

News Release**For Immediate Release: December 13, 2017****Contact: Pauly Swanson 907.796.1520****The APFC Board of Trustees Evaluate Performance and Internal Management Opportunities**

Anchorage – The Alaska Permanent Fund Corporation Board of Trustees considered a comprehensive agenda during their quarterly meeting in Anchorage on December 12 & 13, 2017. In addition to the quarterly review of performance, asset allocation activities, and management reports; their agenda included stress scenario analyses of proposed draws to the Earnings Reserve Account (ERA) and a panel discussion on building in-house management capabilities.

The Alaska Permanent Fund Corporation's management of the Alaska Permanent Fund (Fund) continues the trend of strong investment returns into the first quarter of fiscal year 2018 (FY18). As of September 30, 2017, assets under management totaled \$61.5 with \$48.1 billion in the Principal of the Fund and \$13.4 billion in the Earnings Reserve Account. This reflects a gain of 4.2% for the quarter, and a gain of 12.8% over the past 12 month period.

A panel discussion was held to evaluate the potential advantages and limitations associated with the internal management of Fund assets. Currently, APFC staff conduct the investment due diligence and make the final investment decision on roughly 39% of the assets in the Fund. While building additional in-house investment capacity presents a tremendous opportunity to add value to the Fund, in today's fiscal climate the challenge associated with getting authorization to secure the resources needed to implement this goal are significant and enduring. Chair Moran, in recognition of this challenge commented that "while APFC is poised to build in-house capacity, our partnerships with outstanding, external investment managers remain an essential component to the Fund's overall success."

Given the ongoing policy debate about the sustainable use of Permanent Fund Earnings, [Bridgewater](#), one of APFC's partners with expertise in portfolio management, responded to the Chair's request to present stress scenario analyses on the earnings of the Fund. These analyses project the sustainability of the ERA under stressful economic conditions assuming draws of 5.25% in years 1 and 2, and 5% in years 3-10. Bridgewater projects that the Fund will need to earn in excess of 6.3% on annual basis to maintain the current surplus in the ERA.

APFC's consultant, Callan Associates, briefed the Board on the implementation of a one-quarter lag in performance reporting for private market asset classes. This lag allows for timelier and more complete reporting, given the delay in private market valuations.

In their review of the budget, the Board of Trustees acknowledged the need to secure additional funds in the FY18 supplemental budget to address the increased cost of external management fees. The rise in fees is due to the strong market returns and growth in assets under management, from just under \$60 billion at the end of FY17 to a recent daily market value that exceeded \$63 billion.

The next quarterly meeting of the Board of Trustees will be held on February 21 and 22 at the Corporation's headquarters in Juneau, Alaska.