

**MONTANA SEPARATELY MANAGED ACCOUNTS
INVESTMENT POLICY**

Approved April 5, 2017

Table of Contents

- 1. Introduction 3**
- 2. Purpose 3**
- 3. Legal and Institutional Authority 3**
- 4. Strategic Investment Objectives 3**
- 5. Time Horizon 4**
- 6. Performance Measurement 4**
- 7. Roles and Responsibilities 4**
- 8. Strategic Asset Allocation 5**
- 9. Rebalancing 5**
- 10. Risk Management 5**
- 11. Investment Pools 6**
- 12. Securities Lending 6**
- 13. Exercise of Investor Rights 6**
- 14. Investment Policy Review 7**

- APPENDIX I - TRUST FUNDS: Investment Objectives and Guidelines 8**
- APPENDIX II - INSURANCE FUNDS: Investment Objectives and Guidelines 15**
- APPENDIX III - OPERATING FUNDS: Investment Objectives and Guidelines 18**

1. Introduction:

This policy is effective upon adoption and supersedes all previous Investment Policies related to the investment management of the separately managed accounts that contain guidelines and objectives in the Appendices.

Montana has more than 40 separately managed accounts or “separate accounts.” These separate accounts consist of trust, insurance and operating accounts which have been created by the state Constitution, statutorily by the legislature or as part of settlements between the state and outside entities.

Each separate account has unique investment needs. Each separate account has a defined set of guidelines and objectives that are detailed in the Appendices or within the separate account’s existing investment policy statement.

Many separate accounts participate in the Short-Term Investment Pool (STIP) and the Trust Fund Investment Pool (TFIP). The pools are commingled funds which operate similar to mutual funds. The Trust Fund Investment Pool (TFIP) and the Short-Term Investment Pool (STIP) each have their own investment policy statements.

2. Purpose:

The purpose of this policy statement is to provide a broad strategic framework for separate accounts under the guidance of the Montana Board of Investments.

3. Legal and Constitutional Authority:

The Montana Constitution, Article VIII, Section 13, requires that the Legislature provide for a Unified Investment Program for public funds. Section 17-6-201, MCA established the Unified Investment Program, created the Montana Board of Investments (the “Board”) and gave the Board sole authority to invest state funds, in accordance with state law and the state constitution.

The Unified Investment program for public funds must be administered by the Board of Investments in accordance with the “prudent expert principle,” defined as:

- 1) Discharging its duties with the care, skill, prudence, and diligence, under the same circumstances then prevailing that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of like character with like aims;
- 2) Diversifying the holdings of each fund to minimize the risk of loss and maximize the rate of return, unless under the circumstances it is clearly prudent not to do so; and
- 3) Discharging its duties solely in the interest of and for the beneficiaries of the funds managed.

The Board, as the investment fiduciary of the separate accounts, is responsible for establishing the investment parameters for all separate accounts.

4. Strategic Investment Objectives

The strategic investment objective is unique for each separate account. The strategic investment objective for each separate account will be addressed in the guidelines and objectives in the Appendices or within the existing investment policy statement.

However, the Board’s overall objective is to achieve the highest level of investment performance compatible with each separate account’s risk tolerance and prudent investment practices. The Board seeks to maintain a long-

term perspective in formulating and implementing investment policies and evaluating investment performance subject to the specific objectives and constraints of each separate account.

5. Time Horizon

The time horizon is unique for each separate account. The time horizon for each separate account will be addressed in the guidelines and objectives in the Appendices or within the existing investment policy statement.

6. Performance Measurement

The investment policy benchmark is unique for each separate account. The investment policy benchmark for each separate account will be addressed in the guidelines and objectives in the Appendices or within the existing investment policy statement.

The investment policy benchmark approximates the return that would be achieved if the separate account implemented a passively managed portfolio. Deviations from the policy benchmark measure the contribution of active investment management in the separate account, rebalancing policy and its execution, fees and investment implementation generally.

7. Roles and Responsibilities:

Board of Investments – The Board is responsible for approving any separate account Investment Policy Statement and has the authority to manage all separate accounts as it considers prudent, and subject to such limitations as contained in law and the Constitution. The Board reviews this document periodically and, as needed, approves any changes to the policy.

As described in the Board of Investments Governance Manual, the Board delegates authority to the Executive Director, Chief Investment Officer, and other Staff to execute the day to day duties required to carry out the Board's mission.

Executive Director – The Executive Director is empowered by the Board to sign any and all documents required to conduct Board business, unless there are specific written policies or instructions from the Board to the contrary. The Executive Director is responsible for the oversight of all separate accounts and the establishment of the financial reporting procedures and the collection and reporting of all income.

Chief Investment Officer – The Chief Investment Officer (CIO) is empowered by the Board to serve as the principal staff person responsible for overseeing the investment activities under the Board's jurisdiction in compliance with the Board's policies. The CIO, with the support of other staff, is responsible for recommending investment policy changes for Board approval.

Investment Staff – The investment staff is responsible for, but not limited to, the following:

- Managing day-to-day separate account investment operations;
- Investing separate account assets and monitoring compliance in accordance with this Policy;
- Reporting to the Board the separate account investment results and investment characteristics at least annually; and
- Reporting any deviations from Investment Policy to the Board.

Investment Consultant – The investment consultant assists the CIO and Staff with policy recommendations and provides advice to the Board. The investment consultant shall provide assistance to Staff as requested in conjunction with the management of all separate accounts.

8. Strategic Asset Allocation

The strategic asset allocation is unique for each separate account. The strategic asset allocation for each separate account will be addressed in the guidelines and objectives in the Appendices or within the existing investment policy statement.

9. Rebalancing

The actual asset allocation mix may deviate from time to time from the approved asset allocation ranges due to financial market performance, cash flows, and manager performance. Material deviations from the asset allocation ranges can alter the expected return and risk of the separate accounts. Rebalancing separate account assets to remain within the Board-approved allocation ranges is delegated to staff in consultation with the Chief Investment Officer (CIO) and the Executive Director. Any necessary rebalancing will be made in a timely manner and will take into consideration associated costs and current market conditions.

10. Risk Management

a. Liquidity

The liquidity requirements are unique for each separate account. Staff works closely with the representatives for each account to determine their needs. The liquidity requirements are addressed by the permitted investments and corresponding restrictions within the Investment Guidelines for each separate account or within the existing investment policy statement.

b. Monitoring/Reporting – Transparency

Staff shall provide annual reporting to the Board regarding the asset allocation and performance of the separate accounts to confirm these items are known and adhere to all Investment Policy requirements and expectations.

c. Leverage

Leverage is a significant risk factor. Assets in separate accounts managed directly by MBOI staff are not allowed to employ leverage.

The use of derivative securities can generate additional leverage even if the derivative is being used to reduce the risk in other investments. Individual assets in separate accounts managed directly by MBOI staff are not allowed to use derivatives.

The Short-Term Investment Pool (STIP) is not allowed to employ leverage or use derivatives. The use of leverage and derivatives within the Trust Fund Investment Pool (TFIP) is addressed within the TFIP Investment Policy.

d. Cash Investments

Cash investments held in any separate account, within the TFIP or any managed account within it entail an element of credit risk. Thus, only approved cash investment vehicles are permitted. These include STIP, the custodian's STIF vehicle or any SEC registered money market fund employed by an external asset manager all of which specifically address credit risk in their respective investment guidelines.

11. Investment Pools

a. Trust Fund Investment Pool (TFIP)

The Trust Fund Investment Pool (TFIP) will provide separate accounts with exposure to a broad and diverse spectrum of investment grade and non-investment grade fixed income as well as real estate assets. Investment grade fixed income will be primarily managed internally. Non-investment grade fixed income will be primarily managed by external asset managers. Real estate will be managed by external asset managers.

The specific strategic objectives, performance criteria, and investment guidelines for TFIP are detailed in the Trust Fund Investment Pool (TFIP) Investment Policy.

b. Short-Term Investment Pool (STIP)

The Short-Term Investment Pool (STIP) will provide separate accounts with exposure to Cash related investments. STIP will be managed internally utilizing an active investment strategy. The specific strategic objectives, performance criteria, and investment guidelines for STIP are detailed in the Short-Term Investment Pool (STIP) Investment Policy.

12. Securities Lending

Section 17-1-113, MCA, authorizes the Board to lend securities held by the state. The Board may lend its publicly traded securities held in the investment pools, through an agent, to other market participants in return for compensation. Currently, through an explicit contract, State Street Bank and Trust, the state's custodial bank, manages the state's securities lending program. The Board seeks to assess the risks, such as counterparty and reinvestment risk, associated with each aspect of its securities lending program. The Board requires borrowers to maintain collateral at 102 percent for domestic securities and 105 percent for international securities. To ensure that the collateral ratio is maintained, securities on loan are marked to market daily and the borrower must provide additional collateral if the value of the securities on loan increases. In addition to the strict collateral requirements imposed by the Board, the credit quality of approved borrowers is monitored continuously by the contractor. From time to time, Staff or the investment manager may restrict a security from the loan program upon notification to State Street Bank. Staff will monitor the securities lending program, and the CIO will periodically report to the Board on the status of the program.

13. Exercise of Investor Rights

a. Proxy Voting

Per the Montana Constitution, Article VIII, Section 13 “no public funds shall be invested in private corporate capital stock” with the exception of public retirement system and state compensation insurance fund assets. Therefore, separate accounts do not participate in proxy voting.

b. Class Action Litigation

Claims under state and federal securities laws arising out of losses on securities under the Board’s management are assets subject to the Board’s fiduciary duty of prudent management. The Board shall take reasonable, cost effective steps to identify, pursue and collect upon claims under securities laws for losses suffered by the Board on its investment. Accordingly, the Board maintains a detailed litigation policy, including steps outlined in the Montana Board of Investments Governance Manual, Appendix F.

14. Investment Policy Review

The Board intends to keep this Policy updated as it modifies or amends the underlying contents. As stated in the Governance Policy, “the Board shall review this Investment Policy at least annually or more frequently at the request of Board staff. Statements may only be revised in a public meeting. All Statements shall be posted on the Board’s web site for review by the public.”

APPENDIX I: Trust Funds: Investment Objectives and Guidelines

State of Montana

- Schedule I-A:
- Schedule I-B: *Pending Treasurer's Fund*

Department of Agriculture

- Schedule I-C: *Pending Noxious Weed Management Trust*

Department of Environmental Quality

- Schedule I-D: Abandoned Mine Land Reclamation Trust
- Schedule I-E: *Pending Clark Fork Restoration Fund*
- Schedule I-F: *Pending Clark Fork Site Response Action Fund*
- Schedule I-G: Montana Pole Superfund Site Settlement Fund
- Schedule I-H: *Pending Streamside Tailings Operable Settlement Fund*
- Schedule I-I: *Pending Upper Blackfoot Response Action and Restoration Fund*
- Schedule I-J: Zortman/Landusky Long Term Water
- Schedule I-K: Zortman/Landusky Long Term Water Trust

Department of Fish, Wildlife and Parks

- Schedule I-L: Coal Tax Park Trust Fund
- Schedule I-M: Fish, Wildlife & Parks Mitigation Trust Fund
- Schedule I-N: Fish, Wildlife and Parks License Account
- Schedule I-O: Real Property Trust Fund
- Schedule I-P: Wildlife Habitat Trust Fund

Department of Health and Human Services

- Schedule I-Q: Endowment for Children
- Schedule I-R: *Pending Older Montanans Trust Fund*
- Schedule I-S: *Pending Tobacco Trust Fund*

Department of Justice

- Schedule I-T: *Pending Butte Area One Restoration Fund*
- Schedule I-U: *Pending East Helena Compensation Fund*
- Schedule I-V: *Pending Smelter Hill Uplands Restoration Fund*
- Schedule I-W: *Pending Upper Clark Fork River Basin Reserve Fund*
- Schedule I-X: *Pending Upper Clark Fork River Basin Restoration Fund*

Department of Natural Resources and Conservation

- Schedule I-Y: *Pending Trust and Legacy Fund*

Department of Revenue

- Schedule I-Z: *Pending Resource Indemnity Trust Fund*

Montana Arts Council

- Schedule I-AA: *Pending Cultural Trust Fund*

Montana Historical Society

- Schedule I-AB: *Pending Historical Society Trust Funds*

University Endowments

- Schedule I-AC: Harold Hamm Endowment
- Schedule I-AD: *Pending Potter Trust Fund*

City and County of Butte-Silver Bow

- Schedule I-AE: *Pending Butte Redevelopment Trust Authority*

Schedule I-D
Investment Objectives and Guidelines
Abandoned Mine Land Reclamation Trust

Effective Date of Schedule: November 15, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment guidelines is to provide a framework for the Abandoned Mine Land Reclamation Trust fund under the guidance of the board.

The Abandoned Mine Land Reclamation Trust fund was established in December 12/01/1993 by the Montana Legislature MCA 82-2-1006. It is administered by the Montana Department of Environmental Quality. Proceeds of the fund will be expended for to pay for reclamation or drainage abatement on eligible lands or waters.

Funds for the Abandoned Mine Land Reclamation Trust Fund are held in MU11.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the Abandoned Mine Land Reclamation Trust fund; and
2. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

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.

Performance:

Success in achieving this objective will be measured by comparing the risk and return of the account to the **Trust Funds Investment Pool benchmark, the Short-Term Investment Pool benchmark and the Bloomberg/Barclays 1-5 Year Treasury Index**, each weighted proportionately to the portfolio's holdings.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Abandoned Mine Land Reclamation Trust 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

Abandoned Mine Land Reclamation Trust fund may only invest in the following:

1. Debt obligations of the U.S. Government, including its agencies and instrumentalities
2. Trust Fund Investment Pool (TFIP)
3. Short-Term Investment Pool (STIP)

Other Restrictions:

- A maximum of 99% of the market value of the portfolio will be held in any combination of TFIP or Government/Agency securities.
- The maximum maturity of Government/Agency securities will be 6 years.

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.

Schedule I-G
Investment Objectives and Guidelines
Montana Pole Superfund Site Settlement Fund

Effective Date of Schedule: November 15, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment guidelines is to provide a framework for the Montana Pole Superfund Site Settlement Fund under the guidance of the board.

The Montana Pole Superfund Site Settlement Fund was established in July 1996 through a Consent Decree among Montana Department of Environmental Quality (DEQ), the Environmental Protection Agency (EPA), Atlantic Richfield Company, Burlington Northern Railroad, Montana Resource and others. Funds and earnings from settlement proceeds are used solely for remediating hazardous substance contamination at the Montana Pole Site. The fund is administered by the DEQ. The Policy may be modified by agreement of the DEQ and EPA.

Funds for the Montana Pole Superfund Site Settlement Fund are held in MU14.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

3. Establish the investment objectives and performance standards of the Montana Pole Superfund Site Settlement Fund; and
4. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

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.

Performance:

Success in achieving this objective will be measured by comparing the risk and return of the account to the **Trust Funds Investment Pool benchmark, the Short-Term Investment Pool benchmark and the Bloomberg/Barclays 1-5 Year Treasury Index**, each weighted proportionately to the portfolio's holdings.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Montana Pole Superfund Site Settlement 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

Montana Pole Superfund Site Settlement Fund may only invest in the following:

4. Debt obligations of the U.S. Government, including its agencies and instrumentalities
5. Corporate Securities rated A3/A- or better

6. Agency Mortgage Backed Securities
7. Trust Fund Investment Pool (TFIP)
8. Short-Term Investment Pool (STIP)

Other Restrictions:

- A maximum of 40% will be held in direct Government/Agency securities
- A maximum of 25% will be allowed in direct Agency Mortgage Backed Securities. It is expected there will be no allocation to this asset type.
- A maximum of 40% will be allowed in direct Corporate Securities. It is expected there will be no allocation to this asset type.
- A maximum of 80% in TFIP
- A maximum of 50% in STIP
- The maximum maturity of Government/Agency and Corporate securities will be 6 years.

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.

Schedule I-J
Investment Objectives and Guidelines
Zortman/Landusky Long Term Water

Effective Date of Schedule: October 3, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment guidelines is to provide a framework for the Zortman/Landusky Long Term Water fund under the guidance of the board.

The Zortman/Landusky Long Term Water fund was established in June of 1999 at the request of the Montana Department of Environmental Quality. It was funded from proceeds incidental to the bankruptcy and surety bond of Zortman Mining Inc. Proceeds of the fund will be expended for environmental cleanup and treatment of water at the former mine site.

Funds for the Zortman/Landusky Long Term Water Fund are held in MU30.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

5. Establish the investment objectives and performance standards of the Zortman/Landusky Long Term Water fund; and
6. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

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.

Performance:

Success in achieving this objective will be measured by comparing the risk and return of the account to the **Trust Funds Investment Pool benchmark, the Short-Term Investment Pool benchmark and the Bloomberg/Barclays 1-5 Year Treasury Index**, each weighted proportionately to the portfolio's holdings.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Zortman/Landusky Long Term Water 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

Zortman/Landusky Long Term Water fund may only invest in the following:

9. Debt obligations of the U.S. Government, including its agencies and instrumentalities
10. Trust Fund Investment Pool (TFIP)
11. Short-Term Investment Pool (STIP)

Other Restrictions:

- A maximum of 99% of the market value of the portfolio will be held in any combination of TFIP or Government/Agency securities.
- The maximum maturity of Government/Agency securities will be 6 years.

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.

Schedule I-K
Investment Objectives and Guidelines
Zortman/Landusky Long Term Water Trust

Effective Date of Schedule: October 3, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment guidelines is to provide a framework for the Zortman/Landusky Long Term Water Trust fund under the guidance of the board.

The Zortman/Landusky Long Term Water Trust fund was established in July of 2005 by the Montana Legislature. It was funded with annual transfers of \$1.2 million by the Montana Department of Environmental Quality from the Orphan Share account. The transfers were to continue until the value of the fund was projected to be \$19.3 million on January 1, 2018. Proceeds of the fund will be expended for long-term or perpetual water treatment at the Zortman and Landusky mine sites.

Funds for the Zortman/Landusky Long Term Water Trust fund are held in MU67.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

7. Establish the investment objectives and performance standards of the Zortman/Landusky Long Term Water Trust fund; and
8. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

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.

Performance:

Success in achieving this objective will be measured by comparing the risk and return of the account to the **Trust Funds Investment Pool benchmark, the Short-Term Investment Pool benchmark and the Bloomberg/Barclays 1-5 Year Treasury Index**, each weighted proportionately to the portfolio's holdings.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Zortman/Landusky Long Term Water Trust 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

Zortman/Landusky Long Term Water Trust fund may only invest in the following:

12. Debt obligations of the U.S. Government, including its agencies and instrumentalities
13. Trust Fund Investment Pool (TFIP)
14. Short-Term Investment Pool (STIP)

Other Restrictions:

- A maximum of 99% of the market value of the portfolio will be held in any combination of TFIP or Government/Agency securities.
- The maximum maturity of Government/Agency securities will be 6 years.

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.

Schedule I-L
Investment Objectives and Guidelines
Coal Tax Park Trust Fund

Proposed Effective Date of Schedule: November 15, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment objectives and guidelines is to provide a framework for the Coal Tax Park Trust Fund account under the guidance of the Board.

The Coal Tax Park Trust Fund was established under MCA: 15-35-108 as a non-expendable trust fund for parks acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses, must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in MCA: 23-1-102

Statement of Purpose:

The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the Coal Tax Park Trust Fund account; and
2. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

The objective of the Coal Tax Park 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.

Performance:

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 benchmark**, each weighted proportionately to the portfolio's holdings, over a five-year moving average.

Time Horizon:

Coal Tax Park 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.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Coal Tax Park 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

Coal Tax Park Trust Fund may only invest in the following:

1. Trust Fund Investment Pool (TFIP)
2. Short-Term Investment Pool (STIP)

Other Restrictions:

1. A maximum of 97% of the market value of the portfolio will be invested in the Trust Fund Investment Pool (TFIP)

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.

Schedule I-M
Investment Objectives and Guidelines
Fish, Wildlife & Parks Mitigation Trust Fund

Proposed Effective Date of Schedule: November 15, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment objectives and guidelines is to provide a framework for the Fish, Wildlife & Parks Mitigation Trust Fund account under the guidance of the Board.

The Fish, Wildlife & Parks Mitigation Trust Fund was established under MCA: 87-1-611 and was originally created because of an agreement between Bonneville Power Administration and the State of Montana pertaining to Wildlife Mitigation for Libby and Hungry Horse Dams. The fund provides for fish and wildlife mitigation or enhancement.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the Fish, Wildlife & Parks Mitigation Trust Fund account; and
2. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

The objective of the Fish, Wildlife & Parks Mitigation 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.

Performance:

Success in achieving this objective will be measured by comparing the risk and return of the account to the **Trust Funds Investment Pool benchmark, the Short-Term Investment Pool benchmark and the Bloomberg/Barclays 1-5 Year Treasury Index**, each weighted proportionately to the portfolio's holdings, over a five-year moving average.

Time Horizon:

Fish, Wildlife & Parks Mitigation 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.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Fish, Wildlife & Parks Mitigation 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

Fish, Wildlife & Parks Mitigation Trust Fund may only invest in the following:

1. Debt obligations of the U.S. Government, including its agencies and instrumentalities
2. Trust Fund Investment Pool (TFIP)
3. Short-Term Investment Pool (STIP)

Other Restrictions:

1. A maximum of 50% of the market value of the portfolio will be invested directly in U.S. Government / Agency securities; and
2. The maximum maturity of U.S. Government / Agency securities will be 6 years.
3. A maximum of 70% of the market value of the portfolio will be invested in the Trust Fund Investment Pool (TFIP); and
4. A minimum of 10% of the market value of the portfolio will be invested in the Short-Term Investment Pool (STIP).

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.

Schedule I-N
Investment Objectives and Guidelines
Fish, Wildlife & Parks License Fund

Proposed Effective Date of Schedule: November 15, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment objectives and guidelines is to provide a framework for the Fish, Wildlife & Parks License Fund account under the guidance of the Board.

The Fish, Wildlife & Parks License Fund was established under MCA: 87-1-601. This account contains revenue generated from the sale of hunting and fishing licenses.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the Fish, Wildlife & Parks License Fund account; and
2. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

The objective of the Fish, Wildlife & Parks License 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.

Performance:

Success in achieving this objective will be measured by comparing the risk and return of the account to the **Trust Funds Investment Pool benchmark, the Short-Term Investment Pool benchmark and the Bloomberg/Barclays 1-5 Year Treasury Index**, each weighted proportionately to the portfolio's holdings, over a five-year moving average.

Time Horizon:

Fish, Wildlife & Parks License 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.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Fish, Wildlife & Parks License 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

Fish, Wildlife & Parks License Fund may only invest in the following:

1. Debt obligations of the U.S. Government, including its agencies and instrumentalities
2. Trust Fund Investment Pool (TFIP)
3. Short-Term Investment Pool (STIP)

Other Restrictions:

1. A maximum of 25% of the market value of the portfolio will be invested directly in U.S. Government / Agency securities; and
2. The maximum maturity of U.S. Government / Agency securities will be 6 years; and
3. A maximum of 50% of the market value of the portfolio will be invested in the Trust Fund Investment Pool (TFIP); and
4. A minimum of 40% of the market value of the portfolio will be invested in the Short-Term Investment Pool (STIP).

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.

Schedule I-O
Investment Objectives and Guidelines
Real Property Trust Fund

Proposed Effective Date of Schedule: November 15, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment objectives and guidelines is to provide a framework for the Real Property Trust Fund account under the guidance of the Board.

The Real Property Trust Fund was established under MCA: 87-1-601 as a non-expendable trust fund for the operation, development, and maintenance of real property under management of the Department of Fish, Wildlife & Parks (FWP). Money received from the sale of real property, oil, gas or mineral deposits, and from leases is deposited into this permanent fund account except as provided by MCA: 87-1-621.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the Real Property Trust Fund account; and
2. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

The objective of the Real Property 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.

Performance:

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 benchmark**, each weighted proportionately to the portfolio's holdings, over a five-year moving average.

Time Horizon:

Real Property 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.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Real Property 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

Real Property Trust Fund may only invest in the following:

1. Trust Fund Investment Pool (TFIP)
2. Short-Term Investment Pool (STIP)

Other Restrictions:

1. A maximum of 97% of the market value of the portfolio will be invested in the Trust Fund Investment Pool (TFIP)

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.

Schedule I-P
Investment Objectives and Guidelines
Wildlife Habitat Trust Fund

Proposed Effective Date of Schedule: November 15, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment objectives and guidelines is to provide a framework for the Wildlife Habitat Trust Fund account under the guidance of the Board.

The Wildlife Habitat Trust Fund was established under MCA: 87-1-242 as a non-expendable trust to secure, develop and maintain wildlife habitat. Funding is established from the sale of specific hunting licenses or permits and is subject to appropriation by the Legislature.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the Wildlife Habitat Trust Fund account; and
2. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

The objective of the Wildlife Habitat 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.

Performance:

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 benchmark**, each weighted proportionately to the portfolio's holdings, over a five-year moving average.

Time Horizon:

Wildlife Habitat 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.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Wildlife Habitat 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

Wildlife Habitat Trust Fund may only invest in the following:

1. Trust Fund Investment Pool (TFIP)
2. Short-Term Investment Pool (STIP)

Other Restrictions:

1. A maximum of 97% of the market value of the portfolio will be invested in the Trust Fund Investment Pool (TFIP)

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.

**Schedule I-Q
Investment Objectives and Guidelines
Endowment for Children**

Effective Date of Schedule: August 22, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment objectives and guidelines is to provide a framework for the Endowment for Children Fund under the guidance of the Board.

The Endowment for Children Fund was established under MCA: 52-7-105 “to provide a permanent source of funding to support the programs and services referred to in MCA: 52-7-101 “to fund services and activities related to a broad range of child abuse and neglect prevention activities and family resource programs operated by nonprofit or public community-based educational and service organizations.”

Timing of expenditures is uncertain. Staff will rely on expenditure estimates from the Montana Department of Public Health and Human Services.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

3. Establish the investment objectives and performance standards of the Endowment for Children; and
4. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

Investment Objective:

Strategic:

The objective of the Endowment for Children 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.

Performance:

Success in achieving this objective will be measured by comparing the risk and return of the fund to the **Trust Funds Investment Pool benchmark and the Short-Term Investment Pool benchmark** each weighted proportionately to the portfolio’s holdings, over a five-year moving average.

Time Horizon:

Endowment for Children 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.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Endowment for Children 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

The Endowment for Children may only invest in the following:

- 3. Trust Fund Investment Pool (TFIP)
- 4. Short-Term Investment Pool (STIP)

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.

**Schedule I-AC
Investment Objectives and Guidelines
Harold Hamm Endowment**

Proposed Effective Date of Schedule: November 15, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of this policy statement is to provide a framework for the Harold Hamm Endowment investments under the guidance of the Board.

The Harold Hamm Endowment was created for the benefit of Helena College via a gift from Harold W. Hamm. The endowment distributes scholarships to students and faculty in the Aviation and Maintenance Technology program on an annual basis.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

5. Establish the investment objectives and performance standards of the Harold Hamm Endowment account; and
6. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

The objective of the Harold Hamm Endowment 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.

Performance:

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 benchmark**, each weighted proportionately to the portfolio's holdings, over a five-year moving average.

Time Horizon:

Harold Hamm Endowment 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.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the Harold Hamm Endowment 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

Harold Hamm Endowment may only invest in the following:

5. Trust Fund Investment Pool (TFIP)
6. Short-Term Investment Pool (STIP)

Other Restrictions:

2. A maximum of 95% of the market value of the portfolio will be invested in the Trust Fund Investment Pool (TFIP)

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.

APPENDIX II:

Insurance Funds: Investment Objectives and Guidelines

- Schedule II-A: *Pending Montana University System Group Insurance*
- Schedule II-B: *Pending Montana University System Workers Compensation*
- Schedule II-C: State Employee Group Benefits

Schedule II-C
Investment Objectives and Guidelines
State Employee Group Benefits

Effective Date of Schedule: April 5, 2017

This schedule is effective upon adoption by the Board of Investments and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of the investment objectives and guidelines is to provide a framework for the State Employee Group Benefits account under the guidance of the Board.

The State Employee Group Benefits account was established under MCA: 2-18-808 “to establish a program under which the state may provide state employees with adequate group hospitalization, health, medical, disability, life, and other related group benefits in an efficient manner and at an affordable cost.”

Statement of Purpose:

The purpose of these objectives and guidelines is to:

7. Establish the investment objectives and performance standards of the State Employee Group Benefits account; and
8. Provide diversified investment exposure within the guidelines in a prudent and cost effective manner.

Investment Objective:

Strategic:

The objective of the State Employee Group Benefits 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.

Performance:

Success in achieving this objective will be measured by comparing the risk and return of the account to the **Trust Funds Investment Pool benchmark, the Short-Term Investment Pool benchmark and the Bloomberg/Barclays 1-5 Year Treasury Index**, each weighted proportionately to the portfolio’s holdings, over a five-year moving average.

Time Horizon:

State Employee Group Benefits 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.

Investment Guidelines:

The Montana Board of Investments will have full discretion to manage the State Employee Group Benefits 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 of Investments at the next scheduled quarterly Board meeting.

Permitted Investments:

State Employee Group Benefits may only invest in the following:

7. Debt obligations of the U.S. Government, including its agencies and instrumentalities
8. Trust Fund Investment Pool (TFIP)
9. Short-Term Investment Pool (STIP)

Other Restrictions:

3. A maximum of 50% of the market value of the portfolio will be invested in U.S. Government/U.S. Agency securities;
4. U.S. Government/U.S. Agency securities will have a maximum maturity of 5 years;
5. A maximum of 40% of the market value of the portfolio will be invested in the Trust Fund Investment Pool (TFIP); and
6. A minimum of \$10 million will be invested in the Short-Term Investment Pool (STIP).

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.

APPENDIX III:

Operating Funds: Investment Objectives and Guidelines

- Schedule III-A: *Pending Montana State University*
- Schedule III-B: *Pending Montana Tech*
- Schedule III-C: *Pending University of Montana Operating Funds*