INVESTED WITH ALASKANS

APFC ALASKA PERMANENT FUND CORPORATION

2021 Annual Report

INVESTED WITH ALASKANS

Forty-five years ago, visionary Alaskans voted to establish the Alaska Permanent Fund. As the Fund's investment manager, the Alaska Permanent Fund Corporation works to benefit all Alaskans through our responsible stewardship of Alaska's largest renewable financial asset. Under the guidance of the appointed Board of Trustees, with support from the Executive and Legislative branches for resources, and with reporting transparency for our Alaskan stakeholders, APFC will always be **INVESTED WITH ALASKANS**.

Images in this report illustrate the interconnection of the Corporation's staff prudently investing and managing the Fund, the industries that contribute dedicated revenues to help grow the Fund and the generations of Alaskans who benefit from the Fund's earnings.

CONTENTS

VALUE GENERATED FOR ALASKA

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

USES OF FUND INCOME REALIZED EARNINGS SINCE INCEPTION $76.6 Billion

$9.5 B | $24.4 B | $18.0 B | $8.3 B | $16.4 B

PAID OUT TO CURRENT GENERATIONS	44%	$33.9 B
General Fund	12%	
Dividend Appropriations	32%	

SAVED FOR FUTURE GENERATIONS	56%	$42.7 B
Inflation Proofing	24%	
Special Appropriations	11%	
Undistributed Realized Income	21%	

ANNUALIZED RETURN SINCE INCEPTION	TOTAL FUND VALUE (As of June 30, 2021)	FY21 TOTAL RETURN
9.12%	$81,896,800,000	29.73%

PRINCIPAL $60.7 Billion

$46.9 B | $13.8 B

Deposits & Other Appropriations · Unrealized Gains

EARNINGS RESERVE ACCOUNT (ERA) $21.2 Billion

$9.3 B | $4.8 B | $4.0 B | $3.1 B

Realized Earnings · Unrealized Gains · Special Appropriations Commitment · POMV Commitment

FY21 SOURCES OF CHANGE IN FUND VALUE

- $1,525 M Stock dividends, bond interest and real estate cash flow
- $18,067 M Net increase in fair value of investments
- -$175 M Operating costs and other Legislative appropriations
- $320 M Dedicated mineral revenue
- -$3,142 M Transfers out (General Fund and Alaska Capital Income Fund)

THE BOARD OF TRUSTEES

Alaska Statue AS 37.13.020. Findings.
The people of the state, by constitutional amendment, have required the placement of at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses received by the state into a permanent fund. The legislature finds with respect to the fund that

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

(2) The Fund's goal should be to maintain safety of principal while maximizing total return;

(3) The Fund should be used as a savings device managed to allow the maximum use of disposable income from the Fund for purposes designated by law.

APFC Board of Trustees 2021: Trustee Ethan Schutt, Trustee Craig Richards, Trustee Lucinda Mahoney, Trustee Corri Feige, Vice-Chair Steve Rieger, Chair William G. Moran

MESSAGE FROM THE CHAIR

Alaskans had unique foresight 45 years ago when they voted to establish the Alaska Permanent Fund. They knew that the newfound oil wealth would not provide for the State in perpetuity. Thinking of an era beyond their own, they acted to protect and invest some of the profits for future generations.

Since established by the Alaska Legislature in 1980, APFC has been entrusted as a steward of the Permanent Fund. Over the years, we have heard a lot about how this renewable financial resource should be conserved and how it should be invested. Our fiduciary responsibility guides the Board, ensuring that the Fund is invested to maintain the safety of Principal while maximizing the total return. It is an honor to serve with my fellow Trustees and to lead this team. In our commitment to the Permanent Fund and protecting our collective future, we are all Invested with Alaskans.

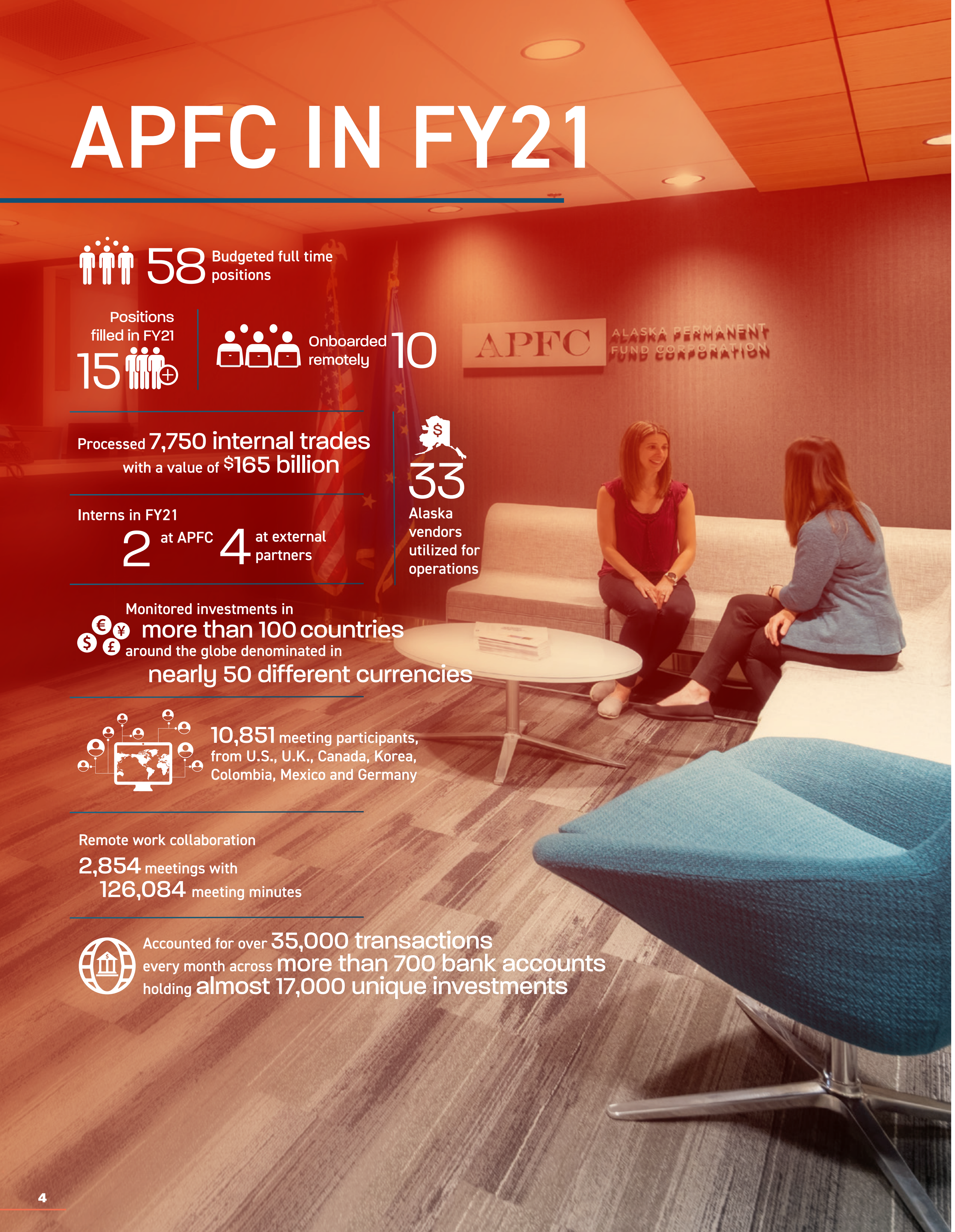
The work of protecting the Fund does not solely rest on our shoulders, and we commend Alaska's leaders for adhering to the Percent of Market Value (POMV) methodology for the FY21 appropriation to the general fund of $3.1 billion to support state services and the dividend. The Board has been on record for over 20 years supporting the POMV structure for withdrawals from the Fund, including a constitutional amendment to ensure long-term sustainability. As the Fund continues its evolution as an endowment, we look forward to working with our fellow Alaskans to refine it for the future of Alaska.

It is not an understatement to say that the Fund grew at an impressive rate this year, returning 29.73%, far more than any other time in its history. We have seen what can be achieved in the right conditions by following a prudent investment strategy, focusing on long-term sustainability and through the expert practice of actively managing the State's most valuable financial asset.

To fortify the Fund for future generations, the Board adopted a quantitative risk appetite metric in FY21. This action helps managers develop a more strategic asset allocation framework and guides the overall risk tolerance of the Fund. In recent years, the Trustees have also been inspired to strengthen Alaska investments. By working hard here within Alaska and throughout the world, the Fund stands as a recognized symbol of long-term prosperity.

The Alaska Permanent Fund has proven itself to be the renewable financial resource it was designed to be. This is the way it was envisioned 45 years ago, and it is how we on the Board of Trustees and the staff of the Alaska Permanent Fund Corporation continue to guide it to benefit all generations of Alaskans.

William G. Moran
Chair, Board of Trustees



APFC IN FY21

58 Budgeted full time positions

Positions filled in FY21 15

Onboarded remotely 10

Processed 7,750 internal trades with a value of $165 billion

33 Alaska vendors utilized for operations

Interns in FY21
2 at APFC 4 at external partners

Monitored investments in more than 100 countries around the globe denominated in nearly 50 different currencies

10,851 meeting participants, from U.S., U.K., Canada, Korea, Colombia, Mexico and Germany

Remote work collaboration
2,854 meetings with
126,084 meeting minutes

Accounted for over 35,000 transactions every month across more than 700 bank accounts holding almost 17,000 unique investments

LETTER FROM THE CEO

Fiscal Year 2021 was like none other in recent history, and it can only be viewed in contrast with unresolved global uncertainties. While we in Alaska and across much of the U.S. have reopened our economies and our workforces, vast populations across the globe still have limited access to vaccinations, hampering their ability to fully reopen. As a sovereign wealth fund fully integrated with these international markets, we continue to pay attention in anticipation of how global activities can and will impact the Fund in the near future, and as a result, our fellow Alaskans.

There is no doubt 2021 was an exceptional year for the Fund as it topped $80 billion, exceeding numerous benchmark forecasts and expectations along the way. The numbers speak for themselves. The Fund grew an average of $45.5 million per day over the past year, and I am proud of our team for the work we did together to achieve these impressive returns.

What is almost more remarkable is that this growth was done with the backdrop of work from home, contrasting changes in the national political landscape, heightened debate on the uses of the Fund's earnings and significant volatility across almost every asset class. On a personal level, I find it remarkable to consider the stories of each member on our team, what our Board of Trustees, managers and staff have gone through over the past year as they too had to completely adjust their lives while working diligently to contribute towards our collective accomplishments.

We are now at a crossroads. As Alaska transitions away from its more than 50-year dependence on oil revenues, the Fund has taken on a new and vital role. Our performance now directly correlates to increased financial support for the essential services our fellow Alaskans depend on, including health, safety and infrastructure.

Forty-five years ago Alaskans created a financial structure from public resources that continues to stand as a model for sovereign wealth funds globally. Invested with Alaskans resonates with me because it is what APFC does, as fiduciaries, to protect and grow the state's most valuable financial asset.

Angela M. Rodell

Angela M. Rodell
Chief Executive Officer

THE FUND: A RENEWABLE RESOURCE

ALASKA CONSTITUTION ARTICLE IX, SECTION 15, PROVIDES:

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

PRINCIPAL AND EARNINGS RESERVE ACCOUNT

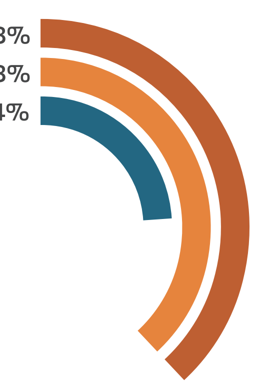
The Alaska Permanent Fund consists of two parts: Principal and Earnings Reserve Account (ERA). Both are invested using the same asset allocation, but they are very different in how they can be used:

- As established in the Alaska State Constitution in 1976, the Principal can only be used for income-producing investments.
- The ERA, created by statute, is funded with annual net realized income generated by the Fund's investments and can be used by the Alaska Legislature through its power of appropriation. Since 2019, the Legislature has adhered to a statutory Percent of Market Value (POMV) draw from the ERA, which provided 73% of the State's unrestricted general fund in FY21. The predictable POMV draw supports the state's essential services and programs, including the dividend. The ERA is also used to cover the operational costs of managing the Fund and to provide inflation-proofing of the Principal.

Looking forward to FY22, a special appropriation of $4.0 billion was made to the Principal.

CONTRIBUTIONS TO PRINCIPAL (Since inception)

Inflation Proofing	$18.0 B	38%
Royalty Contributions	$17.9 B	38%
Special Appropriations	$11.0 B	24%



REVENUE GENERATED FOR ALASKA

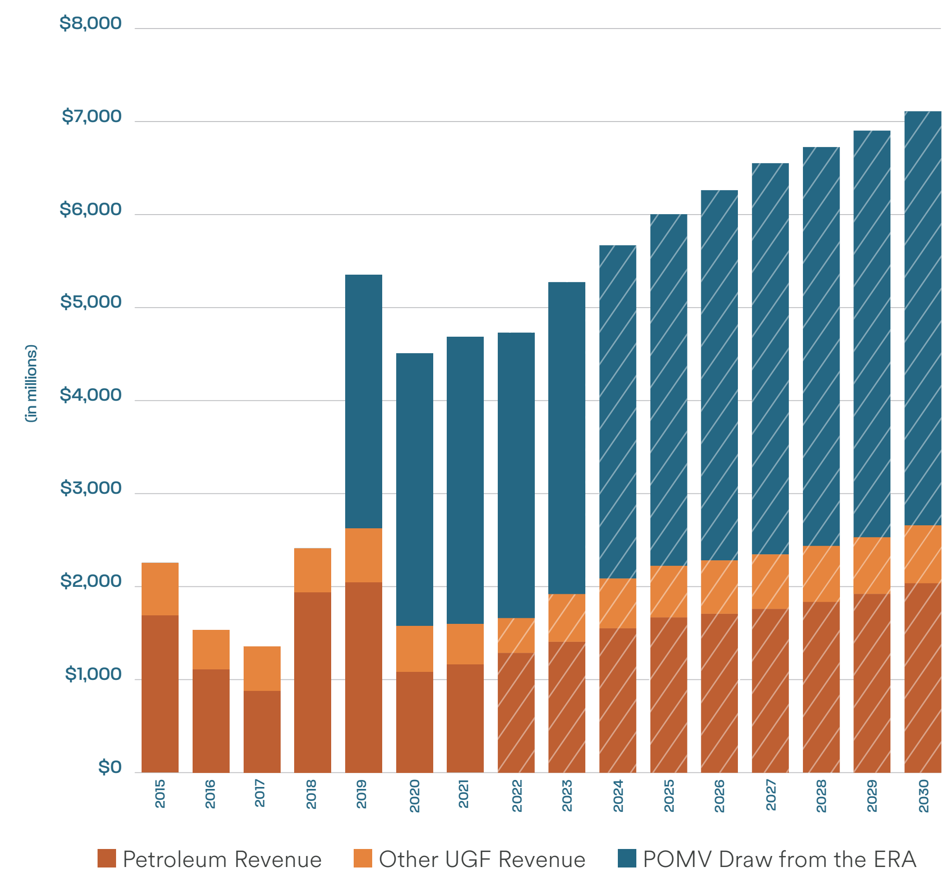
A STABLE AND SUSTAINABLE PATH FORWARD

With guidance from the Board of Trustees to establish a known and manageable withdrawal structure that protects the Fund's long-term value, the state legislature approved a statutory (SB 26, CH16 SLA 18) annual Percent of Market Value (POMV) draw from the Fund in 2018. This framework, as well as a constitutional amendment to permanently define the annual draw, has long been supported by the Board.

Compatible with the Board's investment strategy, the POMV allows for an annual draw of 5% based on the Fund's average market value for the first five of the preceding six fiscal years. By adhering to this rule, state lawmakers can ensure a truly permanent renewable financial resource will be available to support current and future generations of Alaskans.

APFC's annual operating budget and some state agency appropriations to support royalty development are separate from, and in addition to, the annual POMV appropriation from the Earnings Reserve Account.

CONTRIBUTIONS TO THE UNRESTRICTED GENERAL FUND



STATUTORY NET INCOME

Total Statutory Net Income to the ERA over 5 years **$23.8 B**

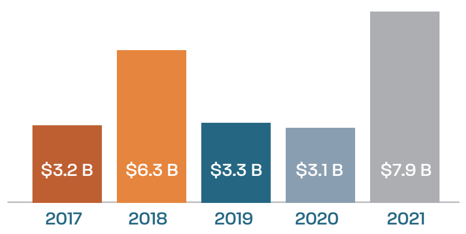
The annual net realized investment earnings of the Fund are held in the ERA as defined in state law AS 37.13.140. Statutory net income is the direct result of investment activity (buying and selling of assets) and excludes unrealized gains and losses.

Two components of statutory net income annually flow into the ERA:

- **Operating Income:** Cash from stock dividends, bond interest, real estate, rental fees and income generated by other alternative investments available for deposit.
- **Realized Capital Gains/Losses:** All net income (realized gains minus realized losses) generated by the sale of investments.

Because statutory net income is based on portfolio activity and decisions to sell assets, it can be volatile and unpredictable. These decisions are made in relation to market activity, risk metrics or a need to rebalance. The significant spikes in statutory net income over the past five years are due to the sale of a large real estate holding in 2018 and rebalancing activity in 2021 as the stock market reached new highs.

STATUTORY NET INCOME BY FISCAL YEAR

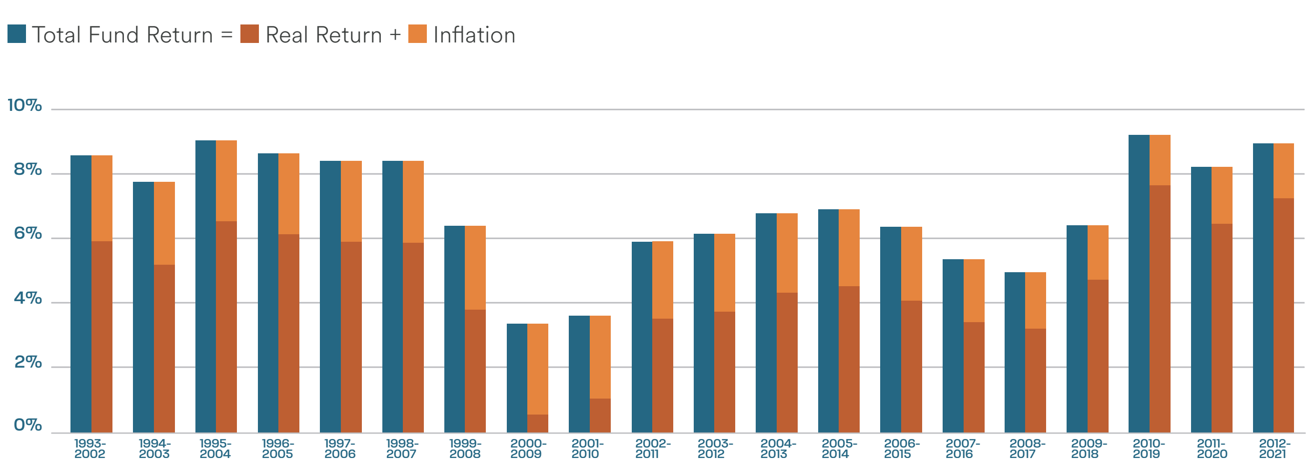


INFLATION PROOFING

Under the current two-account structure, an appropriation to reinvest a portion of the Fund's annual net earnings from the ERA to the Principal is essential to protect the Fund's purchasing power and maintain its inflation-adjusted value for future generations. The current statutory inflation proofing mechanism is set forth in AS 37.13.145 (c) and is calculated only on the deposits/contributions to the Fund's Principal, not on the unrealized gains.

A special appropriation of $4 billion to the Principal was made in FY20, which included accompanying intent language to satisfy inflation proofing through future years. Subsequently, inflation proofing was not appropriated for FY21; the amount was calculated to be $577 million based on permanent savings in Principal of $46.9 billion and an inflation rate of 1.23%.

ROLLING 10-YEAR FUND RETURNS



RISK MANAGEMENT

The development and implementation of a defined risk appetite reflects an important milestone in the Fund's history.

APFC is in the business of taking risk. As such, the overarching goal of risk management is not to avoid risk but to identify, understand and manage it to acceptable levels. This effort is a collective responsibility of APFC staff and Trustees. APFC seeks to optimally balance the goals of maximizing returns and minimizing risks within individual asset classes and in aggregate.

The success of the Permanent Fund should not be defined solely on "return" targets, as similar returns can be achieved by taking varying levels of risk. With a holistic view of the relationship between risk and return, the Board of Trustees took the critical step of defining its risk appetite during FY21. This essential guidance directs staff to ensure that, in pursuit of return objectives, the Fund also remains within an approved risk threshold.

Just as minimum targets were established for returns, the objective of defining risk appetite is to establish a maximum amount of risk to which the Fund may be exposed. The risk appetite is defined in terms of a reference portfolio constituting 80% stocks and 20% bonds – the "80/20 Risk Tolerance Portfolio." The risk of the Fund is measured regularly, across various criteria, to ensure it is in line with that of the Risk Tolerance Portfolio. Specific criteria considered when defining risk appetite includes estimated volatility and drawdowns, as well as minimum liquidity levels.

This work by the Trustees is instrumental in safeguarding the Fund for the benefit of all current and future generations of Alaskans.

BUSINESS CONTINUITY

APFC operates in an increasingly complex environment with greater asset class diversity, multiplied transaction volumes, more counterparties and geographies, as well as heightened technological needs. Correspondingly, the rise in exposure to non-investment risks – including operational, technological, legal, reputational – has been substantial.

There is a real demand for APFC to continually strengthen the infrastructure, including facilities, data systems, workflows and talent used to manage the Fund, to adapt to new threats and maneuver through changing environments. With the establishment of a disaster recovery site in Alaska during FY21, APFC has made great strides to mitigate operational risk. This facility enables staff to remotely access necessary resources to ensure a smooth continuation of business operations in the event of a disaster at the APFC office in Juneau.

The business continuity initiatives proved their effectiveness when staff quickly transitioned to pandemic-related remote work in 2020, enabling active management of the state's most valuable renewable asset at all times.

INVESTED FOR ALASKA, INVESTING FOR THE LONG RUN

Maintaining long-term perspective and disciplined rebalancing within 8 asset classes.

INVESTMENT STRATEGY

APFC maintains an innovative, diverse and flexible investment strategy to gain broad exposure to global growth and value creation. By adhering to the vision and guidance from the Board of Trustees' Investment Policy, APFC is dedicated and obligated to invest the assets of the Permanent Fund in a diversified portfolio that will preserve the safety of Principal while maximizing risk-adjusted returns.

As enshrined in Alaska Statute 37.13.120, this solid foundation guides APFC, as fiduciaries of the Permanent Fund, to follow the Prudent Investor Rule and act in the best interest of all generations of Alaskans. The Board of Trustees considers this long-term perspective when formulating investment policies, assessing portfolio performance and setting the Fund's asset allocation.

The current total Fund objective, as set forth in the Investment Policy, applies the following performance criteria:

INVESTMENT PERFORMANCE: Ability to generate an annualized return of inflation (CPI) +5% over a 10-year period (long-term target); and

INVESTMENT RISK: Ability of the Fund to achieve long-term targets while conforming to the Board of Trustees' approved risk appetite metric.

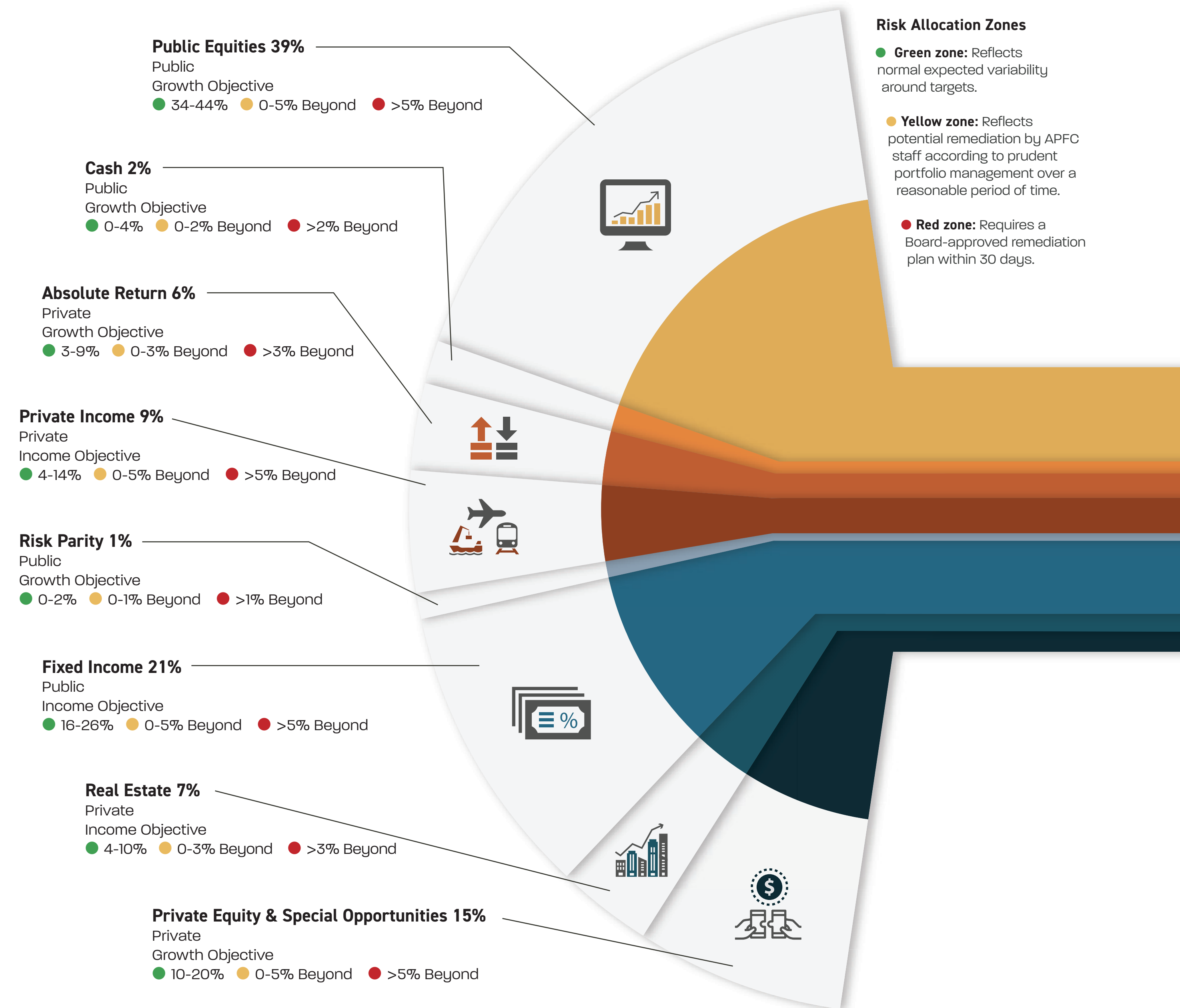
ASSET ALLOCATION

The assets of the Permanent Fund are invested in portfolios organized by asset classes. The primary objective of the asset allocation is to develop a diversified portfolio with specific long-term targets that conforms to the Board of Trustees' approved risk appetite. The Board, with assistance from APFC staff, engages in an asset allocation study at least once every five years to review existing asset classes, analyze risk-return assumptions and assess correlations of investment returns between classes.

In FY21, APFC increased the number of asset classes to eight by separating cash and risk parity into their own classes and removing the Asset Allocation asset class. This change was designed to better suit the immediate needs of the Fund, allowing investments in those classes to grow modestly yet enabling resources to be available with relatively short notice to meet the Fund's liquidity needs.

With a designated long-term target position within the overall portfolio, each asset class is managed to remain within maximum and minimum risk allocation targets, or zones, as a percentage of the total portfolio.

ASSET ALLOCATION AND TARGETS FY21



The Alaska Permanent Fund's Total

RATE OF RETURN

for the fiscal year 2021: 29.73%, a historic high.

PERFORMANCE

To generate returns that efficiently reward risk, while maintaining a focus on achieving best-in-class overall performance, APFC investment portfolios are consistently monitored and evaluated relative to passive indices, peers and the target objectives of the Board of Trustees.

The Board of Trustees provides APFC with a set of goals and benchmarks that allow for a balanced approach to evaluating asset class performance. Measuring the Fund returns against strategic performance benchmarks also highlights the added value of actively managing the Fund.

"The Fund's performance in fiscal year 2021 was outstanding by almost any measure or perspective. While pleased with the performance and what it implies for the Fund's stakeholders, we recognize that this was accomplished in an extraordinarily accommodating environment for the types of risk assets APFC invests in. With stock valuations now near all time record levels and real interest rates near all time lows, the team is focused on how to deliver outstanding results and protect capital in future periods which may not be as strong for markets generally."

– Marcus Frampton, APFC Chief Investment Officer

VALUE ADD

To protect the Fund for the long term, its assets are invested in a diversified portfolio to create a stable and secure foundation. Though this strategy can result in underperforming single allocations, the objective is for the Fund overall to outperform benchmarks in any given year.

The ability to regularly outperform established benchmark indices and peers demonstrates the benefits of our active management of the Fund and represents the value created by APFC.

Fund performance is measured against three strategic benchmarks outlined in APFC's Investment Policy across multiple timeframes:

PASSIVE INDEX BENCHMARK

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

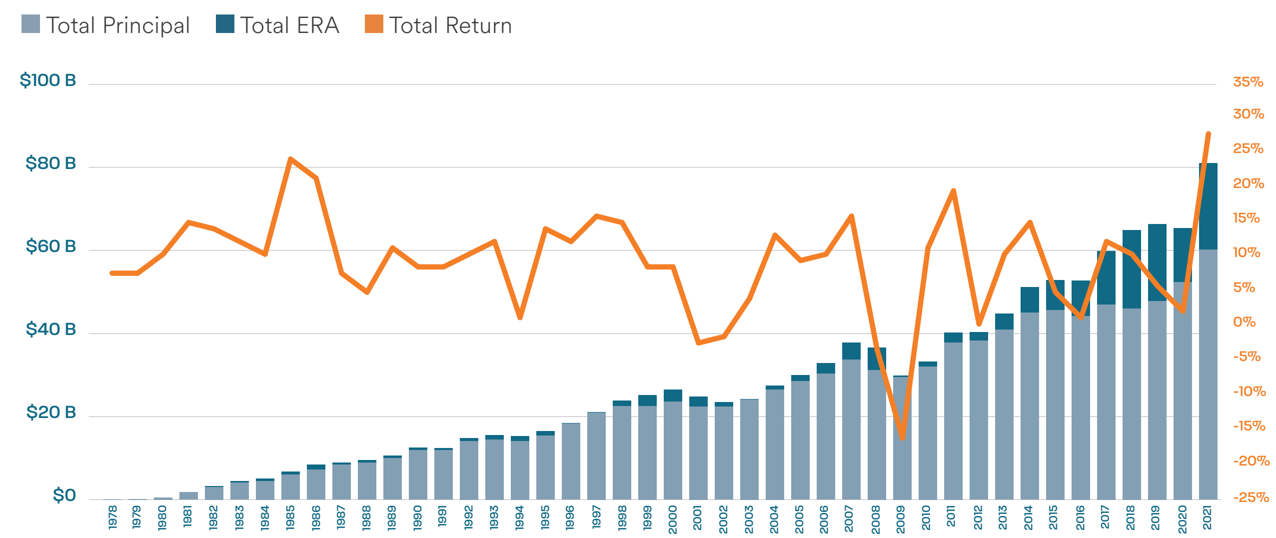
PERFORMANCE BENCHMARK

This indicator is a blend of indices covering all asset classes, reflective of the Fund's target asset allocation. Another measure of performance entails comparing Fund returns with that of the performance benchmark, both on an aggregate and asset class level.

TOTAL FUND RETURN OBJECTIVE

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

FUND VALUES AND RETURNS (Since inception)



VALUE ADDED IN FY21

Returns over the passive index benchmark

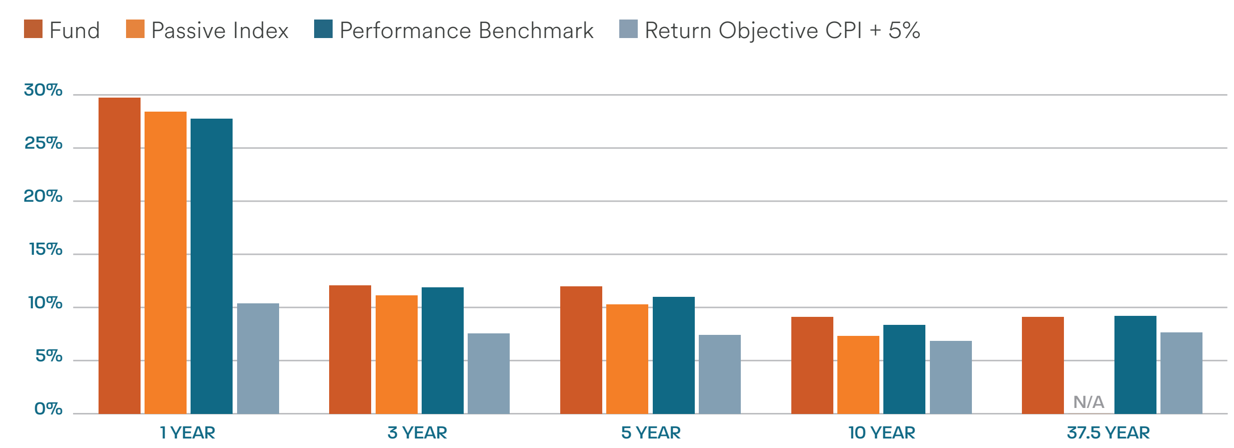
$1.1 B value add | **1.29%** performance add

VALUE ADDED OVER 10 YEARS

Returns over the passive index benchmark

$10.4 B value add | **1.80%** performance add

FUND'S LONG-TERM INVESTMENT PERFORMANCE



INVESTMENT MANAGEMENT

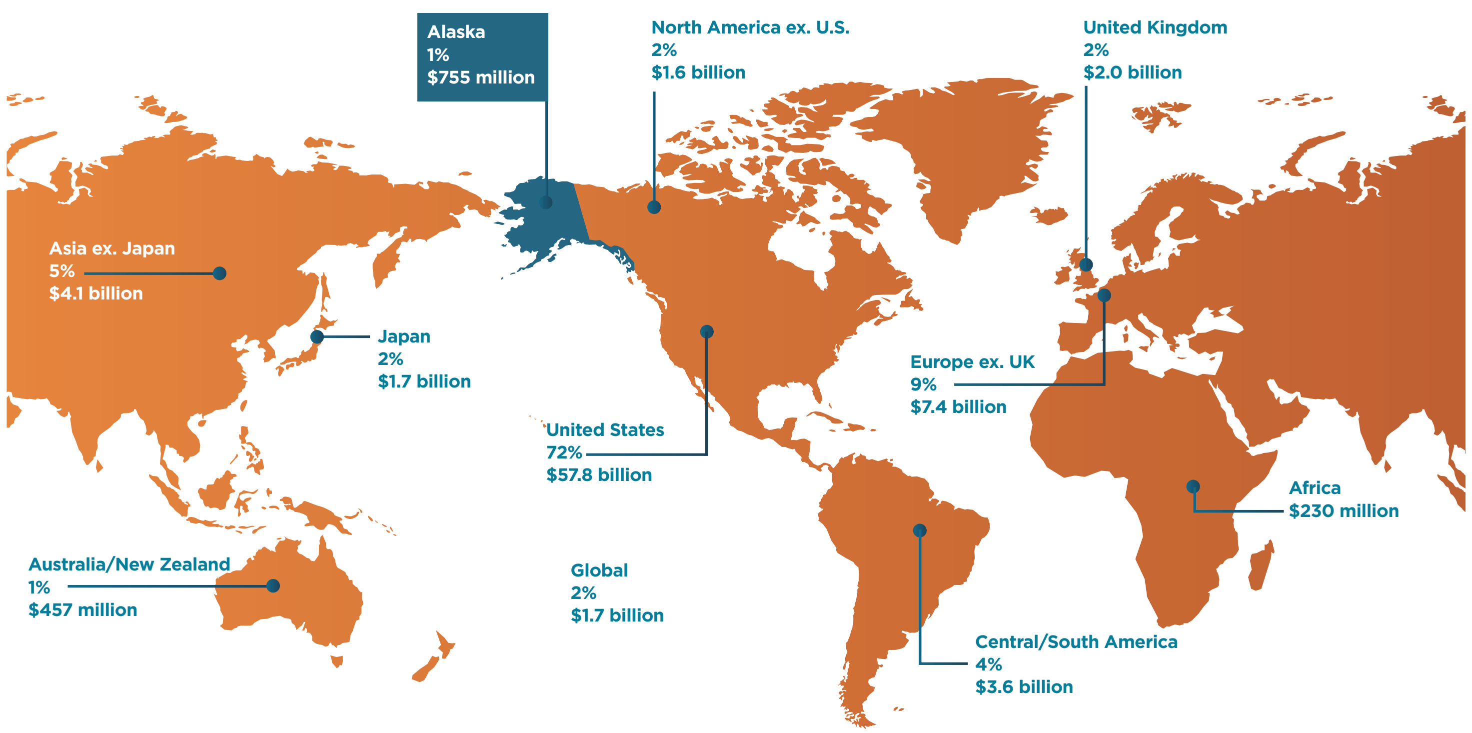
A dedicated team of investment professionals manages asset classes focusing on achieving best-in-class overall performance. The Corporation's investment approach is designed to generate investment returns that efficiently reward the investment risks undertaken through the production of both regularized income and capital gains. The advantages of the Fund's long-term horizon, stable construct and size are leveraged to create value and produce compelling returns for Alaska.

Finance, along with other internal teams, the custodial bank and essential partners work behind the scenes during every stage of the investment process, ensuring that the necessary infrastructure is in place to effectively manage and monitor the increasingly complex investments of the Fund across eight asset classes and in more than 100 countries around the world. These functions play a vital role in the due diligence research, trade settlement, capital flow, reconciliation of portfolio activity, performance tracking and financial reporting throughout the life of an investment. The trade operations team facilitates aspects of portfolio activity in support of the Fund's internally managed fixed income and public equity accounts. This includes supporting global securities, derivatives and foreign currency trading as well as collateral management.

Successful investment management relies on all aspects of the back, middle and front office. Through this collaborative and supportive culture, APFC's small team of dedicated professionals thrives in carrying out our mission of managing and investing the assets of the Permanent Fund and other funds designated by law.

ALASKA AND GLOBAL PARTNERSHIPS

The Permanent Fund is invested in global markets to ensure that Alaskans can take advantage of interesting opportunities around the world. With the ability to react quickly and access to the most compelling opportunities, APFC invests in Alaska and on every continent except Antarctica, through in-house management, and externally with leading investment managers and institutional investors.



MANAGEMENT AND PERFORMANCE FEES

Managing the costs of investing the Fund is a crucial part of the Corporation's fiduciary duties. The fees associated with externally managed assets generally consist of two types: (1) management fees, which are paid based upon assets under management, and (2) performance fees, which increase with managers' outperformance relative to their benchmarks.

MANAGEMENT FEES

The total investment management fees paid for FY 21, including both external and internal management, were $411.0 million. This equates to 0.50% or 50 basis points of all assets under management valued at $82.6 billion as of June 30, 2021, including funds managed for the Alaska Mental Health Trust Authority.

APFC has three methods for the tracking and payment of management fees:

Fees Funded by Investments $295.5 M

Fees are retained by the investment manager from the assets under its management. The fee amounts are netted against the income before it is distributed back to the Fund and are not included as part of the annual APFC investment management fee allocation in the operating budget.

Fees Funded by Investment Management Appropriation $101.5 M

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

APFC Operations Appropriation $14.0 M

The Corporation's operating expenses are directly related to the management of all assets under management in the portfolio.

This category includes personal services, travel, contractual services, commodities and equipment. These costs are funded through the operations allocation of APFC's appropriation in the state's operating budget.

PERFORMANCE FEES

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

For FY21, this was the case as performance fees amounted to $376.1 million. Performance fees associated with public markets are funded by appropriation. Performance fees for private market assets are most often funded by the investments and netted out of the returns.

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

PUBLIC EQUITIES

$30.6 Billion as of June 30, 2021

77 Countries Represented in Holdings

39% Target Asset Allocation

Comprised of U.S. and international stocks, the Public Equities portfolio is the largest asset class in the Permanent Fund. As a result, the performance of these assets significantly influences the overall performance of the Fund.

With the objective of efficiently utilizing active risk and maximizing long-term outperformance, the Public Equities portfolio is managed in alignment with APFC's Board of Trustees' defined risk guidelines.

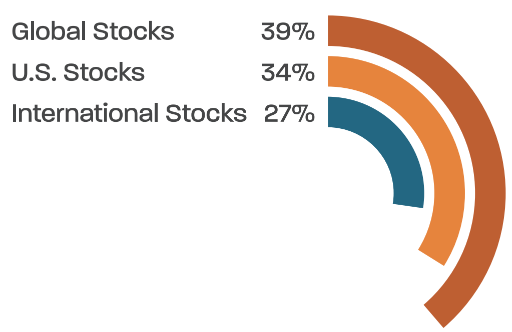
Approximately 85% of the Public Equities portfolio is strategically allocated across our external managers. Through a bottom-up approach, our active managers focus on the fundamentals of individual companies, as opposed to specific industries or the market as a whole. External managers have delivered net-of-fees outperformance over short and long-term horizons.

The internally managed Tactical Tilts portfolio is the single largest account in the asset class, comprising approximately 15% of the Public Equities portfolio. These investments are managed top-down, emphasizing geographies, sectors and styles to generate outperformance over the near-to-intermediate time horizon.

PERFORMANCE LAST YEAR

Our ability to be nimble in implementing allocations within the Public Equities portfolio has allowed us to outperform benchmarks and achieve significant gains over short and long-term horizons, contributing to the overall stellar performance of the Permanent Fund. In FY21, the total Public Equities portfolio returned 46.9%, outperforming the benchmark MSCI ACWI IMI by 6%. The portfolio's positioning in favor of value and cyclical stocks, with solid performance from our external active managers and internal management, were the key drivers behind the successful returns.

STOCK PORTFOLIO BY MANDATE



PORTFOLIO PERFORMANCE:

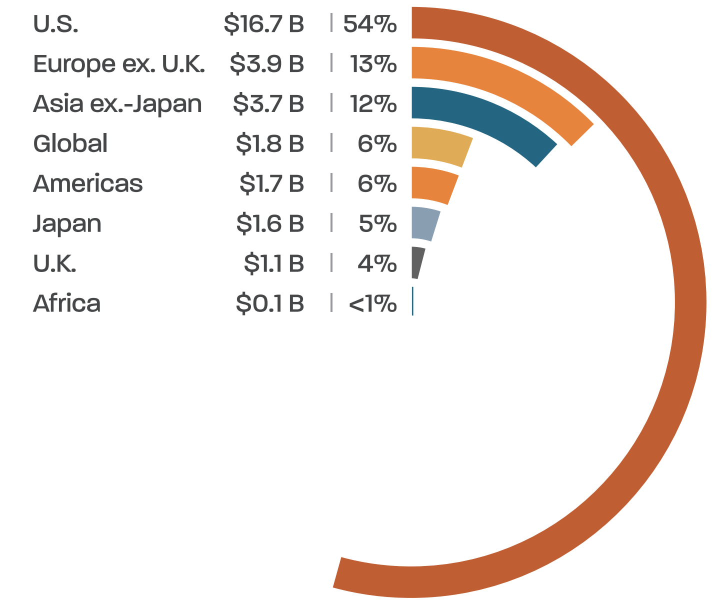
Domestic Equities returned 54.5%, outperforming the Russell 3000 benchmark by 10.3%.

International Equities delivered 42.2%, outperforming the MSCI ACWI ex. U.S. benchmark by 5.0%.

Global Equities gained 44.6%, outperforming the MSCI ACWI IMI benchmark by 3.7%.

The internally managed ***Tactical Tilts*** portfolio delivered 48.8%, outperforming the benchmark MSCI ACWI IMI by 7.9%.

STOCK PORTFOLIO BY REGION



In recent years, external allocation decisions have increasingly favored value assets, consisting of relatively cheaper market segments as the performance gap between the value and growth segments has continued to widen. Pandemic-related volatility in the market caused value equities to become even cheaper, inspiring a further increase in the portfolio's value tilt.

LOOKING FORWARD

As global economies continue to reopen and recover from the pandemic, our Public Equities outlook is generally favorable over the next 12-18 months. This asset class is expected to continue to generate above-average returns and exceed the Fund's return objective. During this period, global economic growth is expected to stay strong, while monetary policies continue to be accommodative.

Public markets are likely heading towards a somewhat challenging environment beyond the next 12-18 months. Monetary policy, particularly in the U.S., is expected to become more restrictive as the effects of fiscal stimulus fade and corporate earnings peak.

We believe that within the next five years, there is an above-average risk of a significant drawdown, led by U.S. equities.

Over the next 10 years, broad Public Equities indices are expected to generate below-average returns relative to their history, particularly given elevated current valuations. In such an environment of muted returns, value stocks and emerging markets segments could still offer above-average returns and would likely be key focus areas for the Fund's investments.

FIXED INCOME

$15.6 Billion as of June 30, 2021

17,300 Trades Executed Internally over the Last 5 FYs

21% Target Asset Allocation

Treasury bonds were the first assets held by the Permanent Fund when it was established 45 years ago. Today, our robust portfolio of diverse, fixed income products is a cornerstone of the Permanent Fund, providing a steady stream of income and, during a crisis or volatile market cycles, providing a source of liquidity to take advantage of market dislocations. This consistent performance can also be attributed to the Fixed Income team, which has some of the longest serving portfolio managers at APFC.

The overwhelming majority of the Fixed Income portfolio is managed internally at APFC's trading desk, which has direct access to all major domestic and foreign banks, as well as corporate, government and treasury markets. This connection positions our Alaska-based portfolio managers to effectively participate with as much speed and efficiency as the most significant global asset managers.

PERFORMANCE LAST YEAR

With a proven and repeatable strategy, APFC's Fixed Income portfolio again outperformed its benchmark index in FY21, as it has consistently done over the past 15 years. Working throughout pandemic-related office closures, the Fixed Income team remained engaged, executing 5,280 trades with a market value of $134.8 billion in FY21.

As the first asset class of the Permanent Fund, the Fixed Income portfolio has significantly supported the Fund on a long-term horizon. Fixed Income products provided $1 billion of liquidity when pandemic-related volatility hit the market, enabling APFC to take advantage of opportunistic investments in other asset classes.

In FY21, the portfolio generated $140 million of value over our benchmark's return, an excess return of +85 basis points. Although showing signs of improvement in the latter part of the year, volatility remained in global markets as the central banks around the world continued to buoy struggling economies, faced with heightened levels of unemployment and extremely low interest rates due to the pandemic. Despite these challenges the $5.0 billion internally managed U.S. Fixed Income Aggregate portfolio outperformed its benchmark by +109 basis points. The $4.6 billion internally managed U.S. Corporate Bond Portfolio outperformed its benchmark by +90 basis points. Overweight to corporate bonds and the outperformance in those areas contributed to the overall outperformance of the benchmark.

APFC's Fixed Income team has an ongoing partnership with our Private Income team through Alaska Direct Alternative Credit (ADAC), a $1 billion strategy split between a private investment portfolio and a publicly-traded High Yield Corporate Bond portfolio. As part of this program, the Fixed Income team manages $500+ million of High Yield Bonds internally, saving the state roughly $2 million in investment management fees annually.

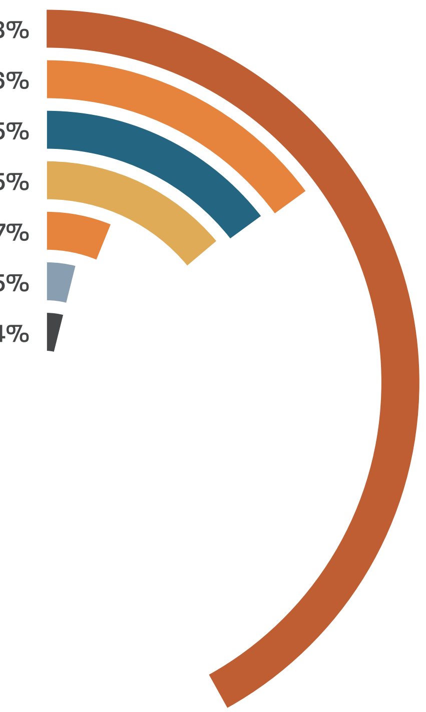
LOOKING FORWARD

With the U.S. government and central banks worldwide pursuing massive stimulus and spending packages, we will continue to keep a close watch for signs of emerging inflation.

There have been a few bright moments signaling that an economic recovery is underway. With a recovery, spread products, such as corporate bonds, are expected to continue to outperform Treasuries in the near term.

FIXED INCOME BY TYPE COMPOSITION OF BONDS

U.S. Corporates	$5.9 B	38%
Mortgage-Backed	$2.5 B	16%
U.S. Treasuries	$2.4 B	15%
Non-U.S. Government	$2.3 B	15%
Non-U.S. Corporates	$1.1 B	7%
Exchange-Traded Funds	$0.7 B	5%
Commercial Mortgage-Backed	$0.7 B	4%



REAL ESTATE

$5.6 Billion as of June 30, 2021

63 Properties

7% Target Asset Allocation

Real Estate is an essential asset class that plays a unique and vital role in the APFC investment portfolio. The asset class provides an inflation-resistant cash yield that embodies characteristics of both debt and equity. Lease payments, the contractual responsibilities of tenants, resemble fixed income obligations, while the property's residual value contains equity-like attributes.

At a high level, real estate remains perhaps the purest asset class from which the Fund can derive a go-forward return of CPI +5% as valuations for institutional properties, along with rental rates, tend to increase with inflation.

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

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

HIGHLIGHTS FROM FY21

Following the divestiture of a major portion of the multi-family assets, our Real Estate Portfolio has a significantly higher exposure to retail and substantially lower exposure to multi-family than the National Council of Real Estate Investment Fiduciaries index benchmark against which our portfolio is measured. This sector positioning led to the portfolio's underperformance for the fiscal year versus the benchmark as adjustments to the appraised value of certain properties offset cash yield generated by the portfolio.

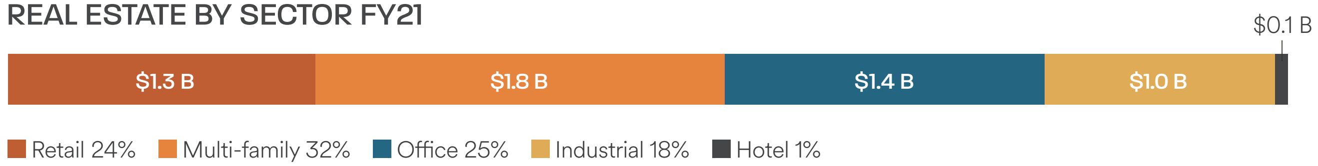
Our Real Estate team has been very active on the new investment front in the wake of the market disruptions caused by the pandemic. Areas of focus have included opportunistic credit strategies as well as the multi-family and industrial sectors. The team is building the portfolio up from the current ~7% exposure as a percentage of the Fund to the ultimate asset allocation FY25 target of 12%.

On the path to achieving a sector allocation closer to our benchmark, the Fund made a significant investment in a customized REIT product focusing on multi-family and industrial properties. In addition, APFC made its first commitments to open-end funds with both multi-family and industrial fund managers.

To take advantage of various market dislocations, the Fund invested in two new debt funds and expanded an existing separate account. The implementation of a direct construction lending program added diversification to the debt initiative providing compelling risk-adjusted returns.

During FY21, the Fund entered into its first two joint ventures for "build-to-core" investments. As stabilized core apartment investments became more and more expensive and more challenging to acquire, the investment team saw the opportunity to create value by developing high-quality, ground-up projects, including development on parcels already owned. This program will provide modern, state-of-the-art core assets with superior locations at a substantial discount to current core pricing. APFC intends to create a similar program for industrial property investments.

REAL ESTATE BY SECTOR FY21



Rendering of The Bowery, Orange County, CA

Gateway II, White Plains, NY

LOOKING FORWARD

The outlook for real estate as an asset class is quite varied based on rapidly changing dynamics for individual property types and geographies. The multi-family and industrial sectors have been the two clear winners in the past decade, a trend that only accelerated during FY21. Conversely, certain other sectors may face headwinds going forward.

Demand for residential apartments is likely to remain strong. Shifting supply chains and the growth of e-commerce at the expense of brick-and-mortar retail sales has been a boon to the industrial real estate sector. The office sector is more difficult to provide an outlook for as the trend towards remote work will likely be offset, to a degree, by a shift away from open office spaces.

In the coming year, we will continue to build on progress made through the success of recent initiatives, work to right size our retail exposure and continue progress toward our target allocation for Real Estate. Recalibrating our real estate portfolio to reflect better diversification by property type will result in stronger investment results going forward. In the meantime, the Real Estate team continues to generate the steady cash flows our asset class has provided to the overall portfolio over time.

ALTERNATIVE INVESTMENTS

Alternative investments refer to a diverse and dynamic collection of assets that do not fall into conventional categories. The relative illiquidity of alternative investments is balanced within the overall APFC Fund portfolio by liquid stocks, bonds and cash. APFC continues to build out its internal alternatives investment team and insource key investment decisions. As a result, APFC has meaningfully improved investment performance and generated annual cost savings of several hundred million dollars.

ALTERNATIVE INVESTMENTS FY21
$25.6 B TOTAL VALUE

LOOKING FORWARD

Our PESO portfolio is well-positioned to withstand a downturn, and our team remains focused on building to its target allocation of 19% of the overall Fund by FY25. While we are prepared for continued volatility, we are encouraged by the program's resiliency heading into this difficult period when the Fund's overall performance and stability are especially important.

PRIVATE EQUITY
AND SPECIAL OPPORTUNITIES

$15.3 Billion NAV as of June 30, 2021

15% Target Asset Allocation

Private Equity and Special Opportunities (PESO) describes a broad range of investment strategies, structures and tactics linked by several common characteristics. Most PESO investments reflect ownership interests in private companies that are inaccessible through public securities exchanges. Private investments are characterized by long investment horizons and limited liquidity with the ability to provide increased diversification and superior returns.

The Permanent Fund's scale, patience and structural flexibility provides a comparative advantage in private markets. Investment returns in the PESO portfolio have consistently exceeded public and private market benchmarks. These investments have also supported the creation and expansion of over 5,000 underlying companies and generated over $6.0 billion in investment gains in FY21 alone.

Financial performance of the PESO portfolio in FY21 exceeded our optimistic expectations and the long-term expected returns for the portfolio, generating a return of 64.6% in total, composed of 72.8% for Private Equity and 51.1% for Special Opportunities.

To identify attractive and complementary investment opportunities when and where they arise, APFC frequently co-invests alongside our investment partners and — when our investment horizon, scale and structural flexibility provide an advantage — invests directly into promising growth companies and undervalued assets.

In FY21, the Corporation continued to back new funds organized by our existing roster of skilled, specialized external investment managers. Several newly created or newly partnered firms were also identified and received support for investment initiatives. Our successful co-investment and direct investment program has allowed the Corporation to avoid over $200 million per year in management fees and profit-sharing that would have otherwise been paid to investment firms and advisors outside Alaska.

The PESO portfolio is allocated across a broad range of strategies, geographies and industries, with 78% in the U.S. and 22% in other parts of the world. The portfolio is invested with particular emphasis on enterprise software, healthcare products and services, plus financial services, but has limited exposure to more cyclical industries.

__DIRECT AND CO-INVESTMENTS.__ These internally managed investments are accessed through co-investments alongside our investment partners, plus targeted direct investments into operating companies. Through the PESO program, the Corporation has invested $1.7 billion since 2013 in 40 companies and investment gains now exceed $2.2 billion.

__CAPITAL CONSTELLATION__. An innovative and award-winning partnership with other global institutional investors, Capital Constellation is a joint venture spanning Europe, North America and the Middle East that combines the expertise and capital base of three of the world's top institutional investors – APFC, RPMI Railpen and the Wafra Group on behalf of The Public Institution for Social Security of Kuwait – to catalyze emerging private equity and alternatives managers with strong track records of prior success.

APFC received recognition as the 2020 Limited Partner of the Year in North America by the global magazine Private Equity International. This award is highly regarded in the financial industry, and this was the third time that our team has won since 2017.

ALASKA INVESTMENT PROGRAM

Recognizing the opportunity to earn attractive, diversified returns closer to home, APFC's Board directed staff through Resolution 18-03 to implement a program targeting emerging private market fund managers and investment opportunities within Alaska. Capturing the highest possible investment returns without exceeding prudent levels of risk requires careful investment selection and robust diversification. This diversification effort, combined with the inherent benefits of proximity to a deal, has energized APFC's search for compelling investment opportunities in Alaska through two external managers, Barings LLC and McKinley Capital Management, LLC. Each fund manager is responsible for overseeing and deploying $100 million of the total $200 million initial allocation in the Alaska Investment Program. While it typically takes several years for a program like this to mature and meet long-term investment objectives, APFC is encouraged by the increasing volume and quality of opportunities our program partners are delivering.

PRIVATE INCOME

INFRASTRUCTURE + PRIVATE CREDIT + INCOME OPPORTUNITIES

$5.9 Billion NAV as of June 30, 2021

9% Target Asset Allocation

Private Income refers to a diversified mix of strategies and investments that include infrastructure, private credit, and other opportunistic, income-oriented strategies. These investments provide the Permanent Fund with diversification, inflation protection, current income and capital appreciation.

The Private Income portfolio, aggregated, returned 18.1% for FY21. In this time period, Infrastructure returned 20.4%, Private Credit returned 15.7% and Income Opportunities returned 18.2%. Long-term returns remain strong, with the Private Income composite delivering an 11.3% return over the past five years.

INCOME OPPORTUNITIES

Within our Income Opportunities Portfolio, which consists of a broad mix of investments with familiar themes of protected cash flows, inflation linkage or current income production, staff was quite active with new investments. Interesting opportunities were found in aircraft leasing, life settlements and a liquidity solutions fund, all of which have low correlations with broader markets and provide helpful diversification to the overall APFC portfolio.

PRIVATE INCOME BY ASSET TYPE

Infrastructure	$2.6 B	45%
Income Opportunities	$1.7 B	28%
Private Credit	$1.6 B	27%

PRIVATE CREDIT

Credit markets experienced a robust recovery in FY21 as uncertainty around the pandemic waned. As markets recovered, deal flow reached near record levels in the fourth quarter of calendar year 2020, and originators moved to fill strong demand at attractive pricing. By the end of FY21, spreads narrowed to pre-pandemic levels as business activity recovered from lockdowns. The Private Credit Portfolio performed in line with expectations throughout the market dislocation and has benefited from the market recovery through FY21. Our team is focused on monitoring the health of the current portfolio while identifying promising new investments and strategies.

INFRASTRUCTURE

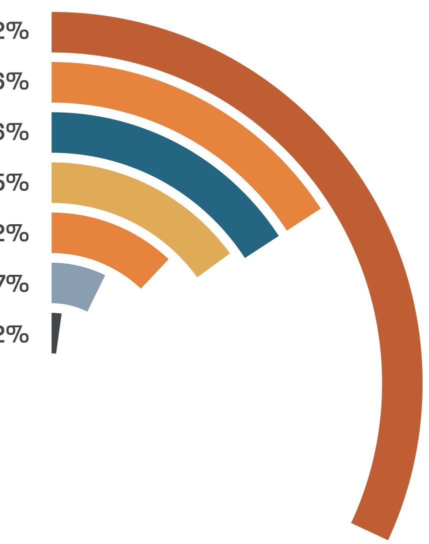
Fiscal Year 2021 highlighted the resiliency of APFC's Private Infrastructure Portfolio, particularly in the digital infrastructure and energy transition markets. Significant dislocations in most infrastructure sectors were short-lived, which helped support valuations of quality assets while also presenting our team with fewer attractive new opportunities early in FY21. As the year progressed, deal activity resumed, particularly in pandemic-resilient sectors. APFC staff remained disciplined while carefully committing to targeted new investments.

LOOKING FORWARD

Towards the end of FY21 and continuing into FY22, Private Income deal flow is at unprecedented levels. APFC continues to carefully analyze each opportunity's risk/return characteristics to best position the Fund for long-term stability and growth. Our team believes that investments made in the current market are well-positioned to benefit from the continued economic recovery while providing diversification, downside protection and current income to the Fund.

INFRASTRUCTURE INVESTMENTS BY SECTOR

Alternative Power Generation	32%
Transportation	16%
Energy Infrastructure	16%
Digital and Telecom Infrastructure	15%
Traditional Power Generation	12%
Utilities and Related	7%
Social Infrastructure	2%



ABSOLUTE RETURN

$4.4 Billion as of June 30, 2021

6% Target Asset Allocation

Absolute Return refers to a strategy with the goal of providing the Fund with returns that are uncorrelated to traditional asset classes and accretive to the overall target return. This portfolio offers better liquidity than most alternative investments while maintaining a diversified range of geographies, securities and strategies. Over the long term, the objective of this portfolio is to identify a diverse set of strategies that are uncorrelated to each other and the market.

In the process of combining diversified and uncorrelated returns, the resulting performance may appear low relative to traditional asset classes. Also, correlations can drift away from their long-run averages, resulting in a short-term return stream that disappoints relative to expectations. However, we are convinced this uncorrelated stream of returns will prove valuable within the Fund's aggregate portfolio in the long term. This is especially true in episodes when traditional asset classes experience higher levels of volatility.

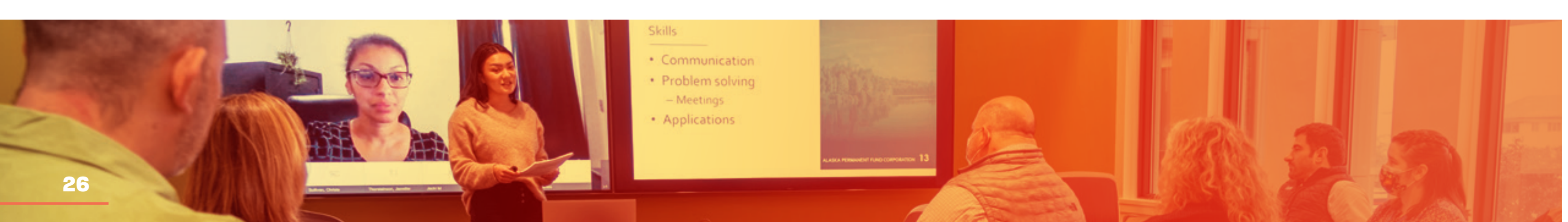
Since our team endeavored to restructure this portfolio from a fund-of-funds approach to a portfolio of directly selected strategies approximately five years ago, the portfolio has primarily delivered on objectives, producing a positive annualized 6.1% return and 3.8% volatility, at less than 0.5 correlation to the 60/40 stock-bond portfolio.

During FY21, the Absolute Return portfolio generated a positive 12.4% return with an annualized volatility of less than 5% and a correlation to the equity market of 0.23. All strategies within the portfolio generated positive returns over the period. New issue, capital markets activity and quantitative equity market-neutral strategies delivered the strongest returns.

To balance the portfolio, the team deployed approximately $350 million in new capital, primarily in directional macro market strategies, and reduced exposure to various equity and fixed income relative value strategies in a similar amount. The portfolio also made its first allocation to a commodity-focused strategy as well as a direct allocation to gold as part of the objective to provide the Fund with diversifying and positive real returns.

LOOKING FORWARD

The outlook for this asset class is positive, especially in the context of significantly depressed long-term risk premia (the amount by which a higher-risk asset is expected to outperform known return on a risk-free asset) and increased volatility associated with traditional asset classes. It is even more important to remain focused on sourcing uncorrelated returns at this juncture, and we expect to be actively engaged in increasing the allocation to such strategies.



RISK PARITY

$803 Million as of June 30, 2021

2 Managers

1% Target Asset Allocation

A traditional institutional approach to asset allocation consists of different asset classes weighted in dollar terms. In 2018, the APFC Board of Trustees approved the establishment of a Risk Parity asset class for the Permanent Fund. Risk Parity is a strategic approach to asset allocation which equally balances the risk of different asset classes.

The Risk Parity portfolio has 100% liquidity, consisting of multiple assets, and is not particularly vulnerable to any one economic environment, making it less impacted by the volatility of public equity markets. The $803 million Risk Parity portfolio is managed externally by two managers and is intended to deliver long-term returns of CPI+5% or better while investing in various liquid asset classes with equal allocation to various types of risk.

Since its inception, the Risk Parity portfolio has had impressive returns relative to the HFR Risk Parity benchmark and the 60/40 mix portfolio and has delivered on expectations of providing liquidity and risk-adjusted returns.

In FY21, the Risk Parity portfolio returned 23.3% versus the HFR 12% Vol Risk Parity benchmark, which returned 25.0% having more equity beta than the portfolio.

Returns were impacted by pandemic-related activity, which caused unprecedented medical, economic and social challenges as it stopped activity across multiple sectors. However, the year was a suitable environment for assets broadly, as stimulus flowed into holdings in response to the pandemic. The Risk Parity portfolio benefitted across its exposures, with the most significant contributions coming from commodities, equities, nominal bonds and inflation-linked bonds.

LOOKING FORWARD

During uncertain times like these, it is prudent to rely on diversification and downside mitigation tools – whether explicit hedges, portfolio construction techniques or solutions with an asymmetrical profile. The Risk Parity portfolio employs these tools for portfolio construction and implementation. The Risk Parity portfolio will play an important role as investors face monetary and fiscal easing challenges, including the risk of higher inflation, differing budgetary conditions and policy responses across geographies, highlighting the importance of diversification.

CASH

$2 Billion as of June 30, 2021

100% Internally Managed
2% Target Asset Allocation

Having sufficient quantities of easily and quickly accessible cash on hand to purchase new investments without having to sell other holdings is highly beneficial. A well-balanced and actively managed Cash portfolio provides not only stability for the Fund but also liquidity and risk balance through diversification benefits relative to riskier asset classes.

It is important to effectively manage cash because holding too much cash can drag down performance as cash is invested in low risk, low return securities and does not contribute meaningfully to growth of the Fund.

The Permanent Fund's Cash portfolio is also of great importance to the people of Alaska. It enables us to provide resources following Legislative appropriation to fund the State's essential services.

The Fund's Cash portfolio is managed internally, and the Fund's exposure to cash is determined by APFC's liquidity needs, time horizon and risk tolerance given the market environment. The total Cash portfolio returned 0.17% vs. the 0.09% benchmark return.

In FY21, the Operating Cash portfolio averaged $200 million in value. Operating Cash returned 0.59% relative to the 0.09% benchmark return. Because interest rates remained low during the year, the $1.8 billion cash balance was held in the Internal Cash Portfolio where it could actively gain exposure to other liquid instruments and improve performance.

The Internal Cash Portfolio was essential for the Fund to navigate the pandemic-related volatile periods in the market and rebalance the portfolio as needed. Key drivers of return for the Cash Portfolio were a combination of holdings in commercial paper throughout the year, which earned a higher yield than the benchmark. Along with commercial paper and treasury bills, APFC staff also began trading repurchase agreements during FY21. The Internal Cash Portfolio returned 0.11% vs. the 0.09% benchmark return.

An overweight to the Cash allocation allowed us to maintain proper liquidity and take advantage of market corrections. Additionally, this positioning helped maintain the desired overall risk level for the Fund by counterbalancing the overweight positions of riskier assets.

LOOKING FORWARD

APFC will continue to look for ways to enhance the return of our Cash portfolio in a low-rate environment. This portfolio will continue playing a crucial role in providing stability and liquidity for the Fund, which will help achieve our overall objectives.

VALUES
IN ACTION

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

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

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

RECOGNITION

Private Equity International named **APFC** as the Limited Partner of the Year in North America.

In commitment to the conduct and accountability practices as established in the Santiago Principals, and in support of our global peers, **APFC** maintained an active membership in the **International Forum of Sovereign Wealth Funds (IFSWF).**

As an asset owner and allocator, **APFC** continued its membership with the **Pacific Pension & Investment Institute (PPI).**

ETHOS OF ALASKA

During FY21, APFC, along with the rest of the world, adapted and adjusted to the changing conditions related to the pandemic. Despite these challenges, APFC staff remained fully engaged, not just through investments and operations, but within their Alaska communities as well.

Our team is committed and inspired by our mandate to protect and grow the Fund by maintaining strong partnerships globally, acting on compelling investment opportunities and implementing successful and safe investment strategies to ensure the state's largest financial asset will continue to provide for generations to come.

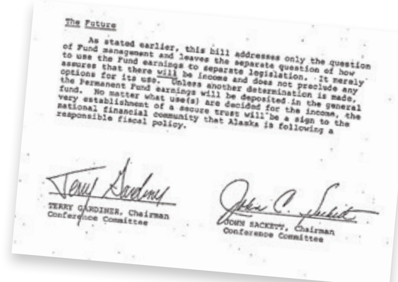
Through professional development, staff reinforced their commitment to learning to best support the Corporation. Certifications, trainings and exams were completed for staff to become Chartered Alternative Investment Analyst Charterholders and Certified Public Accountants, and earn credentials in Diversity, Equity and Inclusion; risk and investment management; accounting; auditing; leadership; financial modeling; economics and fundamentals of private equity; project management and leadership communications.

THE FUND AT 45

In 1976 Alaskans voted to establish the Alaska Permanent Fund. By interweaving our culture of integrity, stewardship and passion, the Alaska Permanent Fund Corporation has and continues to manage the Fund to deliver impressive and consistent returns. As we look at our accomplishments over the past four decades, we do so by honoring the vision of our fellow Alaskans, commending the wisdom of State leaders, and recognizing the contributions of the oil, gas and mining industries dedicated royalties to Principal.

The Alaska Permanent Fund has grown to

$81,896,800,000 since inception.


The Future

As stated earlier, this bill addresses only the question of Fund management and leaves the separate question of how to use the Fund earnings to separate legislation. It merely assures that there will be income and does not preclude any options for its use. Unless another determination is made, the Permanent Fund earnings will be deposited in the general fund. No matter what use(s) are decided for the income, the very establishment of a secure trust will be a sign to the national financial community that Alaska is following a responsible fiscal policy.

TERRY GARDINER, Chairman
Conference Committee

JOHN SACKETT, Chairman
Conference Committee

1969

Alaska brings in $900 million from North Slope oil and gas leases.

1976

With the vision to future generations of Alaskans, residents vote to approve a Constitutional Amendment establishing the Permanent Fund.

1980

With a focus on safety of principal, accountability and legislative oversight, the Legislature establishes the Alaska Permanent Fund Corporation to manage investments of the Fund. The Legislature also repeals personal income taxes, and authorizes the first Permanent Fund Dividend program.

1977

The Fund receives its first deposit of dedicated oil revenues, totaling $734,000.

1974

Construction of the Trans-Alaska Pipeline System begins - over 800 miles, from Prudhoe Bay to Valdez, Alaska.


Money

Crossroads

B

Alaska Confronts The Dilemma Of Being Rich

1978

Debate continues concerning whether the Permanent Fund should be managed as an investment fund or as an economic development bank.

1982

The Alaska Legislature, at the request of the Board of Trustees, enacts inflation-proofing to protect the Fund's purchasing power over time.

First Alaska Permanent Fund dividend checks of $1,000 are paid by Legislature. Surplus oil revenues are used to pay the dividend, not Fund income.

1988

APFC establishes the Internship Program giving finance experience to Alaska's future leaders.

1989

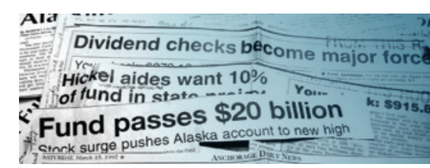
Fund value reaches $10 BILLION

1994

APFC begins to manage a portion of the Alaska Mental Health Trust Fund.

1997

Fund value reaches $20 BILLION


Dividend checks become major force

Hickel aides want 10% of fund in state

Fund passes $20 billion

Stock surge pushes Alaska account to new high

1998

Fund earnings exceed state oil revenues for the first time.

2003

The Board passes a resolution supporting a constitutionally protected Percent of Market Value (POMV) draw to preserve and protect the purchasing power of the Fund against inflation, while creating a predictable draw from the annual earnings of the Permanent Fund.

2005

Fund value reaches $30 BILLION

Empowering the Trustees to make investment decisions under the guidelines of the prudent investor rule, the Legislature removes restrictions on types of investments that can be made by the Fund.

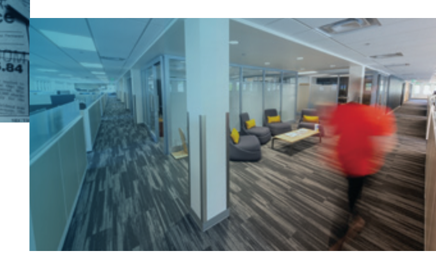
2009

Fund value reaches $50 BILLION

2017

Fund value reaches $60 BILLION

The office is renovated in the Michael J. Burns Building on 10th St. in Juneau to accommodate a growing team and a changing business environment.



2018

The Alaska Legislature approves a statutory POMV draw, ensuring a stable, predictable and renewable annual payment to the state while creating certainty for Fund management.

"The POMV gives us the target we have been asking for in order to craft our investment strategy and will ensure the Fund is a resource Alaskans can rely on now and in the future."
– Angela Rodell, APFC CEO

2019

Highlighting its increasing prominence as a model for Sovereign Wealth Funds globally, APFC hosts IFSWF 11th Annual Meeting in Juneau.

As the state transitions away from being dependent on mineral royalties, Fund earnings contribute a total POMV transfer of $2.8 billion to support state government and pay dividends.

2021

Fund value reaches $81.9 BILLION

Recognizing that investment decisions should not be solely driven by returns, Board adopts risk appetite metric to guide investment strategy.

Together with Alaskans, APFC celebrates the 45th anniversary of the Alaska Permanent Fund, experiencing the greatest performance to date, returning 29.7% and reaching an all-time-high of $81.9 billion.

LOOKING FORWARD

As a world-class sovereign wealth fund that prides itself on integrity and innovation, APFC and our governing Board of Trustees remain Invested with Alaskans, working to ensure the Fund is protected and invested for the long term.

INTERNSHIP PROGRAM

"APFC's comprehensive Internship Program gave me the opportunity to gain diverse experiences in a collaborative environment which made me more confident in my abilities and more ambitious to pursue my passion for a career in finance."
- Christa Sullivan

Through the APFC Internship Program, Alaska's future leaders are empowered with professional experience under the guidance of some of the world's leading financial experts. Since 1988, APFC and participating investment managers have mentored more than 300 Alaskan students, many of whom have transitioned into successful careers in finance and investment. Several former interns have returned to APFC as staff and Trustees; others have gone on to have successful private-sector careers. APFC is proud to have had the opportunity to play a role in the career development of all of our interns.

APFC is committed to providing these internships in a real work environment to build capacity in financial literacy and investment knowledge in Alaskan youth. The Board of Trustees has been a strong supporter of the Internship Program and highlighted their commitment to ensuring that it continues to be a premier internship program in the State of Alaska.

"Our interns apply their education, providing valuable contributions to support critical operations of the Fund, while gaining professional experience and honing their communication, research and technical skills."
- Chris LaVallee, APFC Senior Portfolio Accountant II

In 2021, six applicants were selected to participate in programs focused on investments and accounting.

ALASKA PERMANENT FUND CORPORATION *– Juneau, Alaska*

FINANCE INTERN

Christa Sullivan, Anchorage, attends the University of Alaska Anchorage, where she is studying Business Administration with an emphasis in Accounting and Finance, with a minor in Economics.

INVESTMENT INTERN

Veton Redzepi, Anchorage, attends the University of Michigan Ross School of Business in Ann Arbor, MI where he is studying Business Administration with an emphasis in Accounting and Finance.

MCKINLEY CAPITAL - *Anchorage, Alaska*

Matthew Parker, Anchorage, attends Yale University in New Haven, CT, where he is studying Economics.

Jacob Begich, Anchorage, attends McDonough School of Business at Georgetown University in Washington DC, where he is studying Finance with a minor in Government.

Nathan Robertson, Anchorage, graduated Cum Laude from the University of Alaska Anchorage in December 2020, earning a BA in Finance and a BBA in Economics. He is enrolled in the Economics Master's program at the Universidad Carlos III de Madrid in Madrid, Spain.

CRESTLINE – *Fort Worth, Texas*

Aden Haywood, Anchorage, attends the University of Alaska Anchorage, where he is studying Finance as part of a Bachelor of Business & Public Policy degree.

BECOME AN INTERN

To be eligible to participate in the APFC Internship Program, a student must either be enrolled full-time in an Alaska university or be an Alaska resident attending school elsewhere. Recent graduates also qualify. Internships are generally open for applications in the fall to begin the following summer. Additional details are available at: apfc.org/internships.

KPMG

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, 2021 and 2020, 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, 2021 and 2020, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in note 1, the financial statements present only the Alaska Permanent Fund and do not purport to, and do not, present fairly the financial position of the State of Alaska as of June 30, 2021 and 2020, 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.

KPMG

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 2, 2021 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

Anchorage, Alaska
September 2, 2021

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, 2021 and June 30, 2020. 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

- In response to the COVID-19 pandemic, APFC staff seamlessly transitioned to remote work in March, 2020 and spent most of FY2021 out of the office. There was no disruption to the portfolio as remote capability allowed staff to support extraordinary portfolio activity resulting from pandemic market volatility.

- Public markets experienced unprecedented growth as the recovery from the depths of the COVID-19 pandemic continued throughout the year. The Fund ended the fiscal year ("FY") at an all-time high of 29.73 percent total return. Total return for the Fund has exceeded 25 percent only one other time in its history, in FY1985 with a return of 25.58 percent. Total fund return for FY2021 outperformed the performance benchmark of 27.75 percent by 198 basis points.

- FY2021's excess of revenues over expenditures (net income) was $19.4 billion. This represents a large increase from FY2020 of $1.6 billion and is also significantly higher than FY2019's level of $3.8 billion.

- During FY2018, legislation was passed which, subject to appropriation, provides for a transfer from the Earnings Reserve Account to the General Fund to help balance the State's budget. The amount of the transfer is based upon a percentage of the average market value of the Fund at the end of the first five of the preceding six fiscal years. The funding for the Alaska Permanent Fund dividend is then transferred from the General Fund. The June 30, 2020 balance sheet reflects a $3.1 billion commitment of fund balance for the appropriation to be transferred to the General Fund in FY2021. The June 30, 2021 balance sheet reflects a $3.1 billion commitment of fund balance for the appropriation to be transferred to the General Fund in FY2022.

- The portion of dedicated State of Alaska revenues deposited into the principal (or "corpus") of the Fund is based on mineral prices and production. In FY2021, this amount came in at $320 million, just above FY2020's deposits of $319 million.

- Inflation proofing of the Fund's corpus is outlined in Alaska Statute and, like the transfer to the General Fund, is subject to appropriation. In FY2020, the inflation rate was 1.81 percent, resulting in a transfer of $758 million to the corpus. In FY2021, the inflation rate was 1.23 percent, but because there was no appropriation included in the FY2021 budget, no transfer was made. There was also no appropriation for inflation proofing for FY2016 – FY2018. If appropriated, the transfers for all four years would have totaled $2.0 billion.

- During FY2021, legislation was passed to transfer $4 billion from the Earnings Reserve Account to the corpus in FY2022. This amount is reflected as committed fund balance on the June 30, 2021 balance sheet. The transfer was completed on July 1, 2021.

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, 2021, as well as the prior fiscal year's ending balances at June 30, 2020.

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

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

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

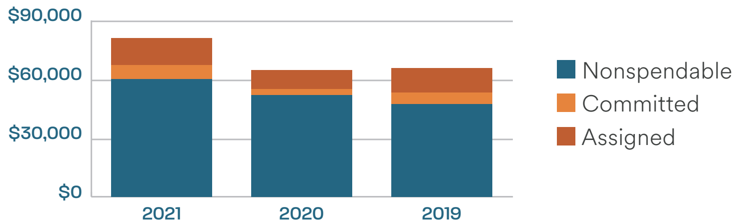
- The largest category is nonspendable (74 percent as of June 30, 2021) which is not available for government appropriation by the State of Alaska.

- Committed fund balance (9 percent as of June 30, 2021) represents amounts that have been signed into law before the end of the fiscal year, for transfer to another account or purpose during the subsequent fiscal year. In both years, this includes the legislation which took effect at the beginning of FY2019, which provides for a percent-of-market-value transfer from the Earnings Reserve Account to the General Fund. For FY2021, it also includes legislative action to transfer an additional $4 billion from the Earnings Reserve Account to the corpus. A special legislative session is currently underway that may result in additional transfers out of the Earnings Reserve Account. These transfers will be recorded when they have been appropriated.

- The remaining balance (the assigned fund balance) is available for government appropriation. The assigned fund balance increased by 44 percent from FY2020 to FY2021, from $9.8 billion to $14.1 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 general fund transfer; inflation proofing (a transfer of assets from the assigned to the nonspendable fund balance); special appropriations out of the Earnings Reserve Account; and the change in unrealized gains and losses allocated to the assigned fund balance. During FY2021, the amounts contributing to the net increase of approximately $4.3 billion in the assigned fund balance were:

  (i) realized income of $8.0 billion;
  (ii) the commitment of $3.1 billion for transfer to the General Fund;
  (iii) the commitment of a $4 billion transfer from realized earnings to principal; and
  (iv) the allocation of a portion of unrealized gains and losses, which increased from FY2020 to FY2021 by $3.4 billion, to a balance of $4.8 billion.

FUND BALANCES
June 30 (in millions)



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 FY2021 and FY2020.

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

To derive the total net change in fund balances from the prior year to the current year, the Statements of Revenues, Expenditures and Changes in Fund Balances also 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 the percent-of-market-value transfer to the General Fund and the annual deposit to the Alaska Capital Income Fund (ACIF).

NOTES TO THE FINANCIAL STATEMENTS

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

FINANCIAL STATEMENT ANALYSIS

This section of the MD&A is intended to provide an analysis of past fiscal years' activities and specific contributors to changes in the net assets of the Fund. The fund balance serves to provide a gauge of the financial strength of the Fund. While assets of the Fund exceeded liabilities each year by double-digit ratios (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 at June 30, 2021 and 2020.

	June 30			
Balance Sheets	**2021**	**2020**	**Net change**	**Percent**
Assets				
Cash and temporary investments	$ **5,828,413,000**	4,815,872,000	1,012,541,000	21%
Receivables, prepaid expenses and other assets	**787,673,000**	2,194,723,000	(1,407,050,000)	(64)%
Investments	**77,931,831,000**	60,893,991,000	17,037,840,000	28%
Securities lending collateral	**4,348,802,000**	1,540,240,000	2,808,562,000	182%
Total assets	$ **88,896,719,000**	69,444,826,000	19,451,893,000	28%
Liabilities				
Accounts payable	**2,601,006,000**	2,581,892,000	19,114,000	1%
Income distributable to the State of Alaska	**50,116,000**	20,492,000	29,624,000	145%
Securities lending collateral	**4,348,802,000**	1,540,240,000	2,808,562,000	182%
Total liabilities	$ **6,999,924,000**	4,142,624,000	2,857,300,000	69%
Fund balances				
Nonspendable:				
Permanent Fund corpus - contributions and appropriations	**46,938,431,000**	46,618,846,000	319,585,000	1%
Unrealized appreciation on invested assets	**13,809,979,000**	5,789,217,000	8,020,762,000	139%
Total nonspendable	**60,748,410,000**	52,408,063,000	8,340,347,000	16%
Committed:				
General Fund appropriation	**3,069,296,000**	3,091,493,000	(22,197,000)	(1)%
Permanent Fund corpus	**4,000,000,000**	—	4,000,000,000	n/a
Total committed	**7,069,296,000**	3,091,493,000	3,977,803,000	129%
Assigned for future appropriations:				
Realized earnings	**9,271,412,000**	8,378,305,000	893,107,000	11%
Unrealized appreciation on invested assets	**4,807,677,000**	1,424,341,000	3,383,336,000	238%
Total assigned	**14,079,089,000**	9,802,646,000	4,276,443,000	44%
Total fund balances	$ **81,896,795,000**	65,302,202,000	16,594,593,000	25%
Total liabilities and fund balances	$ **88,896,719,000**	69,444,826,000	19,451,893,000	28%

The value of the Fund's assets, excluding securities lending collateral, increased greatly between June 30, 2020 and June 30, 2021. The value of the Fund's assets is most significantly impacted by investment performance. Comparative performance for each asset class is shown below:

	FY2021	FY2020
Public Equity	**46.92%**	0.41%
Fixed Income	**3.68%**	4.19%
Private Equity & Special Opportunities	**64.61%**	1.94%
Real Estate	**1.41%**	-0.16%
Infrastructure & Private Income	**18.06%**	-0.39%
Absolute Return	**12.40%**	1.46%
Asset Allocation	**not available**	-0.25%
Risk Parity	**23.32%**	not available
Cash	**not available**	not available
TOTAL FUND	**29.73%**	2.01%

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 FY2021 was $9.9 billion, with a low of $7.5 billion and a high of $11.6 billion. The Fund had earnings from securities lending of $23.7 million during FY2021, a significant decrease from $31.4 million received in FY2020.

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 99 percent of both FY2021 and FY2020 accounts payable balances. The increase of $19 million from FY2020 to FY2021 was primarily due to an increase in pending public equity purchases caused by rebalancing at the end of the fiscal year.

The sole amount due to the State of Alaska at the end of FY2021 and FY2020 is the transfer to the Alaska Capital Income Fund (ACIF). This amount is calculated based on realized earnings and was $50.1 million for FY2021 and $20.5 million for FY2020. The $30 million dollar increase from the prior year is caused by much higher realized returns in FY2021 versus FY2020.

Total fund balance increased by 25 percent from FY2020 to FY2021, or $16.6 billion, consistent with the 29.7 percent total return for the year and the net transfers out of the Fund. Components of this increase were $1.5 billion in stock dividends, bond interest, and cash flow income from other investments, $320 million in dedicated mineral deposits, and an increase in the fair value of investments of $18.1 billion offset by operating expenses and other appropriations of $175 million and the General Fund transfer of $3.1 billion. Deposits from the State of Alaska were up less than 1 percent from the FY2020 dedicated revenues of $319 million.

In comparison, total fund balance decreased from FY2019 to FY2020 by 2 percent, or $1 billion, due to net income of the Fund of $1.6 billion and transfers in (State dedicated mineral revenues of $319 million) offset by transfers out (General Fund of $2.9 billion and ACIF of $21 million).

The table below is derived from the Statements of Revenues, Expenditures and Changes in Fund Balances, and shows the annual activity of the Fund. The differences in activity in FY2021 as compared to FY2020 are shown in both dollars and percentages.

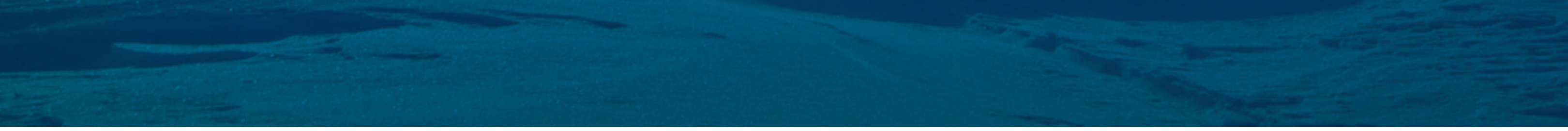
Statements of Revenues, Expenditures and Changes in Fund Balances	Year Ended June 30 2021	2020	Net change	Percent
Revenues				
Total interest, dividends, real estate and other income	$ **1,524,731,000**	1,402,898,000	121,833,000	9%
Total net increase in the fair value of investments	**18,066,481,000**	361,738,000	17,704,743,000	4,894%
Total revenues	**19,591,212,000**	1,764,636,000	17,826,576,000	1,010%
Expenditures				
Operating expenditures	**(166,151,000)**	(120,382,000)	(45,769,000)	38%
Other legislative appropriations	**(8,444,000)**	(7,792,000)	(652,000)	8%
Total expenditures	**(174,595,000)**	(128,174,000)	(46,421,000)	36%
Excess of revenues over expenditures	**19,416,617,000**	1,636,462,000	17,780,155,000	1,086%
Other financing sources (uses)				
Transfers in – dedicated State revenues	**319,585,000**	319,049,000	536,000	—%
Transfers out – appropriations	**(3,141,609,000)**	(2,953,576,000)	(188,033,000)	6%
Net change in fund balances	**16,594,593,000**	(998,065,000)	17,592,658,000	(1,763)%
Fund balances				
Beginning of period	**65,302,202,000**	66,300,267,000	(998,065,000)	(2)%
End of period	$ **81,896,795,000**	65,302,202,000	16,594,593,000	25%

During FY2021, cash flow revenue from interest, dividends, real estate, and other sources was slightly higher than FY2020 levels at $127 million per month on average, up from $117 million per month on average in FY2020. Cash flow income for both FY2021 and FY2020 was lower than the average in FY2019 of $130 million per month.

The change in the fair value of investments increased by 4,894 percent from $362 million in FY2020 to $18.1 billion in FY2021. The public and private equity portfolios experienced unprecedented gains during FY2021 following the extreme drawdowns in value during FY2020 due to the COVID-19 pandemic. FY2020's change in fair value of investments was an 85 percent decrease from the $2.4 billion gain in FY2019, reflective of the pandemic's effect on the markets in FY2020.

Operating expenditures increased from FY2020 to FY2021 by 38 percent. This increase is in contrast to the decrease experienced between FY2019 and FY2020 of 9 percent. The volatility between years is mainly caused by fluctuations in amounts paid in investment management fees. Investment management fees depend upon the value of assets under management by external managers and their performance relative to their benchmarks. Market volatility and changes to asset allocation cause fees to fluctuate.

Transfers in of dedicated State revenues increased slightly from FY2020 to FY2021 by less than 1 percent ($536 thousand), totaling $320 million in FY2021 compared to $319 million in FY2020. These transfers totaled $385 million in FY2019. The Alaska Constitution requires that at least 25% of mineral royalties and related payments received by the State be transferred to the Permanent Fund. State statutes mandate an additional 25% on select leases be deposited. Transfers in of dedicated state revenues under these statutes are subject to legislative appropriation.



Transfers out of the Fund are for two purposes: 1) an appropriation to the General Fund and 2) an appropriation to fund the Alaska Capital Income Fund (ACIF). The General Fund and ACIF transfers are subject to legislative appropriation. The total transfer amount is shown as committed fund balance at the end of the year in which the appropriation is made, and the commitment is released when the transfers are made. The ACIF transfer is based on realized earnings for only one year; it is not averaged over multiple years. ACIF realized earnings of $50 million in FY2021 and $21 million in FY2020. The earnings for FY2019 were $29 million.

ECONOMIC, INVESTMENT, AND POLITICAL FACTORS

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

ADDITIONAL INFORMATION

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

ALASKA PERMANENT FUND
BALANCE SHEETS

	June 30, 2021	2020
Assets		
Cash and temporary investments	$ 5,828,413,000	4,815,872,000
Receivables, prepaid expenses and other assets	787,673,000	2,194,723,000
Investments:		
Marketable debt securities	16,438,369,000	13,595,452,000
Preferred and common stock	30,471,793,000	25,109,759,000
Real estate	5,662,727,000	4,303,604,000
Absolute return	5,170,653,000	4,288,542,000
Private credit	2,257,082,000	1,890,392,000
Private equity	15,294,438,000	9,803,985,000
Infrastructure	2,636,769,000	1,902,257,000
Total investments	77,931,831,000	60,893,991,000
Securities lending collatera	4,348,802,000	1,540,240,000
Total assets	$ 88,896,719,000	69,444,826,000
Liabilities		
Accounts payable	2,601,006,000	2,581,892,000
Income distributable to the State of Alaska	50,116,000	20,492,000
Securities lending collateral	4,348,802,000	1,540,240,000
Total liabilities	$ 6,999,924,000	4,142,624,000
Fund balances		
Nonspendable:		
Permanent Fund corpus - contributions and appropriations	46,938,431,000	46,618,846,000
Unrealized appreciation on invested assets	13,809,979,000	5,789,217,000
Total nonspendable	60,748,410,000	52,408,063,000
Committed:		
General Fund appropriation	3,069,296,000	3,091,493,000
Permanent Fund corpus	4,000,000,000	—
Total committed	7,069,296,000	3,091,493,000
Assigned for future appropriations:		
Realized earnings	9,271,412,000	8,378,305,000
Unrealized appreciation on invested assets	4,807,677,000	1,424,341,000
Total assigned	14,079,089,000	9,802,646,000
Total fund balances	$ 81,896,795,000	65,302,202,000
Total liabilities and fund balances	$ 88,896,719,000	69,444,826,000

See accompanying notes to the financial statements.

ALASKA PERMANENT FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Year Ended June 30, 2021	2020
Revenues		
Interest	$ **436,481,000**	492,899,000
Dividends	**558,073,000**	515,335,000
Real estate and other income	**530,177,000**	394,664,000
Total interest, dividends, real estate and other income	**1,524,731,000**	1,402,898,000
Net increase (decrease) in the fair value of investments:		
Marketable debt securities	**174,364,000**	433,840,000
Preferred and common stock	**11,200,746,000**	40,654,000
Real estate	**157,866,000**	(456,356,000)
Absolute return	**685,979,000**	44,446,000
Private credit	**278,447,000**	(5,146,000)
Private equity	**5,823,101,000**	885,987,000
Infrastructure	**463,643,000**	(347,896,000)
Foreign currency forward exchange contracts and futures	**(11,325,000)**	(7,001,000)
Currency	**(706,340,000)**	(226,790,000)
Total net increase in the fair value of investments	**18,066,481,000**	361,738,000
Total revenues	**19,591,212,000**	1,764,636,000
Expenditures		
Operating expenditures	**(166,151,000)**	(120,382,000)
Other legislative appropriations	**(8,444,000)**	(7,792,000)
Total expenditures	**(174,595,000)**	(128,174,000)
Excess (deficiency) of revenues over expenditures	**19,416,617,000**	1,636,462,000
Other financing sources (uses)		
Transfers in - dedicated State revenues	**319,585,000**	319,049,000
Transfers out - statutory and legislative appropriations	**(3,141,609,000)**	(2,953,576,000)
Net change in fund balances	**16,594,593,000**	(998,065,000)
Fund balances		
Beginning of period	**65,302,202,000**	66,300,267,000
End of period	$ **81,896,795,000**	65,302,202,000

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

1. ENTITY

The Constitution of the State of Alaska ("State") was amended by public referendum in 1976 to dedicate a portion of certain natural resource revenues to the Alaska Permanent Fund ("Fund"). Contributions to the Fund are to be invested in income-producing investments in accordance with the prudent investor rule. In 1980, the Alaska State Legislature ("Legislature") established the Alaska Permanent Fund Corporation ("APFC"), a State governmental instrumentality within the Department of Revenue, to manage and invest Fund assets. The APFC is managed by a six-member board of trustees ("Trustees" or "Board") consisting of the Commissioner of Revenue, one other head of a principal state department, and four public members with recognized competence and experience in finance, investments, or other business management related fields. The Governor appoints the public members to staggered four-year terms and can remove public members only for cause. The Board employs an executive director who in turn employs additional staff as necessary. The Fund's assets are diversified across a wide variety of investments in accordance with statutes, regulations, and 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, the APFC transfers (i) a portion of the Fund's realized earnings to the State's general fund, (ii) a portion of realized earnings sufficient to offset the effect of inflation on contributions and appropriations to the nonspendable balance of the Fund, (iii) realized earnings on the balance of the North Slope royalty case settlement money (*State v. Amerada Hess, et al*.) to the Alaska Capital Income Fund (ACIF), and (iv) any special appropriations authorized by the Legislature and the Governor. The remaining balance of the Fund's realized earnings (referred to in Alaska Statute as the Earnings Reserve Account) is held in the assigned fund balance by the APFC and is subject to appropriation by the Legislature. The nonspendable fund balance (referred to in the Alaska Constitution as the principal) includes the historical cost basis of contributions and appropriations. Because the Alaska Constitution specifies that principal can only be used for income-producing investments, it is unavailable for appropriation by the Legislature. Unrealized gains and losses (appreciation/depreciation) on Fund assets are allocated proportionately between the principal and the Earnings Reserve Account. The unrealized amounts allocated to contributions and appropriations are considered a component of principal and are nonspendable, unless and until they become realized, at which point they will be transferred to the Earnings Reserve Account in the assigned (realized earnings) fund balance. All assets are aggregated for investment purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In preparing the financial statements, APFC management is required to make estimates and assumptions as of the date of the balance sheet that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets, liabilities, revenues, and expenses for the period. The fair value of real estate, 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 collateral held at derivatives brokers, U.S. Treasury bills, commercial paper, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes approximately two percent in cash. 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.

GENERAL FUND APPROPRIATIONS

In FY2018 the Legislature passed Senate Bill 26, which created a percent of market value draw on the Earnings Reserve Account for transfer to the general fund. Alaska Statute 37.13.140 was amended to specify the formula for percent of market value as 5.25%, stepping down to 5% in FY2021, 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.* This legislation took effect for FY2018 and replaced the appropriation to the dividend fund. The amount appropriated prior to year-end as transferrable to the general fund for the next fiscal year is shown as committed fund balance on the financial statements at June 30.

INFLATION PROOFING

Alaska statutes require that the contributions and appropriations of the Fund be adjusted annually to offset the effect of inflation on Fund principal during the fiscal year. Based on advice from the Alaska Department of Law, an annual intra-fund inflation proofing transfer (from the assigned to the nonspendable fund balance) should occur only by legislative appropriation. The APFC measures inflation by (i) computing the percentage change in the averages of the monthly United States Consumer Price Index for all urban consumers for the two previous calendar years and (ii) applying that percentage to the total 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, 2021 and 2020 were 1.23 percent and 1.81 percent, respectively. The transfer would have been $577 million for FY2021; however, the necessary appropriation was not included in the budget authorization so no transfer was made. A transfer to principal of $758 million was made in FY2020.

FUND BALANCE

- **Unrealized gains and losses**
  A State of Alaska Attorney General's Opinion dated June 16, 2009 clarified the accounting treatment of the Fund's unrealized gains and losses by providing that unrealized appreciation or depreciation on invested assets should be allocated proportionately to principal and the Earnings Reserve Account.
- **Nonspendable fund balance**
  Nonspendable fund balance includes items that cannot be spent. This includes the corpus of the Permanent Fund, and the unrealized gains and losses allocated to it.
- **Committed fund balance**
  Committed fund balance can only be used for specific purposes subject to constraints imposed by a formal action of the Alaska Legislature, the State's highest level of decision-making authority. This formal action is the passage of a law creating, modifying or rescinding an appropriation. Earnings Reserve Account amounts appropriated to the General Fund are included in this classification. The commitment is released when the transfer to the General Fund has been made. In FY2021, a commitment to principal is also included as committed fund balance.
- **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.

NOTES TO THE FINANCIAL STATEMENTS

FORWARD EXCHANGE CONTRACTS

Fund managers enter into a variety of forward currency contracts in their trading activities and management of foreign currency exchange rate risk exposure. These contracts are typically intended to neutralize the effect of foreign currency fluctuations, and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in the net increase/decrease in the fair value of investments at the time the contract is settled and determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in the net increase/decrease in the fair value of investments, and are calculated based on the difference between the contract rate and a forward market rate determined as of the balance sheet date.

A portion of the investment in forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than on a security by security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

FUTURES

Certain equity and fixed income managers for the Fund are permitted to buy and sell equity and interest rate index futures. The gross contract and fair value of futures do not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets, based on the difference between the future's purchase price and the current value of such 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 United States federal income taxation under the doctrine of implied statutory immunity for states because it is an integral part of the State, and it performs an essential governmental function, with its income, if any, accruing to the State. The Fund may be subject to tax in certain international jurisdictions.

INVESTMENTS AND RELATED POLICIES

CARRYING VALUE OF INVESTMENTS

The Fund considers all of its ownership interests in securities and other assets to be investments because they are held for the purpose of income or profit and have a present service capacity based solely on their ability to generate cash or be sold to generate cash. Investments are reported at fair value in the financial statements. Investments without a readily determinable fair value are generally reported 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, 2021, the APFC's strategic asset allocation targets were as follows:

Asset Class	Asset Class Target
Public Equity	39%
Fixed Income	21%
Private Equity & Special Opportunities	15%
Real Estate	7%
Infrastructure & Private Income	9%
Absolute Return	6%
Risky Parity	1%
Cash	2%

To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each asset class, the APFC's Chief Investment Officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's Executive Director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the public equities class is 39 percent, with the green zone range set at plus or minus five percent, the yellow zone range set at zero to five percent beyond the green zone, and red zone range set at greater than five percent beyond the green zone. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The APFC manages the Fund's concentration of credit risk by following its strategic asset allocation policy, diversifying investments among managers with varying investment styles and mandates, and monitoring tracking error. Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with APFC investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises five percent or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the notes to the financial statements.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to a marketable debt investment will not fulfill its obligations. The APFC requires that its investment grade fixed income managers, both internal and external, invest in domestic and nondomestic bonds that have an explicit or implied investment grade rating. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain high yield investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure the Fund's deposits may not be returned. The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or the APFC (on behalf of the Fund). For the Fund's nondomestic securities held by most sub-custodians, the APFC's primary custodian provides contractual indemnities against sub-custodial credit risk. Excess cash in custodial accounts is swept daily to a money market fund. Late deposits of cash which miss the money market sweep deadline are deposited to an interest-bearing account at the custodian.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk of loss from adverse changes in foreign currency exchange rates. Foreign currency risk is managed through foreign currency forward contracts, and by diversifying assets into various countries and currencies.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The APFC manages the Fund's exposure to interest rate risk in part through tracking error guidelines set forth in the APFC's investment policy. Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, the major factors affecting duration are, in order of importance, maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Rising interest rates generally translate into the value of fixed income investments declining, while falling interest rates are generally associated with increasing value. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. As an example, for a bond portfolio with a duration of five years, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

At June 30, 2021, the Fund held fixed income investments with floating, variable, and step interest rates, valued at $758,105,000. These fixed income investments were both domestic and nondomestic, and had current annual interest rates ranging from 0 to 15.5 percent.

TRANSFERS IN

Contributions from dedicated State revenues are recorded when certain revenues defined by the constitution, or by statute and legislative appropriation, are received or reported by the Alaska Department of Natural Resources and are available to meet current obligations. Contributions from appropriations and other sources are recorded when received.

TRANSFERS OUT

Transfers out to other State agencies are recorded when measurable and represent a present obligation to pay.

3. CASH AND TEMPORARY INVESTMENTS

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

	2021	2020
Cash	$ **202,593,000**	1,066,846,000
Pooled funds	**1,322,111,000**	3,655,468,000
Commercial paper	**563,191,000**	37,812,000
U.S. Treasury bills	**3,715,823,000**	50,086,000
FX forward exchange contracts	**24,695,000**	5,660,000
Total Cash and Temporary Investments	**$ 5,828,413,000**	4,815,872,000

Uninvested cash was held at the custodian, sub-custodian, or derivatives broker banks, primarily in interest-bearing accounts. All pooled funds were invested in a money market fund. U.S. Treasury bills are explicitly guaranteed by the U.S. government.

4. RECEIVABLES, PREPAID EXPENSES AND OTHER ASSETS

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

	2021	2020
Interest receivable	$ **107,526,000**	103,433,000
Dividends receivable	**52,578,000**	64,392,000
Sales receivable	**567,735,000**	1,999,461,000
Dedicated state revenues receivable	**59,834,000**	27,437,000
Total receivables, prepaid expenses and other assets	**$ 787,673,000**	2,194,723,000

5. MARKETABLE DEBT SECURITIES

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

2021	Cost	Fair value	Unrealized gains (losses)
U.S. treasury and government notes/bonds	**$2,389,975,000**	**2,396,855,000**	**6,880,000**
Mortgage-backed securities	**2,535,497,000**	**2,543,881,000**	**8,384,000**
U.S. corporate bonds	**6,259,931,000**	**6,700,979,000**	**441,048,000**
Commercial mortgage/asset-backed securities	**674,984,000**	**681,384,000**	**6,400,000**
Non-U.S. treasury and government bonds	**2,358,445,000**	**2,333,976,000**	**(24,469,000)**
Non-U.S. corporate bonds	**998,114,000**	**1,073,502,000**	**75,388,000**
Commingled and exchange traded funds	**712,403,000**	**707,792,000**	**(4,611,000)**
Total marketable debt securities	**$ 15,929,349,000**	**16,438,369,000**	**509,020,000**
2020			
U.S. treasury and government notes/bonds	$ 1,450,630,000	1,481,186,000	30,556,000
Mortgage-backed securities	2,087,591,000	2,111,917,000	24,326,000
U.S. corporate bonds	5,803,147,000	6,216,160,000	413,013,000
Commercial mortgage/asset-backed securities	244,299,000	256,740,000	12,441,000
Non-U.S. treasury and government bonds	2,049,619,000	2,009,412,000	(40,207,000)
Non-U.S. corporate bonds	1,082,211,000	1,133,916,000	51,705,000
Commingled and exchange traded funds	412,428,000	386,121,000	(26,307,000)
Total marketable debt securities	$ 13,129,925,000	13,595,452,000	465,527,000

NOTES TO THE FINANCIAL STATEMENTS

6. MARKETABLE DEBT CREDIT RATINGS

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organization (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates 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, 2021, 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	$ 466,392,000	276,968,000	743,360,000	4.52%
AA	510,927,000	354,475,000	865,402,000	5.26%
A	1,405,528,000	565,066,000	1,970,594,000	11.99%
BBB	3,260,232,000	974,917,000	4,235,149,000	25.76%
BB	940,040,000	360,982,000	1,301,022,000	7.91%
B	612,114,000	245,705,000	857,819,000	5.22%
CCC	132,794,000	78,399,000	211,193,000	1.28%
CC	464,000	—	464,000	0.00%
C	—	—	—	0.00%
D	108,000	40,766,000	40,874,000	0.25%
Total fair value of rated debt securities	**7,328,599,000**	**2,897,278,000**	**10,225,877,000**	**62.21%**
Commingled and exchange traded funds	707,792,000	1,000	707,793,000	4.31%
Not rated	63,345,000	531,765,000	595,110,000	3.62%
U.S. government explicitly backed by the U.S. government (AA)	2,952,208,000	—	2,952,208,000	17.96%
U.S. government implicitly backed by the U.S. government (AA)	1,957,381,000	—	1,957,381,000	11.91%
Total fair value debt securities	**$ 13,009,325,000**	**3,429,044,000**	**16,438,369,000**	**100.00%**

7. MARKETABLE DEBT DURATION

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2021, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration (Years)
Domestic bonds		
Treasury and government notes/bonds	18.43%	7.21
Mortgage-backed securities	19.55%	4.58
Corporate bonds	51.51%	8.54
Commercial mortgage and asset-backed securities	5.07%	3.90
Commingled and exchange traded funds	5.44%	—
Total domestic bonds	**100.00%**	**6.82**
Non-domestic bonds		
Treasury and government bonds	68.06%	7.88
Corporate bonds	31.31%	7.10
Commercial mortgage and asset-backed securities	0.63%	9.12
Commingled and exchange traded funds	0.00%	4.68
Total non-domestic bonds	**100.00%**	**7.64**

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 $9.1 million as of June 30, 2021 and $2.6 million as of June 30, 2020:

2021	Cost	Fair value	Unrealized holding gains (losses)
Direct investments			
Domestic stock	**$ 11,706,300,000**	**16,522,154,000**	**4,815,854,000**
Non-domestic stock	**10,561,737,000**	**13,379,045,000**	**2,817,308,000**
Commingled funds	**459,173,000**	**570,594,000**	**111,421,000**
Total preferred and common stock	**$ 22,727,210,000**	**30,471,793,000**	**7,744,583,000**
2020			
Direct investments			
Domestic stock	$ 11,122,771,000	12,969,390,000	1,846,619,000
Non-domestic stock	10,941,930,000	11,298,111,000	356,181,000
Commingled funds	866,224,000	842,258,000	(23,966,000)
Total preferred and common stock	$ 22,930,925,000	25,109,759,000	2,178,834,000

NOTES TO THE FINANCIAL STATEMENTS

9. FOREIGN CURRENCY EXPOSURE

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets in various countries and currencies. At June 30, 2021, the Fund's cash holdings, foreign currency forward contracts, nondomestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded):

Foreign currency	Cash and equivalents	Foreign exchange forward contracts	Equity, private debt, real estate, infrastructure	Marketable Debt	Total foreign currency exposure
Australian Dollar	$ 4,348,000	36,263,000	404,656,000	51,645,000	496,912,000
Brazil Real	4,219,000	(1,508,000)	187,154,000	44,513,000	234,378,000
Canadian Dollar	8,349,000	92,323,000	684,165,000	43,149,000	827,986,000
Chilean Peso	1,744,000	(17,549,000)	8,336,000	19,876,000	12,407,000
Chinese Yuan Renminbi	7,638,000	(108,394,000)	284,036,000	149,161,000	332,441,000
Colombian Peso	2,243,000	(22,177,000)	1,275,000	38,744,000	20,085,000
Czech Koruna	475,000	(972,000)	1,641,000	17,861,000	19,005,000
Danish Krone	6,177,000	(2,748,000)	188,570,000	—	191,999,000
Dominican Republic Peso	—	—	—	391,000	391,000
Egyptian Pound	4,483,000	(4,231,000)	224,000	5,657,000	6,133,000
Euro Currency	60,826,000	(335,177,000)	3,661,842,000	415,845,000	3,803,336,000
Hong Kong Dollar	9,267,000	(15,843,000)	1,322,895,000	—	1,316,319,000
Hungarian Forint	240,000	5,553,000	6,141,000	6,789,000	18,723,000
Indian Rupee	2,036,000	7,275,000	336,572,000	28,000	345,911,000
Indonesian Rupiah	2,427,000	(28,831,000)	46,058,000	78,989,000	98,643,000
Israeli Shekel	(6,067,000)	8,979,000	44,148,000	—	47,060,000
Japanese Yen	9,562,000	(335,990,000)	1,540,396,000	365,317,000	1,579,285,000
Kuwaiti Dinar	26,000	—	1,124,000	—	1,150,000
Malaysian Ringgit	1,201,000	(17,219,000)	23,759,000	66,384,000	74,125,000
Mexican Peso	(4,816,000)	(15,307,000)	61,690,000	73,579,000	115,146,000
New Taiwan Dollar	4,790,000	(1,745,000)	499,561,000	—	502,606,000
New Zealand Dollar	4,079,000	(145,740,000)	14,656,000	8,923,000	(118,082,000)
Norwegian Krone	1,191,000	(180,021,000)	69,628,000	11,508,000	(97,694,000)
Pakistan Rupee	108,000	—	538,000	—	646,000
Peruvian Sol	402,000	(7,978,000)	—	13,388,000	5,812,000
Philippines Peso	261,000	1,572,000	10,122,000	—	11,955,000
Polish Zloty	868,000	24,118,000	53,507,000	20,681,000	99,174,000
Pound Sterling	1,548,000	(215,089,000)	1,095,451,000	100,570,000	982,480,000
Qatari Riyal	3,000	79,000	9,207,000	—	9,289,000
Romanian Leu	124,000	7,431,000	—	2,706,000	10,261,000
Russian Ruble	4,728,000	(25,476,000)	51,931,000	66,384,000	97,567,000
Saudi Arabian Riyal	605,000	—	83,798,000	—	84,403,000
Serbian Dinar	372,000	—	—	—	372,000
Singapore Dollar	1,159,000	1,484,000	52,404,000	—	55,047,000
South African Rand	3,443,000	(34,284,000)	92,688,000	48,288,000	110,135,000
South Korean Won	5,611,000	(36,206,000)	565,995,000	48,136,000	583,536,000
Swedish Krona	5,066,000	121,397,000	283,266,000	—	409,729,000
Swiss Franc	1,488,000	(77,441,000)	410,733,000	—	334,780,000
Thailand Baht	367,000	2,861,000	33,752,000	22,710,000	59,690,000
Turkish Lira	540,000	3,751,000	22,311,000	4,031,000	30,633,000
UAE Dirham	57,000	—	7,171,000	—	7,228,000
Ukraine Hryvana	—	—	—	61,000	61,000
Uruguayan Peso	—	—	—	658,000	658,000
Total foreign currency exposure	**$ 151,188,000**	**(1,316,840,000)**	**12,161,401,000**	**1,725,972,000**	**12,721,721,000**

Cash amounts in the schedule above include receivables, payables, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Fund investments are denominated in U.S. dollars and are not included in the schedule above.

10. REAL ESTATE

The Fund holds a variety of real estate interests, including directly owned real estate, real estate investment trusts, multi-family and industrial real estate operating companies, private real estate funds, and other entities in which the assets consist primarily of real property. The Fund's directly owned real estate is through ownership of interests in corporations, limited liability companies, and partnerships that hold title to the real estate. External institutional real estate management firms administer the majority of the Fund's directly owned real estate investments. An internal real estate management program was initiated during FY2021 and two existing direct holdings were moved into this program. The Fund also holds a portfolio of real estate loans collateralized by income-producing, institutional real estate in the United States; these are administered by an external institutional real estate management firm.

The APFC periodically reviews real estate investments for other than temporary impairment. During FY2021, it was determined that one direct real estate holding was impaired because it was more likely than not that the Fund would not recover the carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in statutory net income and fund balance classifications, $3.8 million of unrealized losses were realized through a write-down of cost to fair value. In FY2020, one real estate holding was impaired with a related write-down of $7.9 million. Real estate investments at June 30 are summarized as follows:

2021	Cost	Fair value	Unrealized holding gains
Real estate investment trusts	**$ 682,890,000**	**944,695,000**	**261,805,000**
Real estate funds and notes	**987,201,000**	**1,043,254,000**	**56,053,000**
American Homes 4 Rent II	**115,866,000**	**145,832,000**	**29,966,000**
Directly owned real estate -			
Retail	**794,974,000**	**1,347,873,000**	**552,899,000**
Office	**1,073,478,000**	**1,274,920,000**	**201,442,000**
Hotel	**59,422,000**	**65,947,000**	**6,525,000**
Industrial	**242,284,000**	**477,168,000**	**234,884,000**
Multifamily	**176,475,000**	**291,093,000**	**114,618,000**
Development	**71,926,000**	**71,945,000**	**19,000**
Total real estate	**$ 4,204,516,000**	**5,662,727,000**	**1,458,211,000**
2020			
Real estate investment trusts	$ 180,293,000	214,924,000	34,631,000
Real estate funds and notes	343,755,000	363,572,000	19,817,000
American Homes 4 Rent II	128,620,000	147,555,000	18,935,000
Directly owned real estate -			
Retail	785,771,000	1,540,130,000	754,359,000
Office	1,014,231,000	1,241,455,000	227,224,000
Hotel	59,448,000	66,205,000	6,757,000
Industrial	255,714,000	409,290,000	153,576,000
Multifamily	220,439,000	320,473,000	100,034,000
Total real estate	$ 2,988,271,000	4,303,604,000	1,315,333,000

As of June 30, 2021, the APFC, on behalf of the Fund, had outstanding future funding commitments of $400 million for real estate fund investments.

11. ALTERNATIVE INVESTMENTS

Alternative investments include the Fund's investments in absolute return and risk parity strategies, private equity, infrastructure, and private credit. The APFC periodically reviews alternative investments for other than temporary impairment.

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. The Fund invested in two absolute return limited partnerships in which the Fund was the only limited partner ("fund-of-one"); both are currently in liquidation. The Fund also holds direct hedge fund investments, in which the Fund is one of many limited partners. Risk parity strategies also seek to deliver returns that are largely uncorrelated with global public markets, however they do so through allocation of risk rather than allocation of capital. External investment management services for both strategies are provided by institutional investment managers who have acknowledged their status as fiduciaries to the Fund. Because of the off-exchange and private nature of many absolute return strategies, investments may have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Risk parity strategy investments are generally more liquid but may also not have readily determinable fair value depending on the underlying investments of a given fund. For both strategies, each manager provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit.

The Fund holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired external advisors to assist in the selection of private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by APFC staff, the external advisors, and the underlying fund managers. The underlying private equity funds provide the Fund with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

During FY2021, it was determined that 12 private equity funds were impaired because it was more likely than not that the Fund 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, $49.8 million of unrealized losses were realized through a write-down of cost to fair value. In FY2020, 20 private equity funds were impaired with a related write-down of $195.2 million. These impairments have no impact on the carrying value of investments or on the net increase in the fair value of private equity investments.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include toll roads, airports, deep water ports, communication towers, and energy generation, storage and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the Fund's investment strategy. The Fund holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates, 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 values that would be obtained in a market transaction for the assets.

During FY2021, it was determined that no infrastructure funds were impaired. In FY2020, one infrastructure fund was impaired with a related write-down of $24.5 million.

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

During FY2021, it was determined that three private credit funds were impaired because it was more likely than not that the Fund would not recover the carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income and fund balance classifications, $11.1 million of unrealized losses were realized through a write-down of cost to fair value. In FY2020, three private credit funds were impaired with a related write-down of $41.8 million.

Alternative investments at June 30 are summarized as follows:

2021	Cost	Fair value	Unrealized holding gains
Absolute return	**$ 4,180,792,000**	**5,170,653,000**	**989,861,000**
Private equity	**8,381,923,000**	**15,294,438,000**	**6,912,515,000**
Infrastructure	**2,004,046,000**	**2,636,769,000**	**632,723,000**
Private credit	**1,914,808,000**	**2,257,082,000**	**342,274,000**
Total alternative investments	**$ 16,481,569,000**	**25,358,942,000**	**8,877,373,000**
2020			
Absolute return	$ 3,989,336,000	4,288,542,000	299,206,000
Private equity	7,162,435,000	9,803,985,000	2,641,550,000
Infrastructure	1,728,714,000	1,902,257,000	173,543,000
Private credit	1,760,455,000	1,890,392,000	129,937,000
Total alternative investments	$ 14,640,940,000	17,885,176,000	3,244,236,000

As of June 30, 2021, the APFC, on behalf of the Fund, had outstanding future funding commitments of $100 million for absolute return, $5.1 billion for private equity, $1.9 billion for infrastructure, and $1.3 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 the APFC to enter into securities lending transactions on behalf of the Fund. Through a contract with the Bank of New York Mellon (the Bank), the Fund lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or certain marketable securities. Under APFC's contract with the Bank, the Bank must mark the loaned securities and collateral to the market daily, and the loan agreements require the borrowers to maintain the collateral at not less than 102 percent of the fair value of the loaned securities for domestic securities (and nondomestic loaned securities denominated in U.S. dollars) and not less than 105 percent of the fair value for other nondomestic loaned securities. The APFC can sell securities that are on loan. If a borrower fails to return the loaned securities (borrower default), the Bank can use cash collateral (and the proceeds on the sale of any noncash collateral) to purchase replacement securities. Generally, the APFC is protected from credit risk associated with the lending transactions through indemnification by the Bank against losses resulting from counterparty failure, the reinvestment of cash collateral, default on collateral investments, or a borrower's failure to return loaned securities.

Cash collateral received for loaned securities is reported on the Fund's balance sheets and invested by the Bank of New York Mellon on behalf of the Fund. As of June 30, 2021, 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:

	2021	2020
Fair value of securities on loan, secured by cash collateral	**$ 4,249,447,000**	1,512,625,000
Cash collateral	**4,348,802,000**	1,540,240,000
Fair value of securities on loan, secured by non-cash collateral	**7,445,378,000**	6,126,859,000
Non-cash collateral	**8,230,657,000**	6,699,184,000

The Fund receives 80 percent of earnings derived from securities lending transactions and the Bank of New York Mellon retains 20 percent. During the years ended June 30, 2021 and 2020, the Fund incurred no losses from securities lending transactions. The Fund received income of $23.7 million and $31.4 million from securities lending for the years ended June 30, 2021 and 2020, respectively, which is included in the real estate and other income line on the Statements of Revenues, Expenditures and Changes in Fund Balances.

13. ACCOUNTS PAYABLE

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

	2021	2020
Accrued liabilities	$ 28,888,000	30,885,000
Securities purchased	2,572,118,000	2,551,007,000
Total accounts payable	**$ 2,601,006,000**	2,581,892,000

14. STATUTORY AND LEGISLATIVE APPROPRIATIONS

Historically, the Legislature has appropriated 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.

Beginning with FY2019, legislation requires that, upon appropriation, a portion of the realized earnings be transferred to the State's General Fund instead of the Dividend Fund, based upon a percent-of-market-value calculation. The amount transferred to the general fund for State operating expenses was $3,091,493,000 in FY2021, and the amount appropriated is $3,069,296,000 for FY2022, which is shown as committed as of June 30, 2021.

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:

	2021	2020
Income distributed during the year:		
General fund transfer	$ 3,091,493,000	2,933,084,000
Income distributable at year end:		
Alaska Capital Income Fund	50,116,000	20,492,000
Total statutory and legislative appropriations	**$ 3,141,609,000**	2,953,576,000

Appropriations for APFC operating expenses and other specific State agencies are made separately and are detailed in Note 20.

15. FUND BALANCES

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

	2021	2020
Nonspendable		
Balance, beginning of year	$ 52,408,063,000	47,819,610,000
Dedicated State revenues	319,585,000	319,049,000
Inflation proofing transfer from assigned	—	757,687,000
Commitment to principal	—	4,000,000,000
Change in unrealized appreciation on invested assets	8,020,762,000	(488,283,000)
Balance, end of year	**$ 60,748,410,000**	52,408,063,000
Committed		
Balance, beginning of year	$ 3,091,493,000	5,933,084,000
General Fund transfer to liability	(3,091,493,000)	(1,933,084,000)
General Fund commitment	3,069,296,000	3,091,493,000
Commitment to principal	4,000,000,000	(4,000,000,000)
Balance, end of year	**$ 7,069,296,000**	3,091,493,000
Assigned		
Balance, beginning of year	$ 9,802,646,000	12,547,573,000
Inflation proofing transfer to nonspendable	—	(757,687,000)
General Fund commitment	(3,069,296,000)	(3,091,493,000)
Additional transfer to General Fund	—	(1,000,000,000)
Commitment to principal	(4,000,000,000)	—
Settlement earnings payable to the ACIF	(50,116,000)	(20,492,000)
Realized earnings, net of operating expenditures	8,012,519,000	3,126,445,000
Change in unrealized appreciation on invested assets	3,383,336,000	(1,001,700,000)
Balance, end of year	**$ 14,079,089,000**	9,802,646,000
Total		
Balance, beginning of year	$ 65,302,202,000	66,300,267,000
Dedicated State revenues	319,585,000	319,049,000
General Fund transfer	(3,091,493,000)	(1,933,084,000)
Additional transfer to General Fund	—	(1,000,000,000)
Settlement earnings payable to the ACIF	(50,116,000)	(20,492,000)
Excess of investment revenues over expenditures	19,416,617,000	1,636,462,000
Balance, end of year	**$ 81,896,795,000**	65,302,202,000

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

	2021	2020
Dedicated State revenues	$ 17,916,174,000	17,596,589,000
Special appropriations	10,885,906,000	10,885,906,000
Inflation proofing	17,983,440,000	17,983,440,000
Settlement earnings	152,911,000	152,911,000
Total contributions and appropriations	**$ 46,938,431,000**	46,618,846,000

On June 16, 2009, the Alaska Attorney General issued a legal opinion clarifying the accounting treatment of unrealized gains and losses. Based on the opinion, proportionate values of the unrealized appreciation or depreciation of invested assets should be allocated to nonspendable fund balances and assigned fund balances. As of June 30, 2021, the Fund's net unrealized gain was $18,617,656,000, of which $13,809,979,000 was allocated to the nonspendable fund balance and $4,807,677,000 was allocated to the assigned fund balance. As of June 30, 2020, the Fund's net unrealized gain was $7,213,558,000, of which $5,789,217,000 was allocated to the nonspendable fund balance and $1,424,341,000 was allocated to the assigned fund balance.

During the fiscal years 1990 through 1999, the Fund received dedicated State revenues from North Slope royalty case settlements (*State v. Amerada Hess, et al.*). Accumulated settlement related activity, included in the contributions and appropriations balance of the Fund at June 30, is $424,399,000. By statute, realized earnings from these settlement payments are to be treated in the same manner as other Fund income, except that these settlement earnings are excluded from the calculation of the transfer to the General Fund and are not subject to inflation proofing. Since 2005, the Legislature has appropriated these settlement earnings to the Alaska Capital Income Fund (ACIF). Prior to 2005, the statute required such earnings to be appropriated to Fund principal. The Fund realized earnings on settlement principal of $50,116,000 during FY2021 and $20,492,000 during FY2020.

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:

	Measured using input levels			Measured using	
2021	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Marketable debt securities	**$ 3,023,565,000**	**13,331,791,000**	**83,013,000**	**—**	**16,438,369,000**
Preferred and common stock	**30,189,384,000**	**27,000**	**40,000**	**282,342,000**	**30,471,793,000**
Real estate	**944,679,000**	**—**	**—**	**4,718,048,000**	**5,662,727,000**
Absolute return	**—**	**—**	**—**	**5,170,653,000**	**5,170,653,000**
Private credit	**—**	**—**	**—**	**2,257,082,000**	**2,257,082,000**
Private equity	**162,245,000**	**—**	**—**	**15,132,193,000**	**15,294,438,000**
Infrastructure	**227,887,000**	**—**	**—**	**2,408,882,000**	**2,636,769,000**
Total investments	**$ 34,547,760,000**	**13,331,818,000**	**83,053,000**	**29,969,200,000**	**77,931,831,000**

	Measured using input levels			Measured using	
2021	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Marketable debt securities	$ 1,868,303,000	11,650,169,000	76,980,000	—	13,595,452,000
Preferred and common stock	24,923,991,000	3,000	—	185,765,000	25,109,759,000
Real estate	214,971,000	—	—	4,088,633,000	4,303,604,000
Absolute return	—	—	—	4,288,542,000	4,288,542,000
Private credit	—	—	—	1,890,392,000	1,890,392,000
Private equity	93,761,000	—	—	9,710,224,000	9,803,985,000
Infrastructure	195,710,000	—	—	1,706,547,000	1,902,257,000
Total investments	$ 27,296,736,000	11,650,172,000	76,980,000	21,870,103,000	60,893,991,000

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. Marketable debt securities valued at level 3 are term loans.

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. The underlying 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. 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.

The APFC periodically reviews investments for other than temporary impairment of value. Investments with fair values significantly less than cost over multiple reporting periods may be considered impaired if the cost basis will not be recovered over the investment's remaining estimated holding period. If an other than temporary impairment is determined to exist for an investment, a realized loss will be recorded which will replace the previously recorded unrealized loss. Carrying value will not be affected, but the reclassification of the loss from unrealized to realized will affect the statutory net income of the Fund. During FY2021, approximately $65 million of net impairments were recorded. During FY2020, approximately $269 million of net impairments were recorded.

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

	2021	**2020**
Excess of revenues over expenditures	**$ 19,416,617,000**	1,636,462,000
Unrealized (gains) losses	**(11,404,098,000)**	1,489,983,000
Settlement earnings	**(50,116,000)**	(20,492,000)
Statutory net income	**$ 7,962,403,000**	3,105,953,000

18. INVESTMENT INCOME BY SOURCE

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

	2021	2020
Interest		
Marketable debt securities	$ 432,314,000	457,889,000
Short-term and other	4,167,000	35,010,000
Total interest	$ 436,481,000	492,899,000
Total dividends	$ 558,073,000	515,335,000
Real estate and other income		
Directly owned real estate net rental income	75,271,000	106,130,000
Real estate investment trust dividends	22,613,000	56,422,000
Real estate fund and notes, net of fees	8,110,000	661,000
Private credit interest income, net of fees	80,094,000	63,577,000
Infrastructure interest and dividend income, net of fees	16,021,000	84,576,000
Private equity dividend income, net of fees	302,533,000	46,471,000
Class action litigation income	1,160,000	4,861,000
Loaned securities, commission recapture and other income	24,375,000	31,966,000
Total real estate and other income	$ 530,177,000	394,664,000

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, 2021 ranged between one and 127 days.

The counterparties to the FX forward contracts consist of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of nonperformance by these counterparties. The Fund's market risk as of June 30, 2021 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for FY2021 and FY2020 are summarized as follows:

	2021	2020
Balances at June 30		
Face value of FX forward contracts	$ 5,895,569,000	3,154,765,000
Net unrealized holding gains on FX forward contracts	24,695,000	5,660,000
Fair value of FX forward contracts	$ 5,920,264,000	3,160,425,000
Activity for fiscal years ending June 30		
Change in unrealized holding gains (losses)	$ 19,018,000	27,160,000
Realized gains (losses)	(87,693,000)	24,322,000
Net increase (decrease) in fair value of FX forward contracts	$ (68,675,000)	51,482,000

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 nondomestic 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 FY2021 and FY2020 is summarized as follows:

	2021	2020
Balances at June 30		
Face value of equity index futures	$ 94,252,000	38,952,000
Net unrealized holding gains on futures	9,131,000	2,587,000
Fair value of equity index futures	$ 103,383,000	41,539,000
Activity for fiscal years ending June 30		
Change in unrealized holding gains (losses)	$ 6,553,000	1,316,000
Realized gains (losses)	41,577,000	(1,865,000)
Net increase (decrease) in fair value of equity index futures	$ 48,130,000	(549,000)

Activity and balances related to futures in fixed income accounts for FY2021 and FY2020 is summarized as follows:

	2021	2020
Balances at June 30		
Face value of U.S. Treasury index futures	$ 106,178,000	100,596,000
Net unrealized holding losses on futures	(5,717,000)	(707,000)
Fair value of U.S. Treasury index futures	$ 100,461,000	99,889,000
Activity for fiscal years ending June 30		
Change in unrealized holding gains (losses)	$ (5,015,000)	3,322,000
Realized gains (losses)	14,405,000	(60,613,000)
Net increase (decrease) in fair value of U.S. Treasury index futures	$ 9,390,000	(57,291,000)

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 activity amounts shown above are included in the Fund's financial statements in the Foreign currency forward exchange contracts and futures line on the Statements of Revenues, Expenditures and Changes in Fund Balances.

20. EXPENDITURES

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

	2021	2020
APFC operating expenditures		
Salaries and benefits	$ **10,707,000**	10,296,000
Communications and electronic services	**5,360,000**	5,493,000
Consulting fees	**3,184,000**	4,116,000
Training, supplies, services and other	**774,000**	1,007,000
Rent	**509,000**	507,000
Travel	**116,000**	431,000
Legal and audit fees	**897,000**	1,486,000
Property and equipment	**605,000**	837,000
Public information and subscriptions	**145,000**	171,000
Subtotal APFC operating expenditures	**22,297,000**	24,344,000
Investment management and custody fees		
Investment management fees	**142,683,000**	94,706,000
Custody and safekeeping fees	**1,171,000**	1,332,000
Subtotal investment management and custody fees	**143,854,000**	96,038,000
Total operating expenditures, investment management and custody fees	$ **166,151,000**	120,382,000
Other legislative appropriations from corporate receipts		
Department of Natural Resources	**6,147,000**	6,132,000
Department of Law	**2,198,000**	1,562,000
Department of Revenue	**99,000**	98,000
Total other legislative appropriations	$ **8,444,000**	7,792,000
Total expenditures	**$ 174,595,000**	128,174,000

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

21. PENSION PLANS

All APFC fulltime, 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 (PERSDCR) and Defined Benefit Retirement (PERSDBR) plans. Employees who entered the system on or after July 1, 2006 participate in the PERSDCR plan. Employees who entered the system prior to July 1, 2006 participate in the PERSDBR plan. PERSDBR employees contribute 6.75 percent of their annual salaries to PERS and PERSDCR 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, 2021 and 2020 amounted to $7,395,000 and $7,114,000, respectively.

In addition to the pension plan discussed above, all APFC employees and Trustees participate in the Alaska Supplemental Benefits System Supplemental Annuity Plan (SBSAP). The SBSAP 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 SBSAP. The APFC contributes a matching 6.13 percent. Participants are eligible to withdraw from SBSAP 60 days after termination of employment or service as a Trustee. Total salaries and honoraria for individuals subject to SBSAP for the years ended June 30, 2021 and 2020 amounted to $5,465,000 and $5,141,000, respectively.

ALASKA PERMANENT FUND CORPORATION

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APFC ALASKA PERMANENT FUND CORPORATION

OUR MANDATE

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

The Alaska Permanent Fund Corporation was created by the Alaska State 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.

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