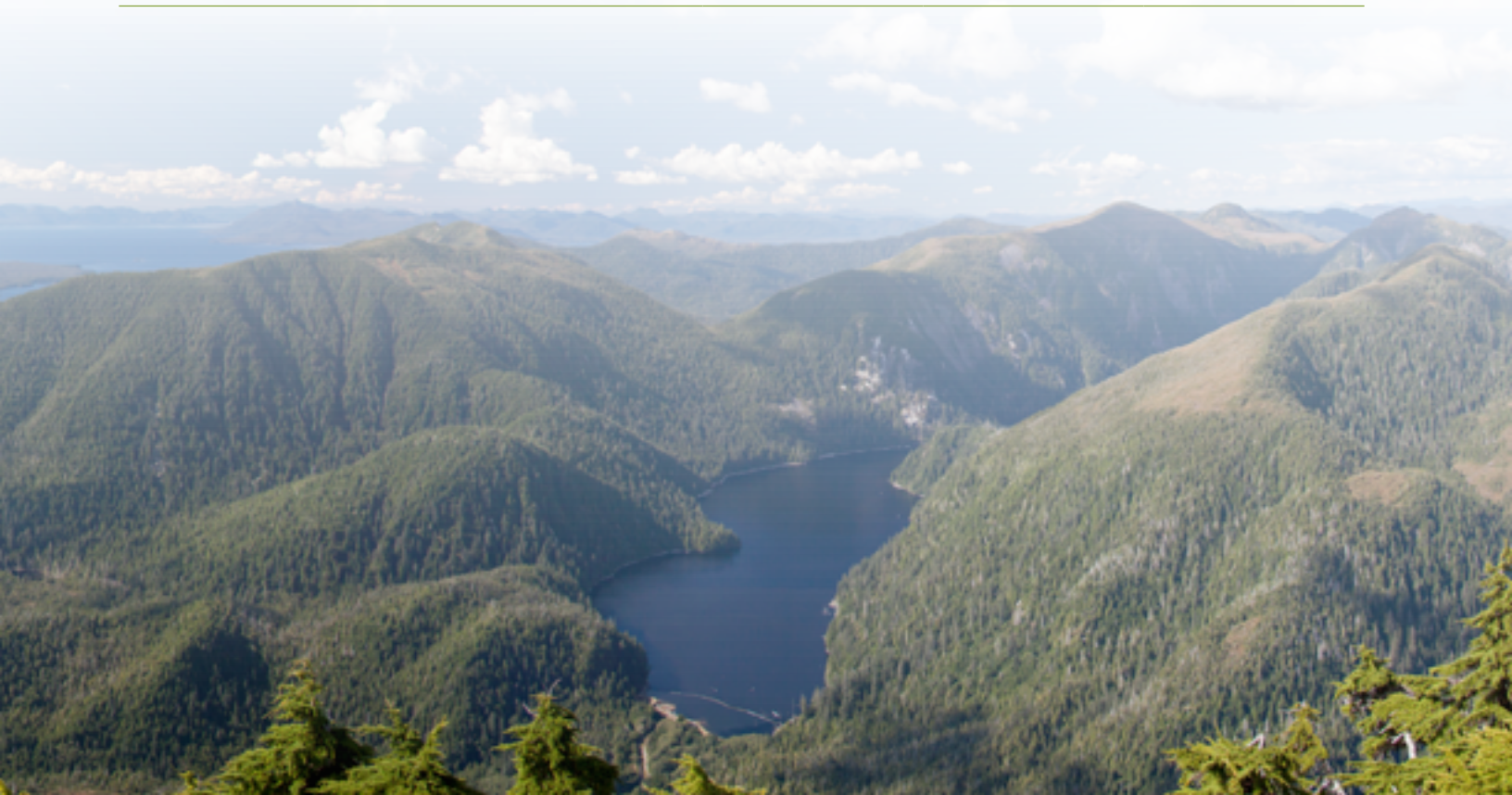
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

5. MARKETABLE DEBT SECURITIES

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

2018		Cost	Fair value	Unrealized gains (losses)
Treasury and government notes/bonds	\$	1,689,759,000	1,669,265,000	(20,494,000)
Mortgage-backed securities		1,002,636,000	986,045,000	(16,591,000)
Corporate bonds		5,196,562,000	5,004,894,000	(191,668,000)
Commercial mortgage/asset-backed securities		251,070,000	244,405,000	(6,665,000)
Non-U.S. treasury and government bonds		2,060,999,000	1,973,013,000	(87,986,000)
Non-U.S. corporate bonds		996,029,000	982,828,000	(13,201,000)
Bond-backed exchange traded funds		714,402,000	686,170,000	(28,232,000)
Total marketable debt securities	\$	11,911,457,000	11,546,620,000	(364,837,000)
2017				
Treasury and government notes/bonds	\$	2,723,899,000	2,708,765,000	(15,134,000)
Mortgage-backed securities		830,131,000	827,944,000	(2,187,000)
Corporate bonds		3,974,333,000	4,069,185,000	94,852,000
Commercial mortgage/asset-backed securities		214,880,000	214,868,000	(12,000)
Non-U.S. treasury and government bonds		1,140,881,000	1,126,710,000	(14,171,000)
Non-U.S. corporate bonds		950,278,000	971,864,000	21,586,000
Bond-backed exchange traded funds		193,598,000	195,304,000	1,706,000
Total marketable debt securities	\$	10,028,000,000	10,114,640,000	86,640,000



6. MARKETABLE DEBT CREDIT RATINGS

To manage credit risk for marketable debt securities, APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate (approximately 80 percent of bond mandates at June 30, 2018), 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 20 percent of bond mandates at June 30, 2018) 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, 2018, the Fund's credit ratings for its marketable debt securities are as follows:

NRSRO quality ratings	Domestic	Non-domestic	Total fair value	Percentage of holdings
AAA	\$ 351,659,000	308,071,000	659,730,000	5.71%
AA	404,527,000	430,644,000	835,171,000	7.23%
A	1,260,457,000	847,545,000	2,108,002,000	18.26%
BBB	2,100,356,000	764,994,000	2,865,350,000	24.82%
BB	544,882,000	240,119,000	785,001,000	6.80%
B	449,737,000	149,386,000	599,123,000	5.19%
CCC	103,826,000	60,330,000	164,156,000	1.42%
CC	10,034,000	—	10,034,000	0.09%
C	1,109,000	—	1,109,000	0.01%
D	—	15,394,000	15,394,000	0.13%
Total fair value of rated debt securities	5,226,587,000	2,816,483,000	8,043,070,000	69.66%
Commingled bond funds	503,153,000	245,571,000	748,724,000	6.48%
Not rated	(21,688,000)	139,358,000	117,670,000	1.02%
U.S. government explicitly backed by the U.S. government (AA)	1,948,424,000	—	1,948,424,000	16.87%
U.S. government implicitly backed by the U.S. government (AA)	688,732,000	—	688,732,000	5.96%
Total fair value debt securities	\$ 8,345,208,000	3,201,412,000	11,546,620,000	100.00%

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7. MARKETABLE DEBT DURATION

To manage its interest rate risk on marketable debt securities, APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2018, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration
Domestic bonds		
Treasury and government notes/bonds	20.00%	5.41
Mortgage-backed securities	11.82%	6.23
Corporate bonds	59.97%	7.30
Commercial mortgage and asset-backed securities	2.93%	3.61
Bond-backed exchange traded funds	5.28%	—
Total domestic bonds	100.00%	6.30
Non-domestic bonds		
Non-U.S. treasury and government bonds	61.63%	7.05
Non-U.S. corporate bonds	30.70%	5.84
Bond-backed exchange traded funds	7.67%	—
Total non-domestic bonds	100.00%	6.13

8. PREFERRED AND COMMON STOCK

Direct investments in preferred and common stock are held by the APFC's custodian bank on behalf of the Fund. The Fund also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors, and equity index futures, which are held at the prime broker. Preferred and common stocks and commingled stock funds at June 30 are summarized as follows, which include the net fair value of equity index futures of -\$7.9 million as of June 30, 2018 and -\$6.1 million as of June 30, 2017:

2018	Cost	Fair value	Unrealized holding gains
Direct investments			
Domestic stock	\$ 11,351,254,000	13,773,474,000	2,422,220,000
Non-domestic stock	10,744,402,000	12,081,136,000	1,336,734,000
Commingled funds	355,180,000	394,120,000	38,940,000
Total preferred and common stock	\$ 22,450,836,000	26,248,730,000	3,797,894,000
2017			
Direct investments			
Domestic stock	\$ 8,552,817,000	10,634,263,000	2,081,446,000
Non-domestic stock	12,522,527,000	14,371,920,000	1,849,393,000
Commingled funds	320,217,000	348,152,000	27,935,000
Total preferred and common stock	\$ 21,395,561,000	25,354,335,000	3,958,774,000





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, 2018, 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):

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Foreign currency	Cash and equivalents	Foreign exchange forward contracts	Public/private equity, real estate, infrastructure	Debt	Total foreign currency exposure
Argentina Peso	\$ 204,000	—	—	6,086,000	6,290,000
Australian Dollar	10,185,000	82,888,000	448,165,000	24,067,000	565,305,000
Brazil Real	2,137,000	(14,186,000)	157,092,000	36,305,000	181,348,000
Canadian Dollar	2,648,000	327,221,000	604,430,000	27,838,000	962,137,000
Chilean Peso	493,000	(20,536,000)	9,992,000	21,657,000	11,606,000
Chinese Yuan Renminbi	1,274,000	(33,000)	123,492,000	—	124,733,000
Colombian Peso	576,000	—	3,580,000	15,642,000	19,798,000
Czech Koruna	398,000	(24,353,000)	1,934,000	23,659,000	1,638,000
Danish Krone	1,549,000	(5,941,000)	133,524,000	2,149,000	131,281,000
Dominican Republic Peso	—	—	—	1,118,000	1,118,000
Egyptian Pound	8,286,000	—	143,000	3,485,000	11,914,000
Euro Currency	1,367,000	(854,445,000)	3,014,689,000	481,372,000	2,642,983,000
Ghanaian Cedi	415,000	—	—	6,395,000	6,810,000
Hong Kong Dollar	727,000	2,467,000	1,167,526,000	—	1,170,720,000
Hungarian Forint	15,000	—	10,258,000	—	10,273,000
Indian Rupee	(1,000,000)	(33,800,000)	289,722,000	42,099,000	297,021,000
Indonesian Rupiah	899,000	(4,151,000)	70,134,000	25,156,000	92,038,000
Israeli Shekel	236,000	(23,121,000)	50,668,000	—	27,783,000
Japanese Yen	4,931,000	(381,526,000)	1,780,959,000	430,880,000	1,835,244,000
Kenyan Shilling	66,000	—	—	2,796,000	2,862,000
Malaysian Ringgit	1,394,000	(3,732,000)	67,359,000	22,771,000	87,792,000
Mexican Peso	672,000	(16,016,000)	63,608,000	56,113,000	104,377,000
New Taiwan Dollar	3,126,000	(21,000)	227,787,000	—	230,892,000
New Zealand Dollar	2,039,000	97,276,000	28,412,000	5,249,000	132,976,000
Nigerian Naira	5,640,000	—	—	8,728,000	14,368,000
Norwegian Krone	885,000	9,476,000	72,088,000	5,697,000	88,146,000
Pakistan Rupee	—	—	101,000	—	101,000
Peruvian Sol	117,000	—	—	10,423,000	10,540,000
Philippines Peso	51,000	—	7,799,000	—	7,850,000
Polish Zloty	998,000	(22,287,000)	17,522,000	38,290,000	34,523,000
Pound Sterling	13,241,000	(134,104,000)	1,979,773,000	117,856,000	1,976,766,000
Qatari Riyal	7,000	—	23,581,000	—	23,588,000
Romanian Leu	66,000	—	—	7,140,000	7,206,000
Russian Ruble	664,000	—	60,000	29,190,000	29,914,000
Singapore Dollar	1,329,000	(65,570,000)	108,401,000	18,290,000	62,450,000
South African Rand	1,405,000	(12,639,000)	153,592,000	34,460,000	176,818,000
South Korean Won	3,797,000	(61,044,000)	304,473,000	60,039,000	307,265,000
Swedish Krona	(404,000)	(206,362,000)	179,276,000	5,560,000	(21,930,000)
Swiss Franc	4,507,000	(389,175,000)	340,309,000	—	(44,359,000)
Thailand Baht	2,957,000	1,256,000	129,132,000	20,007,000	153,352,000
Turkish Lira	1,072,000	(5,645,000)	45,174,000	17,035,000	57,636,000
Uae Dirham	84,000	—	18,470,000	—	18,554,000
Uruguayan Peso	—	—	—	9,216,000	9,216,000
Zambia Kwacha	128,000	—	—	3,016,000	3,144,000
\$	79,181,000	(1,758,103,000)	11,633,225,000	1,619,784,000	11,574,087,000

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, absolute return, and similar funds, and infrastructure, all of which are denominated in U.S. dollars, and are not included in the schedule above.

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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's directly owned real estate is through ownership of interests in corporations, limited liability companies, and partnerships that hold title to the real estate. External institutional real estate management firms administer the Fund's directly owned real estate investments.

APFC periodically reviews real estate investments for other than temporary impairment. There was no impairment recognized in FY2018 or FY2017.

Real estate investments at June 30 are summarized as follows:

2018		Cost	Fair value	Unrealized holding gains
Real estate investment trusts	\$	1,228,746,000	1,354,127,000	125,381,000
American Homes 4 Rent II		135,208,000	161,608,000	26,400,000
Directly owned real estate -				
Retail		883,168,000	1,892,975,000	1,009,807,000
Office		1,114,183,000	1,383,865,000	269,682,000
Hotel		59,413,000	67,980,000	8,567,000
Industrial		177,156,000	281,137,000	103,981,000
Multifamily		220,278,000	319,247,000	98,969,000
Total real estate	\$	3,818,152,000	5,460,939,000	1,642,787,000
2017				
Real estate investment trusts	\$	1,084,165,000	1,209,891,000	125,726,000
American Homes 4 Rent II		134,037,000	163,074,000	29,037,000
Directly owned real estate -				
Retail		850,351,000	1,844,958,000	994,607,000
Office		1,155,929,000	1,441,693,000	285,764,000
Hotel		59,099,000	67,626,000	8,527,000
Industrial		189,127,000	263,334,000	74,207,000
Multifamily	\$	1,192,292,000	1,896,259,000	703,967,000
Total real estate	\$	4,665,000,000	6,886,835,000	2,221,835,000

11. ALTERNATIVE INVESTMENTS

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

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. The Fund is invested in three existing limited partnerships, in which the Fund is the only limited partner (fund-of-one). The Fund also holds direct hedge fund investments, 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. In FY2017, it was decided to redeem the fund-of-one accounts and move toward more direct hedge fund investments. The liquidation of these accounts is expected to take time, given the illiquid nature of some of the underlying funds. Because of the off-exchange and private nature of many absolute return strategies, investments may have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Each manager provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit.

The Fund 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. 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 determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY2018 it was determined that eight 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 statutory net income and fund balance classifications, \$25.7 million of unrealized losses were realized through a write-down of cost to fair value. In FY2017, nine private equity funds were impaired with a related write-down of \$26.4 million. These impairments have no impact on the carrying value of investments or on the net increase (decrease) 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, as well as through securities listed on public exchanges. The limited partnerships undergo annual independent audits. Infrastructure investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from

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values that would be obtained in a market transaction for the assets. During FY2018 and FY2017 it was determined that no infrastructure funds were impaired.

The Fund invests in private credit through limited partnerships that invest either directly in distressed or mezzanine debt, or in commingled limited liability funds with a distressed debt or credit opportunity focus. These investments are funded over time, as

opportunities arise. The limited partnerships and funds undergo annual independent audits. Private credit investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Alternative investments at June 30 are summarized as follows:

2018	Cost	Fair value	Unrealized holding gains
Absolute return	4,543,075,000	5,288,072,000	744,997,000
Private equity	5,423,697,000	7,198,347,000	1,774,650,000
Infrastructure	2,453,999,000	3,035,277,000	581,278,000
Private credit	1,251,673,000	1,311,423,000	59,750,000
Total alternative investments	\$ 13,672,444,000	16,833,119,000	3,160,675,000
2017			
Absolute return	3,935,373,000	4,567,024,000	631,651,000
Private equity	5,211,043,000	6,818,147,000	1,607,104,000
Infrastructure	1,963,488,000	2,458,345,000	494,857,000
Private credit	995,381,000	1,111,752,000	116,371,000
Total alternative investments	\$ 12,105,285,000	14,955,268,000	2,849,983,000

As of June 30, 2018, APFC, on behalf of the Fund, had outstanding future funding commitments of \$4.1 billion for private equity, \$1.5 billion for infrastructure, and \$1.7 billion for private credit investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

12. SECURITIES LENDING

State regulations at 15 AAC 137.510 and APFC investment policy authorize 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. 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, 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, 2018, 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:

	2018	2017
Fair value of securities on loan, secured by cash collateral	\$ 1,962,327,000	1,282,709,000
Cash collateral	2,011,760,000	1,314,953,000
Fair value of securities on loan, secured by non-cash collateral	4,032,717,000	4,977,243,000
Non-cash collateral	\$ 4,452,279,000	5,397,734,000

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the years ended June 30, 2018 and 2017, the Fund incurred no losses from securities lending transactions. The Fund received income of \$26,285,000 and \$17,889,000 from securities lending for the years ended June 30, 2018 and 2017, respectively, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

13. ACCOUNTS PAYABLE

Accounts payable include trades entered into on or before June 30 that settle after fiscal year end. Cash held for trade settlements is included in cash and short-term investments. Accounts payable at June 30 are summarized as follows:

	2018	2017
Accrued liabilities	\$ 27,065,000	29,423,000
Securities purchased	694,762,000	669,757,000
Total accounts payable	\$ 721,827,000	699,180,000

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14. STATUTORY AND LEGISLATIVE APPROPRIATIONS

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. During the year ended June 30, 2017, the legislative appropriation directed the timing of funding for the Dividend Fund to be from the next fiscal year (i.e. an appropriation from the year ending June 30, 2018), so there was no income distributable from the year ended June 30, 2017. In FY2018 \$725,950,000 was transferred to the Dividend Fund on September 7, 2017. Per statute, realized earnings on the principal balance of the dedicated State revenues from the North Slope royalty case settlements (*State v. Amerada Hess, et al.*) have been appropriated from the Fund to the Alaska Capital Income Fund (ACIF) established under Alaska Statute 37.05.565. Funds in the ACIF may be further appropriated for any public purpose. During years with net realized losses, no funds are transferred to the ACIF. Statutory and Legislative appropriations made during the years ended June 30 are summarized as follows:

	2018	2017
Income distributed during the year:		
Dividends	\$ 688,409,000	—
Appropriation to the Departments of:		
Health and Social Services	17,725,000	—
Revenue	8,323,000	—
Corrections	11,493,000	—
Total to Dividend Fund	725,950,000	—
Income distributable at year end:		
Alaska Capital Income Fund	43,395,000	25,067,000
Total statutory and Legislative appropriations	\$ 769,345,000	25,067,000

15. FUND BALANCES

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

	2018	2017
Nonspendable		
Balance, beginning of year	\$ 46,969,593,000	44,199,667,000
Dedicated State revenues	353,095,000	364,893,000
Change in unrealized appreciation on invested assets	(1,292,696,000)	2,405,033,000
Balance, end of year	\$ 46,029,992,000	46,969,593,000
Committed		
Balance, beginning of year	—	—
General Fund appropriation	2,722,654,000	—
Balance, end of year	2,722,654,000	—
Assigned		
Balance, beginning of year	\$ 12,815,504,000	8,570,020,000
Committed to General Fund appropriation	(2,722,654,000)	—
Dividends paid or payable to the Permanent Fund Dividend Fund	(725,950,000)	—
Settlement earnings payable to the ACIF	(43,395,000)	(25,067,000)
Realized earnings, net of operating expenditures	6,367,840,000	3,239,255,000
Change in unrealized appreciation on invested assets	450,354,000	1,031,296,000
Balance, end of year	\$ 16,141,699,000	12,815,504,000
Total		
Balance, beginning of year	\$ 59,785,097,000	52,769,687,000
Dedicated State revenues	353,095,000	364,893,000
Dividends paid or payable to the Permanent Fund Dividend Fund	(725,950,000)	—
Settlement earnings payable to the ACIF	(43,395,000)	(25,067,000)
Excess of investment revenues over expenditures	5,525,498,000	6,675,584,000
Balance, end of year	\$ 64,894,345,000	59,785,097,000

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

	2018	2017
Dedicated State revenues	\$ 16,892,308,000	16,539,212,000
Special appropriations	6,885,906,000	6,885,906,000
Inflation proofing	16,236,269,000	16,236,269,000
Settlement earnings	152,911,000	152,911,000
Total contributions and appropriations	\$ 40,167,394,000	39,814,298,000

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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, 2018, the Fund's net unrealized gain was \$8,265,251,000, of which \$5,862,598,000 was allocated to the nonspendable fund balance and \$2,402,653,000 was allocated to the assigned fund balance. As of June 30, 2017, the Fund's net unrealized gain was \$9,107,593,000, of which \$7,155,294,000 was allocated to the nonspendable fund balance and \$1,952,299,000 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 \$43,395,000 during FY2018 and \$25,067,000 during FY2017.

16. FAIR VALUE MEASUREMENT

Various inputs are used in valuing the investments held by the Fund. GAAP establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These input levels are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market

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

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Investments measured using net asset value (NAV) per share as a practical expedient to fair value are not categorized into input levels. The input levels used to measure the Fund's investments and derivative instruments at June 30 are summarized as follows:

2018	Measured using input levels			Measured using	
	Level 1	Level 2	Level 3	NAV	Total
Marketable debt securities	\$ 2,316,765,000	9,229,855,000	—	—	11,546,620,000
Preferred and common stock	26,248,730,000	—	—	—	26,248,730,000
Real estate	1,354,428,000	—	—	4,106,511,000	5,460,939,000
Absolute return	765,039,000	1,677,382,000	43,971,000	2,801,680,000	5,288,072,000
Private equity	—	—	—	7,198,347,000	7,198,347,000
Infrastructure	640,754,000	—	—	2,394,523,000	3,035,277,000
Private credit	—	—	—	1,311,423,000	1,311,423,000
Total investments	\$ 31,325,716,000	10,907,237,000	43,971,000	17,812,484,000	60,089,408,000

2017	Measured using input levels			Measured using	
	Level 1	Level 2	Level 3	NAV	Total
Marketable debt securities	\$ 2,868,376,000	7,246,264,000	—	—	10,114,640,000
Preferred and common stock	25,354,335,000	—	—	—	25,354,335,000
Real estate	1,210,334,000	—	—	5,676,501,000	6,886,835,000
Absolute return	713,610,000	1,599,809,000	65,796,000	2,187,809,000	4,567,024,000
Private equity	—	—	—	6,818,147,000	6,818,147,000
Infrastructure	557,439,000	—	—	1,900,906,000	2,458,345,000
Private credit	—	—	—	1,111,752,000	1,111,752,000
Total investments	\$ 30,704,094,000	8,846,073,000	65,796,000	17,695,115,000	57,311,078,000

Marketable debt securities and preferred and common stock classified as level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as level 2 are valued using matrix pricing. Pricing is sourced from various sources.

Publicly traded real estate investment trusts are valued using prices quoted in active markets and are reported as level 1. Directly owned real estate through ownership of interests in corporations, limited liability companies, and partnerships that hold title to real estate are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Directly owned real estate investments are subject to annual appraisals and

audits. American Homes 4 Rent II is reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions, and does not allow redemptions until the company is wound-up and dissolved.

Absolute return investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Former External Chief Investment Officer (ECIO) investments are now grouped with Absolute return investments. These investments have readily determinable fair values and are therefore reported by level. Level 2 valuations are a result of liquidity terms as well as the pricing transparency

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

of the investments held. Level 3 valuations are provided by managers and audited by third party auditing firms. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 1-91 days and the frequency of redemption is daily to quarterly.

Private equity investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private equity investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 10-12 years.

Publicly traded infrastructure investments are classified as level 1 and are valued using prices

quoted in active markets for those securities. The majority of infrastructure investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Infrastructure investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 5-7 years.

Private credit investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private credit investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 5-7 years.

17. STATUTORY NET INCOME

By Alaska law, statutory net income is computed in accordance with 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.

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 FY2018, approximately \$26 million of impairments were recorded. During FY2017, approximately \$27 million of impairments were recorded.

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

	2018	2017
Excess of revenues over expenditures	\$ 5,525,498,000	6,675,584,000
Unrealized (gains) losses	842,343,000	(3,436,329,000)
Settlement earnings	(43,395,000)	(25,067,000)
Statutory net income	\$ 6,324,446,000	3,214,188,000

18. INVESTMENT INCOME BY SOURCE

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

	2018	2017
Interest		
Marketable debt securities	\$ 377,001,000	294,327,000
Short-term domestic and other	82,392,000	16,382,000
Total interest	\$ 459,393,000	310,709,000
Total dividends	\$ 640,620,000	563,012,000
Real estate and other income		
Directly owned real estate net rental income	\$ 225,651,000	187,562,000
Real estate investment trust dividends	61,753,000	31,764,000
Absolute return management expenses, net of dividend and interest income	22,150,000	7,902,000
Private credit interest income, net of fees	22,622,000	25,291,000
Infrastructure interest and dividend income, net of fees	80,929,000	60,207,000
Private equity dividend income, net of management expenses	39,344,000	33,627,000
Class action litigation income	1,361,000	8,026,000
Loaned securities, commission recapture, and other income	26,685,000	25,967,000
Total real estate and other income	\$ 480,495,000	380,346,000

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, 2018 ranged between one and 121 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, 2018 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

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Activity and balances related to FX forward contracts for FY2018 and FY2017 are summarized as follows:

	2018	2017
Balances at June 30		
Face value of FX forward contracts	\$ 4,723,992,000	2,183,950,000
Net unrealized holding gains (losses) on FX forward contracts	21,230,000	(13,700,000)
Fair value of FX forward contracts	\$ 4,745,222,000	2,170,250,000
Activity for fiscal years ending June 30		
Change in unrealized holding gains	\$ (34,893,000)	(34,592,000)
Realized gains	22,027,000	29,193,000
Net (decrease) in fair value of FX forward contracts	\$ (12,866,000)	(5,399,000)

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and the internal fixed income management team trades 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 futures in equity accounts for FY2018 and FY2017 is summarized as follows:

	2018	2017
Balances at June 30		
Face value of equity index futures	\$ 80,090,000	187,859,000
Net unrealized holding losses on futures	(7,895,000)	(6,091,000)
Fair value of equity index futures	\$ 72,195,000	181,768,000
Activity for fiscal years ending June 30		
Change in unrealized holding losses	\$ (4,996,000)	(4,997,000)
Realized gains	58,998,000	59,009,000
Net increase in fair value of equity index futures	\$ 54,002,000	54,012,000

Activity and balances related to futures in fixed income accounts for FY2018 and FY2017 is summarized as follows:

	2018	2017
Balances at June 30		
Face value of U.S. Treasury index futures	\$ 2,177,855,000	(120,483,000)
Net unrealized holding (losses) on futures	(42,512,000)	(1,664,000)
Fair value of U.S. Treasury index futures	\$ 2,135,343,000	(122,147,000)
Activity for fiscal years ending June 30		
Change in unrealized holding gains	\$ 40,796,000	8,678,000
Realized gains	16,961,000	9,138,000
Net increase in fair value of U.S. Treasury index futures	\$ 57,757,000	17,816,000

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:

	2018	2017
APFC operating expenditures		
Salaries and benefits	\$ 9,303,000	8,815,000
Communications and electronic services	3,848,000	3,959,000
Consulting fees	3,152,000	2,390,000
Training, supplies, services, and other	503,000	634,000
Rent	501,000	490,000
Travel	589,000	413,000
Legal and audit fees	1,243,000	876,000
Property and equipment	203,000	294,000
Public information and subscriptions	119,000	141,000
Subtotal APFC operating expenditures	19,461,000	18,012,000
Investment management and custody fees		
Investment management fees	117,994,000	102,006,000
Custody and safekeeping fees	1,344,000	1,242,000
Subtotal investment management and custody fees	119,338,000	103,248,000
Total operating expenditures, investment management, and custody fees	138,799,000	121,260,000
Other Legislative appropriations from corporate receipts		
Department of Natural Resources	5,956,000	5,897,000
Department of Law	1,117,000	2,587,000
Department of Revenue	86,000	94,000
Total other Legislative appropriations	7,159,000	8,578,000
Total expenditures	\$ 145,958,000	129,838,000

Through the appropriations and budget process, the Legislature allocates corporate receipts to other State departments to compensate these departments for work done on behalf of the Fund during the year.





NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

21. PENSION PLANS

All APFC full-time, regular employees participate in the State of Alaska Public Employees Retirement System (PERS). PERS is a multiple-employer public employee retirement system established and administered by the State to provide pension and post-employment healthcare benefits to eligible retirees. The PERS financial report can be obtained from the State of Alaska's Retirement and Benefits website. Benefit and contribution provisions are established by state law and can be amended only by the Legislature.

PERS consists of Defined Contribution Retirement (PERS-DCR) and Defined Benefit Retirement (PERS-DBR) plans. Employees who entered the system on or after July 1, 2006 participate in the PERS-DCR plan. Employees who entered the system prior to July 1, 2006 participate in the PERS-DBR plan. PERS-DBR employees contribute 6.75 percent of their annual salaries to PERS and PERS-DCR members contribute 8 percent.

As an integrated cost sharing plan, the PERS system requires employers to pay a uniform contribution rate of 22 percent of eligible employee salaries for the benefit of PERS members. Total salaries subject to PERS for the years ended June 30, 2018 and 2017 amounted to \$6,400,000 and \$6,099,000, 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. 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, 2018 and 2017 amounted to \$4,607,000 and \$4,514,000, respectively.

BOARD OF TRUSTEES AND STAFF

JUNE 30, 2018

BOARD OF TRUSTEES

William Moran, Chair

Carl Brady, Vice-Chair

Marty Rutherford, Trustee

Craig Richards, Trustee

Sheldon Fisher, Trustee, Commissioner of Revenue

Andrew Mack, Trustee, Commissioner of Department of Natural Resources

EXECUTIVE

Angela Rodell, Chief Executive Officer

Danielle Graham, Executive Administrative Specialist

Christopher Poag, General Counsel

Pauly Swanson, Communications Manager

FINANCE

Valerie Mertz, Chief Financial Officer

Valeria Buschfort, Senior Portfolio Accountant

Andrew Cloward, Trade Operations Analyst

Katy Giorgio, Portfolio Accountant

Zachary Hebert, Intern - Accounting

Christopher LaVallee, Senior Portfolio Accountant

Jacki Mallinger, Portfolio Accountant

John Seagren, Controller

Jane Sherbrooke, Trade Operations Analyst

Joseph Shinn, Trade Operations Manager

Alexander Smith, Accountant

Katherine Smith, Compliance & Performance Analyst

INFO TECH

Scott Balovich, Director of IT

Nellie Metcalfe, Desktop Support Specialist

Anthony Shaw, Network Systems Administrator

Charles Vice, Network Administrator





INVESTMENTS

Russell Read, Chief Investment Officer

Grant Ainsworth, Intern - Investments

Timothy Andreyka, Senior Portfolio Manager - Real Estate

Jared Brimberry, Senior Portfolio Manager

Christopher Cummins, Senior Portfolio Manager - Fixed Income

Moctar Diouf, Investment Analyst - Public Equities

Rosemarie Duran, Director of Investments - Real Estate

Karen Emberton, Investment Analyst - Real Estate

Marcus Frampton, Director of Investments - Infrastructure & Absolute Return

Christi Grussendorf, Investment Analyst - Real Estate

Yup Kim, Senior Portfolio Manager - Special Opportunities

Samantha LaPierre, Investment Analyst - Risk

Valeria Martinez, Director of Risk & Asset Allocation

Stephen Moseley, Director of Investments - Private Equity & Special Opportunities

Youlian Ninkov, Public Equities Strategist Trader

Thomas O'Day, Investment Analyst - Fixed Income

Matthew Olmsted, Senior Portfolio Manager - Fixed Income

James Parise, Director of Investments - Fixed Income

Fawad Razzaque, Director of Investments - Public Equities

Maria Skuratovskaya, Senior Portfolio Manager - Fixed Income

OPERATIONS

Robin Mason, Chief Operations Officer

Chad Brown, Human Resources Manager

Janice Hotch, Procurement Specialist

BORN OF GREAT EXPECTATIONS

THE PERMANENT FUND HAS COME OF AGE. THE TIME HAS COME WHEN WE CAN REEXAMINE WHETHER THE EXPECTATIONS WERE TOO OPTIMISTIC OR TOO LIMITED—IT'S ENTIRELY APPROPRIATE THAT WE TRY TO RECAPTURE THE SPIRIT OF FREE-RANGING DEBATE THAT WAS PRESENT AT THE BIRTH AND DURING THE INITIAL YEARS. CLARK GRUENING, TRUSTEE, 1995-2003

APFC

ALASKA PERMANENT
FUND CORPORATION

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

The report was printed at a cost of \$9.44 by Pyramid Printing Co., Inc. Annual report design by Walsh|Sheppard.



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