

# MONTANA

## BOARD OF INVESTMENTS

### BOARD ADOPTED POLICY

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POLICY NUMBER: 40.925

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines  
Cultural Trust Fund

SUPERSEDES: April 20, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED:

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#### I. Appendix I: Trust Funds: Investment Objectives and Guidelines

- A. Schedule I-Y: Investment Objectives and Guidelines Cultural Trust Fund.
- B. Approved Date of Schedule: April 3, 2018.
- 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 this policy statement is to provide a framework for the Cultural Trust Fund investments under the guidance of the Board.
- B. The Cultural Trust Fund was created from the Coal Tax Park Acquisition Fund, which is funded by coal severance tax collections. The Cultural Trust Fund is established in Section 15-35-108, MCA. Income from this trust fund, excluding unrealized gains and losses, must be appropriated for protection of works of art in the state capital and for other cultural and aesthetic 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 Cultural Trust Fund account.
  2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

#### IV. Investment Objective

- A. Strategic
  1. The objective of the Cultural Trust Fund portfolio is to attain above benchmark total return 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 (TFIP) 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. Time Horizon

1. The Cultural Trust Fund is a permanent account. The Board expects to meet or exceed all objectives over a long-term investment horizon. Over shorter periods, the anticipated market volatility, and specific actions, including risk mitigation efforts of the Board may lead to unfavorable, but expected deviation from these objectives.

D. Investment Guidelines

1. The Board will have full discretion to manage the Cultural Trust Fund portfolio 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.

E. Permitted Investments

1. The Cultural Trust Fund may only invest in the following:
  - a) TFIP.
  - b) STIP or any cash vehicle at the Custodial Bank.

F. Other Restrictions

1. A minimum of ninety-five percent (95%) of the market value of the portfolio will be invested in the TFIP.
2. 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, Art. IX, Section 5  
Section 2-15-1808, MCA  
Section 15-38-108, MCA  
Section 17-1-113, MCA  
Sections 17-6-201 through 17-6-205, MCA