

News Release

For Immediate Release: July 30, 2018

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Alaska Permanent Fund is up \$5.1 Billion in FY18

Juneau – The Alaska Permanent Fund’s (Fund) investments gained 10.74% in fiscal year 2018 (FY18) and the Fund ended June 30, 2018 with assets under management totaling \$64,894,345,000. The unaudited value of the Fund is up \$5.1 billion since the start of FY18.

Chief Executive Officer, Angela Rodell, is pleased with this fiscal year’s results, offering – “Alaskans can be proud of the performance and investment returns that APFC is generating for our State. As Alaska begins a program of relying on the Fund in new ways, APFC’s ability to add value and secure compelling investment opportunities while diversifying and controlling risks has never been more important.”

The Fund is comprised of two accounts, the Principal and the Earnings Reserve Account (ERA), that are invested as a single asset allocation with pro-rata shares attributed to each account. As of June 30, 2018, the value of the Principal includes \$40.2 billion in constitutionally protected deposits and \$5.9 billion in unrealized gains. For the same time period, the value of the ERA includes \$16.4 billion of accumulated net income of which \$2.7 billion is shown as committed for transfer to the General Fund in FY19. The ERA also holds \$2.4 billion in unrealized gains.

The performance of the total Fund is measured against three benchmarks: the Board of Trustee’s Strategic return objective of CPI+5%, which provides a long term benchmark for the Fund’s real rate of return; the blended performance benchmark comprised of a blend of indices reflective of the Funds’ asset allocation, which measures how effectively staff has implemented the investment strategy; and a passive benchmark reflective of a traditional portfolio of stocks and bonds. The Fund’s stellar returns have outperformed the established benchmarks for FY18, as well as the 3 and 5 Year time periods. The value-add contributed through the active management of portfolio by APFC’s driven team has contributed an impressive 2.91% return above the passive index benchmark in FY18, which added over \$1.7 billion in value to the Alaska Permanent Fund.

Performance vs. Benchmarks

(as of June 30, 2018)

	FY18	3 Years	5 Years
Total Fund Performance	10.74%	7.96%	8.91%
Passive Index Benchmark (60% Stocks 20% Bonds 20% RE & TIPS)	7.83%	6.49%	6.81%
Performance Blended Benchmark	8.20%	7.08%	7.55%
Board of Trustees Strategic Return Objective (CPI + 5%)	7.87%	6.83%	6.54%

APFC staff invests the Fund based on the target asset allocation and objectives set by the Board of Trustees. The portfolio’s performance is measured in accordance with relevant asset class benchmarks outlined in the Investment Policy. Following is a summary of performance for each asset class.

Public Equities – the \$26.9 billion Public Equities allocation delivered 11.72% returns in FY18, 8.50% returns over the past 3 years, and 9.52% returns within the past five years. For the FY18, the allocation outperformed the benchmark with overall strong absolute and relative performance across all segments: Domestic Equities up 14.79% (vs. 14.78% for the Russell 3000), International Equities up 8.39% (vs. 7.75% for the MSCI ACWI ex US), and Global Equities up 11.51% (vs. 11.14% for the MSCI ACWI IMI). Overall, the FY 18 performance was driven by strong returns from active external managers and portfolio positioning across countries and sectors.

Fixed Income Plus - The Fixed Income Plus portfolio of \$14.0 billion returned 0.99% and outperformed its benchmark by 0.13% in fiscal 2018. During the second half of the fiscal year, the bond market experienced negative returns as interest rates rose. However, the subsector allocation and security selection by the internal team allowed for the outperformance in the face of a challenging market.

Private Equity and Special Opportunities – the Private Equity and Special Opportunities portfolios total \$7.3 billion and generated an exceptional return of 32.70% in FY18, and 23.84% annualized over the last 5 years. In FY18, the Private Equity portfolio generated 27.87% returns, while the Special Opportunities portfolio generated 40.13% returns - both portfolios meaningfully outperformed the Cambridge Private Equity benchmark of 18.27%. The FY18 return is the highest achieved by any asset class for any year in APFC's history. This performance is attributable in part to the Fund's internally managed direct and co-investment program which has delivered a net IRR of 68% annually since inception 5 years ago. Earlier this year APFC was recognized by Private Equity International as Limited Partner of the Year – Americas.

Infrastructure, Private Credit, and Income Opportunities – Infrastructure, Private Credit, and Income Opportunities total \$4.4 billion in assets and offer a strategy designed to couple attractive net returns, steady income, and modest volatility. The overall Infrastructure, Private Credit and Income Opportunities composite returned 16.68% in FY18. Infrastructure assets were a top performer within this strategy with returns of 22.87% in FY18 on \$2.4 billion of ending assets, bringing the 3 and 5 year returns to 21.49% and 16.35%, respectively. Private Credit also continues to provide excellent returns, earning 8.79%, 6.47%, and 7.20% in the fiscal year, 3 years, and 5 years ended June 30, 2018.

Real Estate – Real Estate assets total \$4.0 billion and provide a consistent source of income and inflation protection for the Fund. The portfolio is comprised primarily of modestly leveraged institutional-quality direct holdings and delivered a return to the Fund of 6.99% in FY18, adding to its stable, long term performance over 3 and 5 year periods of 9.20% and 9.99%, respectively.

Absolute Return – APFC's \$2.8 billion absolute return portfolio includes internally managed allocations to alternative investment strategies with a targeted zero correlation to traditional asset classes. In FY18, APFC's absolute return program returned 5.95% beating its benchmark return (HFRI Total HFOF Universe) of 5.67%. The successful reconstitution of APFC's hedge fund program over the past two years and move from fund-of-funds to internal management earned it the recognition as Sovereign Wealth Fund of the Year in Hedge Fund Investments for 2017 from *Institutional Investor*.

Asset Allocation- In FY18, the \$6.0 billion asset allocation group, comprised of internal cash as well as multi-asset strategies, returned 2.58%. Cash returned 1.28%. The Multi-asset strategies category returned 4.45%. This diversified portfolio also includes a currency and liquidity overlay program. Nominal bonds slightly underperformed, consistent with how they behave during this type of economic environment. This portfolio continues to contribute positive returns and meet liquidity needs for the Fund.

Statutory net income as defined in AS 37.13.140 totaled \$6.3 billion as of June 30, 2018. This is the statutory calculation that directs the annual amount of income that flows to the Earnings Reserve Account. Exceptional market performance combined with the realization of gains to maintain a balanced asset allocation contributed to this record high statutory net income amount.

Final FY18 performance results with updates for each asset class and the FY18 audited financial statements will be presented to APFC's Board of Trustees during their Annual meeting on September 26 and 27 in Anchorage. Detailed information can be found at apfc.org and the following link for the Alaska Permanent Fund's monthly [financial statements and investment performance reports](#).

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