

Permanent Fund's special investments do right by Alaskans

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Every morning, I pass by words engraved physically on our wall but, more importantly, philosophically at our core.

"Maximize the value of Alaska's Permanent Fund through prudent long-term investment and protection of principal to produce income to benefit all generations of Alaskans."

These words embody the mission that inspires my 41 colleagues to do what we do best: partner with the most experienced and talented investors across asset classes, acquire the highest-quality assets and support visionaries who lead the world's most promising companies.

What happens every day inside this bustling microcosm may be unfamiliar to many Alaskans, so in honor of Alaska Start Up Week, I wanted to share our approach to private equity and venture capital investments and why I believe it works for Alaska.

Last year, investors across the world poured over \$750 billion into private equity and venture capital deals. So it shouldn't come as a surprise that every year, we source and receive thousands of investment proposals. These global opportunities span from the sprawling coasts of Africa to our shores in Alaska – and each investment opportunity is different: a fleet of shipping vessels, a group of scientists attempting to slow the aging process, an electronic devices insurer, a consolidation of fisheries, a manufacturer of self-driving cars.

From these options, we'll choose roughly 100 opportunities to investigate seriously. In the end, we typically invest in about a dozen or more opportunities. In other words, for proposals solicited each year, there's less than a 1 percent chance of receiving Alaska's precious capital as investment.

To manage this process efficiently, we build strategic partnerships around the world – with private equity firms, prominent venture capitalists and institutional peers – whose expertise and extensive coverage we leverage to find and evaluate the best opportunities across every sector of the global economy.

In addition, we pursue several high-conviction themes to intelligently capitalize on our competitive advantages of flexibility, size, speed and patience.

Biotechnology is one of them.

Some of the world's most promising biotechnology companies take Alaska names: Juno Therapeutics, Denali Therapeutics and Codiak BioSciences, to name a few. It's a nod to Alaska's ability to use its scale and long-term orientation to attract many of the world's most innovative entrepreneurs. We are investing in novel ways to battle cancer and neurodegenerative diseases,

and exploring new modes of treatment, leveraging rapid advances in data science, DNA sequencing and drug discovery.

Despite our small staff, we have built a reputation for highly effective governance and refreshingly prompt decision making. The credit goes entirely to our board of trustees and the leadership team. Newly formed sovereign wealth funds have approached us for best practices on critical issues from portfolio construction and investment governance to risk management. We must be doing something right.

Though operating with far fewer resources, the Permanent Fund has outperformed its Wall Street industry peers every year for the past 10 years. Since our direct program launched in 2013, the internal team has generated annual returns north of 20 percent in private equity and venture capital overall and 30 percent across our thematic investments. These returns translate into investment gains of \$2.5 billion in the last three years; that's \$1.8 billion more than what would have been earned investing in the S&P 500 over the same period. Selectivity and diversification, we believe, drive this outperformance.

I'll conclude with one final thought.

It's true; like our investments, many of us at the Permanent Fund originate from distant shores, some beyond the U.S., and have built careers at very different organizations. We're an eclectic bunch. Our roster includes a human resources guru from Utah, the chief of America's largest pension, a stock strategist from Bulgaria, an investment banker from Kentucky, a World Bank rates trader and a president of a global private equity firm.

We truly believe that the diversity of our collective experiences makes us stronger, better stewards of Alaska's wealth. What unites us is not only the mission we serve but our sincere love for Alaska. While some of us are new to the state, we have all decided to build our lives here and proudly call Alaska home.

And creating wealth for our fellow Alaskans remains our highest priority.

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