

May 25, 2018

Sent via email only

Dear Mr. Steiner,

You have submitted a petition requesting the Board of Trustees consider divesting the Alaska Permanent Fund (Fund) of its fossil fuel investments.

In an effort to respond to your request on the Fund's fossil fuel exposure, staff identified the Fund's public stock and corporate bond holdings for companies whose primary business is the extraction and development of hydrocarbons. For clarification this is any public company that generates its profits from the extraction and/or development of crude oil, natural gas, and coal among others. We were able to extract this data going back to Fiscal Year 2011. We do not have specific company holdings data for years prior to 2011. The data presented below are the Fund's holdings as of June 30th of each fiscal year.

The results of the data collection are as follows:

| Fiscal Year | Total Fossil Fuel Exposure | Total Permanent Fund Assets Under Management | % of Fossil Fuels to Overall Portfolio |
|-------------|----------------------------|--|--|
| 2011 | \$3,014,726,609 | \$40,140,300,000 | 7.51% |
| 2012 | \$2,508,687,823 | \$40,333,100,000 | 6.22% |
| 2013 | \$2,542,307,233 | \$44,853,400,000 | 5.67% |
| 2014 | \$2,998,822,533 | \$51,213,800,000 | 5.86% |
| 2015 | \$2,055,566,504 | \$52,800,500,000 | 3.89% |
| 2016 | \$1,746,619,169 | \$52,769,700,000 | 3.31% |
| 2017 | \$1,636,130,959 | \$59,785,100,000 | 2.74% |

As fiduciaries of the Fund, whether investing internally or through a delegation to an external manager, APFC has a duty to consider the financial risk and reward of various investments and to not use non-financial investment criteria such as social or environmental impacts when making investment decisions. That said, while our internal and external managers use a number of different criteria in picking the stocks and bonds to invest in, whether an individual public company has a long-term business strategy that will render it profitable not just today but into the future is plainly an important consideration for the Fund's public markets portfolio. A public company whose business strategy is not poised to evolve as the market it operates in changes will invariably become less profitable and the investment criteria that we rely upon will organically result in such investments being culled from the portfolio.

In the chart above you will notice this trend already exists in the Fund's exposure to public companies whose primary business is the extraction and development of hydrocarbons. The Fund's exposure to such fossil fuel companies has been steadily declining, both in total holdings and as a percentage of the overall portfolio. This indicates that both our internal and external managers believe these companies do not contribute the same value today as they did in 2011 and have made necessary

adjustments as part of their comprehensive investment strategy. Attached is the fossil fuels summary holdings and proxy performance data for 2011-2017.

In conclusion, we invest in companies not causes. Companies are chosen based on financial considerations, such as their ability to generate a long-term positive return to the Fund. We appreciate your efforts to bring this issue to our attention and to recommend a specific course of action through divestment. At our most recent meeting on May 24th, the Board of Trustees reaffirmed its commitment to adhere to our financial considerations-based investment process as the mechanism to determine whether and to what extent the Fund should be invested in public companies that continue to have a portion of their assets invested in the extraction and development of hydrocarbons. While the current trend suggests the Fund may not be invested in such companies five to ten years from now, we intend to let our process drive that decision rather than abruptly divesting from such companies today.

Sincerely,

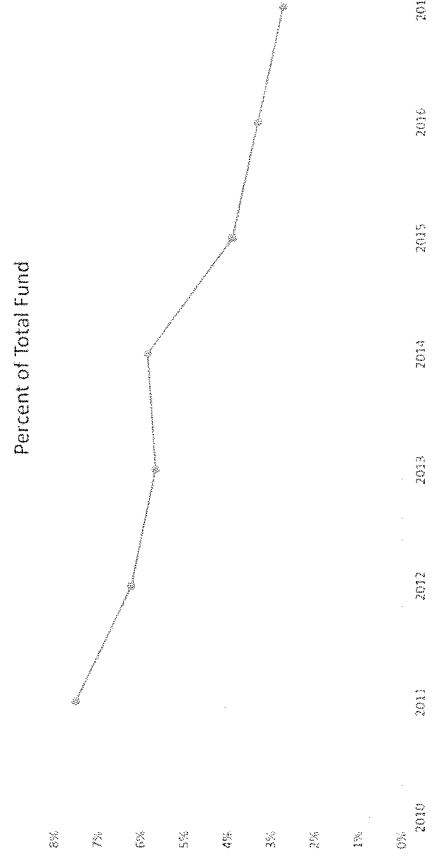
/s/ William Moran
Chair, Board of Trustees

/s/ Angela Rodell
Chief Executive Officer

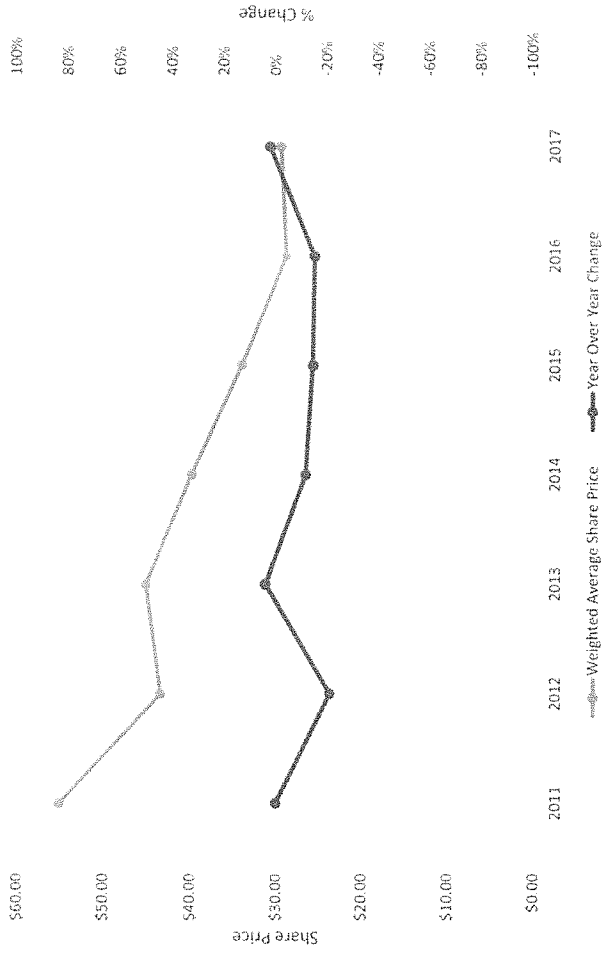
| 2011 | | 2012 | | 2013 | |
|-----------------------------|---------------------|---------------------------------|---------------------|------------------------|---------------------|
| Top 10 Holdings | | Top 10 Holdings | | Top 10 Holdings | |
| Name | Share Price | Name | Share Price | Name | Share Price |
| ROYAL DUTCH SHELL PLC | \$32.51 | ROYAL DUTCH SHELL PLC | \$35.68 | ROYAL DUTCH SHELL PLC | \$35.05 |
| EXXON MOBIL CORP | \$81.38 | EXXON MOBIL CORP | \$85.57 | EXXON MOBIL CORP | \$90.35 |
| GAZPROM PJSC | \$12.97 | CHEVRON CORP | \$105.50 | CHEVRON CORP | \$118.34 |
| TOTAL SA | \$57.82 | LUKOIL PJSC | \$55.85 | TOTAL SA | \$48.74 |
| SCHLUMBERGER LTD | \$86.40 | TOTAL SA | \$45.04 | BP PLC | \$11.88 |
| CHEVRON CORP | \$102.84 | SCHLUMBERGER LTD | \$64.91 | PETROLEO BRASILEIRO SA | \$11.81 |
| BP PLC | \$12.64 | GAZPROM PJSC | \$8.51 | LUKOIL PJSC | \$57.46 |
| CHINA SHENHUA ENERGY CO LTD | \$4.76 | BP PLC | \$11.47 | GAZPROM PJSC | \$6.58 |
| CONOCOPHILLIPS | \$82.13 | CHINA PETROLEUM & CHEMICAL CORP | \$0.89 | EOG RESOURCES INC | \$131.68 |
| BG GROUP PLC | \$22.70 | CHINA SHENHUA ENERGY CO LTD | \$3.52 | CONOCOPHILLIPS | \$60.50 |
| Total FF Exposure | \$3,014,726,609.43 | Total FF Exposure | \$2,508,687,823.36 | Total FF Exposure | \$2,542,307,232.63 |
| Total APFC Fund Size | \$40,140,300,000.00 | Total APFC Fund Size | \$40,333,100,000.00 | Total APFC Fund Size | \$44,853,400,000.00 |
| % FF of Total Fund | 7.51% | % FF of Total Fund | 6.22% | % FF of Total Fund | 5.67% |

| 2014 | | 2015 | | 2016 | |
|------------------------|---------------------|------------------------|---------------------|------------------------|---------------------|
| Top 10 Holdings | | Top 10 Holdings | | Top 10 Holdings | |
| Name | Share Price | Name | Share Price | Name | Share Price |
| ROYAL DUTCH SHELL PLC | \$45.88 | EXXON MOBIL CORP | \$85.30 | ROYAL DUTCH SHELL PLC | \$29.54 |
| EXXON MOBIL CORP | \$100.57 | ROYAL DUTCH SHELL PLC | \$28.28 | TOTAL SA | \$48.18 |
| TOTAL SA | \$72.25 | BP PLC | \$13.28 | EXXON MOBIL CORP | \$93.74 |
| BP PLC | \$19.79 | TOTAL SA | \$48.61 | BP PLC | \$11.25 |
| BP CAPITAL MARKETS PLC | \$102.73 | BP CAPITAL MARKETS PLC | \$101.75 | BP CAPITAL MARKETS PLC | \$104.21 |
| PETROLEO BRASILEIRO SA | \$12.98 | CHEVRON CORP | \$96.47 | SUNCOR ENERGY INC | \$25.65 |
| CHEVRON CORP | \$130.55 | VALERO ENERGY CORP | \$74.60 | EOG RESOURCES INC | \$83.42 |
| SCHLUMBERGER LTD | \$117.95 | SCHLUMBERGER LTD | \$86.19 | CHEVRON CORP | \$104.83 |
| CONOCOPHILLIPS | \$85.73 | EOG RESOURCES INC | \$87.55 | CNOOC LTD | \$1.24 |
| SUNCOR ENERGY INC | \$38.82 | SUNCOR ENERGY INC | \$25.43 | SCHLUMBERGER LTD | \$79.08 |
| Total FF Exposure | \$2,998,822,533.00 | Total FF Exposure | \$2,055,566,503.68 | Total FF Exposure | \$1,746,619,168.84 |
| Total APFC Fund Size | \$51,213,800,000.00 | Total APFC Fund Size | \$52,800,500,000.00 | Total APFC Fund Size | \$52,769,700,000.00 |
| % FF of Total Fund | 5.86% | % FF of Total Fund | 3.89% | % FF of Total Fund | 3.31% |

| 2017 | |
|-------------------------|---------------------|
| Top 10 Holdings | |
| Name | Share Price |
| ROYAL DUTCH SHELL PLC | \$27.70 |
| EXXON MOBIL CORP | \$80.73 |
| TOTAL SA | \$44.43 |
| SUNCOR ENERGY INC | \$27.10 |
| EOG RESOURCES INC | \$90.52 |
| BP PLC | \$12.17 |
| RELIANCE INDUSTRIES LTD | \$29.28 |
| VALERO ENERGY CORP | \$77.43 |
| CHEVRON CORP | \$104.33 |
| GAZPROM PJSC | \$3.81 |
| Total FF Exposure | \$1,636,130,958.68 |
| Total APFC Fund Size | \$59,785,100,000.00 |
| % FF of Total Fund | 2.74% |



2011-2017 Fossil Fuel Returns



APFC Fossil Fuel Returns (2011-2017)

| Year | Weighted Average Share Price | Year Over Year Change |
|------|------------------------------|-----------------------|
| 2011 | \$55.07 | 0% |
| 2012 | \$43.39 | -21.2% |
| 2013 | \$45.10 | 4% |
| 2014 | \$39.76 | -11.8% |
| 2015 | \$33.96 | -14.6% |
| 2016 | \$28.76 | -15.3% |
| 2017 | \$29.39 | 2.2% |

| Index | 2011-2017 Total Return (%) | 1998-2008 Total Return (%) | 2011-2017 Dividend Yields (%) |
|---|----------------------------|----------------------------|-------------------------------|
| Equity (89% of Fossil Fuel Exposure) | | | |
| Energy Sector | -0.48% | 159.17% | 3% |
| Integrated Oil and Gas | 14.25% | 204.05% | 4% |
| S&P 500 | 108.60% | 11.34% | 1.97% |
| MSCI ACWI | 59.82% | 25.37% | 2.43% |
| MSCI ACWI ex Fossil Fuels | 64.81% | - | 2.34% |
| Fixed Income (11% of Fossil Fuel Exposure) | | | |
| Barclays Investment Grade Energy | 30.04% | 83.03% | |
| Barclays Agg | 19.90% | 87.24% | |