

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.803

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines
Montana Coal Endowment Fund

SUPERSEDES: June 1, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED:

I. Appendix II: Investment Objectives and Guidelines

- A. Schedule II-B: Investment Objectives and Guidelines Montana Coal Endowment Fund.
- B. Approved Date of Schedule: June 1, 2021.
- C. This Schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

II. Introduction

- A. The purpose of the investment guidelines is to provide a framework for the Montana Coal Endowment Fund (MU65) under the guidance of the board.
- B. The Montana Coal Endowment Fund was established under Section 17-5-703, MCA, as a sub-fund of the Permanent Coal Severance Tax Trust. Income from the Montana Coal Endowment Fund is appropriated to the Department of Revenue by the legislature for local government infrastructure projects.

III. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
 - 1. Establish the investment objectives and performance standards of the Montana Coal Endowment Fund.
 - 2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

IV. Investment Objective

- A. Strategic
 - 1. Attain above benchmark total return for all investments within the parameters of the Investment Guidelines set forth below with an emphasis on investment income and preservation of principal.
- B. Performance
 - 1. Success in achieving this objective will be measured by comparing the risk and return of the account to the Trust Funds Investment Pool benchmark and the Short-Term Investment Pool (STIP) benchmark, each weighted proportionately to the portfolio's holdings, over a five (5) year moving average.

C. Investment Guidelines

1. The Board will have full discretion to manage the Montana Coal Endowment Fund consistent with the investment guidelines stated below. Compliance with the following guidelines for permitted investments and other restrictions is the sole responsibility of the Staff. Any exceptions or compliance violations are to be reported to the Board at the next scheduled quarterly Board meeting.

D. Permitted Investments

1. The Montana Coal Endowment Fund may only invest in the following:
 - a) TFIP.
 - b) STIP.

E. Other Restrictions

1. A maximum of ninety-nine percent (99%) of the market value of the portfolio will be held in the TFIP.
- F. If at any time, due to market fluctuations or any other circumstances, any of the guidelines are not maintained, Staff will use its best efforts to conform to these limits in a timely manner, while considering current market conditions and the associated costs of rebalancing. At the Board's next regularly scheduled quarterly meeting, the CIO shall inform the Board of any cases that the allocations were outside the limits and either inform the Board of the actions that were taken to return the portfolio back within guidelines or a plan to do so.

Authority: Montana Constitution, Article VIII, Section 13
Montana Constitution, Article IX, Section 5
Section 2-15-1808, MCA
Section 17-1-113, MCA
Section 17-5-703 and -704, MCA
Sections 17-6-201 through 17-6-205, MCA
Section 17-6-308, MCA