



Alaska Permanent Fund Corporation

Structure of the Alaska Permanent Fund



The Alaska Permanent Fund takes some of Alaska's nonrenewable oil resources and transforms them into a renewable source of wealth for future generations.

**\$13.4
billion
deposited
in Fund to
date**

**\$29.5
billion
current
value**

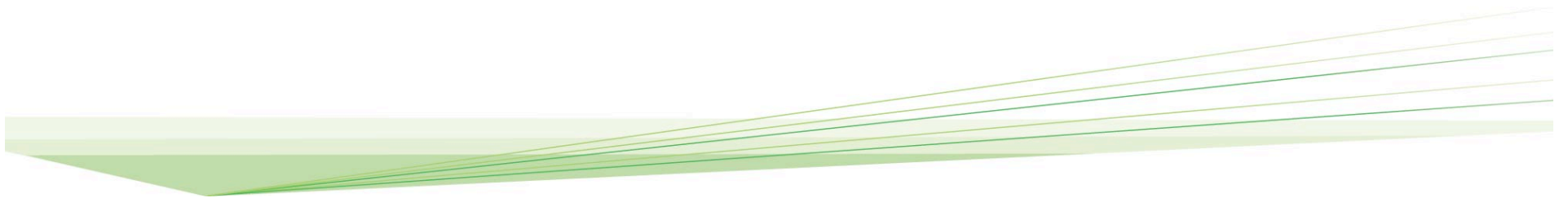
**\$16.7
billion
dividends
paid to date**

Operational authority and guidelines



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- Constitution
 - Statutes
 - Corporate bylaws
 - Regulations
 - Board resolutions
 - » Corporate policies



The Alaska Constitution



Alaska Permanent Fund Corporation

Article IX, Section 15 Alaska Permanent Fund

Section 15. Alaska Permanent Fund

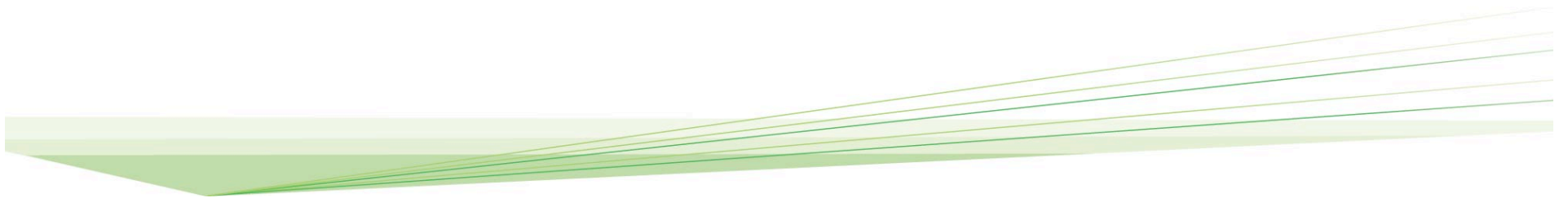
At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated 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 [Effective February 21, 1977].

Statutory investment guidelines



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- APFC may only borrow money if there is no recourse to the fund
- The Board will maintain a reasonable diversification of assets
- Board will follow the prudent investor rule as it relates to institutional investors



Goals and metrics



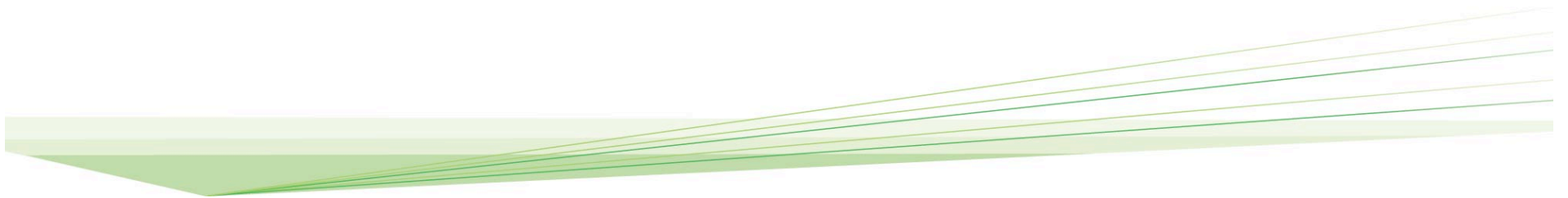
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Goals

- 5 percent return above inflation
- Endowment-like standard deviation

Interim fiduciary metrics

- Relative returns vs peers
- Relative returns vs benchmarks
- Risk vs tolerance for risk



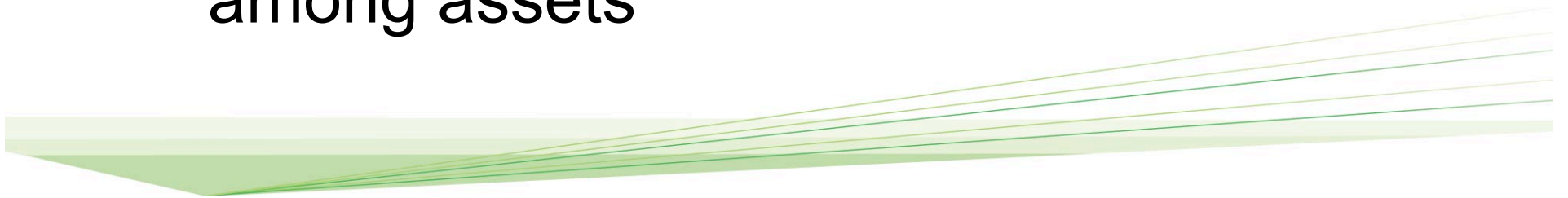
Asset allocation process



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Consultant provides:

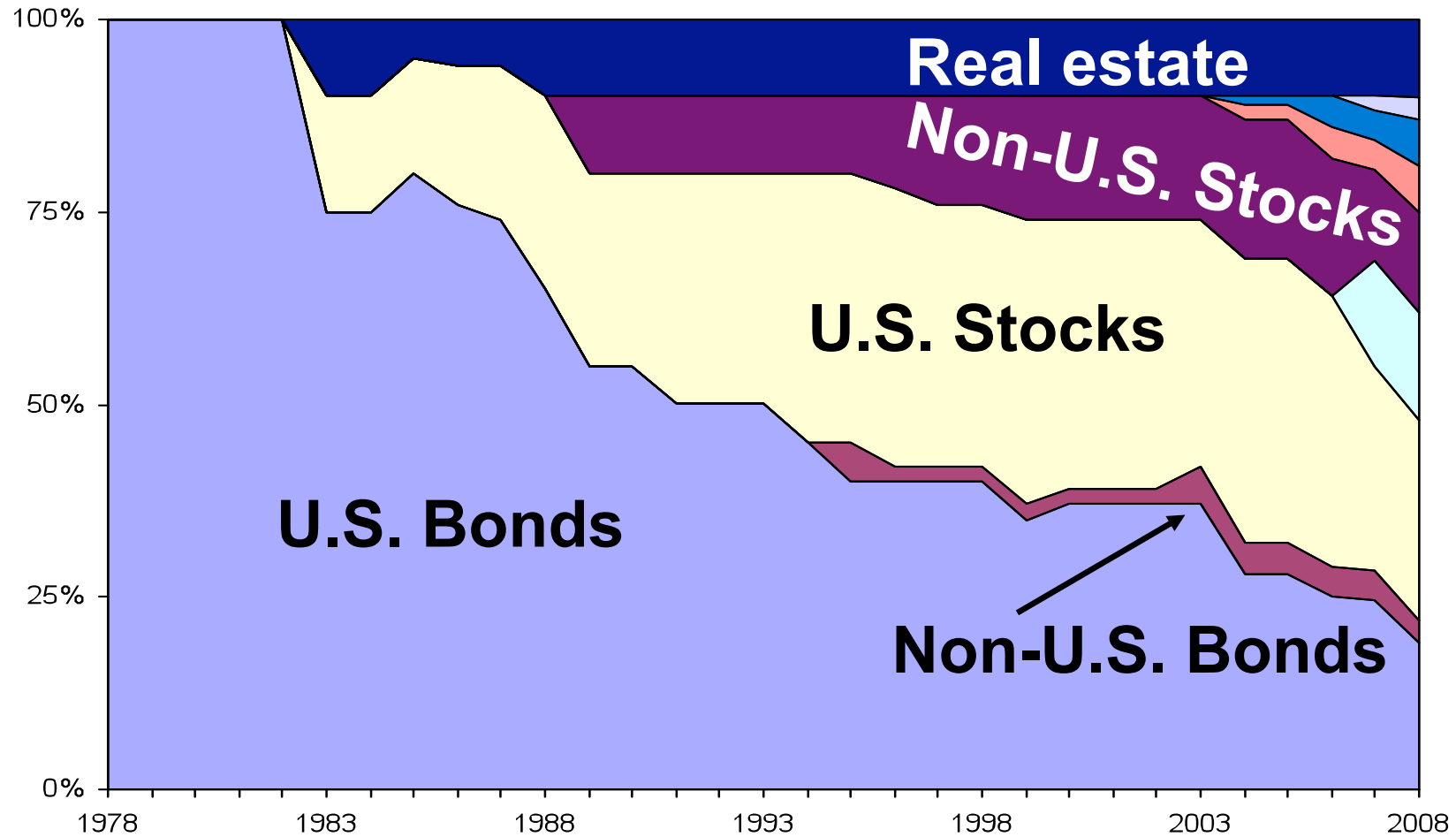
- Capital markets outlook
- Expected returns, risk and correlations for asset classes
- Model for optimizing the allocation among assets



Asset allocation over time



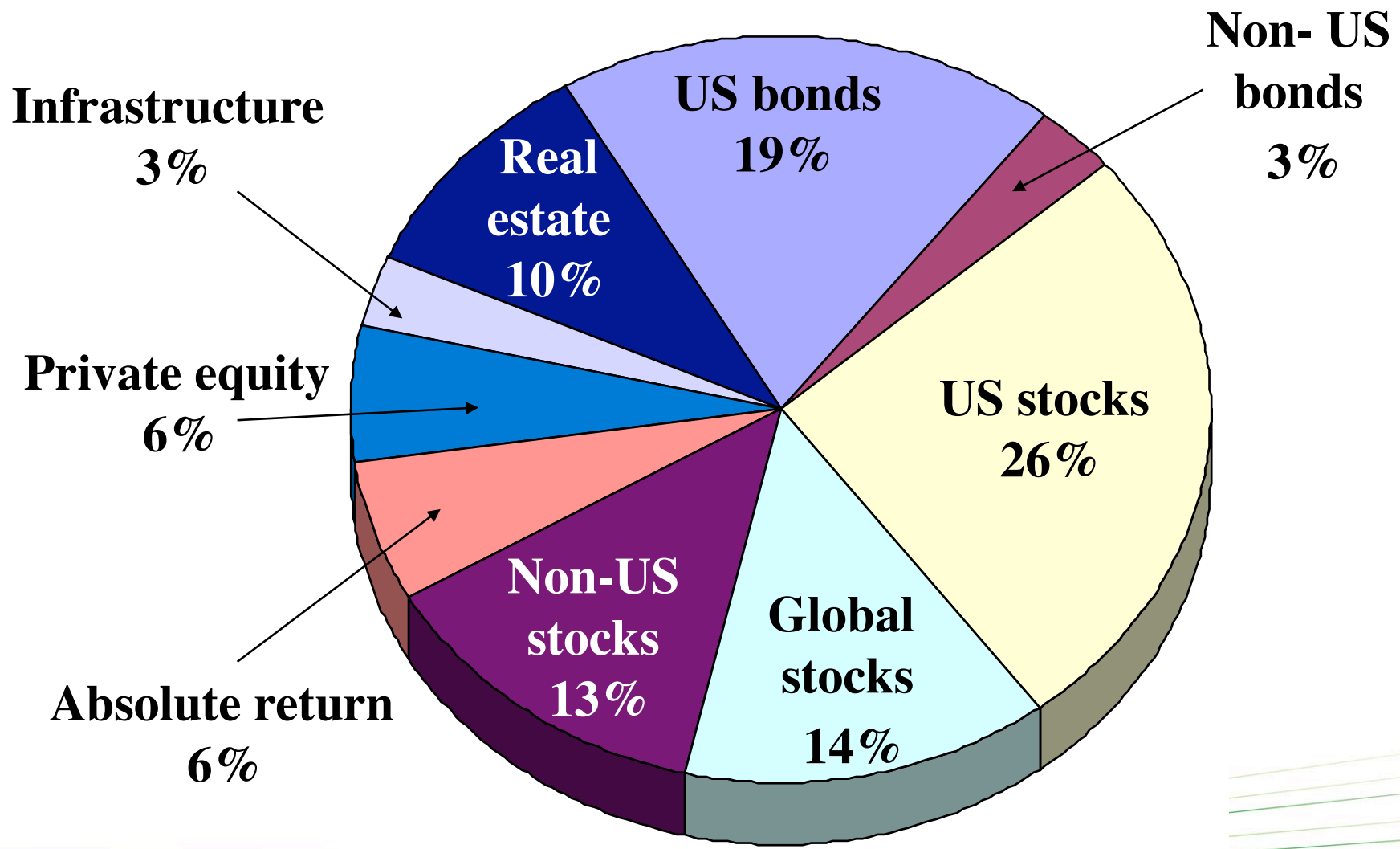
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FY 2009 target asset allocation



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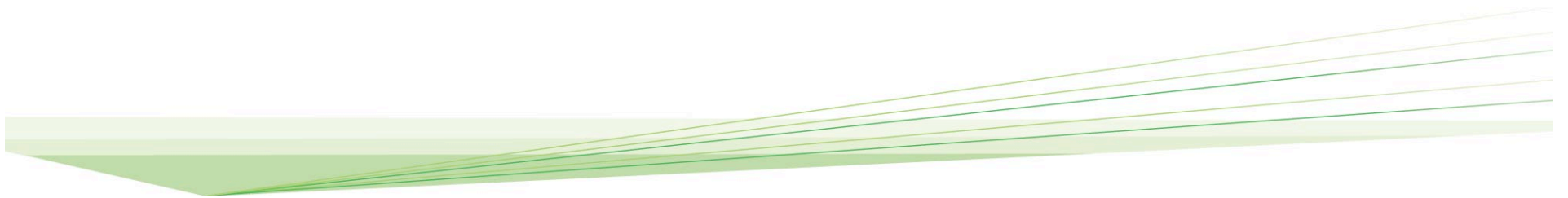


Bonds



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- Internal fixed income staff manages the majority of the domestic portfolio.
- APFC also contracts with 4 external managers, domestic and international

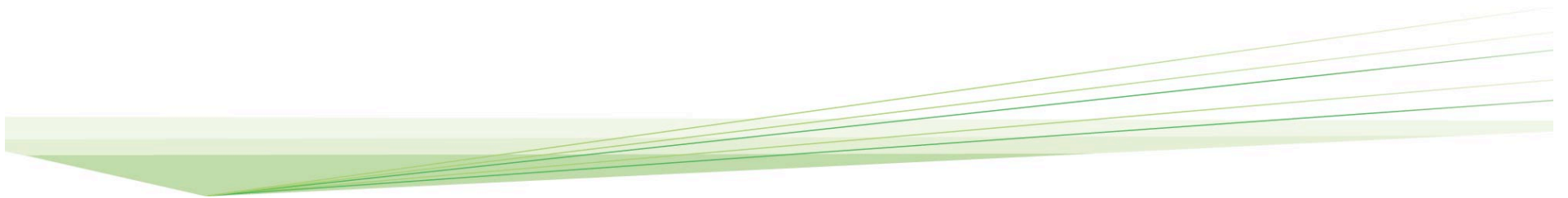


Stocks



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- All portfolios are managed by external managers
- APFC has contracts with 34 managers, each investing in one or more specific strategies

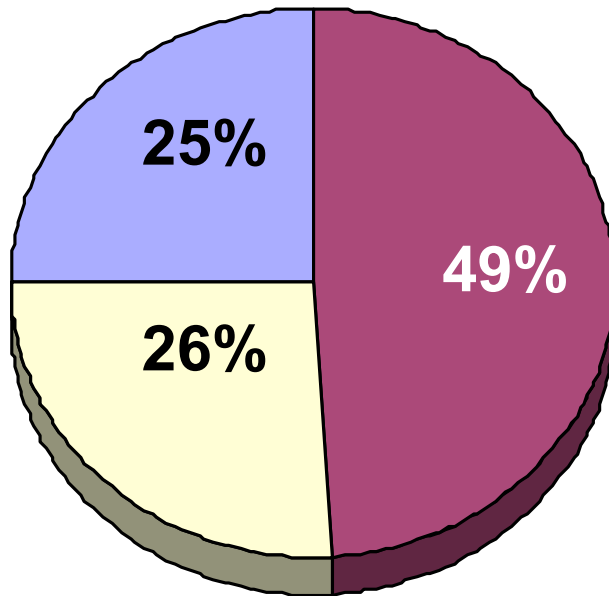


Stock portfolio management



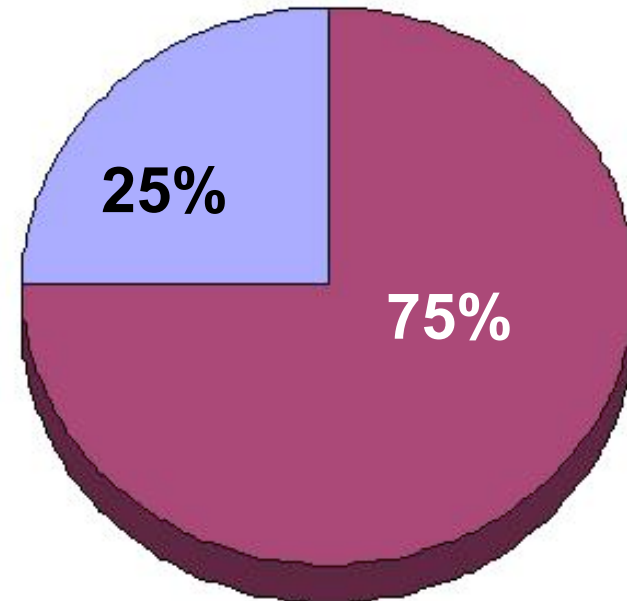
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As of June 30, 2008



By regional mandate

- Non-US equities - \$4.9 billion
- US equities - \$9.8 billion
- Global equities - \$5.2 billion



By style

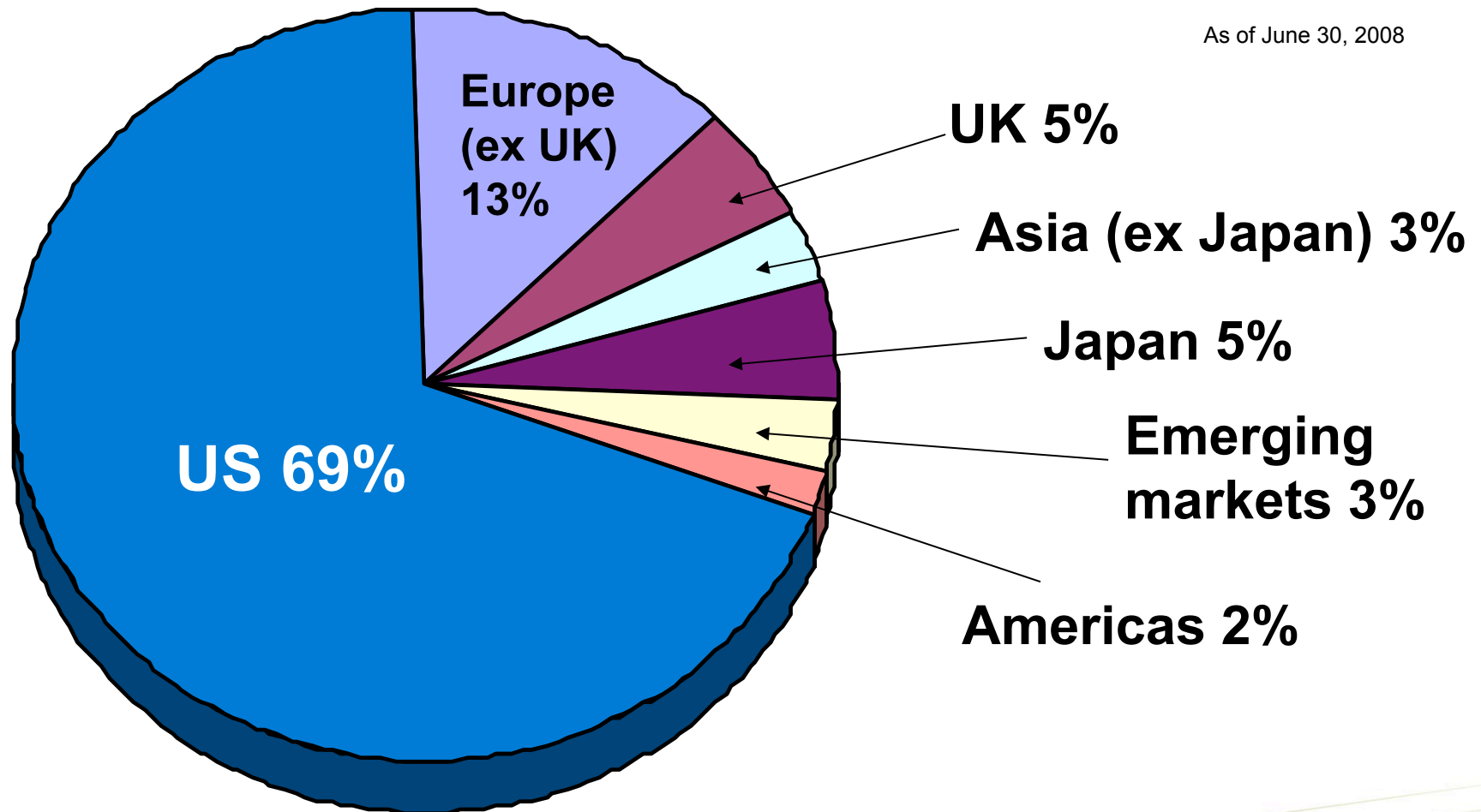
- Passive - \$5.0 billion
- Active - \$14.9 billion

Stock portfolio by region



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As of June 30, 2008

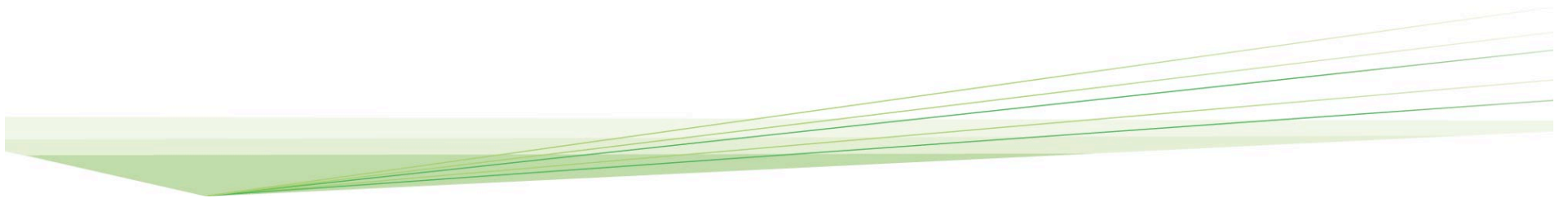


Real estate department



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- Currently directly invested in US properties only
 - The Fund owns more than 60 individual properties
 - The Fund owns global REITs
- APFC contracts with 6 external managers

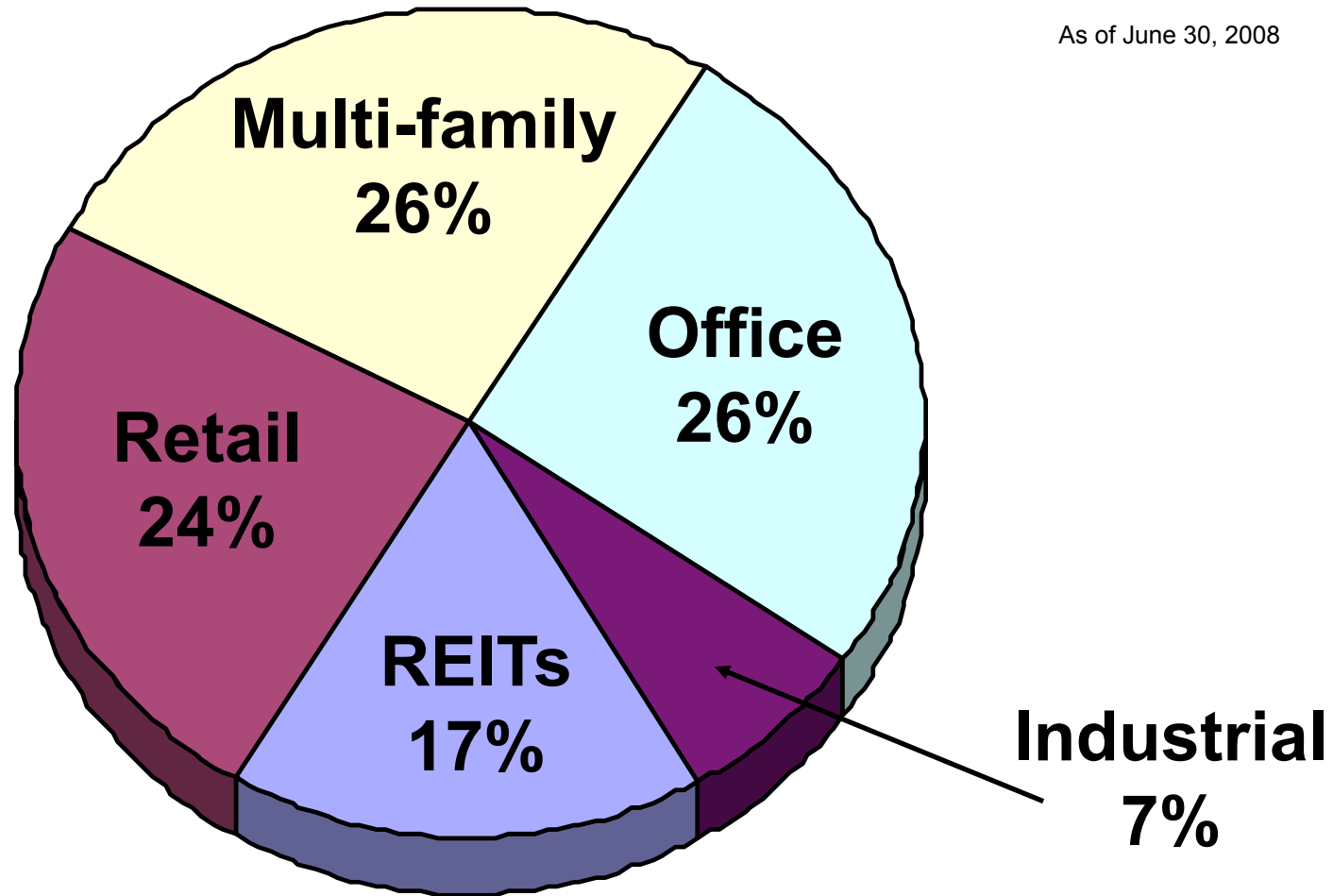


Real estate portfolio



Alaska Permanent Fund Corporation

As of June 30, 2008



Private equity



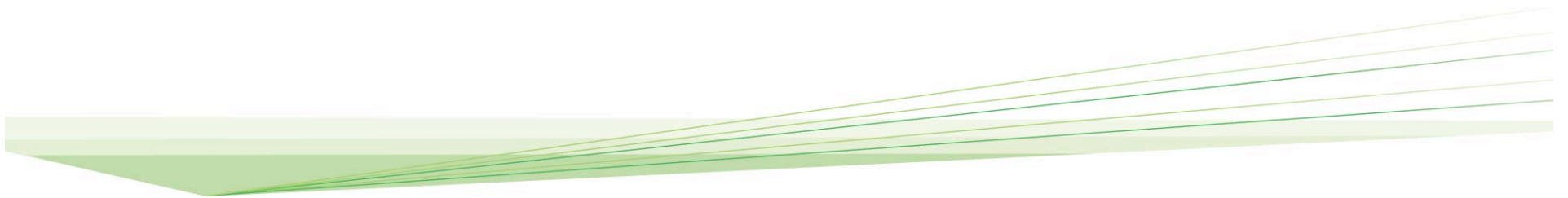
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Target allocation: 6%

Gatekeeper:

- Pathway Capital Management (2003)

Gatekeeper invests in underlying partnerships on behalf of APFC



Absolute return strategies



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Asset allocation: 6%

Fund of funds: 6

Risk level: equal or lower than the US bond index.

Return target: LIBOR plus 400 basis points.

Infrastructure investments

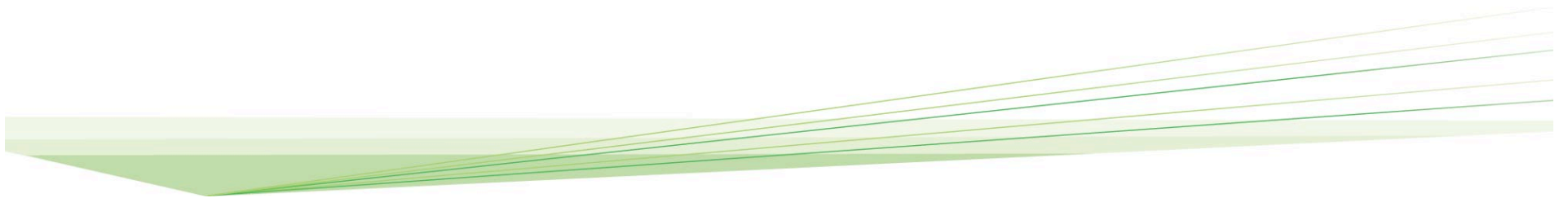


Infrastructure



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- 2 managers
- \$850 million total commitments to date
- Locations of current properties include the US, the UK, India, and Canada



Manager selection



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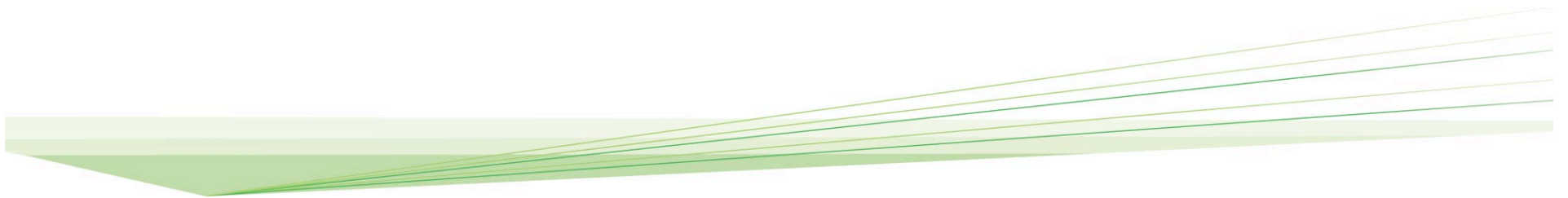
- Consultant works with staff to develop candidate profile.
- Consultant screens managers to find candidates that fit the profile
- Staff selects three to four finalists from list.
- Staff conducts necessary due diligence.
- Staff recommends manager to full board.

Monitoring managers



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- Annual manager questionnaire
- Monthly conference calls
- Biannual meetings in Juneau or on-site
- Monitor performance daily, monthly and quarterly; monitor risk quarterly
- Special attention if deemed appropriate



Best practices



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The APFC was given the highest score among sovereign funds on the following attributes:



- Structure
- Governance
- Accountability and Transparency
- Behavior



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