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Alaska Permanent Bets on Emerging Markets

Fund will be institutional only for a year, then a share class of the fund will be listed on the NYSE and ADX.

The \$64.5 billion Alaska Permanent Fund has seeded a long-only closed-end fund that will wager on stocks in emerging and frontier markets in the Middle East, Africa, and South Asia in partnership with other sovereign wealth funds, disclosed Russell Read, the Alaska fund's chief investment officer.

Read, speaking at the Pension Bridge conference in San Francisco on April 11, said the fund will be institutional only for a year's time. After that, he said, a share class of the fund will be listed on the New York Stock Exchange and Abu Dhabi Securities Exchange.

"I would say that what we were struck by are the growth characteristics of the emerging markets," he said.

Read said Alaska Permanent has committed \$200 million to the fund and already has convinced several sovereign wealth fund partners in the Far East and Middle East to also provide capital.

He said the initial capital from all the sovereign wealth funds combined, including Alaska Permanent, will be between \$500 million and \$1 billion. Read said Alaska Permanent is also looking to partner with US institutional investors in the fund.

He said the coalition of institutional investors joining together will allow Alaska Permanent to compete with larger sovereign wealth funds and pension funds in sourcing emerging market stock investments.

Read would not name the sovereign wealth funds that have joined with Alaska Permanent, but the CIO has extensive ties in the Middle East. Before joining Alaska Permanent in 2016, he had been CIO and deputy CEO of the Kuwait-based Gulf Investment Corp. The investment corporation is jointly owned by six-member states in the gulf region, according to its website: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Read also served as CIO of the California Public Employees' Retirement System (CalPERS) from 2006 to 2008.

The fund also has a money manager partner, Read said: Anchorage-based McKinley Capital Management, which developed its systematic investment strategy.

Read said prior to the year 2000, emerging markets were a place to stay away from because of concentrated risks and lower return prospects. "Just a terrible combination," he said.

Now Read says that has changed. "Since the 2000s, it has been a different story and we have been particularly active in looking at high population growth and economic growth regions," he said.

Read said the closed-end equity fund will focus on about 30 of the 80 eligible countries initially, in the region from South Asia through Africa where the prevailing growth is about three times what it is in the US and in Europe.

He told the panel, "emerging markets are much more interesting than they were 15 years ago or even 10 years ago."

Read said building out the fund with various partners providing capital will enhance investment opportunities.

"We are focusing on the developments of partnerships," he said. "It's a big deal for us."

Read told CIO after the panel, that the overall fund could eventually have an enormous capital base. “Morgan Stanley believes that when we have the listed product, the offerings will be between \$5 billion and \$10 billion,” he said. “At that point, it would become the largest direct investor in 10 countries, which we think is pretty nifty.”

Read cited Ghana as an example of a country where the fund would likely invest. “There’s some high growth economies there,” he said.

By [Randy Diamond](#)