ALASKA PERMANENT FUND CORPORATION
QUARTERLY MEETING OF THE BOARD OF TRUSTEES

WEBEX/TELECONFERENCE
May 19 and 20, 2021
8:30 a.m.

Originating at:
Elizabeth Peratovich Hall
320 West Willoughby Avenue
Juneau, Alaska 99801

Trustees Present:

William Moran, Chair	Steve Rieger, Vice Chair
Ethan Schutt	Corri Feige
Lucinda Mahoney	Craig Richards

Trust Staff Present:

Angela Rodell, CEO	Marcus Frampton, CIO
Val Mertz, CFO	Chris Poag, General Counsel
Steve Moseley	Valeria Martinez
Jim Parise	Sebastian Vadakumcherry
Sara Race	Tim Andreyka
Tom O'Day	Chad Brown
Danielle Graham	Jennifer Thorsteinson
Larissa Murray	Ross Alexander
Youlian Ninkov	Paulyn Swanson
Katherine Smith	Masha Skuratovskaya
Nellie Metcalfe	Rachel Price
Julia Mesdag	Brain Tyler
Chris LaValle	Fawad Razzaque
Scott Balovich	Chirag Shah

Investment Adviser:

George Zinn	John Skjervem
Kenneth Frier	

Other Participants:

Greg Allen, Callan	Steve Center, Callan
Eileen Schroeder, Public Testimony	John Hudson, Public Testimony
Michael Tobin, Public Testimony	James Simard, Public Testimony
Mary Ludgrin, Heitman	Sue Ansel, Gables
Steve Panos, Real Term	

PROCEEDINGS

CALL TO ORDER
CHAIR MORAN called the meeting to order and asked for the roll call.

MS. THORSTEINSON stated that all the trustees were online, and there was a quorum.

APPROVAL OF AGENDA
CHAIR MORAN stated there is a standard approval of the agenda and considered the agenda approved.

APPROVAL OF MINUTES

> **MOTION:** <u>A motion to approve the minutes of February 17-18, 2021, was made by VICE CHAIR RIEGER; seconded by TRUSTEE MAHONEY.</u>
>
> *There being no objection, the MOTION WAS APPROVED.*
>
> **MOTION:** <u>A motion to approve the minutes of April 5, 2021 was made by VICE CHAIR RIEGER; seconded by TRUSTEE MAHONEY.</u>
>
> *There being no objection, the MOTION WAS APPROVED.*

PUBLIC TESTIMONY
CHAIR MORAN continued that there were some scheduled appearances and some public participation. He continued that this is typically limited to two minutes per presentation, and he encouraged the participants to provide additional information to the Board, if that is warranted. He recognized John Hudson.

MR. HUDSON stated that he was a new member of the 350 Juneau Steering Committee and thanked the trustees for their service and for the opportunity to testify. He stated that President Biden referred to climate change as an existential emergency and that it was safe to assume that a clean energy revolution to address climate change requires a fossil fuel energy devolution and its eventual extinction. He continued that, in light of the Biden Administration's climate priority and promotion of alternative energy and demotion of fossil fuels, it would be wise for Fund managers to take a close look at assets associated with fossil fuel and consider how the growth potential might change during a global clean-energy revolution. He thanked all.

CHAIR MORAN thanked Mr. Hudson and recognized Elaine Schroeder.

MS. SCHROEDER stated that she is a long-term Juneau resident and co-chair of 350 Juneau Climate Action for Alaska. She focused on two bombshell reports that have recently become available. The first report is "Investment and Fiduciary Analysis for Potential Fossil Fuel Divestment. This was commissioned by the comptroller of the City of New York, which acts as custodian for New York City Teacher's Retirement System. The report was written by BlackRock Sustainable Investing and had two very relevant sections for all. She went through the sections and then called attention to a second report, the recently released International Energy Agency report entitled "Net Zero by 2050: A Roadmap for the Global Energy Sector."

She continued that this report outlined a pathway to limiting global heating to 1.5 degrees centigrade, a level of heating that would avail even more catastrophic climate-change scenarios than what is already being experienced. She added that the importance of this report was that it outlined 400 milestones to guide the global journey to net zero by 2050. She shared some information from the report and thanked all for their attention.

CHAIR MORAN thanked Ms. Schroeder and recognized Jim Simard.

MR. SIMARD stated that he is a retired State of Alaska employee, a grandfather, and a board member of 350 Juneau. He continued that in February he spoke about investment risks posed by climate-related litigation against the fossil-fuel industry. He gave a brief report on an important development related to those risks read from this month's National Law Review. The U.S. Securities & Exchange Commission has not actively been pursuing companies accountable for failing to report climate-related information. The SEC has taken several steps to signal that the new Administration is making climate issues a priority. He encouraged due diligence in assessing the risks to investments posed from the coming climate crisis, and the financial consequences that will follow as a result of investment in the fossil-fuel industry. He thanked the Board for their service and time.

CHAIR MORAN thanked Mr. Simard and recognized Michael Tobin.

MR. TOBIN stated that he lived in Juneau and was a 350 Juneau volunteer. He talked about CEO Rodell's clear vision for the future of the Permanent Fund in an opinion piece appearing in the Juneau Empire marking the 45th anniversary of the Fund. He quoted "properly protected and managed, the Alaska Permanent Fund can continue to support the State." He focused his testimony on both property protected and managed aspects which related to the prudent investor standard, a standard of best practices. Best practices evolve with the times, and he talked about BlackRock CEO Larry Fink's letter to CEOs outlining the dramatic shifts in best practices. He added that for more than three years, informing testimony as beneficiaries of the Fund, members of 350 Juneau and others have asked the Permanent Fund to develop and make public a climate risk assessment tool for greater transparency regarding fossil fuel and other climate-sensitive holdings, and ultimately for divestment from the fossil-fuel sector and investment in the transition to a net-zero economy.

CHAIR MORAN asked if any trustees wanted to comment on the presentations. He then moved to committee reports.

COMMITTEE REPORTS

TRUSTEE FEIGE stated that the Audit Committee met yesterday, and all trustees were present. KPMG reviewed, as the Fund auditor, the modernization of the auditing plan, and we will be hearing more on this in September. The committee requested an expanded discussion in September on cyber security risks and other risks to internal reporting as it related to changes made to adapt to COVID 19 and the pandemic posture. She continued that the committee discussed the self-assessment questionnaire, and those members who have not submitted that questionnaire were requested to do so by close of business on Friday. She added that the committee had just informational items and took no action.

CHIEF EXECUTIVE OFFICER'S REPORTS

CEO RODELL welcomed all to Juneau and stated that it was nice to have so many in person. She began with highlights of a number of pending board matters and talked about what will be brought forward this fall in September. In terms of continuing education for trustees, Callan is getting ready to host an in-person national conference in Salt Lake City in July. She was pleased that PPI will be doing their Asia Pacific roundtable in person in Pasadena in October. She talked about the HR report and introduced a number of new staff. She encouraged them to introduce themselves to the trustees and to get to know each other. She highlighted that the communications team is working on the five-year strategic communications plan that will be coming before them in the fall. In the financial report she highlighted the amount of growth in the Fund. She noted that the performance and rebalancing were not captured on the balance sheet.

TRUSTEE MAHONEY asked about an amendment submitted to the Legislature to cover the supplemental appropriation.

CEO RODELL replied that OMB, the Governor's office included a request for a supplemental appropriation of $50 million. That was included in the budget that was passed by the House and is in the Senate committee substitute that is on the floor.

TRUSTEE RICHARDS asked whether the incentive comp in the legislative process was included.

CEO RODELL replied that the incentive comp was included in all versions of the budget.

CIO REPORT

CIO FRAMPTON stated that he would go through some of the topics that are being focused on in the Investment Department. He began with performance and stated that it had been a volatile year and the volatility in the markets was reflected in the ups and downs of the individual asset classes. He added that, overall, it was a good fiscal year. Private income is underperforming, and real estate is similar to private income and will be the focus of this meeting, with a few new managers presenting on that portfolio. The second most prominent topic for this meeting is private market pacing, which he explained. About a third of the P/E portfolio is in public stocks which reflect the IPO market that has been going on. The other thing he highlighted was the benchmarks rebalance at the end of the month. He added that he will go into more detail in September, but there were some academic studies on what day to rebalance and the impact on the portfolio. He stated that he was very pleased with the new hires in real estate. Mr. Sperry's most recent background was in the transaction advisory group at KPMG, working on real estate transactions, and he previously spent many years at Nordic Bank on their real estate portfolio. He continued that Mr. Adams has had a long career in real estate. He stated that Kristi Dusseldorf had been at the Fund for over 30 years and retired, and there is an open position for a real estate analyst. The other open positions are on the public equities team. He went through his report and talked about focusing on maintaining cash flow and occupancy and over long periods of time the performance numbers should take care of themselves if smart investments are being made and focusing on those fundamentals. He stated that the remaining part of the presentation is all the investment actions taken in the last quarter.

INVESTMENT ADVISOR COMMENTS
CHAIR MORAN moved to the investment advisor comments and recognized Mr. Frier.

MR. FRIER stated that the meeting is mostly about real estate and most of his comments would be on real estate. He believed that most of what he said in the last meeting about what drives the outcomes of equity markets is applicable also to real estate markets. These are assets that depend upon economic prosperity, and bad times for equities tend to be bad times for real estate. For both real estate and equities, good times are when economic growth is going up, inflation is falling; and when risk premia are falling, the yields that investors require to make investments in risky assets are falling. He continued that going forward there is some cause for concern. On the economic growth front, this year is going to be a lot busier year, U.S. economic growth. We are in a situation where there is very high Government spending, a suppression of consumer demand, and the Fed says it is transitory. He talked about big shifts among properties of retail, and shifting into multifamily and into industrial. As the investment strategy in this asset class is developed, it would be useful to have a theory of outcomes across different property types for when deciding on making the big shifts. We will also know what is being done to the expected return of the Fund. He added that, on the final aspect of real estate, which is the risk premia or the cap rates, there is a lot of uncertainty about the future of these categories. His last comments about real estate were about pacing and balancing. He stated that it would be much easier for the Fund to manage rebalancing if there was an overlay.

CHAIR MORAN recognized John Skjervem, the next investment advisor.

MR. SKJERVEM stated that this was not his first time in Alaska, but his first time in Juneau, and that it was great to be here. His remarks began from the last meeting and were based on the role of clients to remind everyone how difficult it was a year ago to defend positions and value in small cap. He looked forward to real estate which, in his tenure in Oregon, was one asset classes where they did the most dramatic reconstitution. He had a lot of practical experience there. He added that they ran an overlay with 5 percent banks that worked really well, and he was a proponent of that.

CHAIR MORAN recognized George Zinn.

MR. ZINN provided a quick current macro backdrop which is what is known and what is being seen, and then would get directly to the question which was surrounding inflation. In regard to the real estate topic, there is a dramatically low inventory of U.S. homes. The labor market wages are rising for the first time since 2010. He stated that there were two unique things happening. The global supply chain is going in the opposite direction, which creates more of an inflationary force. In addition, there are currency debasement concerns.

CHAIR MORAN asked for any other questions. There being none, he called a break.

(Break.)

CHAIR MORAN called the meeting back to order and moved to the risk overview.

RISK OVERVIEW
MR. VADAKUMCHERRY stated that he had two sections and an overview. He began by providing an analysis of the impact of inflation and looked at three scenarios: one is no inflation; next is a little bit of inflation; and the third is too much inflation. He concluded that no inflation is bad. A little bit of inflation, which is the target inflation, is good for petroleum, and too much is very bad. He gave an update on all of the key risk metrics. A new one was added, which was to compare the actual risk levels to risk appetite levels. As the Board approved the risk appetite at the previous meeting, this has been monitored on a monthly basis. He noted that the highlight is public equities where the volatility is extremely high, 24.1, and the Sharpe is about .5. There was a reasonably good three-month rolling overall return.

CAPITAL MARKET OVERVIEW
MR. ALLEN began with a brief overview and talked about Callan's in-person national conference which was moved to July in Salt Lake City, and invited all to attend. The dates are the 19th and 29th, and he stated that he would circulate the details. He asked Mr. Center to go through the capital markets.

MR. CENTER stated that there was a webinar on the 25th that is all about inflation that will have a good amount of information. He began with broad market performance and pointed out that the equity market performance over the last 12 months has knocked the scale off into some crazy numbers. He continued that the equity market recovery has been very, very strong. The one area with negative returns over the last quarter was the fixed income markets. He went through his presentation, explaining as he went through the information. He noted that the economy recovery is looking very strong.

TRUSTEE MAHONEY asked for a few more comments in regard to the performance in the energy industry.

MR. CENTER replied that energy stocks had done extremely well post-election. It is diversified and does have exposure to oil and gas and traditional fossil fuel-based energies, but also some securities that are a bit more diversified and includes renewables. Those stocks have done well with the new Administration coming in, with the potential hopes of the Green New Deal being enacted. It has also impacted energy from talks related to Government spending and how that may structure the infrastructure bill, as well. He moved to inflation where there has been a rebound of inflation and headline concerns related to inflation. He talked about unemployment and stated that there are some structural challenges that are facing unemployment. Many of these jobs that were lost may not actually return, and many people that were working prior to the COVID crisis may not actually return to the workforce. He continued to the U.S. equities and stated that markets continue setting all-time highs. During recoveries, small-cap stocks tend to outperform large-cap stocks, which is seen again during the COVID 19 recovery. The other trend is value versus growth. He looked at non-U.S. equity positive performance across most spaces. Most risk assets continue to perform fairly well with a reopening in developed markets. Small caps outperform large caps much like what was seen in the U.S. market. The one area that lagged this quarter was emerging markets, which trailed developed markets. COVID 19 outbreaks and vaccination challenges have had an impact. He stated that emerging markets was an area that had some head winds for performance relative to developed markets. He touched on trends within the bond market and moved to global fixed income performance, which was negative for the quarter. That was driven by the strength in the U.S. dollar; in particular, concerns about recovery within the emerging market debt side. Emerging market debt fell, and emerging market corporates performed better. He continued on some private credit trends and then concluded his comments.

CHAIR MORAN called a lunch break.

(Lunch break.)

CHAIR MORAN called the meeting back to order and recognized Mr. Allen.

MR. ALLEN talked about the Total Fund asset allocation and performance, and then moved to the asset classes. He continued that the main point is to show how the Fund performed relative to peers, relative to benchmarks, and then shared some comments on why it outperformed or underperformed. He added that this is one of the best quarters in history to give the performance report, because, at least for one year, in his career he had never seen these kinds of numbers. 100-plus percent on small-cap and active management has done really well. He reminded all that the Fund is well diversified across all of the major asset classes that he has seen his clients using. He added that all of the private market performance lagged by one quarter.

TRUSTEE MAHONEY complimented CIO Frampton on his conversation about asset allocation and rebalancing and how they were managed. She passed that along in regard to how well this is turning out.

MR. ALLEN moved to fiscal year to date and stated that asset allocation effect is slightly underweight in public equites, and the rebalancing events was part of that 16 basis points. He also pointed out that when there are a lot of private markets, they cannot be rebalanced. He talked about the rankings and then risk versus return. He discussed each of the asset classes.

CHAIR MORAN called a break.

(Break.)

CHAIR MORAN called the meeting back to order and turned it over to the Real Estate Department.

REAL ESTATE ASSET CLASS UPDATE

MR. ANDREYKA stated that strategy considerations will be reviewed with a more high-level review. He introduced Mary Ludgrin who is with Heitman and would give an overview of the outlook in general. He summarized that the role of real estate in the portfolio is intended to provide inflation-resistant income, steady income, and the yield is targeted to be between what fixed income and public equities generate. There are attributes of both with steady cash flow, and then equity-like returns on appreciation. He added that it is a fairly low correlation to the other asset classes, and it does provide some diversity for the portfolio. He continued that the strategic consideration outlines were as follows: First is the staff and how it will evolve, the investment strategy, and the role in managing the portfolios; then, the benchmark, as far as the sectors, and he went over the plan on achieving that; the concentration of the risk with a couple of outsized assets; the continued dialogue regarding direct investment versus fund investing. He continued that Ms. Ludgrin is our debt manager, an equity manager, and also sits on Heitman's global management investment and valuation committees. She has a lot of experience and knowledge, and is a trustee of the Urban Land Institute. She served as chair of the Pension Real Estate Association, as president of the National Council of Real Estate Fiduciaries, and as president of the Research Institute. She received an award based on her work and contributions to the common body of knowledge in real estate, which is very prestigious.

MS. LUDGRIN stated that it was an honor to be here and that her talk is titled "Real Estate in the Post-COVID Era." She believed we were at a point in time that we can see some aspects of the post-COVID landscape, particularly in regard to how real estate will be used. Literally, economies around the globe were put to sleep to allow for people to stay as safe as possible during a horrific virus. She continued that her remarks would focus graphically on the U.S. and added that the pandemic could not stop the effects of climate change. She added that this is in the midst of a remarkable economic recovery. Commercial real estate has gotten through this period in good shape, especially relative to prior recessions that she has lived through. There are exceptions: the hotel sector is coming back, but not fully yet; senior housing has a black eye; and retail is still a challenge. She thinks that good things are coming, especially in well-located centers such as Tysons Corner. Capital markets have accelerated, and many real estate investors know that one of the best times to buy in an economic cycle is as the recession is ending and the recovery is beginning. She thanked all for the honor of presenting.

CHAIR MORAN adjourned for the day.

(Alaska Permanent Fund Corporation Full Board Quarterly Meeting recessed at 3:45 p.m.)

May 20, 2021

CALL TO ORDER
CHAIR MORAN reconvened the meeting and moved into the real estate opportunities.

REAL ESTATE MARKET OPPORTUNITIES
MR. ANDREYKA introduced Sue Ansel, President of Gables Residential. She has been with Gables for over 30 years and is well-known in the industry. She was chairwoman of the National Multifamily Housing Council and is also on the executive committee and the board of directors of that organization.

MS. ANSEL thanked all for the opportunity to present and was thrilled to have the Fund as an investor. She stated that her goal was to give a snapshot of the investments made. She explained that Clarion Gables Multifamily Trust is a core-plus open-ended vehicle focused entirely on the U.S. multifamily sector. The uniqueness of the fund is that it not only owns the real estate, but also owns the operating development platform. Everything that is undertaken by Gables is undertaken for the benefits of the investors. Gables is a vertically integrated company with 39 years of experience, over 900 associates, a long-tenured team -- the senior management team has an average of over 20 years of experience at Gables. She continued that the vertical integration creates a 360-degree feedback loop which allows enhancement and refining of the developments continuing through the process. Gables' strategy is a build-to-core strategy with the goal of having between 15 and 20 percent of the assets in value-add, which is primarily development; although there is a value-add within the portfolio or to find opportunities to create value-add. She continued that the focus is primarily on infill locations in markets that are growing. As a result of targeting renters by choice, the success of the operations and the value creation is driven by delivering a great customer experience, and that consists of having great locations, quality homes and communities, and an extraordinary level of service to the residents. It is very hands-on and an involved active management effort. Customer service focus and outreach is something that is considered a differentiator for the organization. Clarion Gables Multifamily Trust is just one offering of a much larger pure-play real estate investment manager called Clarion Partners. Clarion Partners also has a long operating history of stability and growth with presence and expertise throughout the United Stated and in Europe. She moved to a short overview of the U.S. real estate market and stated that the most important factor driving the residential real estate business is that there is a significant shortage of housing which began as a factor of the slowdown in construction in all residential projects.

MR. ANDREYKA stated that the next speaker is Steve Panos, the senior vice president and fund manager for Real Term. Their strategy is that it focuses more on transportation, which is called high-flow-through, where the product flows through their facilities to the end user, usually a last-mile-delivery-type process.

MR. PANOS stated appreciation for the opportunity to visit and provided a quick update on the broader industrial market, and then highlighted Real Term as a platform and RLIF, the flagship open-end core-plus fund of which APFC is an investor. He talked about the differentiated investment approach and went through the features of the Proprietary Property Data Base. He continued to the regional trucking companies and discussed their struggles. There is a wide disparity in companies' financial health in the trucking sector. Driver shortages have provided a competitive advantage to the larger trucking companies that have more pricing power and a more flexible workforce. He added that some of the most compelling real estate investment opportunities were seen as trucking companies desperate for cash seeking to sell assets by means of a sale-and-leaseback or outright sale of a vacant property. In almost all cases, they are calling Real Term. He continued that Real Term built a 30-year track record on investing into real estate strategies based on insights at the intersection of the global supply chain and evolving consumption patterns. It is a 160-person team operating on three investment platforms with an aggregate of roughly $7 billion in AUM. They believe that they are the only sponsor focused solely, exclusively on this sector and strategy, which has been pursued exclusively since the firm's founding 30 years ago. They capitalize the investments through a series of closed-end and open-end commingled funds targeting core-plus and value-add returns, as well as a number of strategic joint ventures. He stated that the investment platform is focused exclusively on a subset of the industrial real estate market that is called high-flow-through, HFT. He explained that one of the primary reasons for the outperformance relative to general industrial is there is virtually no speculative development for HFT properties. The structural supply/demand balance has historically led to outside rent growth compared to the general peer group. He continued that they are a vertically integrated industrial specialist. They are acquiring, can build, property-manage, asset-manage, do the leasing, and everything is in-house. He concluded that they were excited about the depth of the current investment pipeline and the breadth of opportunities that fit these characteristics, and they believe they are poised to continue to provide outperformance to APFC, the investors into the future.

CHAIR MORAN called a break.

(Break.)

CHAIR MORAN called the meeting back to order and recognized George Zinn.

INVESTOR ADVISOR PRESENTATION

MR. ZINN provided an overview and history of Special Purpose Acquisitions Companies, SPACs. He created a baseline to understand where SPACs came from and how they operate at a very high level, and then listed out why people would invest in them, and continued to the Fund's perspective on how this would impact Fund performance. He explained that a SPAC is a company that is formed to raise money and then targets that money at a private entity, perform a reverse merger where that shell company takes on the operations of the target. There are sponsors, entrepreneurs, and then, investors. He talked about the two different roles: one is as a board member, and the other is someone that receives payment for referral to the company that might be taken over. He thinks this will become more and more interesting as SPACs unfold over time.

INVESTMENT POLICY REVIEW & ADOPTION

MR. VADAKUMCHERRY stated that last year there was a material sort of update on the investment policy that aligned with the five-year asset allocation. He continued that the updates this year reflect that the policy has been closely followed. There are updates of the policy in terms of two new guidelines included that are out of the authority of the CEO and not the Board. Every time a new guideline is implemented, the Board is updated. Last year two new portfolio sub-asset classes were introduced; one was the gold ETF strategy, and the other was the tactical tilt within public equities. Both have simple, straightforward guidelines that are monitored regularly and were more of an update to the investment policy. The updated investment policy will reflect the approved risk appetite and the parameters used to measure that risk appetite. Some of the parameters were updated to reflect changes in how risk is looked at for some of the asset classes.

CHAIR MORAN asked for a motion.

> **MOTION:** <u>A motion that the Board adopt, with a May 20, 2021, effective date, the proposed changes to, and the Investment Policy Statement as described in the presentation to the Board and as drafted in the tracked changes to the Investment Policy Statement in the Board packet was made by TRUSTEE MAHONEY; seconded by VICE CHAIR RIEGER.</u>

TRUSTEE RICHARDS clarified that this had the ability to make nonsubstantive changes.

CHAIR MORAN called the vote.

> *After the roll-call vote, the MOTION WAS APPROVED. (Trustee Schutt, yes; Trustee Mahoney, yes; Trustee Feige, yes; Trustee Richards, yes; Vice Chair Rieger, yes; Chair Moran, yes.)*

CHAIR MORAN called a break for lunch.

(Lunch break.)

CHAIR MORAN called the meeting back to order and moved to the discussion on investment pacing.

PACING APPROVAL

MR. ANDREYKA stated that real estate is a long-term illiquid asset which requires a bit of long-term planning. After several years of minimal capital deployment progress, close to $1.5 billion has been deployed this past year. He continued that the pacing recommended is $800 million. Since there is significant head room, he asked for an opportunity to have some tolerance, plus or minus $500 million. The nature of real estate and the deals are very big, and pacing is more predictable. This is the first presentation of real estate pacing with a plan of doing this in May each year.

> **MOTION:** A motion to approve the pacing schedule put forward by staff for real estate was made by TRUSTEE RICHARDS; seconded by TRUSTEE MAHONEY.

CHAIR MORAN asked for the vote.

> *After the roll-call vote, the MOTION WAS APPROVED. (Trustee Feige, yes; Vice Chair Rieger, yes; Trustee Richards, yes; Trustee Schutt, yes; Trustee Mahoney, yes; Chair Moran, yes.)*

CHAIR MORAN moved to Private Equity and Private Debt.

PRIVATE EQUITY AND PRIVATE DEBT

MR. MOSELY stated that he was responsible for alternatives, and Ross Alexander will help talk about the private equity pacings. He added that this relates to the discussion yesterday about rebalancing and asset allocation going back. He explained that the strategy in private equity and special opportunities is to deploy about 75 percent of the capital through funds, and the other 25 percent is invested directly in operating companies. In private markets a contractual commitment is made and then drawn down at a pace determined by the GP. Pacing is a key discipline in private markets that we are doing right. He stated that at the conclusion of this the proposal is a $1.1 billion deployment pace for private income. That is up from about $900 million that was invested this year that will end June 30. One of the key inputs to this pacing analysis is expected returns for the overall fund, but also for this asset class.

MR. ALEXANDER highlighted the gradual growth of the portfolio over the last few years and where it is expected that the fiscal year will finish. There was pretty gradual growth from fiscal year 2017 to 2020, and fiscal year 2021 has been extraordinary -- one of the best years ever -- with the portfolio posting gains of a little over $4 billion. It is expected that the outperformance will continue in the future of the portfolio and finish the year with a little over $14.5 billion in NAV. He stated that the analysis shows that in a number of scenarios there is much confidence in getting to the long-term targets and being in compliance if the $1.6 billion pace that is being recommended is maintained.

MR. MOSELY stated that the difference is that, unlike private equity, in private income the target allocation is under. He reiterated the recommendation and requested approval from the board.

CHAIR MORAN asked for any questions. There being none, he asked for a motion.

> **MOTION:** A motion to approve the pacing plan as described by staff for both private equity, special opportunities and private income was made by VICE CHAIR RIEGER; seconded by TRUSTEE RICHARDS.
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> *After the roll-call vote, the MOTION WAS APPROVED. (Trustee Feige, yes; Vice Chair Rieger, yes; Trustee Richards, yes; Trustee Schutt, yes; Trustee Mahoney, yes; Chair Moran, yes.)*

CHAIR MORAN moved to the APFC budget review.

APFC BUDGET REVIEW

MS. RACE stated that she is the director of business operations and started off reviewing the FY21 expenditures. The budget was broken into two allocations with corporate operations and investment management fees, and we have an outstanding capital appropriation. She stated that 16 full-time positions were fulfilled this year, as well as having two interns that are here today. Many of these individuals were recruited fully by virtual interviews, and some of them worked virtually before coming in person. She focused in on the surplus in the budget. She pointed out that, although each of the lines, systems, due diligence, and custody fees show a surplus, they will be used to pay investment manager fees to reduce that overall shortfall.

CEO RODELL stated that what is needed from the Board is an action to actually start July 1.

> **MOTION:** A motion that the Board authorize the Chief Executive Officer to expend the APFC budget authorization and supplemental as authorized by the Legislature and enacted into law was made by VICE CHAIR RIEGER; seconded by TRUSTEE MAHONEY.
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> *After the roll-call vote, the MOTION WAS APPROVED. (Trustee Feige, yes; Vice Chair Rieger, yes; Trustee Richards, yes; Trustee Schutt, yes; Trustee Mahoney, yes; Chair Moran, yes.)*

ADVISOR AND TRUSTEE COMMENTS

MR. SKJERVEM stated that it was great to be here in person for the first time. He commented on the marquee event which had been the real estate presentation. It was uncanny how similar it was playing out relative to the odyssey that he had in Oregon, which he shared.

MR. FRIER asked in his opening remarks why real estate does not go faster. Tim replied that they try to buy stuff but cannot find enough that satisfies the price discipline. He respected that answer. If that is the mentality of the group, then we are on the right track to turn around the performance of the real estate portfolio. He stated that the presentation from Heitman yesterday was fascinating. He added that the interesting thing that happened in the last 18 months was real estate performance which was, on average, normal. He continued that since he has served on this team and went through a whole cycle of four meetings, he has a lot of admiration for what this staff has achieved, and it has been a privilege to serve. He looked forward to the future meetings.

MR. ZINN reflected on previous comments and the dialogue over the last two days, and shared a "thank you" to the staff and the trustees for keeping a steady hand at the tiller. He congratulated both staff and trustees and commented that the beneficiaries are doing well by everyone's hard work here in a dramatically different time.

CEO RODELL thanked all and stated that it was great to have them in Juneau. She looked forward to Kodiak in September for the annual meeting, and we will be in Anchorage for the work session. She shared the calendar.

CHAIR MORAN stated that there was a brief talk at the Audit Committee about expanding some of the audit charter to include a bit more focus on risk management of the cyber IT department. He asked Trustee Feige for any thoughts on what they want to do.

TRUSTEE FEIGE suggested that she reach out to the CEO and requested that for the next Audit Committee meeting we have an executive session to specifically delve into some of those cyber security and protections that APFC has in place, and what to do to enhance those moving forward, as well as taking a look at anything that may impact the financial reporting and controls within.

CHAIR MORAN had some broad observation and if some outside help on vulnerability analysis, systems vulnerability, and vendor risk analysis is needed, to get some.

CEO RODELL reported that staff had been working really hard on a business continuity disaster recovery plan which will be in front of all in the fall.

VICE CHAIR RIEGER stated that the rebalancing had not been much fun because it keeps going up and there is no chance to buy back in. He continued that it was great how disciplined staff had been regarding the rebalancing issue. He added that it is the right way to go, and he stated appreciation for them to continue doing it.

TRUSTEE RICHARDS stated that a key theme for the Permanent Fund to think about is what happens when one or two key people in the organization that have direct impacts on asset classes or particular investments are lost, and to make sure that there is continuity and knowledge and decision-making to be able to continue without having to repair and lose momentum.

TRUSTEE SCHUTT reiterated the thanks to the staff and leadership for all the hard work. In watching and going through all the materials, it is apparent that a lot of attention is paid to the small details. He really appreciated the continued hard work and focus on the small details.

CHAIR FEIGE thanked the staff and stated appreciation for the analysis and the deep dive into the real estate portfolio, the invited presenters and the research that went into repositioning the portfolio.

CHAIR MORAN gave the staff a big thank you and stated that this in-person, unmasked meeting is a lot better than what was done before. He also recognized the advisers who, after a year, exceeded all of the expectations, which were pretty high. He thanked them for all their work, input and knowledge. He asked for any future agenda items. There being none, he adjourned the meeting.

(The Alaska Permanent Fund Corporation Full Board Quarterly meeting adjourned at 2:17 p.m.)