

[Return to Agenda](#)

# Call to Order

**REGULAR MEETING OF THE  
MONTANA BOARD OF INVESTMENTS  
DEPARTMENT OF COMMERCE  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
Helena, Montana**

**August 19-20, 2014**

**AGENDA – DAY 1**

**COMMITTEE MEETINGS**

- |   |                 |
|---|-----------------|
| <b>A. Audit Committee</b>   | <b>9:00 AM</b>  |
| 1. Public Comment – <i>Public Comment on issues with Committee Jurisdiction</i> |                 |
| 2. FY14 Internal Controls Report & Staff Response – <b>Decision</b>             |                 |
| 3. Internal Controls Policy Revisions – <b>Decision</b>                         |                 |
| 4. FY14 Legislative Financial Compliance Audit – Status                         |                 |
|   |                 |
| <b>B. Human Resource Committee</b>  | <b>9:30 AM</b>  |
| 1. Public Comment – <i>Public Comment on issues with Committee Jurisdiction</i> |                 |
| 2. Executive Director Comments  |                 |
|   |                 |
| <b>C. Loan Committee</b>  | <b>10:00 AM</b> |
| 1. Public Comment – <i>Public Comment on issues with Committee Jurisdiction</i> |                 |
| 2. INTERCAP Loan Program Request – <b>Decision</b>                              |                 |
|   |                 |
| <b>Tab 1 CALL TO ORDER – Mark Noennig, Chairman</b>                             | <b>10:30 AM</b> |
| A. Roll Call  |                 |
| B. Public Comment – <i>Public Comment on issues with Board Jurisdiction</i>     |                 |
| C. Approval of the May 2014 Meeting Minutes                                     |                 |
| D. Administrative Business  |                 |
| 1. Audit Committee Report   |                 |
| 2. Human Resource Committee Report  |                 |
| 3. Loan Committee Report  |                 |
| E. Board Education, Highlights from Denver Seminar                              |                 |
| F. Comments from PERS and TRS Board Members                                     |                 |
| G. Comments from Board Legislative Liaisons                                     |                 |
|   |                 |
| <b>Tab 2 EXECUTIVE DIRECTOR REPORTS – David Ewer</b>                            | <b>11:00 AM</b> |
| A. Member Requests from Prior Meeting   |                 |
| B. Quarterly Cost Report  |                 |
| C. October Board Meeting  |                 |
| D. Governance Policy Revision – <b>Decision</b>                                 |                 |
|   |                 |
| <b>Tab 3 MONTANA LOAN PROGRAM REPORT – Herb Kulow, MCMB</b>                     | <b>11:15 AM</b> |
|   |                 |
| <b>Tab 4 BOND PROGRAM REPORT – Louise Welsh</b>                                 | <b>11:30 AM</b> |
| A. INTERCAP   |                 |
| 1. Activity Report  |                 |
| 2. Staff Approved Loans Report  |                 |
| 3. Loan Committee Approved Loans Report   |                 |
| 4. Annual INTERCAP Loan Detail Report   |                 |
|   |                 |
| <b>Tab 5 INTERNALLY MANAGED FIXED INCOME RISK EXPOSURES</b>                     | <b>11:45 AM</b> |
| <b>Cliff Sheets, CFA, Nathan Sax, CFA, and Rich Cooley, CFA</b>                 |                 |
|   |                 |
| <b>LUNCH SERVED</b>   | <b>12:30 PM</b> |

<b>Tab 6 Custodial Bank Request for Proposal</b>	<b>1:00 PM</b>
<ul style="list-style-type: none"> <li>A. Staff Comments and Memorandum</li> <li>B. Comments from RVK's Jonathan Kowolik</li> <li>C. Comments from State Procurement</li> <li>D. Board Considerations, Deliberations and – <i>Decision</i></li> </ul>	
<b>BREAK</b>	<b>2:00 PM</b>
<b>Tab 7 BENCHMARKING ANALYSIS – Mike Heale, CEM Benchmarking</b>	<b>2:15 PM</b>
<ul style="list-style-type: none"> <li>A. CEM Presentation – Mike Heale</li> <li>B. Board Questions and Comments</li> </ul>	
<b>Tab 8 RVK, Inc. – OVERVIEW INTERPRETING PERFORMANCE REPORT</b>	<b>3:15 PM</b>
Becky Gratsinger, CFA, Jim Voytko and Mark Higgins, CFA	
<b>ADJOURNMENT</b>	<b>4:00 PM</b>

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**AGENDA – DAY 2**

<b>RECONVENE AND CALL TO ORDER – Mark Noennig, Chairman</b>	<b>8:00 AM</b>
<ul style="list-style-type: none"> <li>A. Roll Call</li> <li>B. Public Comment – <i>Public Comment on issues with Board Jurisdiction</i></li> </ul>	
<b>Tab 9 BUDGET – David Ewer</b>	<b>8:10 AM</b>
<ul style="list-style-type: none"> <li>A. Budget Submittal for FY16 and FY17 via E.P.P. (Executive Planning Process) – <i>Decision</i></li> <li>B. Board's Operating Budget for FY 15 – <i>Decision</i></li> </ul>	
<b>CONSULTANT REPORT – RVK, Inc. – Fiscal Year End Performance Report</b>	<b>9:00 AM</b>
<b>Tab 10 INVESTMENT ACTIVITIES/REPORTS – Cliff Sheets, CFA</b>	<b>9:30 AM</b>
<ul style="list-style-type: none"> <li>A. Retirement System Asset Allocation Report</li> <li>B. Public Equity Pool Reports – <b>Rande Muffick, CFA</b> <ul style="list-style-type: none"> <li>1. Domestic Equity (MDEP)</li> <li>2. International Equity (MTIP)</li> <li>3. Public Equity Manager Watch List</li> </ul> </li> </ul>	
<b>BREAK</b>	<b>10:15 AM</b>
<ul style="list-style-type: none"> <li>C. Private Asset Pool Reports – <b>Ethan Hurley, CAIA</b> <ul style="list-style-type: none"> <li>1. Private Equity Pool (MPEP)</li> <li>2. Real Estate Pool (MTRP)</li> </ul> </li> <li>D. Fixed Income Reports <ul style="list-style-type: none"> <li>1. Bond Pools (RFBP and TFIP) – <b>Nathan Sax, CFA</b></li> <li>2. Below Investment Grade Holdings</li> <li>3. Short-term (STIP) and Other Fixed Income Portfolios – <b>Richard Cooley, CFA</b></li> </ul> </li> </ul>	
<b>RECAP OF STAFF TO DO LIST AND ADJOURNMENT – Mark Noennig, Chairman</b>	<b>12:00 PM</b>
<b>Appendix</b>	
<ul style="list-style-type: none"> <li>A. Annual Board Meeting Schedule</li> <li>B. 24 Month Work Plan</li> <li>C. Acronym Index</li> <li>D. Terminology List</li> <li>E. Public Market Manager Evaluation Policy</li> <li>F. Educational Resources</li> </ul>	

**MONTANA BOARD OF INVESTMENTS  
DEPARTMENT OF COMMERCE  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
Helena, Montana**

**MINUTES OF THE MEETING  
May 20 - 21, 2014**

**BOARD MEMBERS PRESENT:**

Mark Noennig, Chairman  
Kathy Bessette  
Gary Buchanan  
Karl Englund  
Quinton Nyman  
Jack Prothero  
Marilyn Ryan  
Jon Satre  
Sheena Wilson

**LEGISLATIVE LIAISONS PRESENT:**

Senator Dave Lewis  
Representative Kelly McCarthy

**STAFF PRESENT:**

Polly Boutin, Associate Financial Manager	Herb Kulow, MCMB, Portfolio Manager, In-State Loan Program
Jason Brent, CFA, Alternative Investments Analyst	Tammy Lindgren, Investment Accountant
Geri Burton, Deputy Director	Gayle Moon, CPA, Financial Manager
Dana Chapman, Board Secretary	Rande Muffick, CFA, Portfolio Manager, Public Equities
Richard Cooley, CFA, Portfolio Manager, Fixed Income/STIP	Mary Noack, Network Administrator
Roberta Diaz, Investment Accountant	Jon Putnam, CFA, FRM, Fixed Income Investment Analyst
David Ewer, Executive Director	John Romasko, CFA, Fixed Income Investment Analyst
Julie Flynn, Bond Program Officer	Nathan Sax, CFA, Portfolio Manager, Fixed Income
Tim House, Equity Analyst/Investment Operations Chief	Clifford A. Sheets, CFA, Chief Investment Officer
Ethan Hurley, CAIA, Portfolio Manager, Alternative Equities	Steve Strong, Equity Investment Analyst
Ed Kelly, Alternative Investments Analyst	Louise Welsh, Senior Bond Program Officer
Eron Krpan, Investment Data Analyst	Dan Zarlino, CFA, Director of Research

**GUESTS:**

Becky Gratsinger, CFA, RVK, Inc.  
Jim Voytko, RVK, Inc.  
Mark Higgins, CFA, RVK, Inc.  
Julie Feldman, CPA, State Accountant, Department of Administration  
Cheryl Grey, Administrator, State Financial Services, DOA  
Chuck Johnson, Lee Newspapers

**CALL TO ORDER**

Board Chairman Mark Noennig called the regular meeting of the Board of Investments (Board) to order at 10:00 AM. As noted above, a quorum of Board Members was present.

Board Chairman Noennig asked for public comment. There was no public comment.

Chairman Noennig called for any corrections or revisions to the Board minutes from the April 8, 2014 Board meeting.

Board Member Jack Prothero made a Motion to approve the April 8, 2014, Board Meeting minutes. Member Sheena Wilson seconded the Motion. The Motion carried 9-0.

### **ADMINISTRATIVE BUSINESS**

#### **Audit Committee Report**

The Audit Committee did not meet.

#### **Human Resource Committee Report**

The Human Resource Committee met prior to the Board meeting. Human Resource Committee Chairman Karl Englund presented to the Board three items discussed in the meeting:

1. The Board is currently authorized and budgeted for 32 full time employees (FTE's) consisting of 8 exempt positions and 24 classified positions. The Committee asks the full Board annually to affirm the current staffing level.

Member Englund moved to affirm the current staffing level of 32 full time employees. Member Marilyn Ryan seconded. The motion carried 9-0.

2. The Committee reviewed the exempt staff pay plan for the eight exempt positions. The Committee reviewed pay rates as reported in the 2014 Bank Survey and the McLagan Survey. All positions increased in salary with the exception of the loan officer position which decreased for the period.

Member Englund moved to approve the inclusion of the survey results into the exempt pay plan. Member Jon Satre seconded. Chairman Noennig called for discussion on the motion.

Member Buchanan asked for clarification on whether there would be new pay range survey data available in time for the next annual review of exempt salaries. Deputy Director Geri Burton advised the McLagan survey is received in the fall and the annual Bank Survey is received each April.

With no further discussion, the motion carried 9-0.

3. The Committee reviewed the proposed pay rate increases for the eight exempt staff positions. Per the Exempt Pay Plan Policy, the factors considered when deciding on pay rates include:

- o Performance
- o Professional Credentials
- o Experience and Skill
- o Pay Equity

MBOI exempt staff is highly credentialed and skilled, and does excellent work. All non-exempt classified staff will receive a 5% pay increase in November of this year. The committee is recommending a 5% pay increase for each of the eight exempt staff, effective July 1, 2014.

Member Englund moved to approve the 5% pay increases for exempt staff as of July 1, 2014. Member Marilyn Ryan seconded.

Member Buchanan stated fiscal year end (FYE) benchmark performance comparisons should be considered when deciding raises for exempt staff and added he made a motion at the November 2013 Board meeting to stipulate FYE performance be considered. Performance evaluations on

exempt staff were completed November 2013. He asked what criteria were considered and if consideration was given regarding whether some staff performed better than others.

Member Englund stated it is an overstatement to conclude that the Board does not consider benchmark performance for performance evaluations. When reviewing the performance evaluations with the staff responsible for compiling them, the Committee takes a comprehensive look at overall performance, including benchmark comparisons, which is given significant consideration when setting salaries. The staff received very favorable reviews in November when the Committee reviewed performance evaluations.

Chairman Noennig noted some adjustments were made last time around for exempt staff. Tying raises only to benchmarks is inadequate as they are not the only measure of performance.

Senator Lewis clarified the legislature did not approve the 5% raises for classified staff, but rather it was the Governor who designated, through negotiations, for the 5%, effective November 2014. Additionally, the exempt staff raises become effective as of July 1, 2014 versus the classified staff raises which do not go into effect until mid-November.

With no further discussion, the motion to approve the 5% pay increases for exempt staff as of July 1, 2014 carried 9-0.

#### Loan Committee Report

The Loan Committee met prior to the Board meeting. Committee Chairman Jack Prothero reported the Committee approved one loan which requires full Board approval. The request is from Eagle Enterprises, LLC and Don K Chevrolet, Inc. in the amount of \$5,024,000.

Member Jack Prothero moved to approve the \$5,024,000 loan to Eagle Enterprises, LLC and Don K Chevrolet, Inc. Member Kathy Bessette seconded. The motion carried 9-0.

#### Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) Updates

Member Marilyn Ryan reported the TRS Board met on May 16, 2014 and approved the recommendations from the Cavanaugh McDonald Experience Study for the 5-year period ending July 1, 2013.

Price inflation was reduced from 3.50% to 3.25% and real wage growth assumption was reduced from 1% to 0.75% therefore the payroll growth assumption amortization as a level percent of pay will be reduced from 4.50% to 4.00%. The healthy post-retirement mortality was slightly less than expected while the rate of disabled post-retirement mortality was slightly higher than expected.

To comply with GASB (Governmental Accounting Standards Board) the actuaries recommended an investment return assumption that is net of expenses only. (The current investment return assumption is net of investment expenses and TRS administrative expenses.) The assumed investment rate of return remained the same at 7.75%.

Member Prothero asked if the actuary determined the funded percent of the pension plan.

Member Ryan stated yes, the information is in the report which she will send electronically to Board members. She added the GABA (Guaranteed Annual Benefit Adjustment) issue is still in litigation.

Member Sheena Wilson reported PERS has hired Mr. Dore Schwinden as Executive Director; last week was his first week on the job. Most recently Mr. Schwinden served as the Deputy Commissioner at the Department of Labor & Industry and he comes with a lot of management and legislative experience as well as IT experience.

Member Wilson stated there may be some movement on the GABA case before the court trial date, which is set for February 2015. The judge may grant summary judgment.

Chairman Noennig clarified there are two GABA cases ongoing, one each for TRS and PERS.

Member Wilson stated a Request for Proposal (RFP) has been issued for an investment advisor to manage the 401 and 457 retirement plans. Four applicants were automatically disqualified for failing to submit the correct documents. Two applicants have successfully advanced in the process, Wilshire and Buck Consultants (a Xerox subsidiary).

#### Legislative Liaisons Comments

Senator Dave Lewis stated the State Administration and Veterans' Affairs Interim Committee (SAVA) chairman has included on the June meeting agenda "the Status of SAVA's request that the PER Board, TRS Board, and Board of Investments hold meetings in Capitol."

Member Marilyn Ryan noted TRS is currently reviewing the meeting request.

Representative Kelly McCarthy reported the Governor has proposed issuing up to \$45 million in bonds for eastern Montana infrastructure improvements. A vote to approve the proposal may be conducted prior to the 2015 Legislative Session. The bond price would be 2.5% but would not be an MBOI issued bond.

Executive Director Ewer added details have not been provided yet. A General Obligation Bond or funding from the Coal Severance Tax would both require legislative approval. MBOI is not authorized to issue the bond.

Representative McCarthy agreed a special session may be called to address the bond issue and details are yet to be worked out.

#### Training and Education

Member Gary Buchanan expressed his concerns regarding Board training and education, an issue which was noted in the 2014 Legislative Performance Audit Report. Member Buchanan stated MBOI has a strong orientation program for new Board members, additionally, education and training have improved over time, but stronger actuarial/fiduciary training and increased opportunities for core competencies would be beneficial. Member Buchanan stated onsite training is preferred to help keep costs down and RVK, Inc. continues to be an important resource which should be utilized to a greater extent. Annual client conferences, education and retreats should all be options for training new and experienced Board members. Member Buchanan asked for input on best practices from Becky Gratsinger and Mark Higgins of RVK, Inc.

Mr. Higgins stated RVK conducts polling of clients to reveal the challenges shared by managers. They have distributed 20 interviews of Chief Officers polled so far. They are expanding their scope to include 200 current clients and should be able to provide comprehensive data by the end of the calendar year.

### **EXECUTIVE DIRECTOR'S REPORT**

#### Overall Comments

Executive Director David Ewer presented his executive director's memo.

A. Follow up Requests from Members:

Member Buchanan's request for time on the agenda was scheduled and Member Sheena Wilson's question for follow-up on Internal Controls was provided to her satisfaction.

B. The quarterly cost report is included in the Board packet.

C. Staffing was addressed with the Human Resource Committee report.

D. The budget memo details the budget process and includes the operational budget year to date. The budget is submitted to the Governor's office in August.

E. Custodial Bank Update. The Request for Proposal (RFP) was issued April 15, 2014. An informational conference call was conducted on April 28; two parties participated on the call. Responses to the RFP are due May 28, 2014. A comprehensive review of the submitted RFP's will be conducted by Procurement Bureau and MBOI RFP Committee members over the summer. Responding to a question from Member Jon Satre, Executive Director Ewer stated there were nearly 100 formal questions received from the RFP respondents. Those of a legal or technical nature were addressed by the Procurement Bureau. Finalists will be invited to Helena for onsite presentations.

F. Board Education Materials. Staff asked Board Members for input regarding what types of education and training is preferred. Access to investment publications, such as Pensions & Investments can be provided to Board Members and copies of the Dictionary of Investment terms are available. Board Members Jon Satre and Marilyn Ryan are attending the JP Morgan conference in Denver on June 5.

Member Karl Englund asked if RVK could order the manager pages in the quarterly performance report in a format more easily followed. Mr. Higgins stated the current order is alphabetical by asset class, i.e. large cap, small cap, mid cap, but the data can be reordered alpha by manager if the Board prefers. Member Sheena Wilson asked if a short narrative or summary explanation could also be added to the diagrams such as the scatter grams. Mr. Higgins stated notes are available and will be added. Mr. Jim Voytko added RVK can focus on the same graphics at each quarterly performance review, drawing attention to specific items of note that are relative to that quarter. Ms. Gratsinger suggested "how to read performance reports" may be a good educational topic for the Board, as well as providing a quarterly commentary of the market overview for the quarter in the resources section of the Board packet.

## **MONTANA LOAN PROGRAMS**

### **In-State Loan Program**

Mr. Herb Kulow presented an update of the commercial and residential loan program portfolios. Commercial loans totaled \$104,850,138 as of April 30, 2014. The current yield of the portfolio is 4.60%. There were three loans committed totaling \$2,030,000 and there are nine reservations totaling \$45,011,375 as of April 30, 2014. There are two past due loans between 30 and 90 days totaling \$206,750; and the Vann's bankruptcy loan for \$634,111.45 which has not been transferred to "other real estate owned" is awaiting settlement between the lender and the bankrupt owner. A Sheriff's sale is scheduled for June 6, 2014 and there is a potential buyer.

The residential mortgage balance is \$12,287,924 as of April 30, 2014. Twelve residential loans are past due over 30 days totaling \$635,792 which represents 5.17% of the portfolio. All past due loans are federally guaranteed.

The Veterans' Home Mortgage Loan Program (VHML) portfolio has grown to \$22,287,330 as of April 30, 2014, although activity has slowed for the program. Legislative allocation for the program is \$30,000,000. There are no past due loans.

Member Satre asked why the program use has slowed.

Mr. Kulow explained the initial demand for the program has mostly been satisfied at this point. The very favorable interest rate of 1.75% for a 30 year term requiring only a \$2,500 down payment by the borrowers, led to a rush to use the program when it first became available.

## BOND PROGRAM REPORTS

### Activity Report

Ms. Louise Welsh reviewed the quarterly Activity Summary Report and presented the staff approved loans.

The issue regarding the Ravalli County Treasurer's Office is ongoing; however, all of their INTERCAP loans are fully funded and paid current. The County inquired about the possibility of INTERCAP refinancing a few of their other bank loans. Staff is requiring receipt of their 2014 audited financial report before consideration.

Jefferson County is missing ~\$100,000 prompting the resignation of the Treasurer. A retired Meagher County Treasurer has been brought on board to help out. All INTERCAP loans with the County are funded and paid current.

Staff approved loans are listed below:

Borrower:	Lewis and Clark County
Purpose:	Finance Settler's Cove RID road improvements
Staff Approval Date	January 29, 2014
Board Loan Amount:	\$109,533
Other Funding Sources:	\$ 0
Total Project Cost:	\$109,533
Term:	15 years

Borrower:	City of Whitefish
Purpose:	Purchase an Ambulance
Staff Approval Date	January 31, 2014
Board Loan Amount:	\$155,597
Other Funding Sources:	\$ 0
Total Project Cost:	\$155,597
Term:	5 years

Borrower:	McCone County
Purpose:	Finance new Sheriff's Department vehicle
Staff Approval Date	February 3, 2014
Board Loan Amount:	\$37,640
Other Funding Sources:	\$ 0
Total Project Cost:	\$37,640
Term:	5 years

Borrower:	City of Whitefish
Purpose:	Purchase Police Department administration vehicle
Staff Approval Date	February 7, 2014
Board Loan Amount:	\$16,339
Other Funding Sources:	\$ 0
Total Project Cost:	\$16,339
Term:	3 years

Borrower:	City of Whitefish
Purpose:	Purchase 2014 Type I Fire Pumper
Staff Approval Date	February 13, 2014
Board Loan Amount:	\$485,112
Other Funding Sources:	\$ 0
Total Project Cost:	\$485,112
Term:	10 years

Borrower:	Missoula County
Purpose:	Purchase new vehicle and three dump trucks for Public Works staff and install security improvements at Public Works facility
Staff Approval Date	February 10, 2014
Board Loan Amount:	\$487,288
Other Funding Sources:	\$ 0
Total Project Cost:	\$487,288
Term:	3 years

Borrower:	Missoula County
Purpose:	Purchase six motor graders
Staff Approval Date	February 27, 2014
Board Loan Amount:	\$560,000
Other Funding Sources:	\$ 0
Total Project Cost:	\$560,000
Term:	5 years

Borrower:	Custer County
Purpose:	Purchase a new motor grader
Staff Approval Date	March 5, 2014
Board Loan Amount:	\$110,000
Other Funding Sources:	\$150,000
Total Project Cost:	\$260,000
Term:	5 years

Borrower:	Lewis and Clark County
Purpose:	Finance costs associated with constructing a Search & Rescue building.
Staff Approval Date	March 17, 2014
Board Loan Amount:	\$815,000
Other Funding Sources:	\$ 0
Total Project Cost:	\$815,000
Term:	9 years



**MONTANA UNIVERSITY SYSTEM**

Borrower:	MSU - Bozeman
Purpose:	Finance Wireless Campus Expansion
Staff Approval Date	January 7, 2014
Board Loan Amount:	\$ 279,347
Other Funding Sources:	\$1,220,653
Total Project Cost:	\$1,500,000
Term:	10 years

Borrower:	MSU - Bozeman
Purpose:	Purchase and license Argos Software
Staff Approval Date	January 7, 2014
Board Loan Amount:	\$127,600
Other Funding Sources:	\$ 0
Total Project Cost:	\$127,600
Term:	3 years

Borrower:	UM - Western
Purpose:	Purchase home and property within the campus boundary
Staff Approval Date	February 27, 2014
Board Loan Amount:	\$150,000
Other Funding Sources:	\$ 75,000
Total Project Cost:	\$225,000
Term:	15 years

**CORPORATE PROXY VOTING**

**Executive Director David Ewer, Mr. Cliff Sheets, CFA, CIO and Mr. Rande Muffick, CFA, Portfolio Manager - Public Equities**

Executive Director Ewer stated there are a host of public equity proxy issues which require a vote of the owners, the stockholders, of public corporations. The Legislative Auditors recommended in the 2014 Performance Audit (Performance Audit) that the Board adopt a proxy voting policy which is periodically reviewed by Board Members.

Executive Director Ewer explained the Board clearly has a proxy policy, but concurred with the Performance Audit recommendation that a timely review of the policy be brought before the Board and be added as a regularly scheduled item on the 24-month Systematic Work and Education Plan.

As public equity owners and fiduciaries, we are responsible to see that proxies are voted. MBOI delegates the voting of proxies to the individual external managers who manage the funds. Managers are required to provide their proxy guidelines to MBOI which are kept on file and staff obtains a summary of proxy votes from the service Broadridge Proxy Edge. Most managers use

external consultants to vote or provide advice on votes, in conjunction with individual manager preferences. The two services used are Institutional Shareholder Services (ISS) and Glass, Lewis & Co.

Securities out on loan are not eligible for voting, but are sometimes called back so they can be voted. There are also “no trade” quiet periods which affect foreign countries, during which equities cannot be voted.

Executive Director Ewer stated generally, proxies are voted in accordance with the best economic advantage of MBOI and the managers. The current system is working well, especially when considering the added time, due diligence and responsibility voting proxies would require of staff.

Mr. Sheets advised he spoke to ISS about their services and rates charged. They offer a standard turn key product which can be customized according to customer preferences at additional cost.

Responding to a question from Chairman Noennig, Mr. Muffick stated managers do not insist that they be allowed to vote proxies and it is not an issue raised when negotiating manager contracts. Mr. Sheets added most proxy votes are inconsequential to stock price or economics.

Chairman Noennig asked if there is no economic impact but fees are paid to do it, where is the justification for voting proxies.

Mr. Sheets stated proxy voting is an important function of corporate governance. Occasionally a more important issue arises which has direct economic impact, but most are benign and non-controversial. More issues have been introduced by shareholders since the days of Enron and corporate fraud issues; some are political or address transparency issues.

Member Buchanan added clients dislike proxies and most are benign and asked if there are concerns with proxies.

Member Englund noted the proxy issue was raised in the Performance Audit. Chairman Noennig added a legislator also requested we look at social and/or political issues; however, the Board is fiduciarily bound.

Member Englund stated the Performance Audit recommended adoption of a proxy policy; however, the current policy looks sufficient and allows for managers to vote proxies and fulfills the Board's fiduciary duty.

Member Englund asked if our investment advisors are covered by the Employee Retirement Income Securities Act (ERISA).

Executive Director Ewer noted it is common for managers to acknowledge their need to act in the best interests of the clients.

Ms. Becky Gratsinger affirmed it is an ERISA duty to vote fiduciarily and the institutional investor world has devised to meet ERISA and unless a social policy intervenes, they vote accordingly.

Responding to a question from Member Englund, Mr. Sheets noted some managers do vote proxies in house rather than hire a service such as ISS. MBOI always has the option to take voting from the managers and hire a service such as Institutional Shareholder Services (ISS) or Glass, Lewis & Co. or utilize a combination of a service and/or staff, which would require monitoring compliance. Additionally, managers could be directed to use different voting standards.

Executive Director Ewer stated the current system is functioning well and staff will now bring proxy voting before the full Board on a regular schedule.

### **CONSULTANT REPORT**

Ms. Becky Gratsinger, CFA, Mr. Jim Voytko and Mr. Mark Higgins, CFA, RVK, Inc.

Ms. Becky Gratsinger stated RVK, Inc. has recently undergone a name change and added a new look to their materials. Ms. Gratsinger added this is her 20<sup>th</sup> year with the company. Mr. Jim Voytko stated a group of young professionals has just been promoted to consultants. Ms. Gratsinger reported the market environment had a volatile start for the quarter ending March 31, 2014, but overall ended positive for the quarter. The S&P 500 returned 1.8%, small cap stocks pulled back and international stocks continue to perform weaker than domestic stocks. Emerging markets were weak; the bond market was positive returning 1.84% for the quarter. REITs returned 10.13% for the quarter.

On the basis of cyclically-adjusted Price to Earnings (P/E) ratios, stock prices are at high levels in the U.S., with small caps valued at higher levels than large caps. Emerging markets on the other hand have relatively attractive valuations, but also face a number of unique headwinds. Italy, Portugal, Spain and Greece suffer from debt and high unemployment, especially in Greece and Spain, although yields in Europe have started to normalize. Public debt to Gross Domestic Product (GDP) is also high.

For emerging markets, the focus is on China. China's GDP growth is still in the 7–7.5% range. While this is three times what you'd expect to see in the U.S., it is a more moderate rate than China experienced in previous years.

REITs were the best performing traditional asset class for the quarter. Most sectors performed well, but hotels were the weakest. Commodities and long duration bonds also performed well. Certain sectors of the market did well. Utilities and health care performed the best, while telecom was at the bottom. The Consumer Price Index (CPI) remained benign; the Fed will be monitoring, but for now there are no inflation concerns.

Member Jack Prothero asked what the outlook for the future is.

Mr. Voytko stated the question of whether stocks are currently overvalued is a concern. By historical standards, stocks appear to be highly valued, but fixed income yields are also at historical lows. Some economists argue that lofty stock valuations are justifiable by virtue of the fact that fixed income is offering so little now. On the flipside, many economists argue that corporate profit margins are at all-time highs, and that earnings margins have to regress at some point or even go down.

Member England observed the health care sector has seen high returns over the 1, 3 and 5-year time periods, and asked if the trend will likely continue.

Ms. Gratsinger stated health care insurance reform is ongoing and is still uncertain. Mr. Voytko added that however health care unfolds, the sector is bound to expand and will likely undergo mergers and acquisitions as health care reform goes forward.

Responding to a question from Executive Director Ewer, Ms. Gratsinger noted the financial sector continues to suffer and has not come back. The S&P 500 Index is well diversified; the financial sector totals 18% of the index. In comparison, the international markets contain 26.63% in the financial sector, dragging down returns.

Ms. Gratsinger reviewed return performance for the nine retirement plans for the quarter ending March 31, 2014. Private equity had the best returns of all the asset classes for the quarter, although below the benchmark due to the one quarter lag environment of private equity and the high return expectation.

Member Buchanan observed with the continued strong performance of public equities, the high private equity benchmark expectation along with the quarter lag effect, the drag from private equity will continue.

Mr. Voytko agreed that private equity will continue to have a drag on returns. It would take two flat quarters in equities to see the numbers right themselves for private equity. The high threshold of the S&P 1500 benchmark plus the 4% premium expectation placed on private equity means the lag will continue over the long term.

Chairman Noennig noted over ten years, private equity has been the strongest returning asset class in the portfolio by far.

Ms. Gratsinger added the portfolio structural difference vs. peer plans has helped BOI. Mr. Voytko stated peers are using different strategies based on liabilities and asset differences. BOI has underperformed relative to the total fund benchmark; however, this is due mainly to private equity.

Chairman Noennig stated the portfolio has benefited from the bias to U.S. equities vs. international compared to peers with more balanced allocations.

Mr. Voytko stated lower exposure to commodities, which have performed badly, has also helped portfolio performance.

Member Englund observed BOI consistently outperforms other peer plans but underperforms the benchmark.

Ms. Gratsinger stated alternative options are not good and all peers experience a lag vs. the benchmark when it comes to private equity. The benchmark is not ideal, but it is the best option available. Mr. Voytko added there are times when benchmark options should be revisited or in cases where they cause Boards to make unwise choices. BOI is not unlike peers, most use the S&P 1500 plus a 3-5% premium for private equity.

Chairman Noennig added that while the return numbers for the 1, 3 and 5-year periods reflect negatively vs. the benchmark, the longer term 7 and 10-year periods are positive.

Ms. Gratsinger reviewed plan risk and return. The overall plan beta is .56 which is right at the median compared to equity in peer plans. The portfolio standard deviation is 9% compared to the median of 9.65%, so the portfolio has considerably less risk but is on target with returns. Mr. Voytko added there are many measurements of risk that look at how sensitive the portfolio is to fluctuations in stock market ups and downs.

Member Buchanan asked if the plan actuary has looked at whether a rate of 7.75% is realistic going forward.

Ms. Gratsinger stated no, although going forward there will likely be a correction and many think asset allocation could prove more challenging over the next ten years. Mr. Voytko added all forward assumptions have been reined in and the market is not expected to continue at current levels. Assumed rate of return is used to set contribution levels which over the long term will be sufficient to fund benefits over a long time horizon.

Mr. Mark Higgins reviewed asset class comparisons. The Domestic Equity Pool (MDEP) and the International Equity Pool (MTIP) have both improved, aided in part by the recent move into passive equities and the termination of underperforming managers. The Retirement Fund Bond Pool (RFBP) and the Trust Fund Bond Pool (TFBP) are both doing well. Real estate vs. the universe performed the best, but the universe is based on core holdings and BOI has a lot in the portfolio in addition to

core, so a comparison is a bit of a mismatch. The Montana Private Equity Pool (MPEP) returned 11% over the 10-year period. Overall, the portfolio had a very solid performance. The recent decision to become more efficient with passive should pay off, although it's still early. Mr. Voytko suggested letting the new strategy run its course through a market cycle before making any judgments is the best strategy for now.

Mr. Higgins gave brief highlights of equity managers. The two recent domestic equity manager additions, Iridian Asset Management and Nicholas Investment Partners, have both done very well so far. Since inception, each has outperformed the benchmark by over 1000 basis points. For international equities, value manager AllianceBernstein is still cause for concern, although they have had a solid year. Martin Currie has recovered pretty well and the three year returns look good, but we will continue to monitor them. American Century has a senior person retiring and another left due to a move from the area. Personnel changes are always looked at, including who will be replacing the ones who depart. Post Advisory has undergone several personnel changes; however, the new person has done well and brought good people on board, so it should be smooth sailing.

## **INVESTMENT ACTIVITIES/REPORTS**

### Retirement System Asset Allocation Report

Mr. Cliff Sheets presented the asset allocation report for the nine pension funds for the quarter ending March 31, 2014. The quarter was positive with nearly a 2% return, although not up to the 2013 levels. Assets increased by \$135 million for the quarter net of distributions. Private equity and fixed income led the way, but all asset classes were positive for the quarter.

The allocation to total equities decreased by 0.2% to 68.1% for the quarter due to public stock and private equity sales and dilution due to the stronger return from other asset classes. International equity allocation was down -0.1% to 17.5%, due to weaker relative performance. Private equity sales of \$35 million for the quarter, not including the secondary sale of assets, was offset by a strong return of 4.5%

Member England asked where the cash proceeds went.

Mr. Sheets explained cash coming into the private equity pool goes into an equitized liquidity vehicle, a fund invested in S&P 500 futures which mirrors the S&P 500 to ensure the funds stay fully invested and to accommodate capital calls. Typically the pension cash allocation which is invested in STIP is kept at approximately 1% but increased to nearly 1.4% for the quarter. An additional \$37 million was injected into fixed income which raised the allocation up to 21.8%, just below the 22% minimum allocation. As of market close yesterday, fixed income was just slightly above 22%. Real estate returned 2.9% for the quarter. Relative to peers, the portfolio has done well and absolute returns are strong, aided by the asset allocation mix. The portfolio bias towards domestic equity, the absence of hedge funds and commodities, and a moderately higher allocation to private equity and real estate have all helped absolute returns.

The 5-year trailing performance return period starts near the stock market bottom at March 2009, providing the perfect time frame for the 5-year trailing numbers. A similar period of growth is unlikely to be repeated.

For the quarter ending March 31, 2014, peer group comparisons provided by State Street Bank show that relative to peers, overall portfolio performance has benefited from a slightly higher allocation to public equities and a higher allocation of domestic equity vs. international equity. The peer group is comprised of a custom group of 30 public plans in the \$3 - \$20 billion range with at least 30% equity. Fixed income is near the peer median and cash is below the median. All public fund universes are different and don't offer transparency of holdings. Private equity is at the median; generally larger plans have a heavier weighting and four of the 30 contain no real estate. The portfolio is very equity biased and therefore carries a lot of equity risk; however, this generally leads to higher returns over

the long term. Relative performance has improved and the portfolio has taken on less risk/volatility compared to peers.

### **Private Asset Pool Reviews**

#### **Montana Private Equity Pool (MPEP)**

Mr. Ethan Hurley presented the Montana Private Equity Pool report for the quarter ending December 31, 2013. Thirteen of the last 14 quarters have realized net positive cash flows for the pool. Pool exposure is mostly in direct investments. Fund of funds will continue to decline. Data is not available at the individual fund level yet for 10-year internal rate of return (IRR) but should be available by the third quarter. The overall portfolio has an IRR of 12.62%, net of all fees, since inception.

Member Jack Prothero asked if there were any funds of particular concern.

Mr. Hurley noted both J.C. Flowers and Terra Firma Capital Partners remain a concern, but are being held for now. If they were sold it would be at a severe discount. There are no new issues of concern.

Mr. Hurley stated there were two new commitments of \$20 million each since the last Board meeting. Trilantic Energy Partners and GI Partners Fund IV, LP. Trilantic is a co-investment buyout fund investing side by side with Trilantic Capital Partners Fund V, which MBOI is already invested in. Trilantic Energy provides a strategic focus and uses an innovative approach and this fund offers an attractive fee structure.

Member Satre asked which markets GI Partners is seeking. Mr. Hurley stated they focus on four targeted sectors: IT infrastructure and services, healthcare, retail and leisure, and financial and real estate services.

Mr. Hurley reported net IRR pool performance is right at the median on the State Street Private Equity Index.

<b>Fund Name</b>	<b>Vintage</b>	<b>Subclass</b>	<b>Sector</b>	<b>Amount</b>	<b>Date</b>
Trilantic Energy Partners (North America), LP	2014	Buyout	Energy	\$20M	3/19/2014
GI Partners Fund IV, LP	2014	Buyout	Diversified	\$20M	3/19/2014

#### **Montana Real Estate Pool (MTRP)**

Mr. Ethan Hurley presented the Montana Real Estate Pool report for the quarter ending December 31, 2013. Cash flows for the quarter were positive in general for non-core funds due to massive distributions and sales of funds. The portfolio is well diversified across the risk spectrum and geographic exposure, and is balanced and diversified by property type. The pool includes just over 10% of market value in foreign exposure.

Core funds had positive relative returns to the benchmark and the portfolio continues its positive momentum.

Mr. Sheets added that real estate bottomed later than stocks in the market downturn; in one year we should see much better 5-year returns given an inception date near the low.

Mr. Hurley reported the IRR continues positive momentum. There was one new commitment since the last Board meeting listed below.

<b>Fund Name</b>	<b>Vintage</b>	<b>Subclass</b>	<b>Sector</b>	<b>Amount</b>	<b>Date</b>
CBRE Strategic Partners US Value Fund 7, LP	2014	Value Add	Diverse	\$15M	3/17/2014

Member Prothero asked when determining new investments in MTRP and MPEP, how many different investments are reviewed.

Mr. Hurley stated he has tracked all funds that come through the door. Over the last three years 2,300 private equity funds and 700 real estate funds have been tracked, of which MBOI has invested in 1%.

There is an established framework which enables staff to cull through the ones that don't fit.

Mr. Sheets added the world of private equity is very large with a lot of large firms. Options vary from broad to very specialized and we receive a lot of arcane pitches.

Mr. Hurley stated staff focuses on what fits, our key relationships and who performs. New additions are generally split 50/50 between known names and new relationships. Private equity is a \$3.5 trillion dollar business globally.

#### Partnership Focus List

There were no changes to the MPEP or MTRP Focus lists since the last Board Meeting.

#### Montana Domestic Equity Pool (MDEP)

Mr. Rande Muffick reported on the Montana Domestic Equity Pool (MDEP) for the quarter ending March 31, 2014. A lot of shifting is going on in the domestic market and there was a 7% intraday correction during the quarter. The quarter ended with slight gains as investors steered away from the pricier growth stocks and favored value stocks.

MBOI portfolios continued to be slightly cyclical as health care and utilities led the quarter. Artisan and TimesSquare both had tough quarters in having more beta than they realized. This positioning paid off in 2013, but they gave back some performance in the first quarter because of it.

J. P. Morgan and T. Rowe Price have the largest weights in the pool and both have tracked off the benchmark a bit. J. P. Morgan 130/30, in addition to having the largest pool weighting, has large tracking error and therefore relative performance fluctuations of this manager can affect the whole pool to a greater degree than our other managers.

Generally MDEP still had a good quarter due in part to momentum of the two new managers, Iridian and Nicholas, although any pull back may drag on performance going forward. Some managers have been on a great run so may experience pull back as well. Six of the 13 active managers outperformed the benchmark; however, many are giving back some relative performance so far in the second quarter and midcaps are suffering vs. large caps.

#### Montana International Equity Pool (MTIP)

Mr. Muffick reported the Montana International Equity Pool (MTIP) mirrored many of the same dynamics as the domestic market for the quarter ending March 31, 2014. Large caps are finding preference over small caps and investors are going more for value stocks over growth stocks although not as pronounced as U.S. markets. Three of the five managers outperformed the benchmark, not including the two new managers who have only been on board a month. The new managers, Franklin Templeton and American Century, both started on March 3 and we are confident they will perform well, although at this early point are both behind 39 basis points compared to their benchmarks. American Century is experiencing some personnel changes at the top, as RVK mentioned. The second in command left, which was unexpected. Replacement of key personnel is always an issue and though we have not added them to the watch list, we will continue to monitor. The key person remains with the firm.

Emerging markets trailed for the quarter, but have turned around since quarter end. Growth stocks are still outperforming value. Mr. Sheets added there is some exposure to emerging markets through the passive index funds.

Responding to a question from Member Englund about continuing concerns for Alliance Bernstein, Mr. Muffick stated they are the manager of biggest concern at this time. A deep value manager with lots of cheap stocks of distressed companies, they should be outperforming but it hasn't happened this time around. The economy is rallying around the globe and this should be to Bernstein's advantage, but so far they are our biggest disappointment during this bull market run.

Mr. Jim Voytko added maintaining a patient strategy to see if Alliance Bernstein will recover is recommended at this time, rather than terminating them at the bottom of performance.

Public Equity External Manager Watch List

Mr. Muffick stated there were no changes this quarter to the watch list. Hansberger has undergone management/ownership changes and there has been a separation of the growth and value teams. The value team, which has struggled, has lost a significant amount of assets. The growth team has been bought out by Madison Asset Management. MBOI is only invested with the growth team, so this should not have an impact on our investments.

**PUBLIC EQUITIES MANAGER WATCH LIST**  
March 2014

<b>Manager</b>	<b>Style Bucket</b>	<b>Reason</b>	<b>\$ Invested (mil)</b>	<b>Inclusion Date</b>
Alliance Bernstein	International – LC Value	Performance	\$113.9	August 2012
Hansberger	International – LC Growth	Performance, Ownership Change	\$118.9	May 2013

**CASH MANAGEMENT**

Cash Management of State Monies – Gayle Moon, CPA, Financial Manager, Rich Cooley, CFA, Portfolio Manager – Fixed Income/STIP and Julie Feldman, CPA, Bureau Chief, State Accounting Bureau

Executive Director Ewer stated this is the second time presenting cash management to the Board since its addition as a permanent item in the 24 Month Systematic Work and Education Plan. The Board administers the constitutionally mandated Unified Investment Program which manages almost all state monies. The Board's utility is to keep state monies flowing: payroll, retirement benefits, etc. and totals in the billions each year and includes the processing of tens of thousands of transactions annually.

Ms. Gayle Moon detailed the cash movement of money in and out through the Department of Administration's Treasury Unit, US Bank in Helena, the state's depository bank, and the state's custodial bank, State Street Bank of Boston. There are five types of money:

- STIP (Short Term Investment Pool) – daily buy/sell tickets generated by participants utilizing the state's EPass account. These transactions are electronically submitted to the custodial bank's transfer agent InvestTA. The custodial bank processes the local government transactions using Electronic Funds Transfer via ACH (Automated Clearing House).
- Commercial Loans – ACH or wire via US Bank SinglePoint system
- Alternative Equities
- Investment Trades
- Daily US Bank repurchase agreement, also known as the "sweep."

Ms. Moon stated all fund transfers require two staff members. For example, private equity capital calls and distributions are processed by Ms. Polly Boutin and Ms. Roberta Diaz via the Cash Flow Module (CFM) provided by the custodial bank's Private Edge group. Public equity trade wire purchases and sales are verified by Ms. Boutin. Ms. Tammy Lindgren uses the depository bank's SinglePoint module to finalize the net wire as reported on the daily Cash Movement Sheet. The end of business day "sweep" transaction of cash in excess of \$3 million is deposited to US Bank. Ms. Moon, Mr. Frank Cornwell and Ms. Boutin review the cash balances.

Member Ryan asked if there is sufficient cross-over. Ms. Moon stated all transactions have assigned accountants, plus all transaction duties have back up staff trained in the procedures.

Member Prothero asked about potential risks in the process and assurances against fraud and mistakes, or in the case of Ms. Moon's absence from the office.

Ms. Moon stated before the previous Executive Director Carroll South retired, the ePass system was implemented for STIP. Buy/sell transactions are received electronically, input into a spread sheet and verified before transmission to InvestTA. After the template is sent, balances are verified to assure that STIP participants have sufficient funds to process the transactions on InvestTA. If Ms. Moon is out of the office, Mr. Cornwell and Ms. Boutin approve the daily SABHRS transactions. Daily STIP buy/sell transactions downloaded from InvestTA are imported to the state accounting system, SABHRS. Staff is always on the lookout for ways to fine tune the system to make it run more efficiently and/or more securely.

Executive Director Ewer noted the system has been converted from paper to an electronically traced system and there are lots of eyes monitoring the system. There are security measures in place such as the segregation of duties, stop limits on the size of transactions approved by State Street Bank and a highly professional accounting staff.

Ms. Moon advised the Online Electronic Deposit (OED) system has been in place at MBOI for a year and a half which eliminated the need to physically transport checks. The checks are now scanned and deposited electronically, to US Bank eliminating the need for armored car service. Very few checks are received, usually Colson or litigation checks. Responding to a question from Member Jon Satre, Ms. Moon noted the daily "sweep" does not go to State Street Bank, but rather stays at US Bank, which provides a collateral report daily.

Ms. Cheryl Grey, Administrator at State Financial Services, Department of Administration (DOA), stated all payments and deposits go through the state accounting system. SABHRS has internal controls and warrants are reconciled daily. The Treasury Unit deposits collections and reconciles all fund transfers and has daily communications with MBOI. The US Bank SinglePoint system is used by MBOI and the state accounting system. The contract for US Bank expires in 2021. DOA is always looking for ways to streamline the system. Agencies not managing cash correctly can be assessed penalty fees under federal law.

Member Buchanan asked about the recent news story regarding the \$45 million bond issue proposed for infrastructure improvements in eastern Montana to support the rapid growth the area is experiencing.

Ms. Julie Feldman stated details will depend on the type of bond to be issued, which has not been determined at this time. General Obligation bonds are issued by the State Treasurer's Office.

Mr. Rich Cooley explained the daily process of cash movement. The US Bank SinglePoint custom report gathers all the summary data from the bank which shows the beginning balance including deposits, debits, ACH listing wires and floats, warrants cashed and also any unavailable amounts. The Repo Sweep is determined and signed off on, then given to accounting. All data is compiled on a spreadsheet which shows how much is available to invest while staying within policy liquidity limits

of \$150 million per day or \$250 million per week to provide sufficient funds for liquidity needs such as trades, payroll, Office of Public Instruction (OPI) and how much is available to invest in STIP. This is compared to the State Street Bank transactions spreadsheet of maturities, income, ACH in or out by STIP participants, to determine the net daily wire in or out from MBOI to State Street Bank. Amounts over \$3 million go into the SWEEP account. The ending balance for the day after all transactions is the beginning balance for the next business day.

Member Ryan asked when State Street Bank started as MBOI's custodial bank and Ms. Moon stated they started in 1993.

Responding to a question from Representative Kelly McCarthy, Ms. Julie Feldman stated three banks bid for the role of depository bank when US Bank was hired. They have a strong Montana presence and they handle a lot of government agency work. There is a local account representative in Montana, but business is conducted with representatives located throughout the country.

Executive Director Ewer noted MBOI's numbers must tie to the State's accounting system, which Ms. Feldman oversees as the principal state accountant for the annual report and that the Board works closely with the Treasurer's Office as well.

### **ADJOURNMENT**

The meeting was adjourned for the day at 4:20 PM.

### **CALL TO ORDER**

Board Chairman Mark Noennig called the regular meeting of the Board of Investments (Board) to order at 9:00 AM. As noted above, a quorum of Board Members was present. Chairman Noennig called for public comment. There was no public comment.

### **INVESTMENT ACTIVITIES/REPORTS**

#### **Fixed Income**

Mr. Nathan Sax presented the Fixed Income overview and strategy. Calendar year 2013 had a negative total return and over the first quarter interest rates went down while investors were positioned for rates to increase. Real GDP for the first quarter was just 0.1% based on the initial release. Corporate bond yield spreads tightened as investors were taking more risk with investment grades. Spreads which spiked in 2008 have come back to pre-crisis levels. Tight spreads may not continue over the long run. Global inflation remains low and economic expansion factors are all suppressed. The Federal Reserve Board is scheduled to end tapering and discontinue the purchases of treasury and mortgage backed securities by the end of the year.

Three quarters of all fixed income is managed by staff in house. The remaining 25% is externally managed and is split out between high yield and core plus managers. Reams, which manages 11.5% of the total, is one of the core plus managers and their current strategy involves giving up income to the index with their focus on short duration and a lower credit exposure than benchmark, and they may struggle if rates stay at current levels or go down. Aberdeen is at the 99<sup>th</sup> percentile vs. peers over the one year term but that could be short lived due to a currency exposure with the Mexican Peso which detracted. They have done well over the longer term. The Core Internal Bond Portfolio (CIBP) outperformed the benchmark by +210 basis points over 5 years, but has pulled back some over the fiscal year to date. Neuberger Berman continues to perform well.

Post Advisors remains on the watch list due to a recent management shakeup including the departure of the company's founder who left to start a competing company and an associated loss in some of their assets under management. They will remain on the watch list for now but are expected to stabilize. Performance has been good, placing in the top decile over three years.

Mr. Sax stated there was one change to the below investment grade list. Zions Bancorporation comes off the list as it matured last week. Lehman Brothers is expected to return 23 cents on the dollar.

Member Jack Prothero asked if a metric providing the risk of the internal bond fund portfolio could be developed to determine the riskiness of the portfolio.

Mr. Cliff Sheets stated the staff report to the board now shows such things as corporate bond exposure and high yield exposure which are both compared vs. policy and relative duration is also shown. The Core and Trust funds show effective duration and the spread implies a broad picture of risk.

Mr. Sax added investment policies control our sector exposures. Staff could compile performance and liquidity for the Board. Mr. Sheets noted more detail on holdings and exposure across the rating systems could be provided.

Member Prothero and Member Jon Satre agreed that periodically the Board would like to see more detailed analysis.

Mr. Sheets stated staff will discuss options for collecting the most useful information and will present it to the Board at the next meeting.

#### Short Term Investment Pool, State Fund Insurance & Treasurer's Fund Report

Mr. Rich Cooley gave an overview of the Short Term Investment Pool (STIP) for the quarter ending March 31, 2014. The STIP balance at quarter end was \$2.6 billion, down \$100 million from three months ago. Low interest rates continue with fed funds between 0 – 25 basis points. Low interest rates since 2008 have driven down absolute short term rates forcing investors into longer term securities to find yield. Seven years ago STIP generated about \$130 million in income annually, now that figure is down to around \$6 million.

The STIP portfolio is within all guidelines for liquidity, diversification and average days to maturity, currently 51 days, compared to the policy maximum of 60 days. The STIP current net yield is at 11 basis points, compared to the benchmark one month LIBOR rate of 15 basis points.

Purchases of \$332 million over the quarter were mostly in the form of longer term securities with terms of up to two years, Yankee CDs and 2-year floaters, mostly to try and pick up more yield. Prior to last quarter there were 2-year securities which have since matured and rolled off at rates that cannot be replaced and therefore portfolio yield is coming down. Reserve fund deductions have been reduced from \$12,500 to \$11,000 per day in recognition of this.

Member Satre asked if interest rates stay at current levels, will staff continue to reduce the amount being added each day to the reserve fund. Mr. Cooley stated yes, if necessary to maintain a yield between 10 – 12 basis points is the target return. Current money market returns are between 4 and 10 basis points, so the portfolio return is competitive.

Mr. Cooley presented an overview of the State Fund Insurance portfolio for the quarter ending March 31, 2014. Fixed income rates are down; the ten year Treasury yield decreased from 3.03% to 2.72% for the quarter. The portfolio is defensively positioned. Total fixed income outperformed the benchmark by 29 basis points during the quarter and by 60 basis points over one year, aided by higher-than-average corporate exposure in the account. Long term returns compared to the fixed income benchmark were +93 basis points for three years, +196 basis points over five years, and +50 basis points for the past ten years for the quarter ending March 31, 2014.

There were sales of \$5 million in equity units in the quarter to maintain the client preference of a 12% maximum allocation to equities. Total equity return fiscal year to date was 18.07%. Real estate

returned 7.99% fiscal year to date with a current allocation of 5.26%. The policy range for real estate is 3%-7%. Equities and real estate have added substantial return to the portfolio. Fiscal year to date return for the total fund is 4.27% compared to the composite benchmark return of 3.43%.

Mr. Cooley reviewed the Treasurer's Fund. The fund totaled \$872 million at March 31, 2014. Half of that amount is in the General Fund in the form of STIP to provide liquidity. Purchases for the quarter included \$30 million of security purchases. Purchases are traditionally of 3-year agencies or Treasuries, and some were purchased when interest rates briefly spiked, but given current market interest rates additional purchases are not contemplated at the moment.

### **MONTANA PRIVATE EQUITY AND REAL ESTATE REVIEW**

#### Mr. Cliff Sheets, CFA, CIO and Mr. Ethan Hurley, CFA, Portfolio Manager – Alternative Investments

Mr. Ethan Hurley presented the general characteristics of private equity and real estate. Private equity is a finite life vehicle in the form of limited partner relationships; the manager is the general partner and MBOI is a limited partner in the funds. The investment periods are generally 4–6 years for private equity and 2-4 years for real estate. Fund sizes vary and incentive fees are paid after certain hurdles are met.

Private equity is not a “standard” business and all funds are different. Significant risk is taken on with the underlying investments; therefore staff carefully looks at audits, reference checks, etc., and conducts an educated, informed analysis before making an investment.

In response to a question, Mr. Hurley explained the mechanism for preferred return, when this feature exists, requires that the general partners return all invested capital, all expenses plus an 8% rate of return before they participate in the profits of a fund investment. Responding to a question from Chairman Noennig, Mr. Hurley advised in the case of finder's fees or placement agent fees, the general partner has a negotiated fee of what BOI's investment will be, but the fee is paid from the general fund by the general partner. Anything over and above the 8% return and the return of all management fees, the general partner then receives their 20% carry. Mr. Sheets added in the case where a fund has no profits, such as the case with Flowers, no fees or profits are recovered.

Mr. Hurley reviewed the life cycle of a fund and added all aspects of an investment are negotiable. The typical investment period is limited to five years, however sometimes it's prudent to beyond five. Capital calls in the first five years lead to negative cash when calls exceed distributions to the LPs. When the investment period ends only a portion of capital can be called for expenses and follow-on investments and distributions typically begin. Management fees generally decrease after the investment period when they are based on invested cost rather than on committed capital during the investment period.

Mr. Hurley reviewed the different aspects of private equity: how value is created, the risks involved in the asset class and the associated costs. Value is created through increased growth in earnings, capital/debt restructure, a change/upgrade in management and board structures, increase in sales force and marketing, mergers and acquisitions, financing strategies, reducing headcount, exiting non-profitable sectors and achieving company control.

The risks in private equity include operating/execution risk, financial leveraging, valuation risk, which can be subjective, and the aspect that value is not discovered until a sales process is completed, i.e. when buyer and seller strike a deal and investment exit occurs. Risk is offset by diversification, investing primarily in U.S. with very little international exposure, diversifying over a market cycle and not overcommitting in bad years.

The costs associated with investing in private equity are higher than traditional asset classes. Fee structure is generally “2 and 20,” 2% management fee and 20% carry or profit participation, although venture capital is typically more expensive at 2.5% and 20. Responding to a question from Member

Karl Englund, Mr. Hurley stated venture capital generally has a very long duration, often with a 7 or 8 year life cycle at the portfolio company level. MBOI currently has 19.6% in venture capital but is slowly decreasing the allocation by letting it naturally wind down. Successful venture capital firms are exceedingly difficult to access, with approximately 5% of firms are responsible for 95% of returns. Staff will continue to consider firms such as Northgate Capital Partners, a fund of funds manager, which has limited access to high performing venture capital managers.

Mr. Sheets added that we will occasionally re-up with a venture capital manager we have a relationship with, but we do have "access challenge" and venture capital are long tail investments where we may not realize gains for 10 years. Buyouts also tend to be risky, but generally are a better fit.

Mr. Hurley stated buyouts are the largest private equity holding at 70.6% and offer more opportunities to buy, exit and create value. The remaining private equity portfolio contains 8.6% in distressed debt which focuses on financial or operational restructuring and 1.2% of mezzanine which finances acquisitions, recapitalization and growth.

Mr. Hurley concluded that private equity is a relationship business involving the active building of relationships which staff does. He stated there are some legacy names which have not performed well and so re-investing with these GPs will not be considered. Staff attends their meetings and participates on some advisory committees as well as calling on the general partners regularly or quarterly. Discussions are proactive and can apply to all levels of staff. Partnerships are complex and communications can include the top partners. Responding to a question from Member Englund, Mr. Hurley stated not all limited partners are as involved as MBOI, which takes a proactive approach.

Executive Director Ewer noted we see a lot of visitors here in the office from the different funds. Once a quarter staff reviews each fund which is very labor intensive; Mr. Hurley has four support positions for private equity.

Mr. Cliff Sheets stated when staff considers underwriting a fund a detailed analysis is conducted on strategy, stability, returns and the ability to repeat performance. A lot of public funds hire a consultant to select funds, which may be adequate, but the consultant is not invested over the long term timeline required for most funds. The current process works well and is always being fine-tuned. Some funds have been a disappointment, but saving the private equity consultant costs of \$400-500 thousand annually makes better economic sense.

The objectives and results expected from private equity include high returns, portfolio diversification and access to investments otherwise not available in the public market. The private equity market is smaller than small caps which are available in public markets and have a market cap between \$1.5 and \$4 billion, vs. private equity which can have a market cap as small as \$50 to \$200 million. Returns over time for private equity will exceed those for public equities but come with additional risk. For our portfolio the standard deviation for private equity over the last 20 years has been less than for broad U.S. stocks, and private equity doesn't move in the same direction or with the same magnitude as public stocks. Extra return over time and the diversification benefit are very important factors.

Mr. Hurley reviewed the fundamentals of Real Estate which has many of the same attributes as private equity. Real estate adds economic value by increasing net operating income, increasing occupancy rates, development of raw land or property upgrades, or repositioning of tired assets. Real estate continues to have a lumpy recovery. Financing can be encumbered or unencumbered; some properties lend themselves to higher debt. Diversification across property types can help reduce risk.

Fee costs are higher for real estate than for traditional asset classes and commitment-based fees are high. According to the CEM report, MBOI real estate fee expenses are comparable to peers.

Real estate is structured in core and non-core assets. Core funds are open ended, use low leverage and invest in high occupancy properties. Returns are generated from income such as rents vs. capital appreciation. Timberland is a core investment where revenues are generated from the sale of conservation easements, recreational leases as well as harvesting and sale of the timber. Diversification is by age, geography, end-user markets and tree species.

Non-core real estate is value-add through updating and rehabbing properties, and is generally leveraged higher and carries more risk.

Mr. Sheets stated real estate provides diversification and competitive returns over the long term, usually in the 7%-10% range depending on risk level. Return values for real estate also experience a one quarter lag on returns as private equity does. Since the first quarter of 2010 real estate has posted positive returns. Real estate lagged on the way down with the market downturn and has lagged as well as on the way up as the market has rebounded.

Both private equity and real estate are meeting our objectives over the long term, with excellent results and less volatility than we anticipated and less than public equity. Both provide diversification vs. public equity beta.

Member Englund asked what the net IRR is. Mr. Hurley stated IRR is the annualized Internal Rate of Return, net of fees.

Mr. Sheets added IRR is negative at the start of a fund due to the J Curve, i.e., cash outlays via capital calls, and will vary over the life of a fund. The multiple of invested capital is 1.5, or 150% of our investment. Active funds are marked to market, however, as private companies, the value is not fully known until the end of the life of the fund and the final sale.

Mr. Hurley stated the MPEP strategic framework has been developed over time and is revisited annually. The program is moving to small cap where more value and lower leverage are available. Staff is selective with large and mega cap re-ups as they generally offer fewer options to create value; we will maintain some exposure to venture capital. Some exposure to secondaries will be ongoing, but staff will continue to deemphasize fund of funds where fees are a drag on return. Staff will continue to look at managers with a global emerging markets focus and energy sector-focused funds. For MTRP, core will be reduced over time. The commitments for 2013 totaled \$160 million of capital to MPEP and \$140 million to MTRP.

Mr. Sheets stated private equity and real estate in general are not liquid because of private contractual restraints. Core real estate contractually is the most liquid; however, purchase queues have now formed where investors are lined up to invest and must wait to get their money into some of these funds. In contrast many core funds closed the door to redemptions in 2008 and 2009 when investors wanted out. Private equity cash flows have been positive for the last three years with \$197 million received in distributions vs. \$137 million in capital calls. Real estate distributions have been low but are increasing due to market conditions and the fund profile. The first quarter in 2014 was the first quarter to realize a positive net cash flow in the real estate pool.

Mr. Sheets added both asset classes are actually more liquid than generally portrayed. Staff will be adding SEC inquiries and investigation outcomes to the check list to enhance the review process.

**RECAP**

Executive Director Ewer stated that Member Jack Prothero would like the risk metrics for fixed income presented to the Board. Fundfire access will be provided to the Board members for a one year period. Changes to the RVK, Inc. quarterly performance books will be implemented to allow for an easier to follow format. Member Buchanan suggested utilizing the October one day Board meeting for Board member education and training. The monthly performance summary will be emailed to TRS, PERS and Board members; Mr. Eron Krpan will distribute these monthly when available.

There being no further business, the meeting was adjourned at 11:27 AM.

**Next Meeting**

The next regular meeting of the Board will be August 19 - 20, 2014 in Helena, Montana.

*Complete copies of all reports presented to the Board are on file with the Board of Investments.*

**BOARD OF INVESTMENTS**

APPROVE: \_\_\_\_\_  
Mark E. Noennig, Chairman

ATTEST: \_\_\_\_\_  
David Ewer, Executive Director

DATE: \_\_\_\_\_

MBOI:drc  
7/1/14

[Return to Agenda](#)

# Executive Director Reports

# MEMORANDUM

Montana Board of Investments

Department of Commerce

2401 Colonial Drive, 3<sup>rd</sup> Floor  
Helena, MT 59601 (406) 444-0001

**To:** Members of the Board  
**From:** David Ewer, Executive Director  
**Date:** August 19, 2014  
**Subject:** Executive Reports under Tab 2 of Agenda

## Member Requests from Prior Meeting

As per Member Prothero's request, staff will present an overview of managing risk and exposure for the internally managed fiscal income portfolio.

## Quarterly Cost Report Attached within Tab 2

The quarterly cost report is included under Tab 2. Additional total fiscal year cost and budget detail will be presented under Tab 9.

## October Meeting

The Board's one-day meeting will take place on Tuesday October 7<sup>th</sup>.

## Governance Policy Revision-(**Decision** matter)

The Board's governance policy covering 'Board Membership' currently cites most but not all of the statutory criteria for member eligibility. The suggested revised policy includes all of the eligibility requirements, including 'a balance of professional expertise and public interest and accountability', and 'who are informed and experienced in the subject of investments'.

**Total Fiscal Year 2014 Management Fees (Unaudited)**

**Board Fees**

<u>Pool</u>	<u>Q1</u> <u>9/30/2013</u>	<u>Q2</u> <u>12/31/2013</u>	<u>Q3</u> <u>3/31/2014</u>	<u>Q4</u> <u>6/30/2014</u>	<u>Change</u> <sup>3</sup>	<u>FY 2014</u> <u>to Date</u>
Retirement Funds Bond Pool (RFBP)	\$ 168,798	\$ 168,798	\$ 168,798	\$ 168,798	\$ -	\$ 675,192
Trust Funds Investment Pool (TFIP)	111,288	111,288	111,288	111,288	-	445,152
Montana Domestic Equity Pool (MDEP)	153,237	153,237	153,237	153,237	-	612,948
Montana International Equity Pool (MTIP)	137,121	137,121	137,121	137,121	-	548,484
Montana Private Equity Pool (MPEP)	245,937	245,937	245,937	245,937	-	983,748
Montana Real Estate Pool (MTRP)	148,080	148,080	148,080	148,080	-	592,320
Short Term Investment Pool (STIP)	137,103	137,103	137,103	137,103	-	548,412
All Other Funds (AOF) Investments Managed	189,498	189,498	189,498	189,498	-	757,992
<b>Total</b>	<b>\$ 1,291,062</b>	<b>\$ 1,291,062</b>	<b>\$ 1,291,062</b>	<b>\$ 1,291,062</b>	<b>\$ -</b>	<b>\$ 5,164,248</b>

<sup>1</sup> Board Fees: No change.

**Custodial Bank Fees**

<u>Pool</u>	<u>Q1</u> <u>9/30/2013</u>	<u>Q2</u> <u>12/31/2013</u>	<u>Q3</u> <u>3/31/2014</u>	<u>Q4</u> <u>6/30/2014</u>	<u>Change</u> <sup>3</sup>	<u>FY 2014</u> <u>to Date</u>
Retirement Funds Bond Pool (RFBP)	\$ 49,446	\$ 49,446	\$ 49,446	\$ 49,446	\$ -	\$ 197,784
Trust Funds Investment Pool (TFIP)	29,364	29,364	29,364	29,364	-	117,456
Montana Domestic Equity Pool (MDEP)	152,457	152,457	152,457	152,457	-	609,828
Montana International Equity Pool (MTIP)	34,236	34,236	34,236	34,236	-	136,944
Montana Private Equity Pool (MPEP)	29,640	30,090	30,090	31,440	1,350	121,260
Montana Real Estate Pool (MTRP)	22,047	22,047	22,047	22,047	-	88,188
Short Term Investment Pool (STIP)	50,982	50,982	50,982	50,982	-	203,928
All Other Funds (AOF) Investments Managed	34,728	34,728	34,728	34,728	-	138,912
<b>Total</b>	<b>\$ 402,900</b>	<b>\$ 403,350</b>	<b>\$ 403,350</b>	<b>\$ 404,700</b>	<b>\$ 1,350</b>	<b>\$ 1,614,300</b>

<sup>2</sup> Custodial Fees: Fees are higher due to funding of three new MPEP managers.

**External Manager Fees**

<u>Pool</u>	<u>Q1</u> <u>9/30/2013</u>	<u>Q2</u> <u>12/31/2013</u>	<u>Q3</u> <u>3/31/2014</u>	<u>Q4</u> <u>6/30/2014</u>	<u>Change</u> <sup>3</sup>	<u>FY 2014</u> <u>to Date</u>
Retirement Funds Bond Pool (RFBP)	\$ 377,181	\$ 383,412	\$ 388,656	\$ 384,254	\$ (4,402)	\$ 1,533,503
Trust Funds Investment Pool (TFIP)	412,924	463,644	426,988	427,570	582	1,731,126
Montana Domestic Equity Pool (MDEP)	1,981,664	2,107,504	2,271,438	2,230,665	(40,773)	8,591,271
Montana International Equity Pool (MTIP)	720,792	808,297	865,023	949,822	84,799	3,343,934
Montana Private Equity Pool (MPEP)	4,024,147	3,907,771	5,504,748	5,886,810	382,062	19,323,476
Montana Real Estate Pool (MTRP)	1,321,547	1,541,096	2,432,693	4,441,950	2,009,257	9,737,286
Short Term Investment Pool (STIP)	-	-	-	-	-	-
All Other Funds (AOF) Investments Managed	81,251	157,319	139,592	139,014	(578)	517,176
<b>Total</b>	<b>\$ 8,919,506</b>	<b>\$ 9,369,043</b>	<b>\$ 12,029,138</b>	<b>\$ 14,460,085</b>	<b>\$ 2,430,947</b>	<b>\$ 44,777,772</b>

<sup>3</sup> RFBP: No significant changes.

TFIP: No significant changes.

MDEP: Fees are lower due to a slight decrease in market values.

MTIP: Fees are higher due to a small increase in market values.

MPEP: Fees are higher due to payment of management fees for newly hired managers.

MTRP: Management fees on LP holdings for calendar 2Q13, 3Q13 and 4Q13 were recognized in fiscal Q414. Similarly, LP management fees for 2Q13 were posted in FQ314. The average cash quarterly fees fall in the range of \$1.3 to \$1.5 million.

AOF: No significant changes.

**Total Fees**

<u>Pool</u>	<u>Q1</u> <u>9/30/2013</u>	<u>Q2</u> <u>12/31/2013</u>	<u>Q3</u> <u>3/31/2014</u>	<u>Q4</u> <u>6/30/2014</u>	<u>Change</u> <sup>3</sup>	<u>FY 2014</u> <u>to Date</u>
Retirement Funds Bond Pool (RFBP)	\$ 595,425	\$ 601,656	\$ 606,900	\$ 602,498	\$ (4,402)	\$ 2,406,479
Trust Funds Investment Pool (TFIP)	553,576	604,296	567,640	568,222	582	2,293,734
Montana Domestic Equity Pool (MDEP)	2,287,358	2,413,198	2,577,132	2,536,359	(40,773)	9,814,047
Montana International Equity Pool (MTIP)	892,149	979,654	1,036,380	1,121,179	84,799	4,029,362
Montana Private Equity Pool (MPEP)	4,299,724	4,183,798	5,780,775	6,164,187	383,412	20,428,484
Montana Real Estate Pool (MTRP)	1,491,674	1,711,223	2,602,820	4,612,077	2,009,257	10,417,794
Short Term Investment Pool (STIP)	188,085	188,085	188,085	188,085	-	752,340
All Other Funds (AOF) Investments Managed	305,477	381,545	363,818	363,240	(578)	1,414,080
<b>Total</b>	<b>\$ 10,613,468</b>	<b>\$ 11,063,455</b>	<b>\$ 13,723,550</b>	<b>\$ 16,155,847</b>	<b>\$ 2,432,297</b>	<b>\$ 51,556,320</b>

## I. PURPOSE

One of the purposes of a public investment board Governance Manual (Manual) is to clearly spell out the fiduciary responsibilities of the Montana Board of Investments (Board) as an entity and how those responsibilities, if any, are delegated to staff to carry out the Board's mission on a day to day basis. State law assigns to Board members the fiduciary responsibility of managing the Unified Investment Program and gives the Board the authority to hire staff as it deems necessary. Because the fiduciary responsibility ultimately lies with the Board it is important that the authority and roles of the Board as an entity and Board staff be clearly defined. Board staff has only those powers specifically delegated to them by the Board as specified in this Manual. This Manual shall be published on the Board's web site and may only be revised by the Board at a public meeting. Staff may update Board membership rosters as necessary.

## II. BOARD MEMBER AUTHORITIES, DUTIES, AND ROLES

### 1. General Duties Prescribed by Law

**A) The Unified Investment Program** - The Montana Constitution 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. State law requires that the Board operate under the "prudent expert principle," defined as: 1) discharging its duties with the care, skill, prudence, and diligence 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 a like character with like aims; 2) diversifying the holdings of each fund to minimize the risk of loss and maximize the rate of return; and 3) discharging its duties solely in the interest of and for the beneficiaries of the funds managed.

**B) Economic Development Programs** - In addition to managing the Unified Investment Program, the Legislature assigned to the Board the responsibilities of managing several loan programs.

**C) Municipal Lending Programs** – The Board manages programs under the Municipal Finance Consolidation Act, primarily through the INTERCAP program.

2. **Board Membership** - The Board is comprised of nine voting members appointed by the Governor as prescribed in Section 2-15-124, MCA, subject to confirmation by the state Senate and comprised of the following as prescribed in Section 2-15-1808, MCA:

(3) The board is composed of nine members appointed by the governor, as prescribed in 2-15-124, and two ex officio, nonvoting members. The members are:

(a) one member from the public employees' retirement board, provided for in 2-15-1009, and one member from the teachers' retirement board provided for in 2-15-1010. If either member of the respective retirement boards ceases to be a member of the retirement board, the position of that member on the board of investments is vacant, and the governor shall fill the vacancy in accordance with 2-15-124.

(b) seven members who will provide a balance of professional expertise and public interest and accountability, who are informed and experienced in the subject of investments, and who are representatives of:

(i) the financial community;

~~(ii) small business;~~  
~~(iii) agriculture; and~~  
~~(iv) labor; and~~  
~~(c) two ex officio, nonvoting legislative liaisons to the board, of which one must be a senator appointed by the president of the senate and one must be a representative appointed by the speaker of the house. The liaisons may not be from the same political party. Preference in appointments is to be given to legislators who have a background in investments or finance. The legislative liaisons shall serve from appointment through each even-numbered calendar year and may attend all board meetings. Legislative liaisons appointed pursuant to this subsection (3)(c) are entitled to compensation and expenses, as provided in 5-2-302, to be paid by the legislative council.~~

~~(4) The board is designated as a quasi-judicial board for the purposes of 2-15-124.~~

- ~~• One member from the Public Employees' Retirement Board;~~
- ~~• One member from the Teachers' Retirement Board; and~~
- ~~• Seven members representing the financial community, small business, agriculture, and labor.~~

~~The Board also has two non-voting legislative liaisons, from different political parties, comprised of the following:~~

- ~~• One liaison member appointed by the President of the Senate; and~~
- ~~• One liaison member appointed by the Speaker of the House.~~

The Board is allocated to the Department of Commerce for administrative purposes as prescribed in Section 2-15-121, MCA. The following members have been appointed to the Board for a four-year term and confirmed by the State Senate:

<b>Member</b>	<b>Location</b>	<b>Term Expires</b>
Mark Noennig – Chairperson	Billings	01/01/2017
Kathy Bessette	Havre	01/01/2017
Sheena Wilson	Helena	01/01/2017
Karl Englund	Missoula	01/01/2015
Gary Buchanan	Billings	01/01/2015
Quinton Nyman	Helena	01/01/2015
Jon Satre	Helena	01/01/2015
Marilyn Ryan	Missoula	01/01/2017
Jack Prothero	Great Falls	01/01/2017

3. **Board Chairperson** - As prescribed in §2-15-124, MCA the Governor shall designate the Chairperson, whose duty is to ensure that the Board operates consistent with state law, state rules, and Board policies. The Chairperson may make and second motions and vote. The Chairperson shall review and sign all meeting minutes and all resolutions approved by the Board. The Chairperson may appoint a Vice Chairperson to preside in his/her absence.

4. **Code of Ethics** - The Board shall create and adhere to a Code of Ethics for its members and staff. The Code shall be designed to ensure that Board members and Board staff have no conflicting interests that would harm the integrity of the Board, harm the clients for whom the Board invests funds, or interfere with the Boards fiduciary responsibility. The Code approved by the Board is attached as **Appendix B**.

5. **Governing Law** - The Board shall maintain and update as necessary a written and electronic manual of all its pertinent governing laws and shall post the manual on its website for public access.

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**B) Economic Development Programs** - In addition to managing the Unified Investment Program, the Legislature assigned to the Board the responsibilities of managing several loan programs.

**C) Municipal Lending Programs** – The Board manages programs under the Municipal Finance Consolidation Act, primarily through the INTERCAP program.

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(i) the financial community;

- (ii) small business;
- (iii) agriculture; and
- (iv) labor; and

(c) two ex officio, nonvoting legislative liaisons to the board, of which one must be a senator appointed by the president of the senate and one must be a representative appointed by the speaker of the house. The liaisons may not be from the same political party. Preference in appointments is to be given to legislators who have a background in investments or finance. The legislative liaisons shall serve from appointment through each even-numbered calendar year and may attend all board meetings. Legislative liaisons appointed pursuant to this subsection (3)(c) are entitled to compensation and expenses, as provided in [5-2-302](#), to be paid by the legislative council.

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3. **Board Chairperson** - As prescribed in §2-15-124, MCA the Governor shall designate the Chairperson, whose duty is to ensure that the Board operates consistent with state law, state rules, and Board policies. The Chairperson may make and second motions and vote. The Chairperson shall review and sign all meeting minutes and all resolutions approved by the Board. The Chairperson may appoint a Vice Chairperson to preside in his/her absence.

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5. **Governing Law** - The Board shall maintain and update as necessary a written and electronic manual of all its pertinent governing laws and shall post the manual on its website for public access.

6. **Quorum and Voting** - A majority of the Board membership (five members) constitutes a quorum to do business. A favorable vote of at least a majority of all members (five members) of the Board is required to adopt any resolution, motion, or other substantive decision, as prescribed in §2-15-124 MCA. For example, if only five members are present, all five members must approve a substantive motion.

7. **Board Meeting Frequency** - The Board meets quarterly and is subject to the call of the Chairperson if additional meetings are required. The frequency of Board meetings is subject to change at the direction of the Board.

[Return to Agenda](#)

# Montana Loan Program

# MEMORANDUM

Montana Board of Investments

Department of Commerce

2401 Colonial Drive, 3<sup>rd</sup> Floor  
Helena, MT 59601 (406) 444-0001

**To:** Board of Directors  
**From:** Herb Kulow, CMB  
**Date:** August 19, 2014  
**Subject:** Commercial and Residential Portfolios

As of July 31, 2014 the commercial loan portfolio totaled \$100,446,742.98. This is the lowest the portfolio has been since 2000. There were six reserved loans totaling \$29,988,000 and three committed loans totaling \$8,312,000. There was one loan past due totaling \$919,776.01 representing 0.90% of the portfolio. The lender has indicated the loan is current on their ledger and is checking into the difference.

On June 6, 2014, First Interstate Bank entered a bid of \$800,000 for the property located in Lolo, MT at the scheduled sheriff's sale. There were no other bidders. As a result, staff had to write off \$62,279.95 of MBOI's outstanding loan balance of \$622,279.95 bringing our balance down to \$560,000, which represents 70% of the purchase price of \$800,000. Although the \$560,000 still is reported as an outstanding loan in MBOI's commercial loan portfolio, it should be considered as Other Real Estate owned, since it is no longer a loan. The portfolio total above does not include the \$560,000 balance. If the property is sold for an amount greater than \$800,000, MBOI could recover some of the written-off amount.

The residential loan portfolio totals \$11,646,119.48, as of 7-31-14. There are four loans past due totaling \$243,199.67, or 2.09% of the portfolio, all of which are federally guaranteed. Three loans were past due greater than 90 days and totaled \$194,124.61 or 1.67% of the portfolio.

VA residential mortgages totaled \$22,830,125.16, as of 7-31-14. No loans were past due and there were eight outstanding reservations totaling \$1,457,261.00.

One participation loan to FM, LLC and Harris Manufacturing, Inc. was approved on June 30, 2014 by the Board Loan committee via conference call. The loan request came from First Interstate Bank in the total amount of \$3,210,000 in which they requested MBOI participate \$2,568,000 (80%).

[Return to Agenda](#)

# Bond Program

# INTERCAP Loan Program

## Activity Summary

As of June 30, 2014

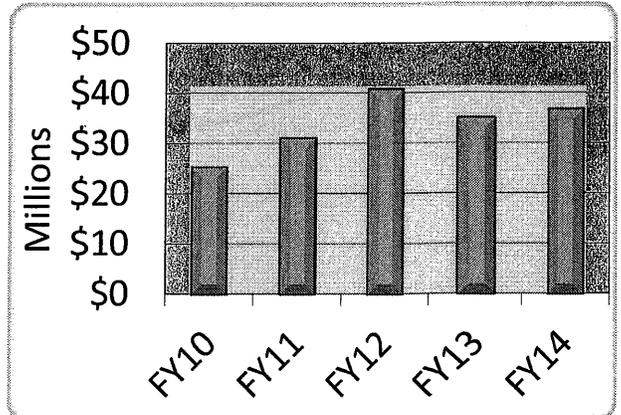
### Since Inception 1987 - June 2014

<b>Total Bonds Issued</b>	<b>148,000,000</b>
<b>Total Loan Commitments</b>	<b>468,066,361</b>
<b>Total Loans Funded</b>	<b>428,320,909</b>
<b>Total Bonds Outstanding</b>	<b>106,450,000</b>
<b>Total Loans Outstanding</b>	<b>79,037,404</b>
<b>Loan Commitments Pending</b>	<b>39,745,453</b>

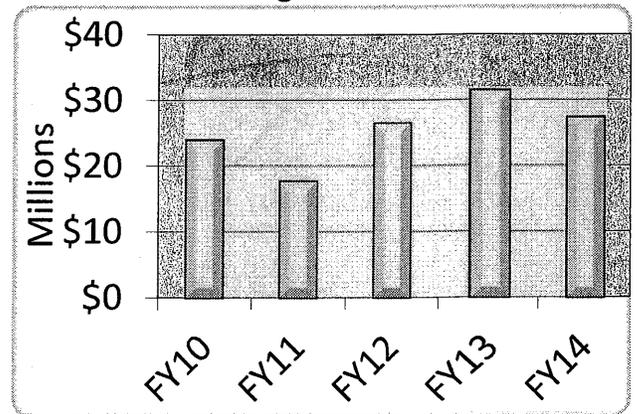
### FY2014 To Date

Month	Commitments	Fundings
July-13	\$ 950,000	\$ 2,786,539
August	3,801,900	1,813,528
September	920,067	2,230,551
October	-	3,636,511
November	13,581,827	1,550,524
December	1,516,960	2,390,274
January	672,077	1,713,127
February	3,676,380	1,692,330
March	1,485,000	2,038,512
April	8,885,578	4,655,462
May	521,755	2,043,868
June-14	1,572,271	835,563
<b>To Date</b>	<b>\$ 37,583,815</b>	<b>\$ 27,386,790</b>

**Commitments FY10-FY14**



**Fundings FY10-FY14**



Note: Commitments include withdrawn and expired loans.

### Variable Loan Rate History February 16, 2007 - February 15, 2015

<u>February 16, 2007 - February 15, 2008</u>	<b>4.85%</b>	<u>February 16, 2011 - February 15, 2012</u>	<b>1.95%</b>
<u>February 16, 2008 - February 15, 2009</u>	<b>4.25%</b>	<u>February 16, 2012 - February 15, 2013</u>	<b>1.25%</b>
<u>February 16, 2009 - February 15, 2010</u>	<b>3.25%</b>	<u>February 16, 2013 - February 15, 2014</u>	<b>1.00%</b>
<u>February 16, 2010 - February 15, 2011</u>	<b>1.95%</b>	<u>February 16, 2014 - February 15, 2015</u>	<b>1.00%</b>

**MEMORANDUM**

**Montana Board of Investments**

**Department of Commerce**

**2401 Colonial Drive, 3<sup>rd</sup> Floor**

**(406) 444-0001**

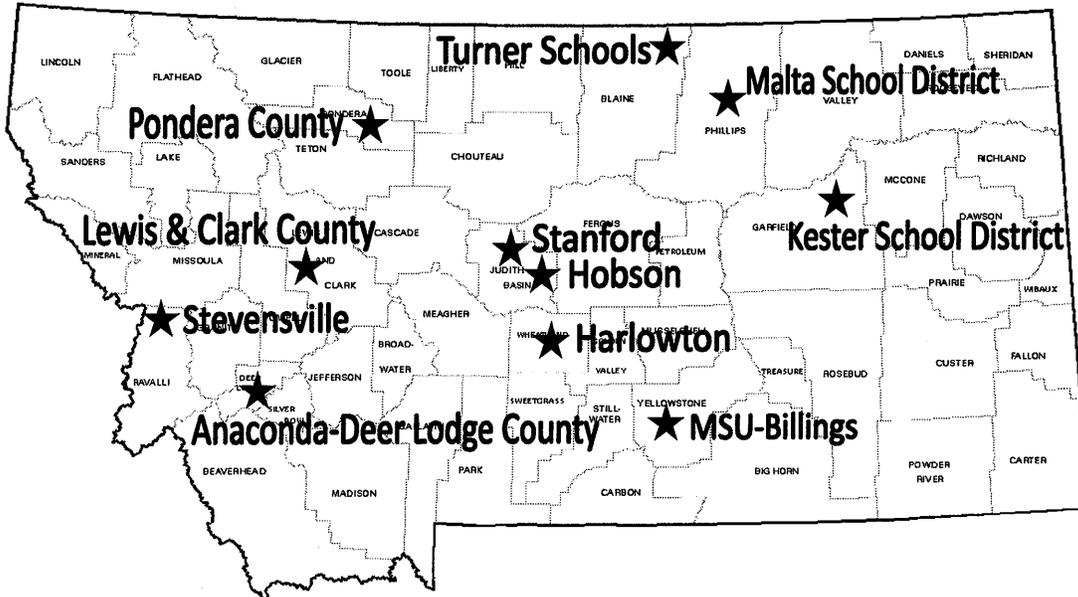
**To:** Members of the Board

**From:** Louise Welsh, Senior Bond Program Officer *L. Welsh*

**Date:** August 19, 2014

**Subject:** INTERCAP Staff Approved Loans Committed

Staff approved the following loans between April 1, 2014 and June 30, 2014.



Borrower:	City of Harlowton
Purpose:	Interim loan in anticipation of Rural Development (RD) long-term financing for wastewater system improvements
Staff Approval Date:	April 1, 2014
Board Loan Amount:	\$ 711,000
Other Funding Sources:	\$ 889,000
Total Project Cost:	\$1,600,000
Term:	1 year

Borrower:	Pondera County
Purpose:	Purchase and refinance various types of hospital equipment
Staff Approval Date:	April 24, 2014
Board Loan Amount:	\$ 622,578
Other Funding Sources:	\$ 0
Total Project Cost:	\$ 622,578
Term:	3 years

Borrower:	Anaconda-Deer Lodge County
Purpose:	Rehabilitate historic street lights in Lighting District #150
Staff Approval Date:	April 28, 2014
Board Loan Amount:	\$ 500,000
Other Funding Sources:	\$ 500,000
Total Project Cost:	\$1,000,000
Term:	15 years

Borrower:	Town of Stanford
Purpose:	Repair municipal pool and purchase a Bobcat Skid-Steer Loader
Staff Approval Date:	April 30, 2014
Board Loan Amount:	\$28,000
Other Funding Sources:	\$30,204
Total Project Cost:	\$58,204
Term:	3 years

Borrower:	Turner Public School Districts
Purpose:	Install a new heating system
Staff Approval Date:	May 12, 2014
Board Loan Amount:	\$344,000
Other Funding Sources:	\$ 57,111
Total Project Cost:	\$401,111
Term:	5 years

Borrower:	Lewis & Clark County
Purpose:	Finance road improvements for Lincoln Rural Improvement District
Staff Approval Date:	May 9, 2014
Board Loan Amount:	\$89,846
Other Funding Sources:	\$ 0
Total Project Cost:	\$89,846
Term:	7 years

Borrower:	Lewis & Clark County
Purpose:	Finance road improvements for Lambkin Rural Improvement District
Staff Approval Date:	May 9, 2014
Board Loan Amount:	\$33,502
Other Funding Sources:	\$ 0
Total Project Cost:	\$33,502
Term:	7 years

Borrower:	Town of Hobson
Purpose:	Finance repairs to municipal pool
Staff Approval Date:	May 20, 2014
Board Loan Amount:	\$54,407
Other Funding Sources:	\$ 0
Total Project Cost:	\$54,407
Term:	10 years

Borrower:	Town of Stevensville
Purpose:	Interim loan in anticipation of Rural Development (RD) long-term financing for wastewater system improvements
Staff Approval Date	June 3, 2014
Board Loan Amount:	\$ 800,000
Other Funding Sources:	\$3,042,000
Total Project Cost:	\$3,842,000
Term:	1 year

Borrower:	Lewis & Clark County
Purpose:	Finance road improvements for Augusta Rural Improvement District
Staff Approval Date:	June 4, 2014
Board Loan Amount:	\$37,331
Other Funding Sources:	\$ 0
Total Project Cost:	\$37,331
Term:	7 years

Borrower:	Kester School District #23
Purpose:	Provide a teacherage on school property
Staff Approval Date	June 11, 2014
Board Loan Amount:	\$54,940
Other Funding Sources:	\$ 0
Total Project Cost:	\$54,940
Term:	5 years

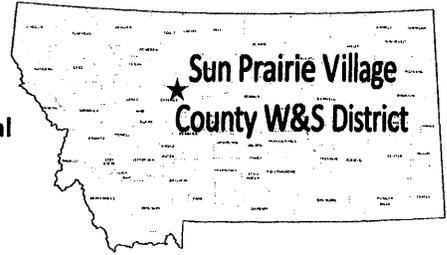
Borrower:	Malta School District
Purpose:	Replace boiler in elementary school
Staff Approval Date	June 13, 2014
Board Loan Amount:	\$120,000
Other Funding Sources:	\$ 0
Total Project Cost:	\$120,000
Term:	5 years



## MONTANA UNIVERSITY SYSTEM

Borrower:	Montana State University – Billings
Purpose:	Repair and replace Petro Residence Hall roof
Staff Approval Date	June 5, 2014
Board Loan Amount:	\$560,000
Other Funding Sources:	\$ 0
Total Project Cost:	\$560,000
Term:	10 years

**Montana Board of Investments  
INTERCAP Loan Summary and Approval  
INCREASE Request**



**Borrower** Sun Prairie Village County Water & Sewer District (Great Falls)

**Date** June 5, 2014

On May 22, 2012, the Loan Committee approved the District's attached \$1,399,000 interim loan request in anticipation of United States Department of Agriculture (USDA) Rural Development (RD) long-term financing for the District's water system improvement project. Now, the District is requesting a \$320,000 increase for a total loan of \$1,719,000 under the same terms and conditions as previously approved. The project costs have increased from original estimates due to delays the District experienced during the permitting process.

**Repayment**

RD has provided an updated Letter of Conditions, which outlines its corresponding increase in long-term financing and grant funds. The new financing package for the \$4,096,000 project is as follows:

<b>INTERCAP Interim loan</b>	<b>\$ 1,719,000</b>	
Rural Development Loan obligated 9/22/11		\$1,399,000
Rural Development Loan increase		320,000
Rural Development Grant obligated 9/22/11		979,000
Rural Development Grant increase		200,000
Borrower Portion		23,000
Department of Commerce-Community Development Block Grant (CDBG)		450,000
Department of Commerce-Treasure State Endowment Program (TSEP) Grant		625,000
Department of Natural Resources and Conservation-Renewable Resource Grant		<u>100,000</u>
Total		\$4,096,000

The District anticipates drawing funds from March through November 2015, at which point the District will close on its RD loan.

**Recommendation**

Approval recommended.

	<b><u>Staff Loan Committee</u></b>	
David Ewer, Executive Director		Approval Date: <u>6/24/14</u>
Geri Burton, Deputy Director		Approval Date: <u>6-23-14</u>
Louise Welsh, Sr. Bond Program Officer		Recommended: <u>6/5/14</u>
Julie Flynn, Bond Program Officer		Recommended: <u>6.5.14</u>

**Board Loan Committee – August 19, 2014**

Jack Prothero, Chairperson – Loan Committee	<b><u>Approval</u></b>
	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain
Kathy Bassette, Member	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain
Gary Buchanan, Member	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain

**Montana Board of Investments  
Loan Committee  
INTERCAP Loan Summary and Approval**



**Borrower:** Sun Prairie Village County Water & Sewer District (Great Falls)

**Date:** May 22, 2012

The District requests a \$1,399,000 interim loan in anticipation of the United States Department of Agriculture (USDA) Rural Development Services (RD)<sup>1</sup> long-term financing for its water system improvement project. The loan will be for potentially two (2) years and in the form of a bond anticipation note (BAN). The projected drawdown schedule for the loan begins April 2013 through November 2013 at which point the District anticipates closing on the RD loan. The funding package for the \$3,576,000 total project cost is as follows:

<b>INTERCAP Interim loan</b>	<b>\$1,399,000</b>
United States Department of Agriculture	
-Rural Development Services (RD) Loan	\$ 1,399,000
-Rural Development (RD) Services Grant	979,000
Borrower Portion	23,000
Department of Commerce	
-Community Development Block Grant (CDBG)	450,000
-Treasure State Endowment Program (TSEP) Grant	625,000
Department of Natural Resources and Conservation	
-Renewable Resource Grant & Loan Program (RRGL) Grant	<u>100,000</u>
Total	\$ 3,576,000

<sup>1</sup><http://www.rurdev.usda.gov/>

**Authorization:**

7-7-109 Montana Code Annotated (MCA) (2) (a) When all conditions exist precedent to the offering for sale of bonds of a political subdivision in any amount and for any purpose authorized by law or the political subdivision has applied for and received a commitment for a grant or loan of state or federal funds, its governing body may by resolution issue and sell, in anticipation of the receipt of the grant, loan, or bonds in an amount not exceeding the total amount of bonds authorized or the total amount of the loan or grant that is committed, notes maturing within not more than three years from the date on which the notes are issued.

**INTERCAP Debt:**

The District is a new borrower to INTERCAP.

**Repayment:**

The bond proceeds from the District's issuance and sale of a revenue bond to RD will repay the BAN. Special conditions to the Board's commitment to ensure the revenue bond takes out the BAN are as follows:

1. Prior to disbursing funds, the Board requires evidence of RD's commitment to pay off the BAN with a long-term loan. Copies of the following will provide sufficient evidence:

- RD Letter of Intent to Fund ("I" Letter)
- RD Letter of Conditions (**MBOI has on file**)
- USDA Office of General Council (OGC) Loan Closing Instructions

2. The Board will require approval from RD for each specific draw on the loan.
3. The Board requires the District to hire Bond Counsel to prepare the necessary BAN documents and provide the opinion at closing. The Bond Counsel needs to be nationally recognized and rendering a bond counsel opinion in the last ten years.

**Recommendation:**

Approval recommended.

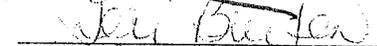
**Staff Loan Committee**

David Ewer, Executive Director



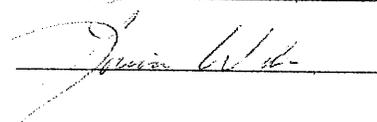
Approval Date: 4/27/12

Geri Burton, Deputy Director



Approval Date: 4-27-12

Louise Welsh, Bond Program Officer



Approval Date: 4/27/12

**Board Loan Committee – May 22, 2012**

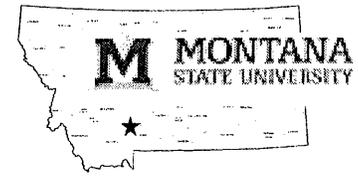
Jack Prothero, Chairperson – Loan Committee

David Ageson, Member

James Turcotte, Member

**Approval**  
 Yes    No    Abstain  
 Yes    No    Abstain  
 Yes    No    Abstain

**Montana Board of Investments  
INTERCAP Loan Summary and Approval**



**Borrower** Board of Regents of Higher Education of the State of Montana (BOR)  
on behalf of Montana State University–Bozeman (MSU)

**Date** July 7, 2014  
Approval Date \_\_\_\_\_

The Borrower is requesting \$1,800,000 to finance costs associated with renovating the ballrooms in the Strand Union Building over a 15-year term. The loan will be in the form of a general promise to pay of the Borrower based on allowable non-state revenues as specified in the Revenue Pledge section of this loan summary. The project will be financed as follows:

INTERCAP	\$1,800,000
Auxiliary Operations Revenue	450,000
Student Facilities Enhancement Project Fees	550,000
Other University sources*	<u>200,000</u>
TOTAL	\$3,000,000

\*May include excess net pledged revenues and/or income generated from use of SUB facilities.

**Project**

The Strand Union Building (SUB) ballrooms on the MSU campus were built in 1981. The SUB continues to be one of the most heavily utilized buildings on the MSU campus with users ranging from students, faculty and staff to outside patrons needing large gathering spaces. With the exception of general maintenance, the ballrooms have not been upgraded since originally built. The facility is now in need of renovation for not only aesthetic reasons, but also to address the mechanical and electrical systems, temperature and lighting controls, flooring replacement, partitioning systems and structural deficiencies. The scope of this project also addresses wall and ceiling improvements, space reconfiguration and new furnishings.

**Authorization**

20-25-302 Montana Code Annotated (MCA) The regents of the Montana university system may: (1) purchase, construct, equip, or improve, at any unit of the Montana university system, any of the following types of revenue-producing facilities:... (d) student union buildings and facilities; and (6) do all things necessary to plan for and propose financing, including all necessary loan applications...

20-25-402 MCA (1) In carrying out the powers provided in ... 20-25-302, the regents may: (a) borrow money for any purpose or purposes stated in parts 3 and 4 of this chapter... (c) issue bonds, notes, ... (d) pledge for the payment of ... the principal and interest on bonds, notes, or other securities authorized in this chapter or otherwise obligate: (i) the net income received from rents, board, or both in housing, food service, and other facilities;... (ii) receipts from student building, activity, union, and other special fees prescribed by the regents for all students; and... (e) make payments on loans or purchases from any other available income not obligated for those purposes, including receipts from sale of materials, equipment, and fixtures of the facilities or from sales of the facilities themselves, other than land;

February 7, 2013 - per Regents Policy 940.9.9, the Associated Students of MSU passed Resolution 2013-R-7 to endorse this construction project as required when funded with Student Facilities Enhancement Fees in excess of \$200,000.

March 6, 2014 - BOR Item 162-2005-R0314 authorizing the Project, financing through the INTERCAP Program, and the revenue pledged to repay the loan passed 5-0.

June 10, 2014 - Office of the Commissioner of Higher Education (OCHE) approved the INTERCAP application and repayment source in accordance with the INTERCAP Program Agreement between the Board and BOR dated January 2, 2007 (the "Agreement"), Article II, Section 2.01(a).

Note: OCHE approval certifies that it performed sufficient due diligence as to the appropriateness of the Project in the context of the overall plans and policies of BOR and the University, and that the proposed loan complies with existing contracts, statutes, the BOR Indenture, and all legislative directives, mandates, and limitations.

**INTERCAP Debt**

BOR has been using INTERCAP since 1992 financing over \$44.4 million on behalf of the Montana State University and University of Montana campuses for various projects. Total outstanding to date for all the campuses is ~\$17.5 million with the longest term maturing June 2029. At this time, the universities have \$560,000 in remaining INTERCAP commitment that, if drawn upon, would make a potential total outstanding of ~\$18.0 million.

MSU-Bozeman campus (MSU) started using INTERCAP in 1997 and has financed ~\$23.1 million of the overall total. MSU has ~\$10.7 million total principal outstanding with the longest term maturing August 2028. MSU’s loans are fully funded and current.

All of the Montana State University campuses together have a total potential outstanding of ~\$15.3 million, or 14.4% of the total INTERCAP bonds outstanding, which falls below the Board’s 19.0% cap. The \$15.3 million potential outstanding includes this proposed loan, as well as the MSU-Billings loan staff approved earlier this month.

**Repayment**

There will be ~\$165,000 annual debt service on the loan. Repayment will come from MSU’s surplus net revenue pledge of its Student Facilities Enhancement Fees (Pledged Funds).

To the extent the Revenue Pledge is insufficient, the Borrower will, as authorized by and according to applicable provisions and limitations of law, budget and appropriate any allowable non-state revenues sufficient to pay the principal of and interest on the loan when due including student fees. The following Financial Report reflects the University’s overall financial position and more specifically the Pledged Funds.

**Financial Report**

<u>MSU-Bozeman overall</u>	<u>FY13</u>	<u>FY12</u>
Net Assets, beginning of year	\$ 233,726,076	\$ 213,951,234
Revenues	350,212,043	366,199,857
Expenditures	<u>351,077,614</u>	<u>346,425,015</u>
Net Assets, end of year	\$ 232,860,505	\$ 233,726,076
Net Change in Fund Balance	\$ (865,571)	\$ 19,774,842
Fund Balance Unrestricted	\$ 41,331,280	\$ 50,439,926
Fund Balance Cash	\$ 118,531,173	\$ 120,806,825

**COMMENTS:**

FY12 Without an \$11,000,000 one-time federal grant for the Cooley Lab project (in which INTERCAP also participated), the net change in fund balance would have been \$8,774,842.

FY13 Without the \$5,035,000 one-time expenses, the net change in fund balance would have been \$4,169,429. MSU enrollment has increased by 8% over the last five years. The increase in FY13 expenditures was primarily due to compensation and benefits from increased staff levels correlated to higher student enrollment. Tuition and housing revenue also increased with more students, while grant and contract revenue was lower than in FY12.

**Financial Report (continued)**

Pledged Funds

<u>Student Facilities Enhancement Fees</u>	<u>FY13</u>	<u>FY12</u>
Beginning Fund Balance	\$ 707,601	\$ 497,849
Revenues	1,470,111	1,418,550
Expenditures	<u>1,185,365</u>	<u>1,208,798</u>
Ending Fund Balance	\$ 992,347	\$ 707,601

Net Change in Fund Balance	\$ 284,746	\$ 209,752
Fund Balance Unrestricted	\$ 0	\$ 0

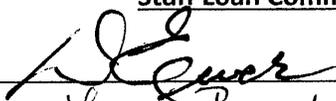
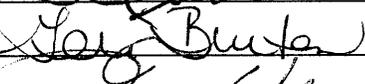
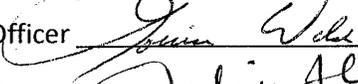
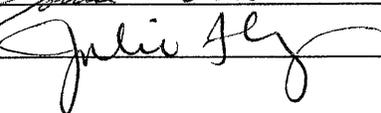
COMMENTS:

The increase in revenue was due to higher student enrollment that provided more Student Facilities Enhancement Project Fees. These fees are restricted and may only be used to improve student facilities such as the SUB. Therefore, no part of this fund is unrestricted for use outside those parameters.

**Recommendation**

Approval recommended.

**Staff Loan Committee**

David Ewer, Executive Director		Recommended <u>7/8/14</u>
Geri Burton, Deputy Director		Recommended <u>7-8-14</u>
Louise Welsh, Sr. Bond Program Officer		Recommended <u>7/8/14</u>
Julie Flynn, Bond Program Officer		Recommended <u>7-7-14</u>

**Board Loan Committee – August 19, 2014**

Jack Prothero, Chairperson – Loan Committee

Yes  No  Abstain

Kathy Bassette, Member

Yes  No  Abstain

Gary Buchanan, Member

Yes  No  Abstain

Approved \_\_\_\_\_

**Montana Board of Investments  
Loan Committee  
INTERCAP Loan Summary and Approval**



**Borrower** City of Libby

**Date** July 14, 2014

Approval Date \_\_\_\_\_

The City requests a \$3,200,000 interim loan in anticipation of the United States Department of Agriculture (USDA) Rural Development Services (RD)<sup>1</sup> long-term financing to replace the existing Flower Creek Dam. The loan will be for up to two (2) years and in the form of a bond anticipation note (BAN). The projected drawdown schedule for the loan covers the ten-month period from October 2014 to April 2016, at which point the City anticipates closing on its RD loan. The funding package for the \$10,600,000 total project cost is as follows:

Borrower Portion		\$ 581,000
Department of Commerce – Treasure State Endowment Program (TSEP) Grant		750,000
Department of Commerce – Community Development Block Grant (CDBG)		450,000
Department of Natural Resources & Conservation (DNRC) – RRGL <sup>2</sup> Grant		100,000
Department of Natural Resources & Conservation (DNRC) – RRGL <sup>2</sup> Loan		800,000
Rural Development (RD) Grant		4,719,000
<b>INTERCAP Interim Loan</b>	<b>\$3,200,000</b>	
Rural Development (RD) Loan		<u>3,200,000</u>
	<b>Total</b>	<b>\$10,600,000<sup>3</sup></b>

<sup>1</sup><http://www.rurdev.usda.gov/>

<sup>2</sup>Renewable Resource Grants and Loans Program

<sup>3</sup>10% contingency included for the \$6,554,000 construction portion of the total project cost

**Project**

This project will construct a new dam approximately 85 feet downstream of the existing Flower Creek Dam that was built in 1946. The existing dam impounds the Upper Flower Creek Reservoir, which serves as the primary water supply storage facility for the City of Libby. The City acquired ownership of the dam in 1986 and in 2009 an inspection revealed that seepage was becoming more severe than in the past. The DNRC recommended the City conduct core drilling of the dam to determine the strength of the concrete. Core samples revealed freeze-related cracking that extended from about 6-18 inches in from the face of the dam, which indicated the structure is failing and needs to be replaced.

**Authorization**

7-7-109 Montana Code Annotated (MCA) (2) (a) When all conditions exist precedent to the offering for sale of bonds of a political subdivision in any amount and for any purpose authorized by law or the political subdivision has applied for and received a commitment for a grant or loan of state or federal funds, its governing body may by resolution issue and sell, in anticipation of the receipt of the grant, loan, or bonds in an amount not exceeding the total amount of bonds authorized or the total amount of the loan or grant that is committed, notes maturing within not more than three years from the date on which the notes are issued.

**INTERCAP Debt**

The City has borrowed \$6,368,412 as interim financing through INTERCAP since 1996. In July 2014, the City closed on the RD long term financing for its water distribution project. Bond proceeds from that transaction paid off the City's corresponding \$1.77 million INTERCAP BAN, which the Board Loan Committee approved at its May 2013 meeting. The City has no other INTERCAP loans outstanding or commitments pending.

**Repayment**

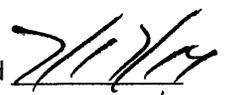
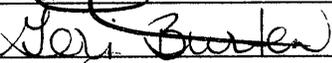
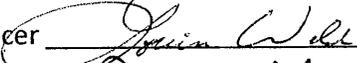
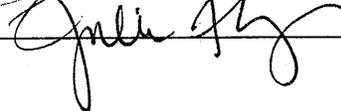
The bond proceeds from the City's issuance and sale of a revenue bond to RD will repay the BAN. Special conditions to the Board's commitment to ensure the revenue bond takes out the BAN are as follows:

1. Prior to disbursing funds, the Board requires evidence of RD's commitment to pay off the BAN with a long-term loan. Copies of the following will provide sufficient evidence:
  - RD Letter of Conditions (**MBOI has on file**)
  - USDA Office of General Council (OGC) Loan Closing Instruction
  - RD Letter of Intent to Fund ("I" Letter)
2. The Board will require approval from RD for each specific draw on the loan.
3. The Board requires the City to hire Bond Counsel to prepare the necessary BAN documents and provide the opinion at closing. The Bond Counsel needs to be nationally recognized and rendering a bond counsel opinion in the last ten years.

**Recommendation**

Approval recommended.

**Staff Loan Committee**

David Ewer, Executive Director		Recommended	
Geri Burton, Deputy Director		Recommended	7-17-14
Louise Welsh, Sr. Bond Program Officer		Recommended	7/10/14
Julie Flynn, Bond Program Officer		Recommended	7-12-14

**Board Loan Committee – August 19, 2014**

Jack Prothero, Chairperson – Loan Committee	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain
Kathy Bassette, Member	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain
Gary Buchanan, Member	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain

Approved \_\_\_\_\_

**MEMORANDUM****Montana Board of Investments****Department of Commerce  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
(406) 444-0001**

**To:** Members of the Board

**From:** Louise Welsh, Senior Bond Program Officer 

**Date:** August 19, 2014

**Subject:** INTERCAP Loans – Annual Loan Detail Report

Attached is the annual INTERCAP Loan Detail Report as of fiscal year end June 30, 2014 (FY14). The report has three categories: Local Government (sorted by the county in which the borrower is located), State Agency, and University loans.

In addition to the attached report, staff provides for the Board's information the concentration of INTERCAP loans outstanding as of FY14 compared to FY13 as follows:

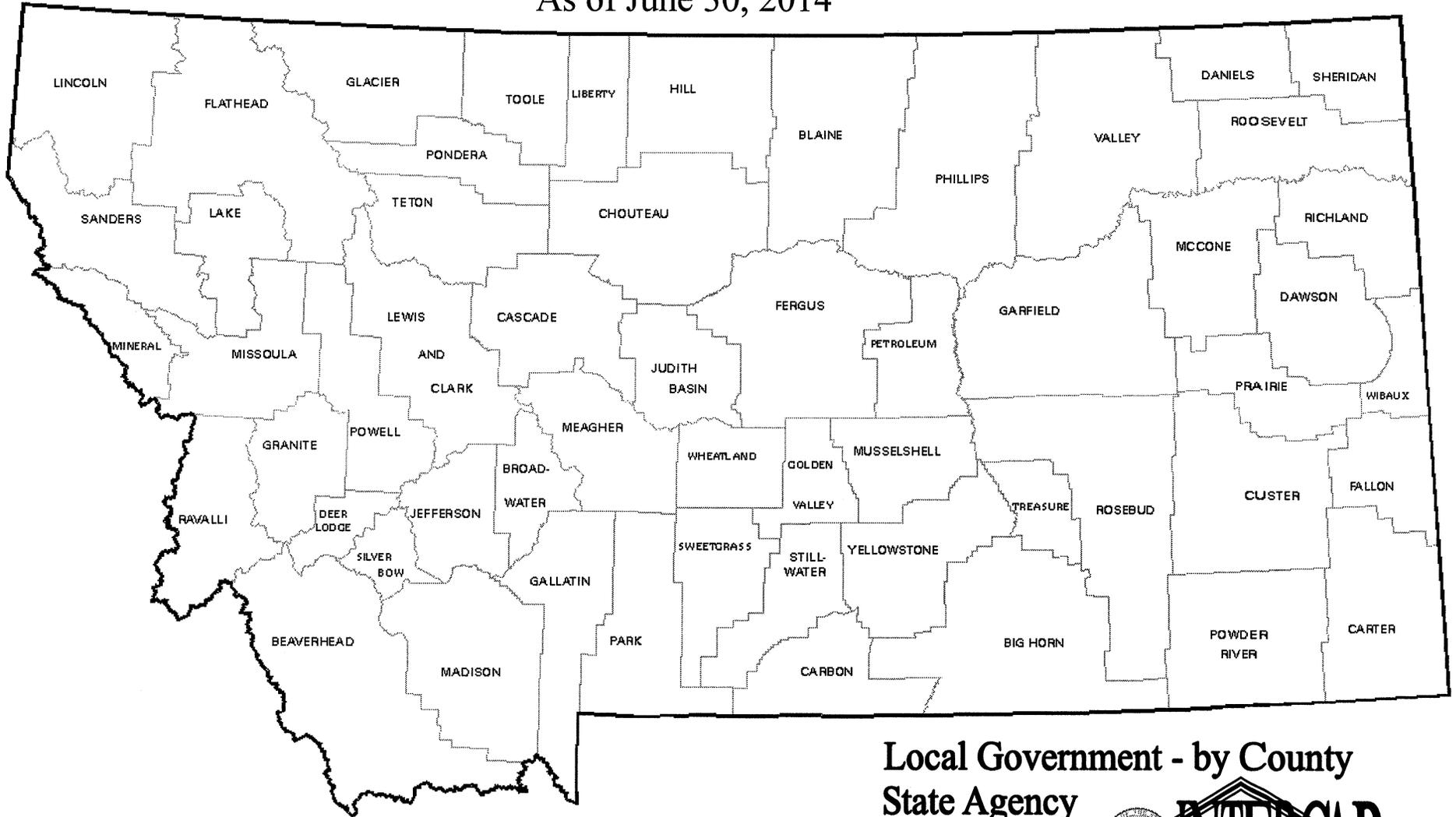
Borrower Type	FY14		FY13	
	Number of Borrowers	% of Total INTERCAP Loans Outstanding	Number of Borrowers	% of Total INTERCAP Loans Outstanding
County	27	23.73%	25	21.34%
University System	2	22.09%	2	26.16%
City	42	19.57%	46	16.56%
State Agency	3	11.31%	3	12.56%
School District	37	8.82%	38	6.53%
Fire District/Service Area	30	6.33%	30	6.89%
Community College	2	4.45%	2	5.54%
Solid Waste District	3	2.01%	5	2.64%
Other	8	1.37%	9	1.63%
Water/Sewer District	6	0.32%	7	0.15%
<b>Total</b>	<b>160</b>	<b>100.00%</b>	<b>167</b>	<b>100.00%</b>

The entities with outstanding balances representing 5% or more of all INTERCAP loans outstanding in FY14 compared to FY13, as follows:

Borrower	FY14		FY13	
	Principal Outstanding	% of Total INTERCAP Loans Outstanding	Principal Outstanding	% of Total INTERCAP Loans Outstanding
Montana State University	\$12,932,832	16.36%	\$14,588,566	19.37%
University of Montana	\$ 4,526,980	5.73%	\$ 5,115,400	6.79%

# INTERCAP LOAN DETAIL REPORT

As of June 30, 2014



Local Government - by County  
State Agency  
University



**Local Government INTERCAP loans - by County**

As of June 30, 2014

\*only loans that have remaining commitment and/or outstanding

County	Borrower Name	Project	Term	Commitment	Fund Date	Drawn	Remaining	Outstanding	Maturity
BEAVERHEAD	BEAVERHEAD COUNTY	Fairgrounds Restroom facility	10	108,000.00	06/02/06	108,000.00	-	31,941.27	08/15/16
BEAVERHEAD	BEAVERHEAD COUNTY	land road easements	10	118,632.00	11/16/07	118,632.00	-	54,342.82	02/15/18
<b>BEAVERHEAD Total</b>				<b>226,632.00</b>		<b>226,632.00</b>	<b>-</b>	<b>86,284.09</b>	
BLAINE	HARLEM	Preliminary Engineering Report-wastewater	3	40,000.00	06/04/10	40,000.00	-	23,161.13	02/15/16
BLAINE	TURNER PUBLIC HIGH SCHOOL	Installing a new heating system.	5	172,000.00	no draw	0.00	172,000.00	0.00	
BLAINE	TURNER PUBLIC ELEMENTARY SCHOOL	Installing a new heating system.	5	172,000.00	no draw	0.00	172,000.00	0.00	
<b>BLAINE Total</b>				<b>384,000.00</b>		<b>40,000.00</b>	<b>344,000.00</b>	<b>23,161.13</b>	
CARBON	BRIDGER SCHOOL DISTRICT #2	energy retrofit/energy performance contracting	15	116,960.00	01/24/14	116,960.00	-	116,960.00	02/15/29
<b>CARBON Total</b>				<b>116,960.00</b>		<b>116,960.00</b>	<b>-</b>	<b>116,960.00</b>	
CASCADE	GREAT FALLS	Design & install. of city street lights-Meadowlark	15	19,371.00	12/02/05	19,371.00	-	4,898.73	02/15/21
CASCADE	GREAT FALLS	Meadowlark 4 street lights	10	23,000.00	03/16/07	23,000.00	-	6,981.38	02/15/22
CASCADE	GREAT FALLS	Water Tower Addtm Lights	15	20,302.67	11/27/09	20,302.67	-	8,756.48	02/15/25
CASCADE	CASCADE COUNTY	Whitetail Lane RID #11346	10	48,990.00	10/28/05	48,990.00	-	11,321.98	02/15/16
CASCADE	GREAT FALLS	Bootlegger Phase 1 Street Lights	15	33,371.50	04/17/09	33,371.50	-	11,359.15	02/15/24
CASCADE	GREAT FALLS	design&instll Meadowlark Add#5 str lights	15	29,324.84	05/30/08	29,324.84	-	14,267.52	08/15/23
CASCADE	GREAT FALLS	Eagles Crossing II & III design&install street lights	15	46,149.73	03/28/08	46,149.73	-	15,043.23	02/15/23
CASCADE	GREAT FALLS	Eagles Crossing Phase I street lights	15	56,000.00	01/20/06	56,000.00	-	15,212.93	02/15/21
CASCADE	CASCADE COUNTY	Flood/Gannon RID No. 11347	10	269,342.00	10/28/05	269,342.00	-	46,647.15	02/15/16
CASCADE	CASCADE COUNTY	RID Bob Marshall Place	15	100,931.00	11/28/08	100,931.00	-	74,060.77	02/15/24
CASCADE	CASCADE COUNTY	Purch. motor graders/loader	7	750,000.00	11/21/08	750,000.00	-	234,574.74	02/15/16
CASCADE	GREAT FALLS	Public Works Bldg Addtm/Remodel	10	366,650.39	12/10/10	366,650.39	-	258,582.67	08/15/20
CASCADE	CASCADE COUNTY	Comp. Pub. Works Facility remod. camp	10	1,250,000.00	01/30/09	1,250,000.00	-	692,983.08	02/15/19
CASCADE	CASCADE COUNTY	Finance 42 vehicles for County fleet replacement	4	1,000,000.00	03/07/14	1,000,000.00	-	1,000,000.00	02/15/18
CASCADE	VAUGHN CASCADE COUNTY WATER & SEWI	2008 service truck	7	18,900.00	08/30/13	17,151.66	1,748.34	15,956.42	08/15/20
CASCADE	SUN PRAIRIE VILLAGE COUNTY WATER SEW	Anticip of USDA RD long term financing - water	2	1,399,000.00	no draw	0.00	1,399,000.00	0.00	
<b>CASCADE Total</b>				<b>5,431,333.13</b>		<b>4,030,584.79</b>	<b>1,400,748.34</b>	<b>2,410,646.23</b>	
CHOUTEAU	FORT BENTON	road material&patching machine	8	49,700.00	07/13/07	49,700.00	-	10,543.27	08/15/15
CHOUTEAU	MISSOURI RIVER MEDICAL CENTER	purchase property and improvement	10	38,000.00	06/15/07	38,000.00	-	15,582.77	08/15/17
CHOUTEAU	GERALDINE	Used Fire Truck	7	27,900.00	11/25/11	27,900.00	-	20,311.14	02/15/19
CHOUTEAU	GERALDINE	Streets and sidewalk project	10	30,000.00	01/04/13	30,000.00	-	27,122.03	02/15/23
CHOUTEAU	MISSOURI RIVER MEDICAL CENTER	Purchase equipment	5	31,133.00	05/10/13	31,133.00	-	28,090.39	08/15/18
CHOUTEAU	MISSOURI RIVER MEDICAL CENTER	Partial roof replacement and equipment/software	4	107,178.00	01/18/13	107,178.00	-	76,927.25	06/15/16
CHOUTEAU	FORT BENTON	Purchase Pumper Truck	15	180,000.00	07/10/09	180,000.00	-	126,000.00	08/15/24
CHOUTEAU	MISSOURI RIVER MEDICAL CENTER	Medical Management Software	2	203,900.00	05/31/13	203,900.00	-	179,090.83	08/15/15
<b>CHOUTEAU Total</b>				<b>667,811.00</b>		<b>667,811.00</b>	<b>-</b>	<b>483,667.68</b>	
CUSTER	MILES CITY	To purchase three police vehicles	3	53,500.00	05/06/11	53,500.00	-	9,137.56	08/15/14
CUSTER	CUSTER COUNTY	2009 Volvo G940 Motor Grader	5	110,000.00	05/01/09	110,000.00	-	11,825.43	08/15/14
CUSTER	CUSTER COUNTY	Rock crusher for road repair	10	50,000.00	10/19/07	50,000.00	-	22,903.96	02/15/18
CUSTER	CUSTER COUNTY	Motor Grader	7	120,000.00	08/20/10	120,000.00	-	62,011.00	08/15/17
CUSTER	MILES CITY	purchase 3 ambulances	5	127,851.00	07/22/11	127,851.00	-	65,314.26	08/15/16
CUSTER	CUSTER COUNTY	Purchase of a new motor grader	5	110,000.00	03/28/14	110,000.00	-	110,000.00	02/15/19
CUSTER	CUSTER COUNTY	BRIDGE PROJECT	10	180,000.00	07/09/10	180,000.00	-	120,567.93	08/15/20
CUSTER	CUSTER COUNTY SCHOOL DISTRICT #1	Repairs/expansion of Lincoln Elem	5	1,000,000.00	07/26/13	1,000,000.00	-	901,620.72	06/15/18
<b>CUSTER Total</b>				<b>1,751,351.00</b>		<b>1,751,351.00</b>	<b>-</b>	<b>1,303,380.86</b>	
DAWSON	DAWSON COMMUNITY COLLEGE	Phys Ed, Arts Ctr, Library Expansion	10	500,000.00	06/09/06	500,000.00	-	147,876.07	08/15/16
DAWSON	RICHEY ELEMENTARY SCHOOL DISTRICT #7:	Rehabilitate School Building	10	850,000.00	08/24/12	850,000.00	-	772,289.07	06/15/22
<b>DAWSON Total</b>				<b>1,350,000.00</b>		<b>1,350,000.00</b>	<b>-</b>	<b>920,165.14</b>	
DEER LODGE	ANACONDA-DEER LODGE COUNTY	Courthouse preservation	15	800,000.00	07/15/11	800,000.00	-	680,985.26	08/15/26
DEER LODGE	OPPORTUNITY RURAL FIRE DISTRICT	Purchasing a new fire truck	10	180,000.00	04/25/14	128,160.00	51,840.00	128,160.00	08/15/24
DEER LODGE	ANACONDA-DEER LODGE COUNTY	Rehabilitate historic street lights District #150	15	500,000.00	no draw	0.00	500,000.00	0.00	
<b>DEER LODGE Total</b>				<b>1,480,000.00</b>		<b>928,160.00</b>	<b>551,840.00</b>	<b>809,145.26</b>	

**Local Government INTERCAP loans - by County**

As of June 30, 2014

\*only loans that have remaining commitment and/or outstanding

County	Borrower Name	Project	Term	Commitment	Fund Date	Drawn	Remaining	Outstanding	Maturity
FERGUS	MOORE ELEMENTARY SCHOOL DIST #44	New roof on school	10	90,000.00	08/07/09	90,000.00	-	54,000.00	08/15/19
FERGUS	MOORE HIGH SCHOOL DIST #44	Repair/replace roof & site Improvem	10	90,000.00	08/07/09	90,000.00	-	54,000.00	08/15/19
FERGUS	LEWISTOWN	Extending Water & Sewer Services at the city /county ai	10	89,901.71	12/16/11	89,901.71	-	72,287.77	08/15/21
FERGUS	FERGUS COUNTY	Emergency road & bridge repairs	15	615,453.56	09/02/11	615,453.56	-	537,748.82	08/15/26
FERGUS	LEWISTOWN RURAL FIRE DISTRICT	Rescue/pumper fire engine	10	175,000.00	07/11/14	-	175,000.00	-	08/15/24
<b>FERGUS Total</b>				<b>1,060,355.27</b>		<b>885,355.27</b>	<b>175,000.00</b>	<b>718,036.59</b>	
FLATHEAD	WAPITI ACRES COUNTY WATER AND/OR SEWER	for water system upgrades	6	11,000.00	06/06/08	11,000.00	-	1,026.44	08/15/14
FLATHEAD	KALISPELL	Heating/Air Cond/ Fire Safety	10	151,835.70	07/16/04	151,835.70	-	8,174.97	08/15/14
FLATHEAD	WHITEFISH	Finance Police Department admin vehicle	3	16,339.00	03/14/14	16,339.00	-	16,339.00	02/15/17
FLATHEAD	SHEAVERS CREEK LAKE COUNTY WATER &	to finance the final cost of water storage tank & waterlin	10	25,000.00	02/18/11	25,000.00	-	17,314.26	02/01/21
FLATHEAD	SMITH VALLEY SCHOOL DISTRICT #89	Flooring Replacement, Exterior Door Replacement, Cabi	15	30,000.00	11/23/12	30,000.00	-	28,169.66	02/15/28
FLATHEAD	KALISPELL	Purchase aerial buck truck and other parks equip	5	99,520.24	12/30/10	99,520.24	-	40,825.58	02/15/16
FLATHEAD	KALISPELL	2003 American La France Eagle Pumper	10	279,900.00	04/22/05	279,900.00	-	49,022.69	02/15/15
FLATHEAD	FLATHEAD COUNTY	Rural Impr Dist No.142 sew coll syst impr	10	186,665.73	07/20/07	186,665.73	-	75,949.73	08/15/17
FLATHEAD	COLUMBIA FALLS	Sewer Cleaner Truck	5	124,625.00	07/06/12	124,625.00	-	87,880.63	08/15/17
FLATHEAD	COLUMBIA FALLS	2012 Custom Spartan Rosenbuer Pumper Apparatus	10	115,365.00	08/31/12	115,365.00	-	98,903.07	08/15/22
FLATHEAD	WHITEFISH	Skating Rink Improvements	5	139,811.77	10/12/12	139,811.77	-	110,574.63	08/15/17
FLATHEAD	KALISPELL	Dump Truck & Compactor	5	170,793.00	12/30/11	170,793.00	-	111,992.76	02/15/17
FLATHEAD	WHITEFISH	Finance an ambulance	5	153,780.00	03/14/14	153,780.00	-	153,780.00	02/15/19
FLATHEAD	COLUMBIA FALLS	Street Improvements	10	364,449.00	08/26/11	364,449.00	-	279,661.04	08/15/21
FLATHEAD	KALISPELL	Purchase vehicles and equipment - See notes	5	337,348.87	02/01/13	337,348.87	-	294,962.01	02/15/18
FLATHEAD	BIGFORK FIRE DISTRICT	Refinance ladder truck	10	602,144.99	01/27/12	602,144.99	-	362,500.26	02/15/22
FLATHEAD	WEST VALLEY FIRE DISTRICT, KALISPELL	Purchase a new aerial ladder truck	10	600,000.00	12/11/09	600,000.00	-	382,896.83	02/15/20
FLATHEAD	WEST VALLEY FIRE DISTRICT, KALISPELL	Construct new fire hall	15	650,000.00	10/16/09	650,000.00	-	491,059.57	08/15/24
FLATHEAD	FLATHEAD VALLEY COMMUNITY COLLEGE	Campus expansion	10	3,258,778.74	07/20/07	3,258,778.74	-	1,204,638.93	02/15/17
FLATHEAD	FLATHEAD COUNTY	Refinance a captial lease for HVAC systems in 12 Count	10	2,000,000.00	04/25/14	2,000,000.00	-	2,000,000.00	08/15/24
FLATHEAD	FLATHEAD VALLEY COMMUNITY COLLEGE	Nursing and Health Sciences Building	10	2,400,000.00	04/12/13	2,400,000.00	-	2,166,923.08	02/15/23
FLATHEAD	KALISPELL	Finance two dump trucks & one garbage truck	5	400,000.00	02/28/14	219,488.00	180,512.00	219,488.00	02/15/19
FLATHEAD	WHITEFISH	2014 Type I Fire Pumper	10	485,112.00	06/20/14	202,453.00	282,659.00	202,453.00	08/15/24
<b>FLATHEAD Total</b>				<b>12,602,469.04</b>		<b>12,139,298.04</b>	<b>463,171.00</b>	<b>8,404,536.14</b>	
GALLATIN	THREE FORKS	Used John Deere Grader	3	25,000.00	09/07/12	25,000.00	-	12,597.58	08/15/15
GALLATIN	LAMOTTE SCHOOL DISTRICT #43	Purchase & Install Modular	5	135,000.00	09/25/09	135,000.00	-	14,327.23	08/15/14
GALLATIN	THREE FORKS	construction a 30x40 office/storage building	10	48,000.00	06/17/11	48,000.00	-	28,052.90	08/15/21
GALLATIN	THREE FORKS HIGH SCHOOL DISTRICT #J-24	Replace school boiler system	3	43,725.00	06/07/13	43,725.00	-	38,303.67	06/15/16
GALLATIN	BRIDGER CANYON RURAL FIRE DISTRICT	Refinance its fire station loan	15	116,470.46	10/21/11	116,470.46	-	39,810.13	08/15/26
GALLATIN	BELGRADE	City Library Improvements	15	72,550.50	02/01/13	72,550.50	-	68,218.97	02/15/28
GALLATIN	WEST YELLOWSTONE	Purchase Caterpillar Wheel Loader	10	128,624.00	02/06/09	128,624.00	-	70,879.18	02/15/19
GALLATIN	THREE FORKS ELEMENTARY SCHOOL DISTR	Replace school boiler system	4	88,775.00	06/07/13	88,775.00	-	80,684.39	06/15/17
GALLATIN	GALLATIN COUNTY	Fairgrounds improvements	10	500,000.00	04/13/07	500,000.00	-	98,427.32	08/15/15
GALLATIN	HEBGEN BASIN FIRE DISTRICT	Purchase Station 3 & construct Station 4	10	133,298.00	11/30/12	133,298.00	-	122,893.63	02/15/23
GALLATIN	WEST YELLOWSTONE	911 Dispatch Center Remodel	10	422,499.95	05/29/09	422,499.95	-	151,154.06	08/15/19
GALLATIN	GALLATIN COUNTY	Multiple city libraries improvements	10	999,000.00	06/17/05	999,000.00	-	171,146.82	08/15/15
GALLATIN	GALLATIN COUNTY	RE-ENTRY FACILITY	10	800,000.00	03/31/06	800,000.00	-	184,757.88	02/15/16
GALLATIN	GALLATIN COUNTY	Courthouse Annex Building purch & moving costs	10	999,000.00	07/27/07	999,000.00	-	401,993.36	08/15/17
GALLATIN	GALLATIN COUNTY	Construct and Equip 9-1-1 Center	10	1,000,000.00	03/27/09	1,000,000.00	-	536,053.77	02/15/19
GALLATIN	GALLATIN COUNTY	Road/Bridge Shop Complex	10	1,300,000.00	06/06/08	1,300,000.00	-	652,996.09	08/15/18
GALLATIN	GALLATIN COUNTY/GALLATIN COUNTY SOL	Land Purchase - Logan	10	1,250,000.00	06/25/10	1,250,000.00	-	812,500.00	08/15/20
GALLATIN	BOZEMAN	Reconstruction of 8th Avenue	10	1,203,278.75	07/20/12	1,203,278.75	-	1,086,396.08	08/15/22
GALLATIN	WEST YELLOWSTONE	Construct Town Hall	13	1,480,865.97	12/21/12	1,480,865.97	-	1,402,095.97	12/15/25
GALLATIN	GALLATIN GATEWAY COUNTY WATER & SE	Anticip of USDA RD long-term financing - wastewater	2	1,650,000.00	no draw	0.00	1,650,000.00	0.00	
GALLATIN	AMSTERDAM CHURCHILL COUNTY SEWER I	Anticip of USDA RD long-term financing - wastewater	1	2,200,000.00	no draw	0.00	2,200,000.00	0.00	
<b>GALLATIN Total</b>				<b>14,596,087.63</b>		<b>10,746,087.63</b>	<b>3,850,000.00</b>	<b>5,973,289.03</b>	

**Local Government INTERCAP loans - by County**

As of June 30, 2014

\*only loans that have remaining commitment and/or outstanding

County	Borrower Name	Project	Term	Commitment	Fund Date	Drawn	Remaining	Outstanding	Maturity
GARFIELD	KESTER SCHOOL DISTRICT #23	Finance costs to provide a teacherage on school property	5	54,940.00	07/11/14	-	54,940.00	-	06/15/19
<b>GARFIELD Total</b>				<b>54,940.00</b>		<b>-</b>	<b>54,940.00</b>	<b>-</b>	
GOLDEN VALLEY	GOLDEN VALLEY COUNTY	2008 Ford F250 Ambulance	10	44,000.00	06/12/09	44,000.00	-	25,947.58	08/15/19
<b>GOLDEN VALLEY Total</b>				<b>44,000.00</b>		<b>44,000.00</b>	<b>-</b>	<b>25,947.58</b>	
GRANITE	PHILIPSBURG SCHOOL DISTRICT #1	Biomass Heating System replacement	10	355,000.00	01/14/05	355,000.00	-	21,739.48	08/15/14
<b>GRANITE Total</b>				<b>355,000.00</b>		<b>355,000.00</b>	<b>-</b>	<b>21,739.48</b>	
HILL	HAVRE	Chiller & cooling Towner for Ice Dome	10	60,000.00	04/01/05	60,000.00	-	6,673.46	02/15/15
HILL	HILL COUNTY	Wanke Bridge	10	136,389.81	12/23/04	136,389.81	-	14,652.29	02/15/15
HILL	HAVRE	Asphalt Reclaiming Machine	10	86,950.00	02/24/10	86,950.00	-	55,410.12	02/15/20
HILL	HAVRE	Change city hall roof (two bldgs) from flat to pitch	10	175,800.00	07/13/07	175,800.00	-	70,452.48	08/15/17
HILL	HAVRE	New Street Sweeper	7	141,902.78	03/16/12	141,902.78	-	103,071.38	02/15/19
HILL	HAVRE	Change city hall (two bldgs) from flat to pitch roof	15	280,000.00	08/03/07	280,000.00	-	182,052.89	08/15/22
HILL	UNIFIED DISPOSAL DISTRICT	Develop facility at new landfill	15	900,000.00	12/10/10	900,000.00	-	733,815.00	02/15/26
HILL	NORTH HAVRE COUNTY WATER DISTRICT	Anticip of USDA RD long-term financing - water	2	783,000.00	05/02/14	140,159.83	642,840.17	140,159.83	05/01/16
<b>HILL Total</b>				<b>2,564,042.59</b>		<b>1,921,202.42</b>	<b>642,840.17</b>	<b>1,306,287.45</b>	
JEFFERSON	JEFFERSON CITY FIRE DISTRICT	New Fire Hall	10	75,000.00	06/11/04	75,000.00	-	4,208.00	08/15/14
JEFFERSON	JEFFERSON CITY FIRE DISTRICT	Purchase fire pumper engine	7	11,500.00	10/09/09	11,500.00	-	4,345.18	08/15/16
JEFFERSON	WHITEHALL ELEMENTARY SCHOOL DISTRICT	new natural gas boiler	10	84,484.00	05/18/07	84,484.00	-	25,465.72	08/15/17
JEFFERSON	WHITEHALL	Emergency backup generator	10	31,570.00	12/23/11	31,570.00	-	25,642.35	12/15/22
JEFFERSON	BULL MOUNTAIN RURAL FIRE DIST.	Construct fire truck garage	10	49,837.00	12/12/08	49,837.00	-	28,010.04	02/15/19
JEFFERSON	BOULDER	Unexpected costs related to water proj.	10	50,000.00	04/30/10	50,000.00	-	33,595.84	08/15/20
JEFFERSON	MONTANA CITY SCHOOL DISTRICT #27	Repair and replacement of its septic system	15	55,168.24	10/19/12	55,168.24	-	51,675.09	06/15/27
JEFFERSON	CLANCY FIRE SERVICE AREA	FIRE TRUCK	10	77,058.00	09/24/10	77,058.00	-	53,144.89	08/15/20
JEFFERSON	JEFFERSON COUNTY	RID #2506 road improvements	15	75,376.23	09/19/08	75,376.23	-	53,353.56	08/15/23
JEFFERSON	WHITEHALL	assume municipal pool debt	10	99,894.00	07/23/10	99,894.00	-	66,990.37	08/15/20
JEFFERSON	WHITEHALL	2008 Fire Engine	10	150,000.00	07/02/09	150,000.00	-	87,789.14	08/15/19
JEFFERSON	MONTANA CITY SCHOOL DISTRICT #27	Energy retrofit project using energy performane contract	15	134,343.00	10/07/11	134,343.00	-	116,571.21	06/15/26
JEFFERSON	JEFFERSON COUNTY	County Offices Remodel	10	285,259.54	05/15/09	285,259.54	-	176,602.12	08/15/19
JEFFERSON	JEFFERSON COUNTY	Moonlight Ridge RID #2511 road improvements	15	241,096.48	12/24/09	241,096.48	-	177,526.67	02/15/25
JEFFERSON	JEFFERSON COUNTY	Martinez Gulch RID #2517 Rd. Improv.	15	262,878.81	11/20/09	262,878.81	-	198,536.50	08/15/24
JEFFERSON	WHITEHALL	Wastewater Preliminary Engineering Rerpot (PER) upda	3	15,000.00	no draw	0.00	15,000.00	0.00	
JEFFERSON	BOULDER	Anticip of USDA RD long-term financing - wastewater	1	3,550,000.00	no draw	0.00	3,550,000.00	0.00	
<b>JEFFERSON Total</b>				<b>5,248,465.30</b>		<b>1,683,465.30</b>	<b>3,565,000.00</b>	<b>1,103,456.68</b>	
JUDITH BASIN	STANFORD	Repair the municipal pool and purchase a Bobcat Skid-St	3	28,000.00	06/20/14	28,000.00	-	28,000.00	08/15/17
JUDITH BASIN	HOBSON	chip sealing the streets	10	85,000.00	08/03/07	85,000.00	-	34,309.06	08/15/17
JUDITH BASIN	HOBSON	Repairing municipal pool	15	54,407.00	06/20/14	12,605.79	41,801.21	12,605.79	08/15/29
<b>JUDITH BASIN Total</b>				<b>167,407.00</b>		<b>125,605.79</b>	<b>41,801.21</b>	<b>74,914.85</b>	
LAKE	POLSON	To purchase a 2008 Case wheel loader	3	47,200.00	05/13/11	47,200.00	-	8,061.55	08/15/14
LAKE	MISSION MOUNTAIN COUNTRY CLUB/LAKE	Install water meters/pits, replace main pump	10	60,000.00	11/09/12	60,000.00	-	54,900.63	02/15/23
LAKE	POLSON ELEMENTARY SCHOOL DIST #23	Reroofing High School	3	164,000.00	07/20/12	164,000.00	-	82,634.75	06/15/15
LAKE	RONAN	Various Used Equipment	7	175,000.00	08/24/12	175,000.00	-	140,072.91	08/15/19
LAKE	LAKE COUNTY	Finance gravel pit reclamation settlement	3	365,022.00	02/14/14	365,022.00	-	365,022.00	02/15/17
<b>LAKE Total</b>				<b>811,222.00</b>		<b>811,222.00</b>	<b>-</b>	<b>650,691.84</b>	
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Maynard Road RID 2005-1	10	8,679.68	03/03/06	8,679.68	-	1,986.76	02/16/16
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Bel Air Curb RID No. 2006-6	10	13,685.21	03/20/08	13,685.21	-	3,387.26	02/15/18
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Fantasy Road (East of Ferry Drive) RID #2011-1	15	9,278.95	06/22/12	9,278.95	-	4,521.58	08/15/27
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Green Acres RID #2001-8 Road Improvements	10	26,467.12	03/20/08	26,467.12	-	6,210.61	02/15/18
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Town View Estates RID #1990-9 road improvements	10	40,858.49	03/20/08	40,858.49	-	6,860.60	02/15/18
LEWIS AND CLARK	HELENA	GOLF POND IMPROVEMENTS	10	62,901.00	12/03/04	62,901.00	-	7,072.20	02/15/15
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Gable Estates RID	10	317,476.01	02/10/06	317,476.01	-	7,897.04	02/15/16
LEWIS AND CLARK	HELENA	Chambers Remodel	10	175,974.43	10/01/04	175,974.43	-	9,193.68	08/15/14
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Sky View RID #2008-9	10	52,995.71	03/19/10	52,995.71	-	9,894.25	02/15/20
LEWIS AND CLARK	BAXENDALE FIRE DIST	Tanker Fire Truck	10	80,000.00	04/15/05	80,000.00	-	10,167.29	02/15/15

**Local Government INTERCAP loans - by County**

**As of June 30, 2014**

\*only loans that have remaining commitment and/or outstanding

County	Borrower Name	Project	Term	Commitment	Fund Date	Drawn	Remaining	Outstanding	Maturity
LEWIS AND CLARK	BAXENDALE FIRE DIST	constructing a fire hall addition	10	50,000.00	07/20/07	50,000.00	-	20,097.24	08/15/17
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Autumn Wind Court RID road improv	15	40,123.92	08/20/10	40,123.92	-	26,151.64	08/15/25
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Bel Air Addition RID No. 2006-5	10	213,266.12	06/20/08	213,266.12	-	27,348.29	08/15/18
LEWIS AND CLARK	YORK FIRE SERVICE AREA	constructing a fire station	10	70,000.00	11/09/07	70,000.00	-	33,081.16	02/15/18
LEWIS AND CLARK	MONTANA CITY RURAL FIRE DISTRICT	new pumper truck	10	345,343.00	05/16/08	345,343.00	-	51,486.59	08/15/18
LEWIS AND CLARK	EAST HELENA	Construction of new shop building	10	177,208.00	06/22/07	177,208.00	-	71,421.56	08/15/17
LEWIS AND CLARK	AUGUSTA RURAL FIRE DISTRICT	New Fire Pumper Truck	10	85,000.00	08/17/12	85,000.00	-	72,912.14	08/15/22
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Crestwood Green Estates RID Road Improvements	10	94,655.60	12/06/13	94,655.60	-	87,655.60	02/15/24
LEWIS AND CLARK	TRI-LAKES VOLUNTEER FIRE DEPARTMENT	Three Used Apparatuses	10	131,939.44	07/15/11	131,939.44	-	103,264.85	08/15/21
LEWIS AND CLARK	WOLF CREEK/CRAIG FIRE SVC AREA	Build a 50' x 80' truck barn	15	139,798.20	10/02/09	139,798.20	-	106,167.89	08/15/24
LEWIS AND CLARK	TRI-LAKES VOLUNTEER FIRE DEPARTMENT	Purchase a Sutphen CAFS rescue pumper	10	175,000.00	12/24/09	175,000.00	-	110,753.60	02/15/20
LEWIS AND CLARK	HELENA	Improvements to City's golf course	10	207,000.00	09/25/09	207,000.00	-	121,211.92	08/15/19
LEWIS AND CLARK	HELENA	Sidewalk, curb, Gut., & driveway/alley aprch	10	326,548.96	02/06/09	326,548.96	-	183,005.09	02/15/19
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Remodel City/County Admin. Bldg-2nd floor -Phase II	10	505,000.00	06/25/10	505,000.00	-	337,859.65	08/15/20
LEWIS AND CLARK	EAST HELENA	Reconstruction of muni. swim. pool	10	692,958.00	09/19/08	692,958.00	-	347,530.90	08/15/18
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Elevator, air con, upgrades, roof rpr & remodel	10	999,483.48	03/14/08	999,483.48	-	467,175.13	02/15/18
LEWIS AND CLARK	EAST HELENA	Anticip of USDA RD long-term financing - wastewater t	2	3,386,000.00	06/21/13	3,386,000.00	-	3,386,000.00	08/15/15
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Lambkin RID Road improvements	7	33,502.00	no draw	0.00	33,502.00	0.00	
LEWIS AND CLARK	LEWIS & CLARK COUNTY	August RID Road Improvements	7	37,331.00	no draw	0.00	37,331.00	0.00	
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Big Sky Subdivision RID Road Improvements	15	194,737.00	12/06/13	143,606.42	51,130.58	130,606.42	02/15/29
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Lincoln RID road improvements	7	89,846.00	no draw	0.00	89,846.00	0.00	
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Settler's Cove RID Road Improvements	15	109,533.00	no draw	0.00	109,533.00	0.00	
LEWIS AND CLARK	HELENA	Upgrades to municipal golf course irrigation system	15	600,000.00	no draw	0.00	600,000.00	0.00	
LEWIS AND CLARK	MONTANA CITY RURAL FIRE DISTRICT	Purchase property and construct station	15	750,000.00	no draw	0.00	750,000.00	0.00	
LEWIS AND CLARK	LEWIS & CLARK COUNTY	Construction of a Search & Rescue Building	9	815,000.00	no draw	0.00	815,000.00	0.00	
LEWIS AND CLARK	CRAIG COUNTY WATER & SEWER DISTRICT	Anticip of USDA RD long-term financing - wastewater	1	1,300,000.00	no draw	0.00	1,300,000.00	0.00	
<b>LEWIS AND CLARK Total</b>				<b>12,357,590.32</b>		<b>8,571,247.74</b>	<b>3,786,342.58</b>	<b>5,750,920.94</b>	
LINCOLN	TROY PUBLIC SCHOOLS DISTRICT #1	Energy Cost Savings replace old boiler heating system	10	59,000.00	11/24/06	59,000.00	-	19,104.26	02/15/17
LINCOLN	FISHER RIVER VALLEY FIRE SERVICE AREA	New Fire Engine	10	70,000.00	07/05/13	70,000.00	-	66,587.59	08/15/23
LINCOLN	EUREKA FIRE SERVICE AREA	Purchase water tender	4	100,000.00	08/16/13	100,000.00	-	85,501.37	08/15/17
LINCOLN	FISHER RIVER VALLEY FIRE SERVICE AREA	Refi Fire Station Construction Loan	15	136,245.00	06/24/11	136,245.00	-	115,817.14	08/15/26
LINCOLN	EUREKA ELEMENTARY SCHOOL	central wood-fired heating plant&dist lines	10	283,240.00	09/14/07	283,240.00	-	116,625.76	08/15/17
LINCOLN	LINCOLN HIGH SCHOOL	cent wood-fired heating plant&dist lines	10	283,240.00	09/14/07	283,240.00	-	116,625.76	08/15/17
LINCOLN	LIBBY	Anticip of USDA RD long-term financing - water distrib	2	1,768,000.00	09/13/13	1,578,726.83	189,273.17	1,578,726.83	08/15/15
<b>LINCOLN Total</b>				<b>2,699,725.00</b>		<b>2,510,451.83</b>	<b>189,273.17</b>	<b>2,098,988.71</b>	
MADISON	SHERIDAN	Purchase land for Main St. parking	10	43,000.00	09/09/05	43,000.00	-	7,379.92	08/15/15
MADISON	MADISON VALLEY RURAL FIRE DIST.	Refi Fire Station Loan	10	240,708.06	09/24/10	240,708.06	-	161,190.61	08/15/20
<b>MADISON Total</b>				<b>283,708.06</b>		<b>283,708.06</b>	<b>-</b>	<b>168,570.53</b>	
MCCONE	MCCONE COUNTY	Refinance a 2006 Ford Expedition	3	22,877.00	06/03/11	22,877.00	-	3,907.30	08/15/14
MCCONE	MCCONE COUNTY	Purchase 2010 Ford F250 4x4 P.U.	5	26,148.32	10/23/09	26,148.32	-	5,570.71	02/15/15
MCCONE	MCCONE COUNTY	Road Dept Truck	5	29,230.00	03/08/13	29,230.00	-	23,483.02	02/15/18
MCCONE	MCCONE COUNTY	Finance new Sherrif's Dept vehicle	5	37,640.85	04/04/14	37,640.85	-	37,640.85	02/15/19
MCCONE	MCCONE COUNTY	Community Facility at Fairgrounds	10	125,000.00	08/13/10	125,000.00	-	85,728.92	08/15/20
MCCONE	MCCONE COUNTY	Refinance five road graders of a five years	5	348,912.12	12/06/13	348,912.12	-	348,912.12	02/15/19
<b>MCCONE Total</b>				<b>589,808.29</b>		<b>589,808.29</b>	<b>-</b>	<b>505,242.92</b>	
MEAGHER	WHITE SULPHUR SPRINGS HIGH SCHOOL	Replace school boiler	2	450,000.00	no draw	0.00	450,000.00	0.00	06/15/15
<b>MEAGHER Total</b>				<b>450,000.00</b>		<b>-</b>	<b>450,000.00</b>	<b>-</b>	
MINERAL	ALBERTON	To Purchase a used sanding truck	5	20,000.00	10/12/12	20,000.00	-	16,382.79	02/15/18
MINERAL	MINERAL COUNTY HOSPITAL DISTRICT	Design Feasibility Study for New Hospital/Clinic	6	422,362.20	10/07/11	422,362.20	-	272,166.24	08/15/17
<b>MINERAL Total</b>				<b>442,362.20</b>		<b>442,362.20</b>	<b>-</b>	<b>288,549.03</b>	

**Local Government INTERCAP loans - by County**

**As of June 30, 2014**

\*only loans that have remaining commitment and/or outstanding

County	Borrower Name	Project	Term	Commitment	Fund Date	Drawn	Remaining	Outstanding	Maturity
MISSOULA	MISSOULA	CHRISTIAN DR. SID #530	10	6,706.45	01/13/06	6,706.45	-	1,346.45	02/15/16
MISSOULA	MISSOULA COUNTY	Western Montana Fair Equipment	10	158,623.00	04/30/04	158,623.00	-	8,994.80	08/15/14
MISSOULA	MISSOULA	Art Museum Remodel	10	300,000.00	07/09/04	300,000.00	-	17,931.84	08/15/14
MISSOULA	MISSOULA COUNTY	New Water/Septic Facilities	5	28,464.65	06/07/13	28,464.65	-	25,614.65	08/15/18
MISSOULA	FRENCHTOWN RURAL FIRE DISTRICT	New Fire Truck	3	31,145.66	03/28/14	31,145.66	-	31,145.66	08/15/16
MISSOULA	MISSOULA COUNTY	Williams Addtn RID -sewer system improvements	15	73,000.00	05/07/10	73,000.00	-	55,990.00	08/15/25
MISSOULA	CLINTON RURAL FIRE DISTRICT	Finance a Used Fire Engine	10	125,000.00	04/27/12	125,000.00	-	57,505.60	08/15/22
MISSOULA	MISSOULA COUNTY	Missoula Aging Services (MAS) renovations	10	250,000.00	02/24/06	250,000.00	-	58,344.61	02/15/16
MISSOULA	MISSOULA COUNTY	Telemetry system for Lolo Water & Sewer RSID meters	5	130,000.00	12/13/13	130,000.00	-	130,000.00	02/15/19
MISSOULA	SEELEY LAKE RURAL FIRE DIST	Purchase land/building to house trucks and equip.	15	325,000.00	08/28/09	325,000.00	-	243,020.70	08/15/24
MISSOULA	MISSOULA COUNTY	Purchase Historical Building	10	432,499.89	05/15/09	432,499.89	-	319,400.83	08/15/24
MISSOULA	MISSOULA RURAL FIRE DISTRICT	FINANCE A NEW FIRE ENGINE, WATER TENDER,	10	475,000.00	10/21/11	475,000.00	-	385,286.06	02/15/22
MISSOULA	TARGET RANGE SCHOOL DISTRICT #23	Building Improvements	5	850,000.00	09/14/12	789,922.52	60,077.48	715,780.87	06/15/17
MISSOULA	MISSOULA COUNTY	Public works vehicles/security improvements	3	487,288.00	no draw	0.00	487,288.00	0.00	
MISSOULA	MISSOULA COUNTY	Purchase six motor graders	5	560,000.00	07/25/14	-	560,000.00	-	08/15/19
<b>MISSOULA Total</b>				<b>4,232,727.65</b>		<b>3,125,362.17</b>	<b>1,107,365.48</b>	<b>2,050,362.07</b>	
MUSSELSHELL	MUSSELSHELL COUNTY	Ambulance Barn Construction	10	200,000.00	10/07/05	200,000.00	-	33,542.60	08/15/15
MUSSELSHELL	MUSSELSHELL COUNTY	Purchase John Deere 872G grader	8	227,000.00	11/12/10	227,000.00	-	145,972.76	02/15/19
MUSSELSHELL	ROUNDUP	UV Disinfection-Sewer Lagoon	10	239,924.22	07/20/12	239,924.22	-	218,895.89	08/15/27
<b>MUSSELSHELL Total</b>				<b>666,924.22</b>		<b>666,924.22</b>	<b>-</b>	<b>398,411.25</b>	
PARK	PARK COUNTY	Gardiner Airport Easement	10	68,350.00	04/27/04	68,350.00	-	3,875.83	08/15/14
PARK	WILSALL RURAL FIRE DISTRICT	New fire truck	3	30,000.00	03/22/13	30,000.00	-	20,070.47	02/15/16
PARK	SHIELDS VALLEY ELEMENTARY SCHOOL DISTRICT	Replace boiler	5	59,100.00	07/19/13	59,100.00	-	55,852.45	06/15/18
PARK	LIVINGSTON	Replace Sewer Mains	10	141,743.00	10/23/09	141,743.00	-	85,047.00	02/15/20
PARK	LIVINGSTON	Replace Water Mains	10	152,941.00	10/23/09	152,941.00	-	91,765.00	02/15/20
PARK	SHIELDS VALLEY HIGH SCHOOL DISTRICT #5	Replace boiler	5	137,900.00	07/19/13	137,900.00	-	130,322.38	06/15/18
PARK	PARK COUNTY RURAL FIRE DISTRICT #1	Fire station building improvements	15	200,000.00	04/12/13	200,000.00	-	187,268.76	02/15/28
PARK	LIVINGSTON	Street Repair Project	10	400,000.00	01/25/13	400,000.00	-	361,915.69	02/15/23
PARK	PARK COUNTY	Construct search & rescue operations bldg	15	880,000.00	03/01/13	835,940.77	44,059.23	825,659.43	02/15/28
PARK	LIVINGSTON	Repairs to City/County Building	3	125,000.00	no draw	0.00	125,000.00	0.00	
<b>PARK Total</b>				<b>2,195,034.00</b>		<b>2,025,974.77</b>	<b>169,059.23</b>	<b>1,761,777.01</b>	
PHILLIPS	MALTA SCHOOL DISTRICT	Replace elementary school boiler	5	120,000.00	no draw	0.00	120,000.00	0.00	
<b>PHILLIPS Total</b>				<b>120,000.00</b>		<b>-</b>	<b>120,000.00</b>	<b>-</b>	
PONDERA	VALIER ELEMENTARY SCHOOL DISTRICT #1	Boiler/Heating System	10	100,000.00	07/29/05	100,000.00	-	17,047.38	08/15/15
PONDERA	PONDERA COUNTY	Co. Hosp. Heat-Vent-AC Sys Replacement	10	435,000.00	05/28/04	435,000.00	-	24,284.31	08/15/14
PONDERA	PONDERA COUNTY	Purchase Building for Senior Center	10	89,550.00	07/03/08	89,550.00	-	44,429.62	08/15/18
PONDERA	PONDERA COUNTY	Senior Center Remodel Project	15	113,841.43	08/12/11	113,841.43	-	99,399.73	08/15/26
PONDERA	VALIER ELEMENTARY SCHOOL DISTRICT #1	Swimming Pool Rehab	10	147,739.34	05/20/11	147,739.34	-	110,829.34	08/15/21
PONDERA	VALIER HIGH SCHOOL DISTRICT #18	Swimming Pool Rehab	10	147,739.34	05/20/11	147,739.34	-	110,829.34	08/15/21
PONDERA	CONRAD	Expand and remodel City Hall	10	384,000.00	07/27/12	384,000.00	-	332,918.19	08/15/22
PONDERA	PONDERA COUNTY	Purchase various types of hospital equipment	3	622,578.00	05/30/14	375,229.00	247,349.00	375,229.00	08/15/17
PONDERA	VALIER	Anticip of USDA RD long-term financing - wastewater tr	1	775,000.00	no draw	0.00	775,000.00	0.00	
<b>PONDERA Total</b>				<b>2,815,448.11</b>		<b>1,793,099.11</b>	<b>1,022,349.00</b>	<b>1,114,966.91</b>	
POWDER RIVER	POWDER RIVER COUNTY/POWDER RIVER CC	Expand landfill	10	220,000.00	11/18/05	220,000.00	-	44,000.00	02/15/16
POWDER RIVER	POWDER RIVER COUNTY	Purchase gravel crusher	10	559,167.00	08/23/13	559,167.00	-	532,356.80	08/15/23
<b>POWDER RIVER Total</b>				<b>779,167.00</b>		<b>779,167.00</b>	<b>-</b>	<b>576,356.80</b>	
POWELL	ELLISTON RURAL FIRE DISTRICT	Construct new fire hall	10	96,470.20	08/19/05	96,470.20	-	16,977.80	08/15/15
POWELL	GARRISON FIRE DISTRICT	Construct Fire Hall	10	107,000.00	08/19/05	107,000.00	-	18,675.28	08/15/15
POWELL	POWELL COUNTY	bridge maintenance/replacement	7	250,000.00	11/09/07	250,000.00	-	22,146.85	08/15/14
POWELL	ELLISTON RURAL FIRE DISTRICT	Finance new fire truck	10	60,000.00	12/06/13	60,000.00	-	60,000.00	02/15/24
POWELL	DEER LODGE ELEMENTARY SD	Purch & Install Wood-Fired Heat Plant	10	335,000.00	01/16/09	335,000.00	-	172,637.08	02/15/19
POWELL	DEER LODGE	Anticip of USDA RD long-term financing - wastewater	1	5,024,000.00	no draw	0.00	5,024,000.00	0.00	
<b>POWELL Total</b>				<b>5,872,470.20</b>		<b>848,470.20</b>	<b>5,024,000.00</b>	<b>290,437.01</b>	

**Local Government INTERCAP loans - by County**

As of June 30, 2014

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PRAIRIE	PRAIRIE COUNTY HOSPITAL DISTRICT	Replace hospital & clinic roof	15	168,619.15	12/23/10	168,619.15	-	137,002.00	08/15/25
<b>PRAIRIE Total</b>				<b>168,619.15</b>		<b>168,619.15</b>	<b>-</b>	<b>137,002.00</b>	
RAVALLI	RAVALLI COUNTY	Camera/Jail Ctrl Panel	10	64,257.19	07/16/04	64,257.19	-	3,459.67	08/15/14
RAVALLI	VICTOR SCHOOL DISTRICT #7	Retrofit Heating System	10	103,918.18	09/24/04	103,918.18	-	5,875.23	08/15/14
RAVALLI	HAMILTON SCHOOL DISTRICT #3	BOILER REPLACEMENT	10	418,988.82	11/12/04	418,988.82	-	25,042.55	08/15/14
RAVALLI	LONE ROCK ELEMENTARY SCHOOL DIST. #1:	Phone System	10	27,185.33	06/14/13	27,185.33	-	25,890.62	06/15/23
RAVALLI	PINESDALE	pilot study/report for surface water treatment system	3	38,000.00	04/13/12	38,000.00	-	28,000.00	02/15/15
RAVALLI	NORTH VALLEY PUBLIC LIBRARY DISTRICT	library renovation phase 1	10	40,348.87	10/01/10	40,348.87	-	28,285.50	08/15/20
RAVALLI	LONE ROCK ELEMENTARY SCHOOL DIST. #1:	Installing a new septic system	10	40,000.00	01/13/12	40,000.00	-	32,107.64	06/15/21
RAVALLI	RAVALLI COUNTY	Public Safety Vehicles	5	164,902.59	01/22/10	164,902.59	-	34,736.72	02/15/15
RAVALLI	VICTOR SCHOOL DISTRICT #7	Insulation proj. remodel/renovate cafe.	10	75,000.00	12/04/09	75,000.00	-	47,862.09	02/15/20
RAVALLI	RAVALLI COUNTY ECONOMIC DEVELOPMENT	Parking Lot Expansion	10	66,567.05	01/13/12	66,567.05	-	54,148.70	02/15/22
RAVALLI	RAVALLI COUNTY	Aggregate Crushing Plant & Excavator	10	535,000.00	03/04/05	535,000.00	-	59,306.92	02/15/15
RAVALLI	NORTH VALLEY PUBLIC LIBRARY DISTRICT	Refinance library building mortgage	15	68,000.00	04/26/13	68,000.00	-	65,896.23	08/15/28
RAVALLI	DARBY RURAL FIRE DISTRICT	Purchase a new fire engine	10	88,481.00	01/11/13	88,481.00	-	80,014.08	02/15/23
RAVALLI	CORVALLIS RURAL FIRE DISTRICT	Refinance a fire engine	4	120,360.00	11/30/12	120,360.00	-	90,829.28	02/15/17
RAVALLI	RAVALLI COUNTY	Roofing courthouse & related improv	10	196,364.00	11/28/08	196,364.00	-	108,455.83	02/15/19
RAVALLI	RAVALLI COUNTY	Purchase replacement sherriff vehicles	5	300,000.00	02/24/12	300,000.00	-	183,328.67	02/15/17
RAVALLI	FLORENCE RURAL FIRE DISTRICT	Purchase of a new type 3 fire truck	10	208,720.00	06/07/13	208,720.00	-	198,779.64	08/15/23
RAVALLI	RAVALLI COUNTY	Refinance County Parks loan	15	266,050.42	05/10/13	266,050.42	-	257,819.40	08/15/28
RAVALLI	RAVALLI COUNTY	Purchase Building for Search & Rescue	10	425,000.00	07/16/10	425,000.00	-	284,842.73	08/15/20
RAVALLI	FLORENCE RURAL FIRE DISTRICT	Construct fire station	15	300,000.00	08/23/13	300,000.00	-	295,859.17	08/15/28
RAVALLI	HAMILTON SCHOOL DISTRICT #3	Remodel and Replace boiler at Daly Elementary School	15	350,000.00	10/25/13	350,000.00	-	350,000.00	06/15/28
RAVALLI	RAVALLI COUNTY	Refi fair trade center	15	560,000.00	09/23/11	560,000.00	-	476,440.88	08/15/26
RAVALLI	HAMILTON SCHOOL DISTRICT #3	Upgrade technology infrastructure	7	487,556.44	12/06/13	487,556.44	-	487,556.44	02/15/21
RAVALLI	CORVALLIS RURAL FIRE DISTRICT	Refinance two fire stations	10	627,648.00	11/30/12	627,648.00	-	568,342.14	02/15/23
RAVALLI	STEVENSVILLE	Anticip of USDA RD long-term financing-wastewater	1	800,000.00	no draw	0.00	800,000.00	0.00	
<b>RAVALLI Total</b>				<b>6,372,347.89</b>		<b>5,572,347.89</b>	<b>800,000.00</b>	<b>3,792,880.13</b>	
RICHLAND	SAVAGE ELEMENTARY SCHOOL DISTRICT #7	Heating/Cooling Systems and asbestos abatement	10	600,000.00	11/02/12	600,000.00	-	540,132.74	06/15/22
RICHLAND	SIDNEY	Replace Wtr Treatment Plant Filters	10	884,307.32	12/17/10	884,307.32	-	563,017.32	08/15/20
<b>RICHLAND Total</b>				<b>1,484,307.32</b>		<b>1,484,307.32</b>	<b>-</b>	<b>1,103,150.06</b>	
ROOSEVELT	WOLF POINT SCHOOL DISTRICT #45 & 45A	Boiler Replacement	10	357,045.10	06/18/04	357,045.10	-	18,284.81	08/15/14
ROOSEVELT	CULBERTSON	Purchase used refuse truck	7	42,000.00	05/03/13	42,000.00	-	36,000.00	02/15/20
ROOSEVELT	CULBERTSON HIGH SCHOOL DISTRICT	Reroofing of high school wings	10	122,041.00	11/04/11	122,041.00	-	98,182.79	06/15/21
ROOSEVELT	CULBERTSON ELEMENTARY SCHOOL DISTRICT	Reroofing of school wings	10	124,000.00	11/04/11	124,000.00	-	99,758.81	06/15/21
ROOSEVELT	CULBERTSON	Street, Curb and Gutter Improvements	15	127,364.19	07/22/11	127,364.19	-	109,984.65	08/15/26
ROOSEVELT	BAINVILLE PUBLIC SCHOOL DISTRICT #64D	Remodel school building 2nd floor	5	470,067.44	06/14/13	470,067.44	-	425,022.63	02/15/18
ROOSEVELT	CULBERTSON ELEMENTARY SCHOOL DISTRICT	Remodel/Repave & Replace Kitchen Equip.	10	800,000.00	08/06/10	800,000.00	-	535,444.33	02/15/20
<b>ROOSEVELT Total</b>				<b>2,042,517.73</b>		<b>2,042,517.73</b>	<b>-</b>	<b>1,322,678.02</b>	
ROSEBUD	LAME DEER ELEMENTARY SCHOOL DISTRICT	remodeling projects	10	231,000.00	09/16/05	231,000.00	-	41,621.84	08/15/15
ROSEBUD	LAME DEER HIGH SCHOOL DISTRICT #6	remodeling projects	10	269,000.00	09/16/05	269,000.00	-	50,133.84	08/15/15
ROSEBUD	FORSYTH	Refi/repair the municipal pool	10	133,806.71	06/07/13	133,806.71	-	127,081.39	02/15/23
<b>ROSEBUD Total</b>				<b>633,806.71</b>		<b>633,806.71</b>	<b>-</b>	<b>218,837.07</b>	
SANDERS	THOMPSON FALLS	COMPUTER SERVER AND GENERATOR	5	78,563.00	06/25/10	78,563.00	-	24,152.30	08/15/15
SANDERS	THOMPSON FALLS	front end loader	10	82,997.00	03/20/08	82,997.00	-	37,012.67	02/15/18
SANDERS	SANDERS COUNTY	Arena/Holding Pens Upgrade	10	140,941.93	07/11/08	140,941.93	-	70,147.25	08/15/18
SANDERS	SANDERS COUNTY	CONCESSION STAND AND FAIRGROUNDS IMPRO	10	140,555.61	07/30/10	140,555.61	-	94,317.85	08/15/20
SANDERS	HOT SPRINGS	Water System Improvements - revenue bond	15	156,805.00	no draw	0.00	156,805.00	0.00	
<b>SANDERS Total</b>				<b>599,862.54</b>		<b>443,057.54</b>	<b>156,805.00</b>	<b>225,630.07</b>	
SHERIDAN	MEDICINE LAKE	PER for wastewater system	3	40,000.00	06/20/14	40,000.00	-	40,000.00	08/15/17
<b>SHERIDAN Total</b>				<b>40,000.00</b>		<b>40,000.00</b>	<b>-</b>	<b>40,000.00</b>	

**Local Government INTERCAP loans\* - by County**  
**As of June 30, 2014**

\*only loans that have remaining commitment and/or outstanding

County	Borrower Name	Project	Term	Commitment	Fund Date	Drawn	Remaining	Outstanding	Maturity
SILVER BOW	BUTTE-SILVER BOW	Purchase Rescue Unit for Fire Dept	4	175,613.00	06/14/13	175,613.00	-	154,049.87	08/15/17
SILVER BOW	BUTTE-SILVER BOW	Caterpillar PM-201 Cold Planer	10	736,843.00	04/13/07	736,843.00	-	251,467.13	02/15/17
SILVER BOW	BUTTE-SILVER BOW	New 100' Super HD Aerial Ladder Truck	10	978,554.00	09/28/07	978,554.00	-	350,774.00	08/15/17
SILVER BOW	BUTTE-SILVER BOW	Purchase Crusher for Road Dept	10	665,844.21	06/14/13	665,844.21	-	636,093.48	08/15/23
<b>SILVER BOW Total</b>				<b>2,556,854.21</b>		<b>2,556,854.21</b>	<b>-</b>	<b>1,392,384.48</b>	
STILLWATER	STILLWATER COUNTY	Building for co office space	10	125,000.00	03/24/06	125,000.00	-	26,366.40	02/15/16
STILLWATER	STILLWATER COUNTY	constructing a new dispatch center	10	130,500.00	04/27/07	130,500.00	-	49,318.96	08/15/17
STILLWATER	PARK CITY RURAL FIRE DISTRICT	Bldg Demolition, Bldg Expansion	10	130,000.00	10/09/09	130,000.00	-	78,964.94	08/15/19
STILLWATER	STILLWATER COUNTY	Asphalt Grinder	5	152,990.00	07/20/12	152,990.00	-	107,956.56	08/15/17
STILLWATER	STILLWATER COUNTY	FOR THE PURCHASE OF TWO NEW MOTOR GRAI	7	299,055.00	01/14/11	299,055.00	-	175,303.18	02/15/18
STILLWATER	COLUMBUS	CONSTRUCTING OF A PUBLIC WORKS FACILITY	10	300,000.00	01/06/12	300,000.00	-	243,703.82	02/15/22
STILLWATER	COLUMBUS	Storm Drain Sewer+street/curb reconstruction	10	1,147,220.34	11/16/07	1,147,220.34	-	532,579.05	02/15/18
STILLWATER	COLUMBUS RURAL FIRE DISTRICT #3	Purchase new fire engine	10	140,000.00	06/21/13	123,710.00	16,290.00	117,631.85	08/15/23
<b>STILLWATER Total</b>				<b>2,424,765.34</b>		<b>2,408,475.34</b>	<b>16,290.00</b>	<b>1,331,824.76</b>	
SWEET GRASS	SWEET GRASS COUNTY	Purchase road equipment	5	200,000.00	03/19/10	200,000.00	-	41,194.94	02/15/15
SWEET GRASS	SWEET GRASS COUNTY	Purchase patrol cars	5	68,000.00	02/15/13	68,000.00	-	54,736.45	02/15/18
<b>SWEET GRASS Total</b>				<b>268,000.00</b>		<b>268,000.00</b>	<b>-</b>	<b>95,931.39</b>	
TETON	POWER HIGH SCHOOL DISTRICT #30	Remodel/add on to existing locker rooms, offices, & wei	10	122,500.00	02/20/09	122,500.00	-	54,617.88	02/15/19
TETON	POWER ELEMENTARY SCHOOL DISTRICT #30	Remodel/add on to existing gym locker rooms, offices &	10	127,500.00	06/19/09	127,500.00	-	57,268.47	02/15/19
TETON	TETON COUNTY	Purchase building	10	75,000.00	12/16/11	75,000.00	-	61,140.62	02/15/22
TETON	TETON COUNTY HOSPITAL DIST	Purchase/installation of fire alarm/nurse call systems	10	213,232.72	01/26/07	213,232.72	-	73,948.27	02/15/17
<b>TETON Total</b>				<b>538,232.72</b>		<b>538,232.72</b>	<b>-</b>	<b>246,975.24</b>	
TOOLE	SUNBURST	Purchase a 1999 Mack MR688P garbage truck	5	28,050.00	02/18/11	28,050.00	-	11,542.23	02/15/16
TOOLE	TOOLE COUNTY	Maintenance Pickup Truck	6	18,037.72	01/18/13	18,037.72	-	15,106.86	02/15/19
TOOLE	KEVIN	Purchase refuse truck & household cont	7	45,735.00	04/24/09	45,735.00	-	16,341.00	08/15/16
TOOLE	TOOLE COUNTY	New search and rescue boat	10	60,000.00	12/28/07	60,000.00	-	24,820.28	08/15/17
TOOLE	SHELBY	Land Purchase-landfill	10	148,000.00	07/21/06	148,000.00	-	37,000.00	08/15/16
TOOLE	NORTHERN EXPRESS TRANS. AUTH.	purchase land	10	100,000.00	12/21/07	100,000.00	-	40,000.00	08/15/17
TOOLE	SHELBY HIGH SCHOOL DISTRICT	RENOVATE FOOTBALL FIELD AND TRACK COMP	10	79,461.00	08/20/10	79,461.00	-	53,357.90	08/15/20
TOOLE	TOOLE COUNTY	Purchase 2010 Cat 140M Motor Grader	5	139,466.00	02/11/11	139,466.00	-	55,747.15	02/15/16
TOOLE	SHELBY	Vehicle/Equipment	10	550,878.00	01/21/05	550,878.00	-	62,745.36	02/15/15
TOOLE	TOOLE COUNTY	5 Different county projects...see notes	10	486,768.83	07/15/05	486,768.83	-	89,949.98	08/15/15
TOOLE	SUNBURST	Street, Curb & Gutter Improvements	9	145,000.00	11/12/10	145,000.00	-	102,654.37	08/15/19
TOOLE	TRI-CITY INTERLOCAL EQUIP POOL	Purchase sewer jet truck	7	244,000.00	03/12/10	244,000.00	-	108,287.06	02/15/17
TOOLE	TOOLE COUNTY	Airport Taxiway and hangar	10	145,394.00	01/18/13	145,394.00	-	131,515.95	02/15/23
TOOLE	TOOLE COUNTY	Purchase 2010 John Deere 872G Motor Grader	7	226,058.00	12/30/10	226,058.00	-	132,322.85	02/15/18
TOOLE	TOOLE COUNTY	Purchase hospital equipment for MMC	5	308,390.00	04/21/11	308,390.00	-	157,955.88	08/15/16
TOOLE	TOOLE COUNTY	Software for Digitizing County Records	5	276,392.14	01/18/13	276,392.14	-	233,452.52	02/15/18
TOOLE	TOOLE COUNTY	Energy Retrofit County Buildings	10	425,000.00	07/23/10	425,000.00	-	285,011.49	08/15/20
TOOLE	SUNBURST	Sunburst SID #4 Street, Curb, & Gutter Improvements	9	499,999.00	11/12/10	499,999.00	-	345,105.00	08/15/19
TOOLE	TOOLE COUNTY	Purchase truck/trailer, motor graders	7	447,155.89	01/18/13	447,155.89	-	385,207.50	02/15/20
TOOLE	TOOLE COUNTY	Hospital equipment and software	5	579,394.00	02/01/13	579,394.00	-	469,014.30	02/15/18
TOOLE	KEVIN	Repair portion of water system	15	65,000.00	10/18/13	35,827.50	29,172.50	35,180.13	08/15/28
<b>TOOLE Total</b>				<b>5,018,179.58</b>		<b>4,989,007.08</b>	<b>29,172.50</b>	<b>2,792,317.81</b>	
VALLEY	NASHUA	Phase I of its water system improvements	10	55,556.50	11/05/10	55,556.50	-	40,447.45	02/15/21
VALLEY	VALLEY COUNTY	Emergency road & bridge repairs	10	163,038.20	07/06/12	163,038.20	-	138,447.80	02/15/22
VALLEY	VALLEY COUNTY	Construct airport hangar	15	400,000.00	no draw	0.00	400,000.00	0.00	
<b>VALLEY Total</b>				<b>618,594.70</b>		<b>218,594.70</b>	<b>400,000.00</b>	<b>178,895.25</b>	
WHEATLAND	HARLOWTON	Anticip of USDA RD long-term financing - waste water	1	711,000.00	no draw	0.00	711,000.00	0.00	
<b>WHEATLAND Total</b>				<b>711,000.00</b>		<b>-</b>	<b>711,000.00</b>	<b>-</b>	

**Local Government INTERCAP loans - by County**  
**As of June 30, 2014**

\*only loans that have remaining commitment and/or outstanding

County	Borrower Name	Project	Term	Commitment	Fund Date	Drawn	Remaining	Outstanding	Maturity
YELLOWSTONE	LAUREL	SIDEWALK, CURB ANDGUTTER IMPROVEMENTS	10	8,808.00	09/30/11	8,808.00	-	6,741.73	06/15/21
YELLOWSTONE	CUSTER SCHOOL DISTRICT #15	Roofing project	5	41,556.00	07/29/11	41,556.00	-	21,260.57	08/15/16
YELLOWSTONE	CRYSTAL SPRINGS YELLOWSTONE COUNTY	Preliminary Engineering Report - Water	6	37,733.13	05/20/11	37,733.13	-	22,545.73	08/15/17
YELLOWSTONE	LAUREL	new amb veh&used fire tnd-new vac tank	7	160,000.00	02/29/08	160,000.00	-	25,867.58	02/15/15
YELLOWSTONE	CUSTER SCHOOL DISTRICT #15	roofing project	10	47,304.00	11/19/10	47,304.00	-	34,063.00	02/15/21
YELLOWSTONE	CANYON CREEK SCHOOL	Parking Lot Project	10	70,000.00	09/17/10	70,000.00	-	46,903.38	08/15/20
YELLOWSTONE	BILLINGS	Zimmerman SID sewer improvement	15	80,500.00	12/24/09	80,500.00	-	59,036.54	02/15/25
YELLOWSTONE	LAUREL	Purchase 2008 FL-106 Interface 1250CPumper	10	200,000.00	02/27/09	200,000.00	-	107,787.31	02/15/19
<b>YELLOWSTONE Total</b>				<b>645,901.13</b>		<b>645,901.13</b>	<b>-</b>	<b>324,205.84</b>	
<b>Local Government Grand Total</b>				<b>106,540,030.03</b>		<b>81,469,032.35</b>	<b>25,070,997.68</b>	<b>52,639,605.33</b>	

**University INTERCAP loans**

As of June 30, 2014

\*only loans that have remaining commitment and/or outstanding

Borrower Name	Project Description	Term	Commitment	Fund Date	Draws	Remaining	Outstanding	Maturity
MSU-BILLINGS	Residence Hall Roof Replacement	10	336,512.00	04/13/12	336,512.00	-	271,841.04	02/15/22
MSU-BILLINGS	Bookstore Remodel	10	513,046.00	06/22/12	513,046.00	-	454,811.08	08/15/22
MSU-BILLINGS	Student Union/Rimrock Hall HVAC	15	1,260,881.00	06/22/12	1,260,881.00	-	1,165,981.43	08/15/27
MSU-BILLINGS	Repair/replace the roof on Petro Hall	10	560,000.00	no draw	0.00	560,000.00	0.00	
<b>MSU-BILLINGS Total</b>			<b>2,670,439.00</b>		<b>2,110,439.00</b>	<b>560,000.00</b>	<b>1,892,633.55</b>	
MSU-BOZEMAN	Roberts Hall Networking	4	78,085.00	06/04/04	78,085.00	-	4,424.16	08/15/14
MSU-BOZEMAN	IT Infra Replacement Program-Marsh Lab Network	10	36,285.00	03/24/06	36,285.00	-	8,426.93	02/15/16
MSU-BOZEMAN	Design & construct animal containment building	10	39,523.00	02/24/06	39,523.00	-	9,621.69	02/15/16
MSU-BOZEMAN	Football Video Server/Software Upgrade	4	80,783.00	06/25/10	80,783.00	-	10,215.36	08/15/14
MSU-BOZEMAN	Gaines Hall Networking	10	117,020.00	04/15/05	117,020.00	-	12,780.56	02/15/15
MSU-BOZEMAN	IT Infra Replace - Elec Code Corr & Cable Removal	10	77,965.00	07/22/05	77,965.00	-	13,391.80	08/15/15
MSU-BOZEMAN	Reid Hall Networking	10	154,223.00	11/26/04	154,223.00	-	17,339.85	02/15/15
MSU-BOZEMAN	IT Infra Replace-Networking/Remove copper/add fiber optic/add 300 tele cable	10	83,085.00	08/25/06	83,085.00	-	24,422.39	08/15/16
MSU-BOZEMAN	Purchase pickup truck for University KUSM	5	29,998.82	03/21/14	29,998.82	-	29,998.82	02/15/19
MSU-BOZEMAN	Telecom. Infra Replace - PBX Core, PBX Duel T-1s & Recorded Announcer	10	93,847.00	02/16/07	93,847.00	-	32,881.07	02/15/17
MSU-BOZEMAN	IT Infra. Rep. Plan-IDF Upgrade	10	150,000.00	06/20/08	150,000.00	-	74,142.03	08/15/18
MSU-BOZEMAN	IT Infra, Repl, Plan Network Build. Wiring	10	163,000.00	06/20/08	163,000.00	-	80,567.66	08/15/18
MSU-BOZEMAN	IT Infra Rep Plan - Argos Software	3	127,600.00	01/24/14	127,600.00	-	127,600.00	02/15/17
MSU-BOZEMAN	Purchase motion based drive simul	10	280,000.00	10/10/08	280,000.00	-	144,776.60	08/15/18
MSU-BOZEMAN	IT Infra. replacement plan IDF Camp Net work Infra.	7	663,372.00	05/23/08	663,372.00	-	159,076.71	08/15/15
MSU-BOZEMAN	EPS Bldg - Atrium Renovation	10	552,519.41	05/25/07	552,519.41	-	223,305.61	08/15/17
MSU-BOZEMAN	IT Infra Rep Plan - wireless campus expansion	10	279,347.00	01/24/14	279,347.00	-	279,347.00	02/15/24
MSU-BOZEMAN	IT Infra Repl Plan - Northern Tier Network	7	567,801.00	06/11/10	567,801.00	-	293,576.71	08/15/17
MSU-BOZEMAN	Cooley Lab Renovation	5	563,709.06	12/23/10	563,709.06	-	407,592.91	02/15/16
MSU-BOZEMAN	ADA Accessibility Projects	6	773,000.00	05/06/11	773,000.00	-	461,871.33	08/15/17
MSU-BOZEMAN	VMB Lab/Animal Containment Bldg	10	1,600,477.00	04/18/08	1,600,477.00	-	803,927.12	08/15/18
MSU-BOZEMAN	Bobcat Stadium End Zone Project	15	4,000,000.00	04/29/11	4,000,000.00	-	3,406,076.74	08/15/26
MSU-BOZEMAN	Energy Retro - Multiple Buildings	15	4,350,000.00	11/16/12	4,350,000.00	-	4,084,600.75	08/15/28
<b>MSU-BOZEMAN Total</b>			<b>14,861,640.29</b>		<b>14,861,640.29</b>	<b>-</b>	<b>10,709,963.80</b>	
MSU-NORTHERN	Various Equip Purchase & Install including ATC Bldg Audio/Visual	10	400,000.00	06/27/06	400,000.00	-	118,300.84	08/15/16
MSU-NORTHERN	Campus Improvements-pedestrian campus core renovation, parking, etc.	10	440,000.00	11/10/06	440,000.00	-	211,934.24	02/15/19
<b>MSU-NORTHERN Total</b>			<b>840,000.00</b>		<b>840,000.00</b>	<b>-</b>	<b>330,235.08</b>	
<b>Montana State University Total</b>			<b>18,372,079.29</b>		<b>17,812,079.29</b>	<b>560,000.00</b>	<b>12,932,832.43</b>	

**University INTERCAP loans**

As of June 30, 2014

\*only loans that have remaining commitment and/or outstanding

Borrower Name	Project Description	Term	Commitment	Fund Date	Draws	Remaining	Outstanding	Maturity
UOFM-MISSOULA	KUFM Fundraising soft/hardware	5	38,061.25	03/25/11	38,061.25	-	15,587.02	02/15/16
UOFM-MISSOULA	Remodeling the O'Connor Center	10	75,000.00	11/04/11	75,000.00	-	61,140.62	02/15/22
UOFM-MISSOULA	East Broadway Parking	10	288,722.91	04/21/06	288,722.91	-	85,390.42	08/15/16
UOFM-MISSOULA	Addition to Bldg 24 for bus storage	10	250,000.00	04/16/10	250,000.00	-	154,917.72	02/15/20
UOFM-MISSOULA	Purchase Real Property @820 Arthur	15	640,000.00	10/16/09	640,000.00	-	196,879.45	08/15/24
UOFM-MISSOULA	Info Tech - Storage Network & Firewall	3	401,625.00	12/21/12	401,625.00	-	268,638.23	02/15/16
UOFM-MISSOULA	Northern Tier Project	7	1,000,000.00	10/23/09	1,000,000.00	-	456,282.75	02/15/17
UOFM-MISSOULA	New Stadium Lights	10	926,804.00	06/22/12	926,804.00	-	793,336.48	08/15/22
<b>UOFM-MISSOULA Total</b>			<b>3,620,213.16</b>		<b>3,620,213.16</b>	-	<b>2,032,172.69</b>	
UOFM-MONTANA TECH	Design, Renovate, expand HPER building	15	2,340,000.00	12/23/11	2,340,000.00	-	2,059,652.45	02/15/27
<b>UOFM-MONTANA TECH Total</b>			<b>2,340,000.00</b>		<b>2,340,000.00</b>	-	<b>2,059,652.45</b>	
UOFM-WESTERN MT COLLEGE	Suburbans to replace motor vans	5	99,078.00	05/20/11	99,078.00	-	50,747.27	08/15/16
UOFM-WESTERN MT COLLEGE	Purchase a home and property within the campus.	15	150,000.00	05/02/14	150,000.00	-	150,000.00	06/15/29
UOFM-WESTERN MT COLLEGE	Life Safety Improv. to the PE Complex	15	299,999.61	10/30/09	299,999.61	-	234,407.86	02/15/25
<b>UOFM-WESTERN MT COLLEGE Total</b>			<b>549,077.61</b>		<b>549,077.61</b>	-	<b>435,155.13</b>	
<b>University of Montana Total</b>			<b>6,509,290.77</b>		<b>6,509,290.77</b>	-	<b>4,526,980.27</b>	
<b>Montana State University and University of Montana Grand Total</b>			<b>24,881,370.06</b>		<b>24,321,370.06</b>	<b>560,000.00</b>	<b>17,459,812.70</b>	

**State Agency INTERCAP loans**

**As of June 30, 2014**

\*only loans that have remaining commitment and/or outstanding

<b>Borrower Name</b>	<b>Project Description</b>	<b>Term</b>	<b>Commitment</b>	<b>Fund Date</b>	<b>Draws</b>	<b>Remaining</b>	<b>Outstanding</b>	<b>Maturity</b>
DNRC	Anticip of issuing Coal Severance Tax (CST) Bonds - RRGL (taxable)	3	1,000,000.00	08/31/12	381,000.00	619,000.00	381,000.00	08/31/15
DNRC	Anticip of issuing Coal Severance Tax (CST) Bonds - RRGL	3	2,000,000.00	08/31/12	2,000,000.00	-	500,000.00	08/31/15
DNRC	Anticip of issuing GO short term bond - WPCSRF	2	3,100,000.00	no draw	0.00	3,100,000.00	0.00	
DNRC	Anticip of issuing GO short term bond - DWSRF	3	1,750,000.00	09/27/13	1,750,000.00	-	761,000.00	09/15/16
DNRC	Anticip of issuing Coal Severance Tax (CST) Bonds - RRGL	3	3,000,000.00	01/24/14	527,000.00	2,473,000.00	527,000.00	01/24/17
DNRC	Anticip of issuing GO short term bond - DWSRF	3	2,500,000.00	no draw	0.00	2,500,000.00	0.00	
<b>DNRC Total</b>			<b>13,350,000.00</b>		<b>4,658,000.00</b>	<b>8,692,000.00</b>	<b>2,169,000.00</b>	
JUSTICE	InfTechSys-2nd Phase Per HB 261	14	24,000,000.00	06/18/04	18,958,401.00	5,041,599.00	2,985,726.16	06/15/18
<b>JUSTICE Total</b>			<b>24,000,000.00</b>		<b>18,958,401.00</b>	<b>5,041,599.00</b>	<b>2,985,726.16</b>	
TRANSPORTATION	Motor Pool - various vehicles	7	2,383,057.48	01/22/10	2,383,057.48	-	515,010.48	06/15/16
TRANSPORTATION	Purchase new vehicles for State Motor Pool	7	740,721.00	03/30/12	740,721.00	-	423,269.13	06/15/18
TRANSPORTATION	Motor Pool vehicles	7	3,700,000.00	03/14/14	3,319,143.87	380,856.13	2,844,979.87	06/15/20
<b>TRANSPORTATION Total</b>			<b>6,823,778.48</b>		<b>6,442,922.35</b>	<b>380,856.13</b>	<b>3,783,259.48</b>	
<b>State Agency Grand Total</b>			<b>44,173,778.48</b>		<b>30,059,323.35</b>	<b>14,114,455.13</b>	<b>8,937,985.64</b>	

[Back to Agenda](#)

# INTERNALLY MANAGED FIXED INCOME RISK EXPOSURES

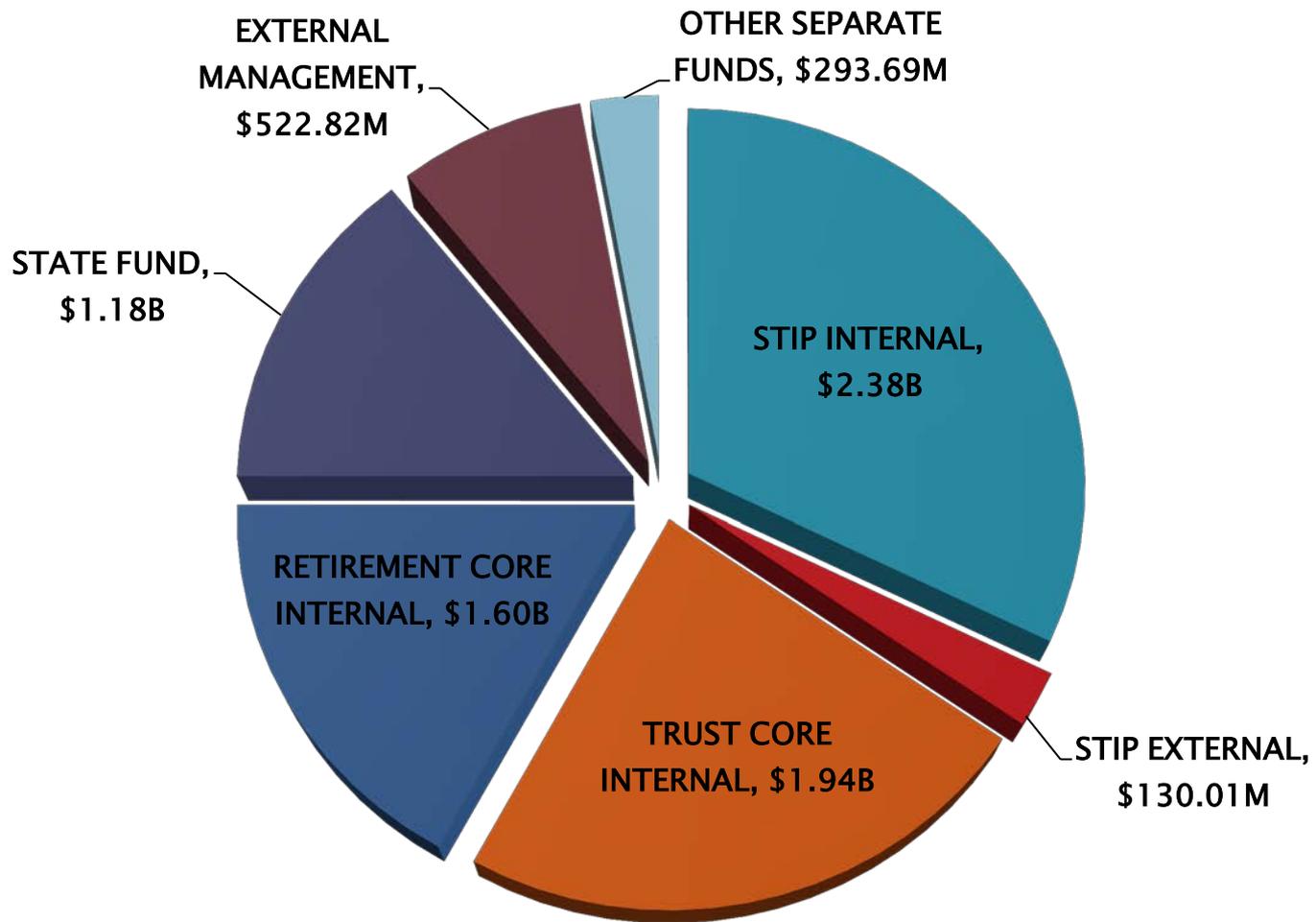
# Internally-Managed Fixed Income Risk Exposures

August 19, 2014

Presented by:  
Clifford Sheets, CFA, CIO  
Richard Cooley, CFA, Portfolio Manager  
Nathan Sax, CFA, Portfolio Manager

# Internally-Managed Fixed Income

Assets as of 06/30/14 – \$8.04B



# Risks and Constraints

## Addressed by Policy

- ▶ Each pool/account has its own policy statement
- ▶ Pools (Internally-managed portions)
  - CIBP (Core Internal Bond Portfolio)
  - TFBP (Trust Fund Bond Portfolio)
  - STIP (Short Term Investment Pool)
- ▶ State Fund
- ▶ Various smaller separate accounts (e.g., Abandoned Mine Trust, Group Benefits, U of M)

# Risks and Constraints Addressed by Policy

- ▶ Duration/Maturity
  - Range vs. benchmark
- ▶ Sector
  - Permitted vs. prohibited types of securities\*
  - Range vs. benchmark
- ▶ Name, or issuer
  - Typically absolute limit (\$ or % of account)

\*e.g. Permitted: Dollar denominated debt obligations of domestic and foreign corporations (Yankee bonds) up to 2% of portfolio assets per issuer vs. Prohibited: Interest only (IO) and principal only (PO) mortgage strips

# Risks and Constraints Addressed by Policy

Portfolio and index data as of 06/30/14				
	CIBP	TFBP	CIBP/TFBP Policy Range	Barclays Aggregate
Treasuries	18.10	18.01	15-45	35.26
Agencies & Govt Related	5.29	5.44	5-15	9.88
<b>Total Government</b>	<b>23.39</b>	<b>23.45</b>	<b>20-60</b>	<b>45.14</b>
Mortgage Backed	24.61	25.57	20-40	28.97
Asset Backed	6.33	5.87	0-7	0.48
CMBS	11.29	11.29	0-12	2.13
<b>Total Securitized</b>	<b>42.23</b>	<b>42.73</b>	<b>20-59</b>	<b>31.58</b>
Financial	12.07	11.77		7.58
Industrial	15.58	15.45		13.91
Utility	3.71	4.19		1.79
<b>Total Corporate</b>	<b>31.36</b>	<b>31.41</b>	<b>10-40</b>	<b>23.28</b>
Other	0.00	0.00		0.00
Cash	3.02	2.41		0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100</b>	<b>100.00</b>

# Risks and Constraints

## Addressed by Internal Strategy Statement

- ▶ CIBP and TFBP specifically addressed
- ▶ Fixed income staff meet each month to assess the outlook over next 3–6 months
- ▶ Tactical positioning within policy

# Risks and Constraints

## Addressed by Internal Strategy Statement

### ▶ Duration

- ▶ Total, as % of benchmark (e.g., 98–103%)
- ▶ Partial or key rate (% of account within a given range vs. benchmark; e.g. 3–5 yr.)

### ▶ Sector

- ▶ Target % (e.g., industrials: 16% vs. b/m at 14%)
- ▶ Contribution to duration
  - Measure of account sensitivity to a given sector
  - Portion of total account's duration from a given sector (e.g., financials at 0.5 vs. benchmark at 0.4)

# Internal Strategy Statement

<u>Statistics as of 07/01/14</u>						
	<u>-- Target Range --</u>		<u>CIBP</u> <u>(MU40)</u>	<u>TFIP</u> <u>(MU41)</u>	<u>Merrill</u> <u>Index</u>	<u>Policy</u> <u>Range</u>
	<u>prior</u>	<u>current</u>				
Effective duration	5.21-5.48	5.24-5.51	5.31	5.29	5.35	4.13-6.19
pct. of index duration	98-103%	98-103%	99.25%	98.88%		80-120%
Yield to Maturity			2.49%	2.52%	2.21%	
Nominal Spread (bp)			28	30		
Effective Spread (bp)			28	30		
	<u>Sector Weights</u>					<u>Policy</u>
Treasury	18.00%	18.00%	19.64%	18.46%	40.33%	15-45%
Gov Related	5.00%	5.00%	5.21%	5.43%	9.28%	5-15%
ABS	6.00%	6.00%	6.24%	5.87%	0.08%	0-7%
MBS	25.00%	25.00%	24.22%	25.45%	23.52%	20-40%
CMBS	12.00%	12.00%	11.11%	11.24%	2.40%	0-12%
Financials	13.00%	13.00%	11.89%	11.73%	7.79%	
Industrials	16.00%	16.00%	15.34%	15.40%	14.74%	
Utilities	4.00%	4.00%	3.66%	4.18%	1.76%	10-40%
Cash	1.00%	1.00%	2.69%	2.24%	0.06%	
Other	0.00%	0.00%	0.00%	0.00%	0.04%	
	100.00%	100.00%	100.00%	100.00%	100.00%	
	<u>Contribution to Duration</u>					
Treasury	1.38	1.36	1.50	1.35	2.29	
Gov Related	0.34	0.37	0.35	0.44	0.47	
ABS	0.13	0.14	0.15	0.14	0.00	
MBS	1.18	1.13	1.03	0.97	0.92	
CMBS	0.49	0.51	0.51	0.47	0.09	
Financials	0.50	0.53	0.49	0.55	0.39	
Industrials	1.07	1.08	1.03	1.11	1.04	
Utilities	0.26	0.26	0.25	0.26	0.15	
Cash	0.00	0.00	0.00	0.00	0.00	
Other	0.00	0.00	0.00	0.00	0.00	
<b>Total Duration</b>	<b>5.35</b>	<b>5.38</b>	<b>5.31</b>	<b>5.29</b>	<b>5.35</b>	
	<u>Partial Duration</u>					
0-1	8.00%	8.00%	8.33%	7.00%	1.29%	
1-3	18.00%	18.00%	20.12%	24.62%	30.40%	
3-5	32.00%	33.00%	30.55%	26.28%	31.81%	
5-7	21.00%	20.00%	19.95%	17.99%	15.51%	
7-10	12.00%	12.00%	11.98%	13.55%	8.32%	
10+	9.00%	9.00%	9.07%	10.56%	12.67%	
	100.00%	100.00%	100.00%	100.00%	100.00%	

## Portfolio Characteristics - Core Internal Bond Portfolio: June 30, 2014

	CIBP	Merrill U.S. Broad Index
Total Market Value	\$1.60 Billion	\$21.42 Trillion
# of issues	261	12,200
Effective Duration	5.20	5.29
Spread Duration	5.51	5.60
Yield to Maturity	2.47%	2.18%
Average Quality	Aa3	Aa1
Qtrly Tracking Error (Annualized)	0.32	

### Credit Quality (Moody's)

	CIBP	Merrill U.S. Broad Index	Difference
AAA	65.33%	71.85%	-6.52%
AA	5.12%	4.78%	0.34%
A	9.24%	10.71%	-1.47%
BBB	18.18%	12.64%	5.54%
BB	2.13%	0.02%	2.11%
B	0.00%	0.00%	0.00%
CCC/D	0.00%	0.00%	0.00%

\* Internal ratings have been applied to certain bonds.

### Sector Weights

	CIBP	Merrill U.S. Broad Index	Difference
Treasuries	18.10%	40.33%	-22.23%
Agency/Govt Guaranteed	5.29%	9.28%	-3.99%
ABS	6.33%	0.08%	6.25%
MBS	24.61%	23.56%	1.05%
CMBS	11.29%	2.39%	8.90%
Financial	12.07%	7.79%	4.28%
Industrial	15.58%	14.76%	0.82%
Utility	3.71%	1.77%	1.94%
Cash	3.02%	0.04%	2.98%

### Duration Distribution

	CIBP	Merrill U.S. Broad Index	Difference
0 - 1	7.45%	1.21%	6.24%
1 - 3	20.65%	30.58%	-9.93%
3 - 5	32.05%	31.89%	0.16%
5 - 7	19.02%	15.23%	3.79%
7 - 10	12.19%	8.35%	3.84%
10+	8.65%	12.75%	-4.10%

### Top 10 Issuer Holdings

	CIBP (%)
WFC/RBS CMBS Trust 2013-C14	1.05%
Cantor	0.98%
Mead WestVaco	0.94%
Verizon	0.94%
WFC/RBS CMBS Trust 2013-C11	0.93%
Excelon	0.91%
Bank of America	0.87%
COMM CMBS Trust 2013-CCRE10	0.85%
Quebec	0.84%
Berkshire Hathaway	0.84%

## Portfolio Characteristics – Trust Fund Bond Portfolio: June 30, 2014

	TFBP	Merrill U.S. Broad Index
Total Market Value	\$1.94 Billion	\$21.42 Trillion
# of issues	316	12,200
Effective Duration	5.21	5.29
Spread Duration	5.55	5.60
Yield to Maturity	2.48%	2.18%
Average Quality	Aa3	Aa1
Qtrly Tracking Error (Annualized)	0.32	

### Credit Quality (Moody's)

	TFBP	Merrill U.S. Broad Index	Difference
AAA	64.73%	71.85%	-7.12%
AA	3.51%	4.78%	-1.27%
A	9.93%	10.71%	-0.78%
BBB	19.85%	12.64%	7.21%
BB	1.93%	0.02%	1.91%
B	0.00%	0.00%	0.00%
CCC/D	0.05%	0.00%	0.05%

\* Internal ratings have been applied to certain bonds.

### Sector Weights

	TFBP	Merrill U.S. Broad Index	Difference
Treasuries	18.01%	40.33%	-22.32%
Agency/Govt Guaranteed	5.44%	9.28%	-3.84%
ABS	5.87%	0.08%	5.79%
MBS	25.57%	23.56%	2.01%
CMBS	11.29%	2.39%	8.90%
Financial	11.77%	7.79%	3.98%
Industrial	15.45%	14.76%	0.69%
Utility	4.19%	1.77%	2.42%
Cash	2.41%	0.04%	2.37%

### Duration Distribution

	TFBP	Merrill U.S. Broad Index	Difference
0 - 1	7.36%	1.21%	6.15%
1 - 3	24.49%	30.58%	-6.09%
3 - 5	26.35%	31.89%	-5.54%
5 - 7	18.28%	15.23%	3.05%
7 - 10	13.38%	8.35%	5.03%
10+	10.14%	12.75%	-2.61%

### Top 10 Issuer Holdings

	TFBP (%)
Verizon	1.52%
Exelon	1.31%
Department of Transportation	1.19%
Morgan Stanley	1.13%
LBUBS CMBS Trust 2006-C6	0.91%
JP Morgan	0.88%
JPMCC CMBS Trust 2013-C16	0.84%
Bank of America	0.82%
Citigroup	0.79%
Berkshire Hathaway	0.78%

## Portfolio Characteristics – State Fund Insurance: June 30, 2014

	State Fund	Merrill Int. Govt/Corp Index
Total Market Value	\$1.18 Billion	\$12.45 Trillion
# of issues	202	5,951
Effective Duration	3.86	3.95
Spread Duration	3.86	3.95
Yield to Maturity	1.70%	1.59%
Average Quality	Aa3	Aa1
Qtrly Tracking Error (Annualized)	0.32	

### Credit Quality (Moody's)

	State Fund	Merrill Int. Govt/Corp Index	Difference
AAA	44.79%	66.74%	-21.95%
AA	8.60%	5.51%	3.09%
A	26.60%	12.98%	13.62%
BBB	19.93%	14.77%	5.16%
BB	0.00%	0.00%	0.00%
B	0.00%	0.00%	0.00%
CCC/D	0.08%	0.00%	0.08%

\* Internal ratings have been applied to certain bonds.

### Sector Weights

	State Fund	Merrill Int. Govt/Corp Index	Difference
Treasuries	15.14%	57.81%	-42.67%
Agency/Govt Guaranteed	22.91%	12.47%	10.44%
ABS	5.05%	0.00%	5.05%
MBS	0.62%	0.00%	0.62%
CMBS	0.00%	0.00%	0.00%
Financial	27.00%	10.49%	16.51%
Industrial	22.48%	17.58%	4.90%
Utility	4.17%	1.65%	2.52%
Cash	2.63%	0.00%	2.63%

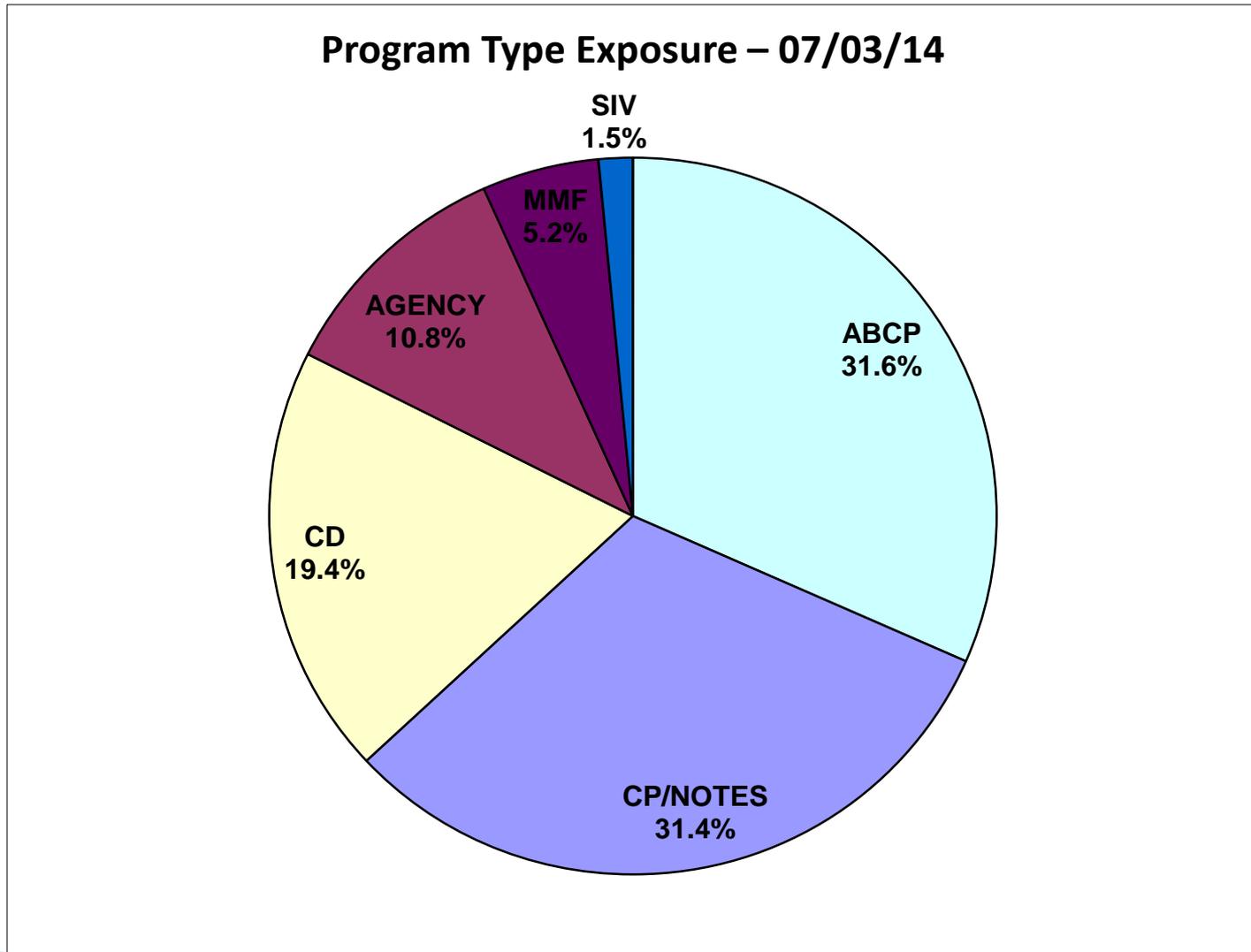
### Duration Distribution

	State Fund	Merrill Int. Govt/Corp Index	Difference
0 - 1	10.26%	0.91%	9.35%
1 - 3	32.94%	38.45%	-5.51%
3 - 5	25.67%	31.11%	-5.44%
5 - 7	20.82%	19.33%	1.49%
7 - 10	10.32%	10.20%	0.12%
10+	0.00%	0.00%	0.00%

### Top 10 Issuer Holdings

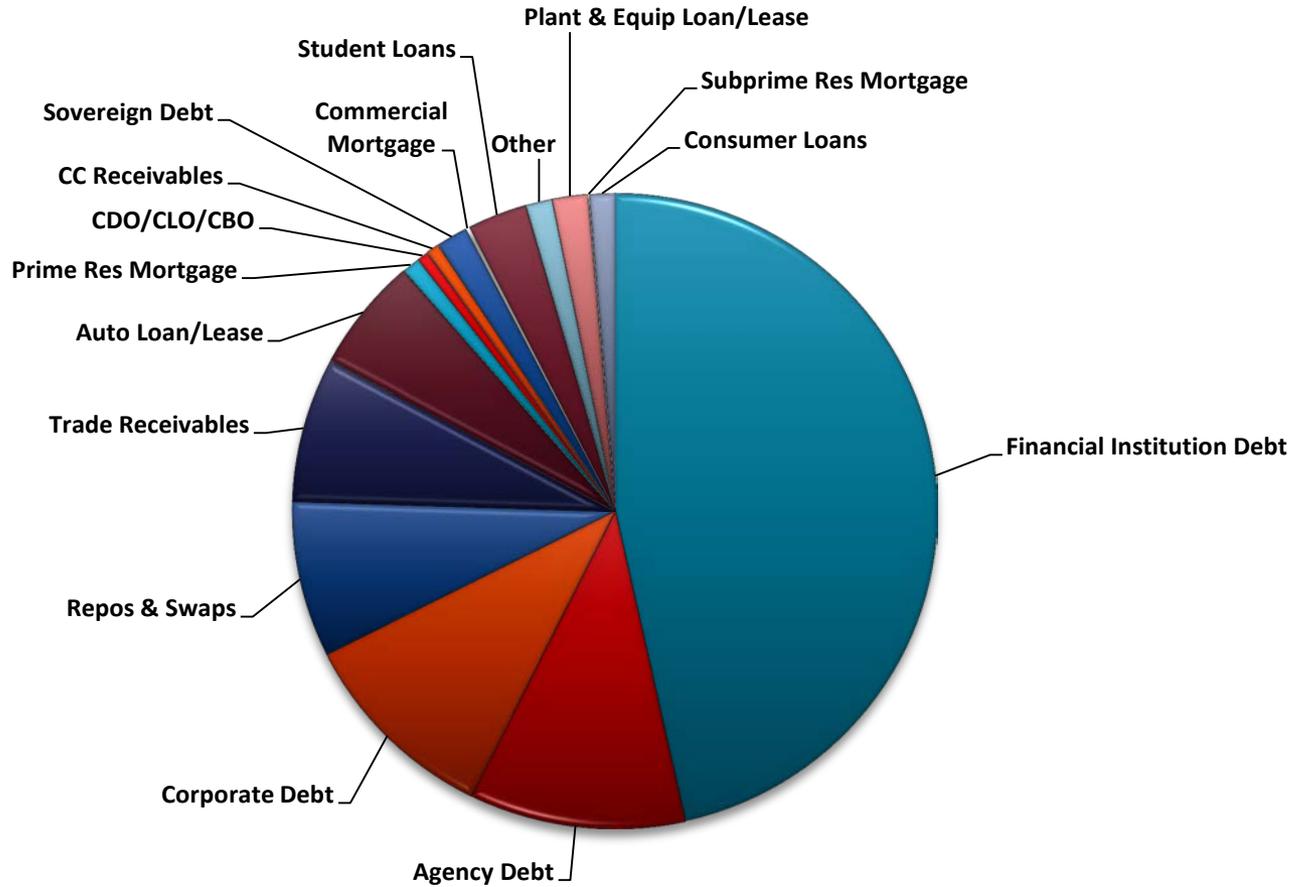
	State Fund (%)
JP Morgan	2.15%
Berkshire Hathaway	1.87%
General Electric	1.80%
PNC Bank	1.50%
Citigroup	1.47%
Morgan Stanley	1.38%
Bunge Ltd	1.37%
Bank of America	1.31%
American Express	1.20%
Conoco	1.07%

# Specific Exposures – STIP

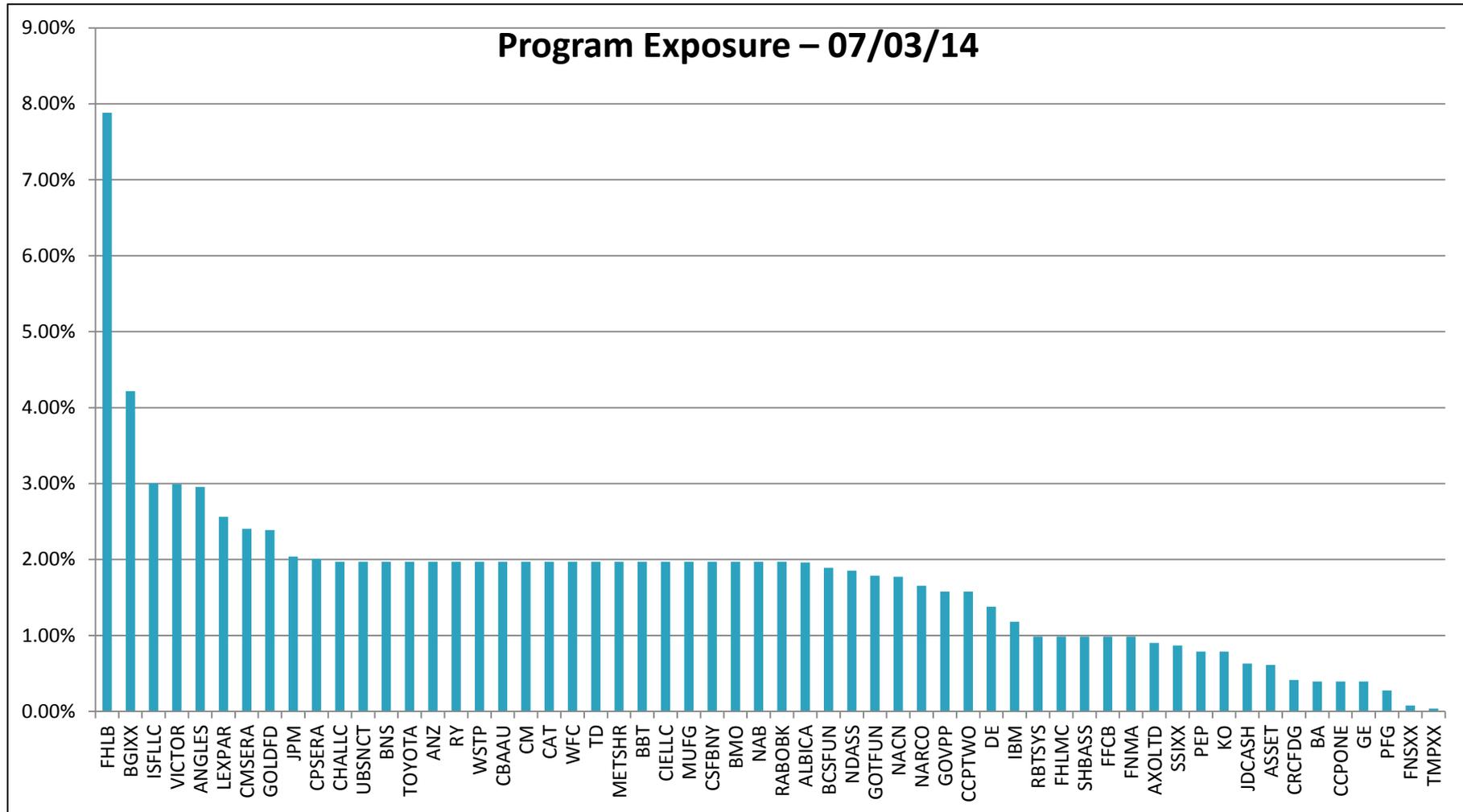


# Specific Exposures – STIP

## Portfolio Composition by Sector – 07/03/14



# Specific Exposures – STIP



# Aggregate Exposure to Non-Government Credits

Internally-Managed Accounts ex. STIP Top Ten Holdings	
Issuer	\$
JPMORGAN CHASE & CO	54,724,971
BERKSHIRE HATHAWAY INC	50,271,483
VERIZON COMMUNICATIONS INC	47,744,925
GENERAL ELECTRIC CO	47,257,099
EXCELON CORP	45,020,637
BANK OF AMERICA CORP	45,014,068
MORGAN STANLEY	43,573,117
CITIGROUP	43,352,331
AT&T INC	39,178,892
WAL-MART STORES INC	36,376,323

Short Term Investment Pool (STIP) Top Ten Holdings	
Issuer	\$
BLACKROCK INSTITUTIONAL CASH	107,000,000
INSTITUTIONAL SECURED FUNDING	76,209,000
VICTORY RECEIVABLES CORPORATION	76,000,000
ANGLESEA FUNDING	75,000,000
LEXINGTON PARKER CAPITAL	65,000,000
CONCORD MINUTEMEN CAPITAL	61,000,000
GOLDEN FUNDING	60,637,000
JP MORGAN CHASE	51,700,000
CROWN POINT CAPITAL	51,000,000
CHARTA LLC	50,000,000

# Summary

## Internal Fixed Income Risk Management

- ▶ Measure and monitor key risks
  - Portfolio level
    - Interest rate related
    - Sector related
  - Individual issuer exposures
  
- ▶ Disciplined
  - Investment policies & strategy within policy
  - Reports to the board on quarterly basis

# Glossary of Terms

- ▶ Basis point: A unit that is equal to 1 / 100 of 1%. 1% = 100 basis points and .01% = 1 basis point
- ▶ Nominal spread: The difference in yield, expressed in basis points, between a bond and the same maturity Treasury
- ▶ Effective spread: The difference in yield, expressed in basis points, between a bond and the same maturity Treasury, adjusted for embedded options (call risk)
- ▶ Tracking error: A measure of the historical volatility of portfolio returns relative to a benchmark also known as the standard deviation of returns

# Glossary of Terms

- ▶ Duration: Measure of a bond's or portfolio's price sensitivity for a given change in interest rates
- ▶ Effective duration: Same, but captures the effect of embedded options (call risk) within a security or portfolio
- ▶ Partial (or Key Rate) duration: Measure of a portfolio's exposure to various segments of the yield curve, and thus its exposure to changes in the shape of the curve
- ▶ Spread duration: A measure of the price sensitivity of the non-Treasury holdings in a portfolio for a given change in the effective spread

[Back to Agenda](#)

# CUSTODIAL BANK RFP

# MEMORANDUM

Montana Board of Investments

Department of Commerce

2401 Colonial Drive, 3<sup>rd</sup> Floor  
Helena, MT 59601 (406) 444-0001

**To:** Members of the Board  
**From:** David Ewer, Executive Director  
**Date:** August 19, 2014  
**Subject:** Custodial Bank Proposal and Staff Recommendation

## Custodial Bank RFP

The Board's custodial banking RFP was written and scored by board staff and RVK's Jonathan Kowolik, in consultation with the State Procurement Bureau. It involved a 1,000-point scoring process (as monitored by state procurement): 200 points for the cost proposal, 500 for written responses and 300 for a Helena-site visit. The RFP detailed the Board's investment missions, investment profile, diverse clientele and pool structure. Responses needed to address:

- Scope of BOI-needed Services
- Offeror Qualifications
- Cost Proposal
- Evaluation Criteria with 9 Separately Required Questionnaires

## Areas Covered in Helena:

- Service Structure and Team Resources
- Security Safekeeping and Core Services
- Securities Settlement, Accounting and Reporting
- Comprehensive Accounting and Transfer Services
- Securities Lending Services (including prime brokerage services with self-borrow capability)
- Performance Measurement and Portfolio Risk Analysis

The State received responses from State Street Bank, J. P. Morgan and BNY Mellon.

## Part One Scores

State Street Bank	650.0 points
BNY Mellon	606.9 points
J.P. Morgan	549.7 points

All three met the minimum threshold and each accepted a Helena-site interview during the week of July 28. BNY Mellon met on Tuesday, J.P. Morgan on Wednesday, and State Street on Thursday. Interviews began at 8:30 am and concluded by 1:20 pm. Rick Dorvall, State Procurement Officer, attended every presentation to assure compliance and consistency. Board staff consisted of senior management, accounting and investment staff and RVK's Jonathan Kowolik.

Both State Street and BNY Mellon gave the stronger oral presentations. BNY Mellon's was somewhat stronger due primarily to a better response on private assets.

Part Two Scores, Total Scores, and Staff Conclusions

State Street Bank	285.0 points
BNY Mellon	292.0 points
J. P. Morgan	237.0 points

The combined scores of Parts One and Two resulted in the following total scores:

State Street Bank	935.0 points
BNY Mellon	898.9 points
J. P. Morgan	786.7 points

While BNY Mellon presented the stronger Helena site presentation, State Street scored higher marks with its equally strong business and service platforms. It also showed, as one might expect of the incumbent, outstanding understanding of the Board's operations and missions. Nevertheless, the scoring does reflect certain areas of weakness by State Street but not enough to keep it from receiving the top score.

Staff Recommendation

Staff recommends the Board move to accept the scoring of the custodial bank RFP and to recommend the State's Procurement Bureau, working with Board staff and our RVK consultant, proceed in entering into a custodial banking contract with State Street Bank.

[Back to Agenda](#)

# CEM BENCHMARKING

# Montana Board of Investments

## CEM Benchmarking Results

August 18<sup>th</sup> 19, 2014

Mike Heale  
416-369-0468  
[mike@cembenchmarking.com](mailto:mike@cembenchmarking.com)



## This benchmarking report compares your cost and return performance to CEM's extensive pension database.

- 149 U.S. pension funds participate. The median U.S. fund had assets of \$6.2 billion and the average U.S. fund had assets of \$14.3 billion. Total participating U.S. assets were \$2.1 trillion.

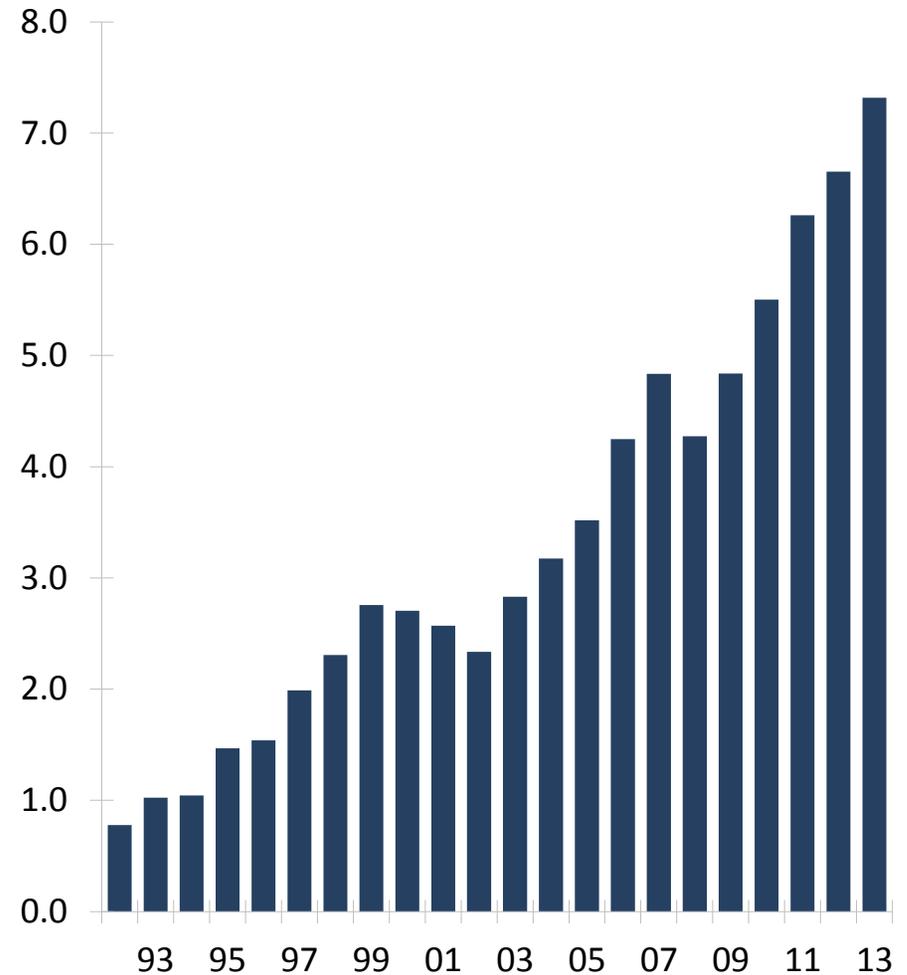
- 75 Canadian funds participate with assets totaling \$339 billion.

- 37 European funds participate with aggregate assets of \$1.4 trillion. Included are funds from the Netherlands, Norway, Sweden, Finland, Ireland, Denmark and the U.K.

- 1 Asia-Pacific funds participate with aggregate assets of \$770 billion. Included are funds from Australia, New Zealand, China and South Korea.

The most meaningful comparisons for your returns and implementation impact are to the U.S. Public universe which consists of 46 funds.

Participating assets (\$trillions)

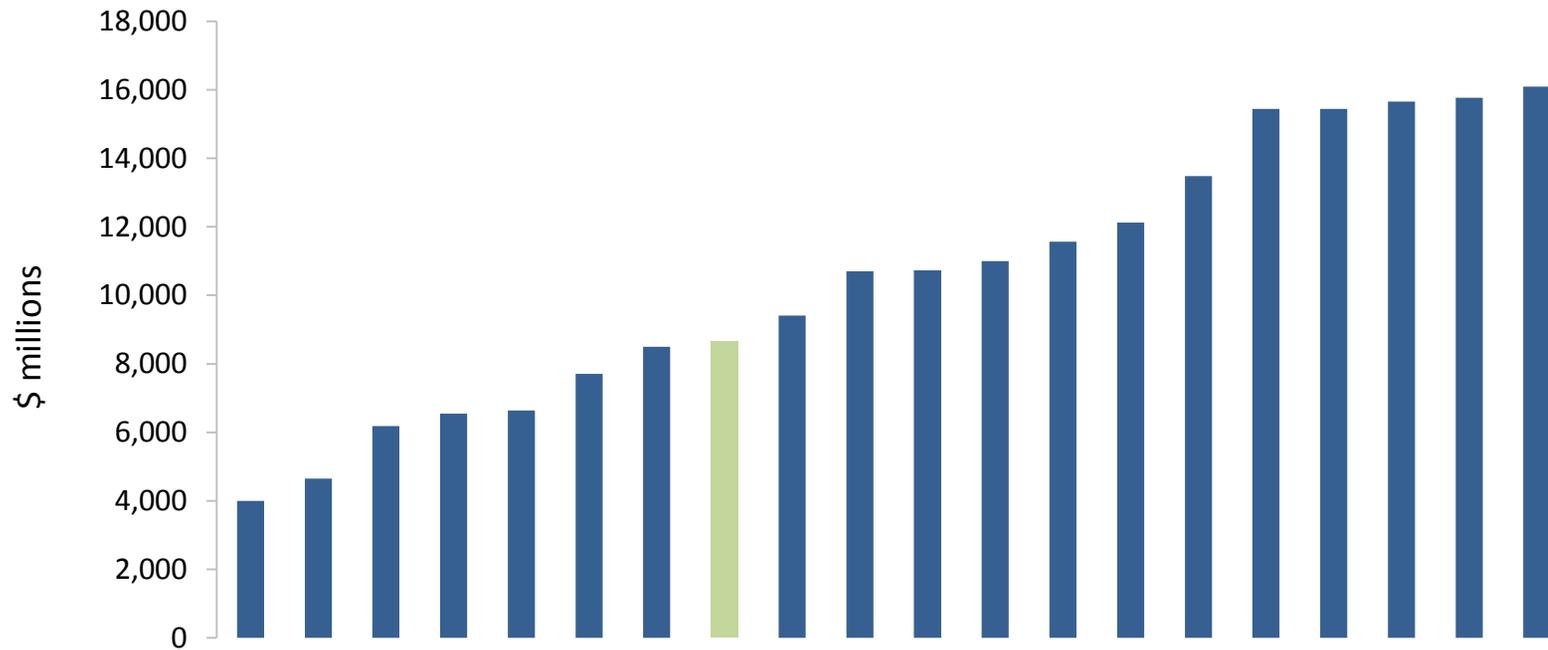


\* The graph for 2013 reflects both received and expected data.

# The most valuable comparisons for cost performance are to your custom peer group because size impacts costs.

## Peer group for Montana Board of Investments

- 20 U.S. public sponsors from \$4.0 billion to \$16.1 billion
- Median size of \$10.7 billion versus your \$8.7 billion



To preserve client confidentiality, given potential access to documents as permitted by the Freedom of Information Act, we do not disclose your peers' names in this document.

## What gets measured gets managed, so it is critical that you measure and compare the right things:

### 1. Returns

Why do total returns differ from other funds? Asset mix is the most important driver of total returns. What was the impact of your policy asset mix decisions?

### 2. Implementation impacts

How does your implementation impact your total returns?

### 3. Costs

Are your costs reasonable? Costs matter and can be managed.

### 4. Cost effectiveness

Implementation impact versus excess cost. Does paying more get you more?

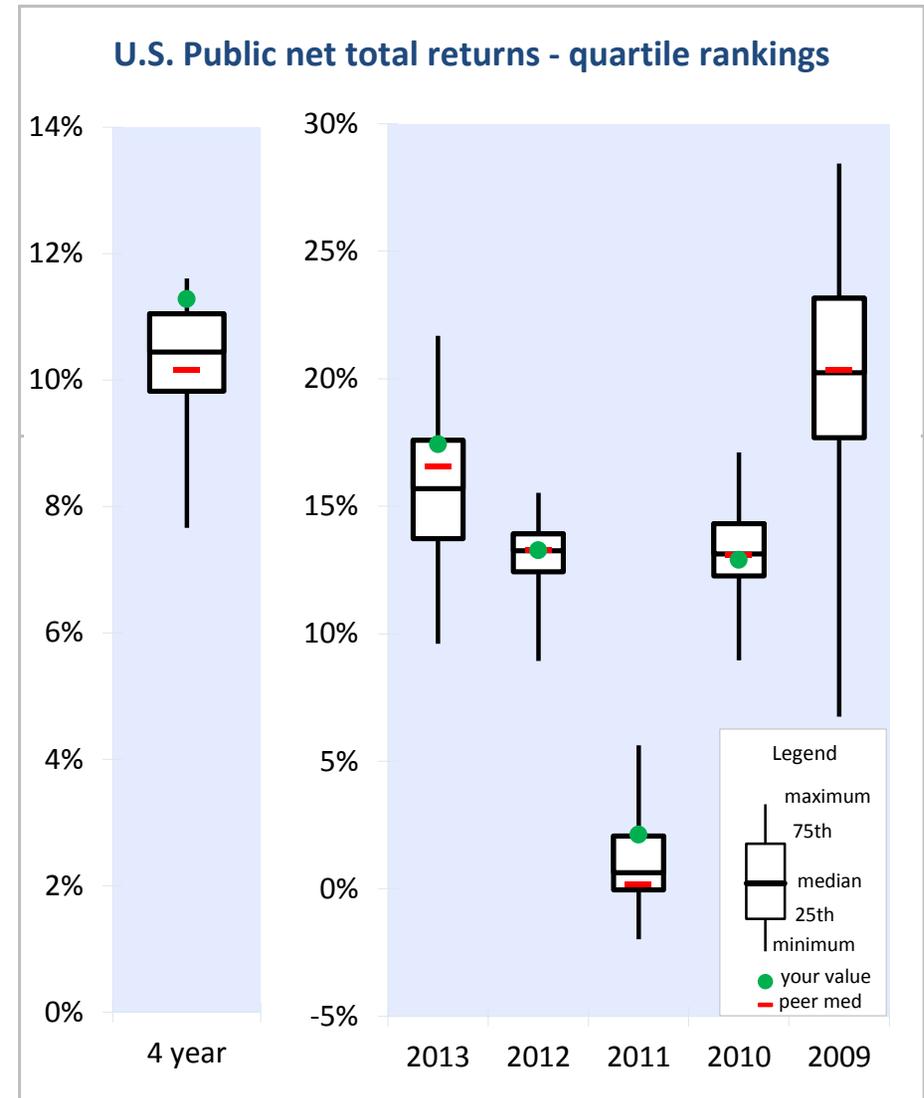
## Your 4-year net return of 11.3% was above the U.S. Public median of 10.4% and above the peer median of 10.2%.

Total returns, by themselves, provide little insight into the reasons behind relative performance. Therefore, we separate total return into two components: policy return and implementation impacts.

	Your 4-year
Net total fund return	11.3%
- Policy return	11.5%
= Implementation impacts	-0.2%

This approach enables you to understand the contribution from both policy mix decisions (by far the most important driver of total return) and implementation impacts.

*To enable fairer comparisons, the policy returns of all participants including your fund were adjusted to reflect private equity benchmarks based on lagged, investable, public-market indices.*



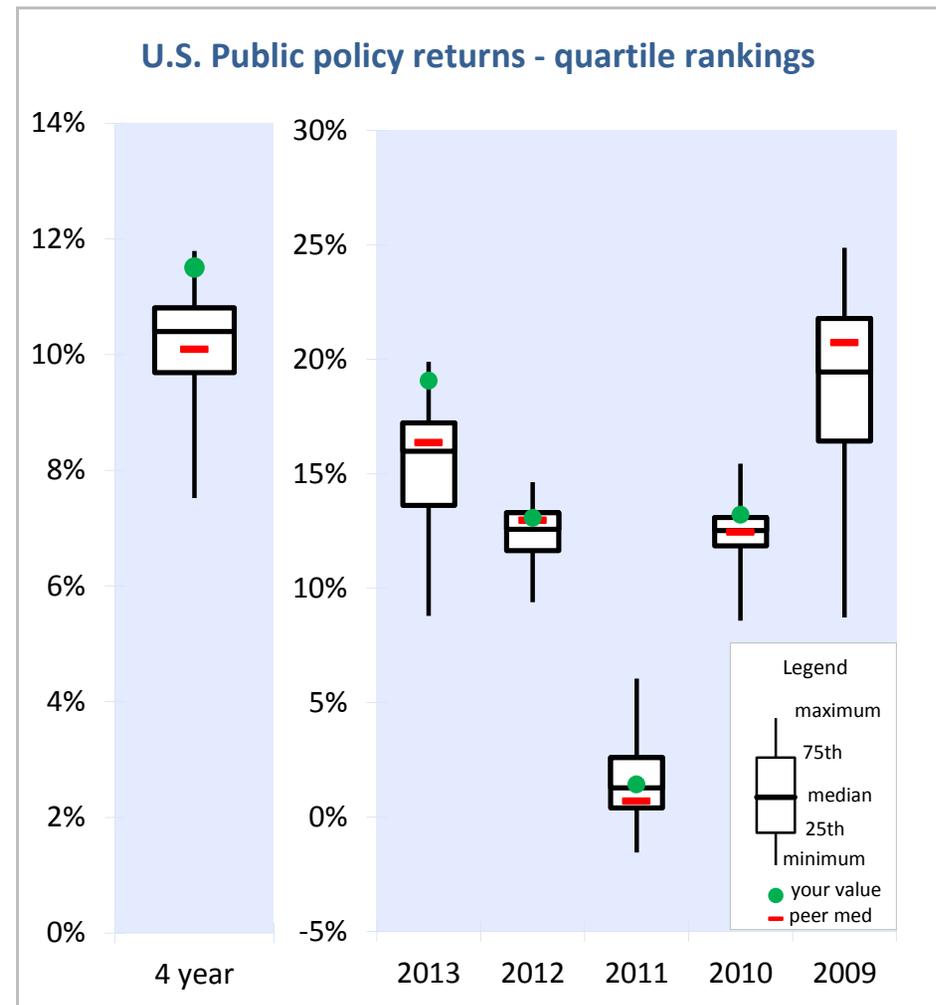
## Your 4-year policy return of 11.5% was above the U.S. Public median of 10.4% and above the peer median of 10.1%.

Your policy return is the return you could have earned passively by indexing your investments according to your policy mix.

Having a higher or lower relative policy return is not necessarily good or bad. Your policy return reflects your investment policy, which should reflect your:

- Long term capital market expectations
- Liabilities
- Appetite for risk

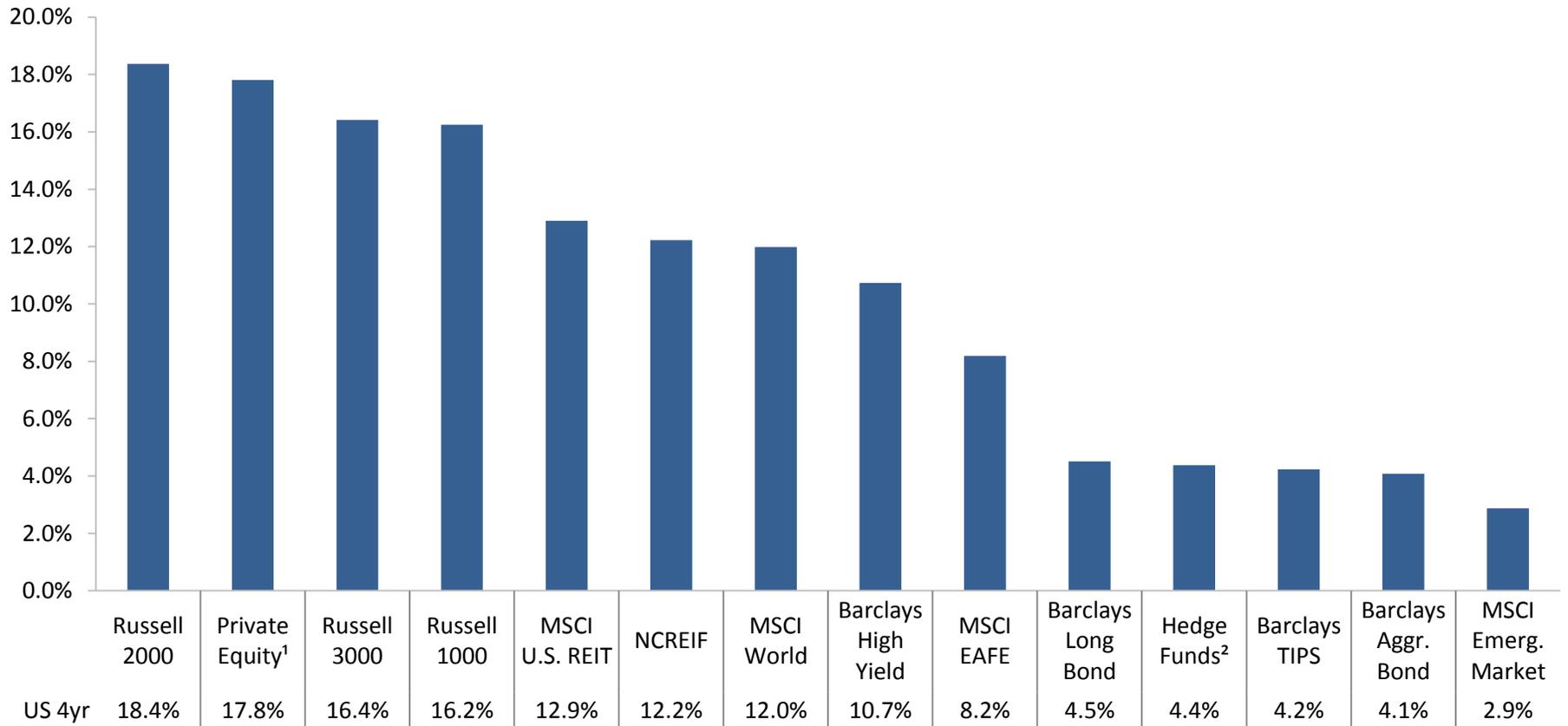
Each of these three factors is different across funds. Therefore, it is not surprising that policy returns often vary widely between funds.



To enable fairer comparisons, the policy returns of all participants including your fund were adjusted to reflect private equity benchmarks based on lagged, investable, public-market indices. Prior to this adjustment, your 4-year policy return was 11.90%, 0.4% higher than your adjusted 4-year policy return of 11.50%. Mirroring this, without adjustment your 4-year total fund implementation impact would be 0.4% lower. Refer to the Research section page 6 for details.

## Differences in policy returns and implementation impacts are caused by differences in benchmarks and policy mix.

4-Year returns for frequently used benchmark indices



1. Private equity benchmark returns of all participants were adjusted to reflect investable private equity benchmarks based on lagged, small-cap stock.

2. The hedge fund benchmark return reflect the average benchmark of all U.S. participants.

## Your 4-year policy return was above the U.S. Public median.

Your 4-year policy return was above the U.S. Public median primarily because of the positive impact of your higher policy weight in:

- Private Equity, one of the better performing asset classes of the past 4 years. Your 4-year average policy weight of 12% compares to a U.S. Public average of 8%.
- U.S. Stock, one of the better performing asset classes of the past 4 years. Your 4-year average policy weight of 36% compares to a U.S. Public average of 26%.

The fact that you had no policy allocation to hedge funds versus a 4-year average policy weight of 4% for U.S. Public funds also had a positive impact.

### 4-Year average policy mix

	Your Fund	Peer Avg.	U.S. Public Avg.
U.S. Stock	36%	25%	26%
EAFE/Global/Emerging	18%	27%	25%
<b>Total Stock</b>	<b>54%</b>	<b>53%</b>	<b>52%</b>
U.S. Bonds	22%	19%	20%
High Yield Bonds	3%	2%	2%
Other Fixed Income	1%	6%	6%
<b>Total Fixed Income</b>	<b>26%</b>	<b>27%</b>	<b>28%</b>
Hedge Funds	0%	4%	4%
Real Estate incl. REITS	8%	6%	7%
Other Real Assets <sup>1</sup>	0%	2%	2%
Private Equity	12%	8%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

1. Other real assets includes commodities, natural resources and infrastructure.

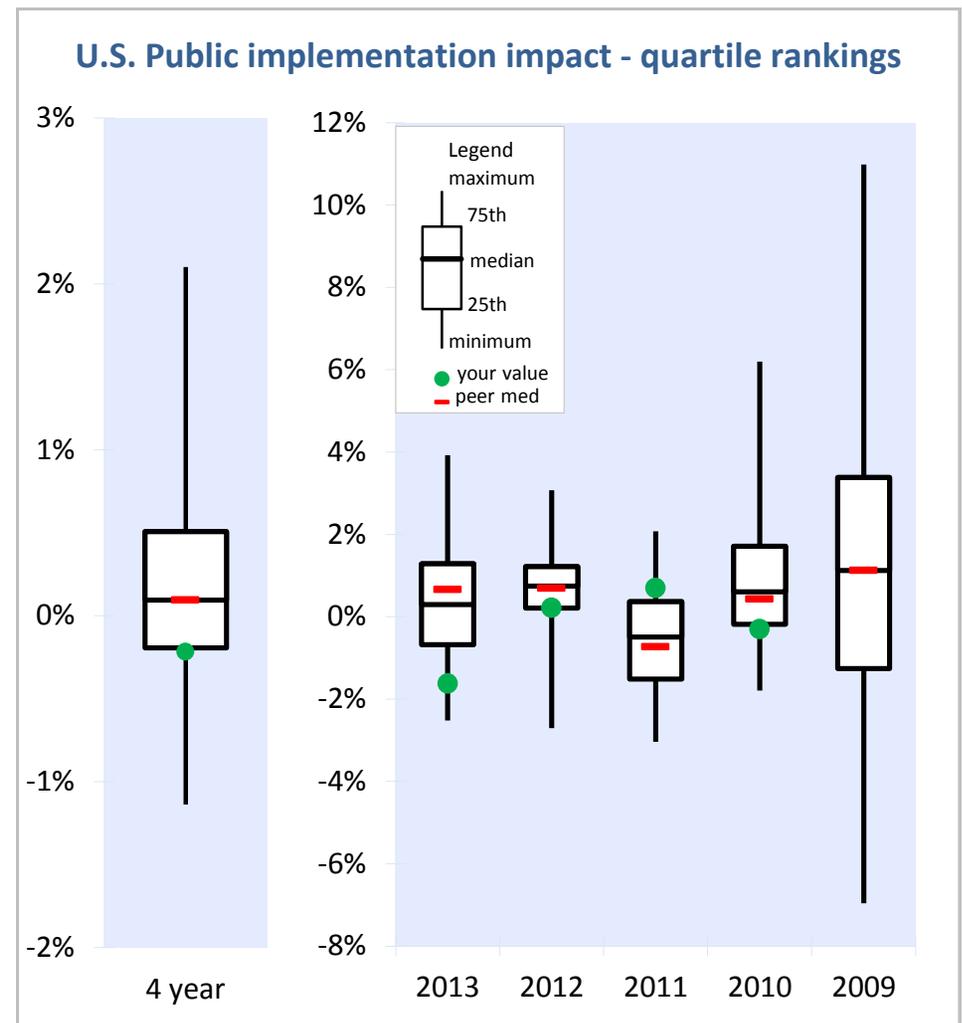
# Implementation impact is the difference between total net return and policy return. Your 4-year implementation impact was -0.2%.

## Implementation impact for Montana Board of Investments

Year	Net Return	Policy Return	Impl. Impact
2013	17.4%	19.1%	(1.6%)
2012	13.3%	13.1%	0.2%
2011	2.1%	1.4%	0.7%
2010	12.9%	13.2%	(0.3%)
4-year	11.3%	11.5%	(0.2%)

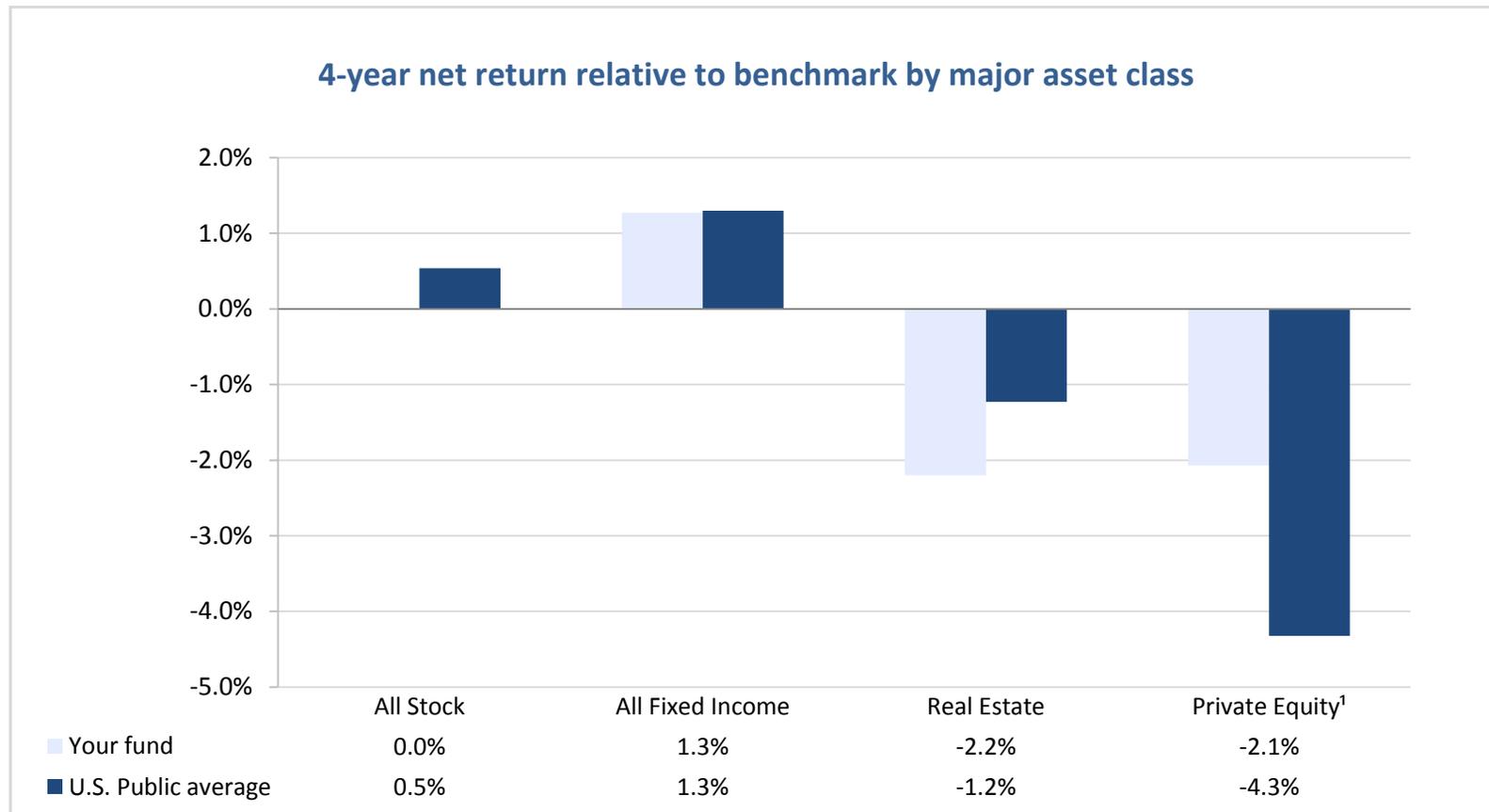
Implementation typically has a modest impact on total fund returns. Implementation impacts are mainly due to:

- Differences in asset class benchmarks across funds.
- Differences between actual holdings and policy weights for asset classes. These differences may be due to tactical asset allocation or rebalancing policies.
- Net return relative to benchmark returns within asset classes.



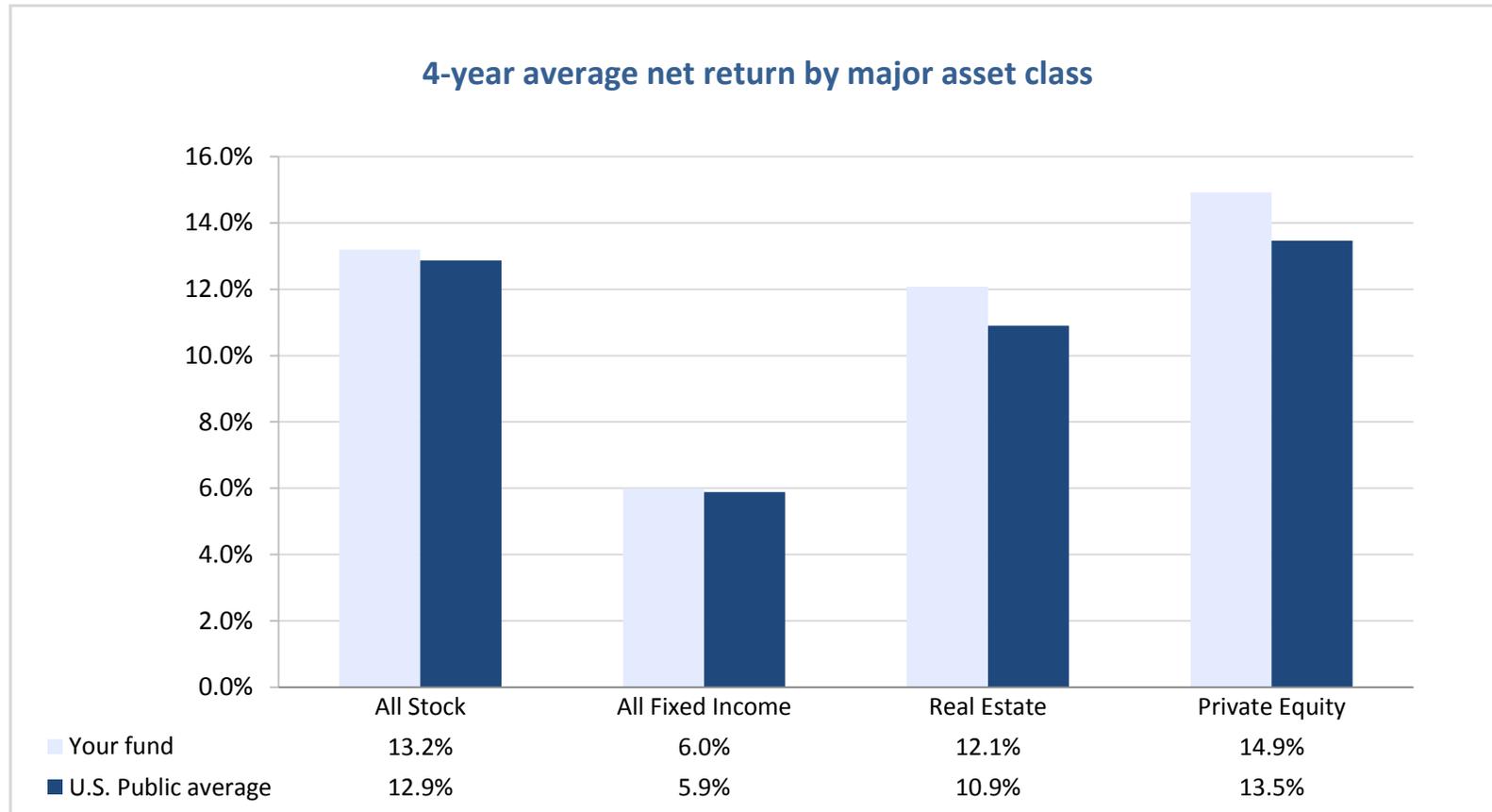
To enable fairer comparisons, the implementation impact for each participant including your fund was adjusted to reflect private equity benchmarks based on investable public market indices. Prior to this adjustment, your fund's 4-year total fund implementation impact was -0.6%.

**Your 4-year total net returns by major asset class compare to your benchmark returns as follows. For the U.S. Public universe, the difference shown is between their average net return and their average benchmark return.**



1. To enable fairer comparisons, the private equity benchmarks of all participants, including your fund were adjusted to reflect lagged, investable, public-market indices. Prior to this adjustment, your fund's 4-year private equity return relative to benchmark was -5.4%.

# You had better 4-year net returns relative to the U.S. Public average in Stock, Fixed Income, Real Estate and Private Equity.



## Your investment costs were \$49.1 million or 56.7 basis points in 2013.

### Asset management costs by asset class and style (\$000s)

	Internal Mgmt		External Mgmt		Total
	Active	Overseeing of external	Active base fees	Perform. fees <sup>1</sup>	
U.S. Stock - Large Cap		301	3,802		4,271
U.S. Stock - Small/Mid Cap		70	3,598		3,740
Stock - ACWIxU.S.		315	2,174		3,378
Fixed Income - U.S.	339	84	672		1,094
Fixed Income - High Yield		42	865		907
Cash	17				17
Real Estate		142	2,738	excluded <sup>1</sup>	2,880
Real Estate - LPs		221	7,128	excluded <sup>1</sup>	7,350
Diversified Private Equity		520	16,060	excluded <sup>1</sup>	16,580
Diversified Priv. Eq.- Fund of Funds		145	6,783	excluded <sup>1</sup>	6,929
<b>Total asset management costs</b>					<b>47,145 54.5bp</b>
<b>Oversight, custodial and other costs <sup>2</sup></b>					
Oversight of the fund					645
Trustee & custodial					1,023
Consulting and performance measurement					242
Audit					41
<b>Total oversight, custodial &amp; other costs</b>					<b>1,950 2.3bp</b>
<b>Total investment costs</b>					<b>49,096 56.7bp</b>

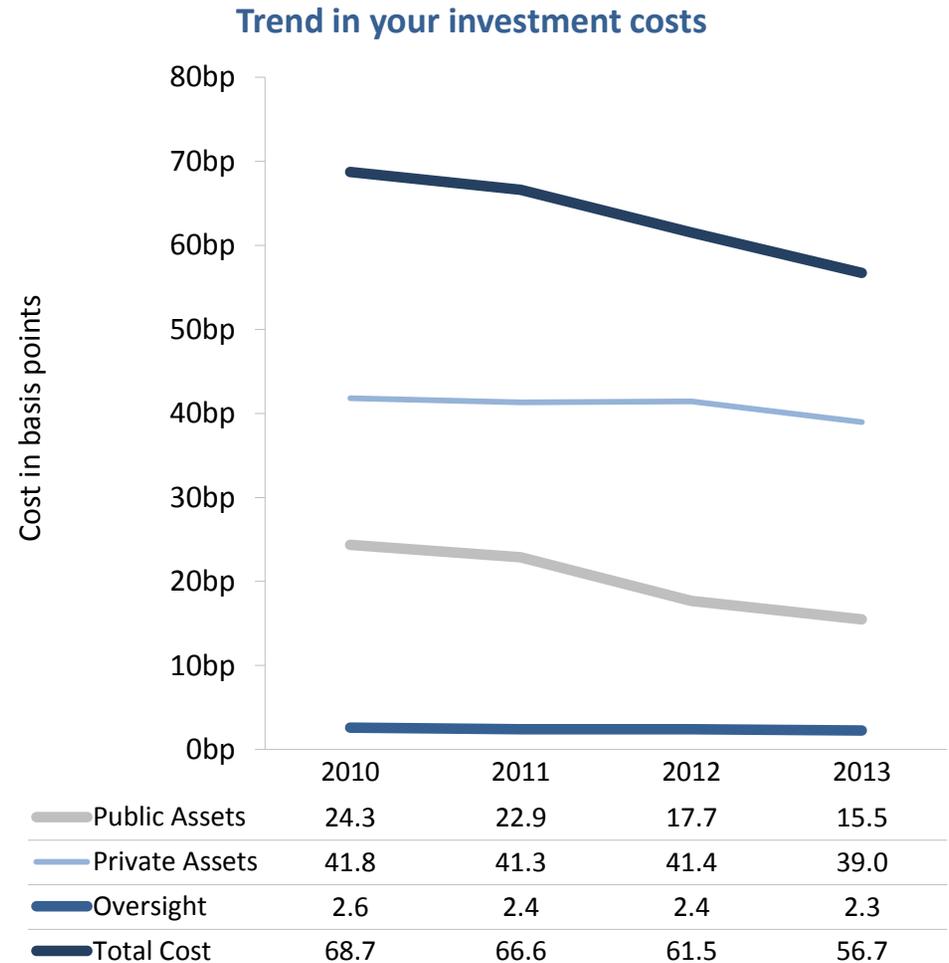
<sup>1</sup> Total cost excludes carry/performance fees for real estate, infrastructure, hedge funds and private equity. Performance fees are included for the public market asset classes.

<sup>2</sup> Excludes non-investment costs, such as PBGC premiums and preparing checks for retirees.

## Your costs decreased between 2010 and 2013.

Your costs decreased primarily because:

- You increased your use of lower cost passive management from 14% of assets in 2010 to 34% in 2013. Specifically, you moved some U.S. Stock and ACWIXUS Stock from active to passive management.



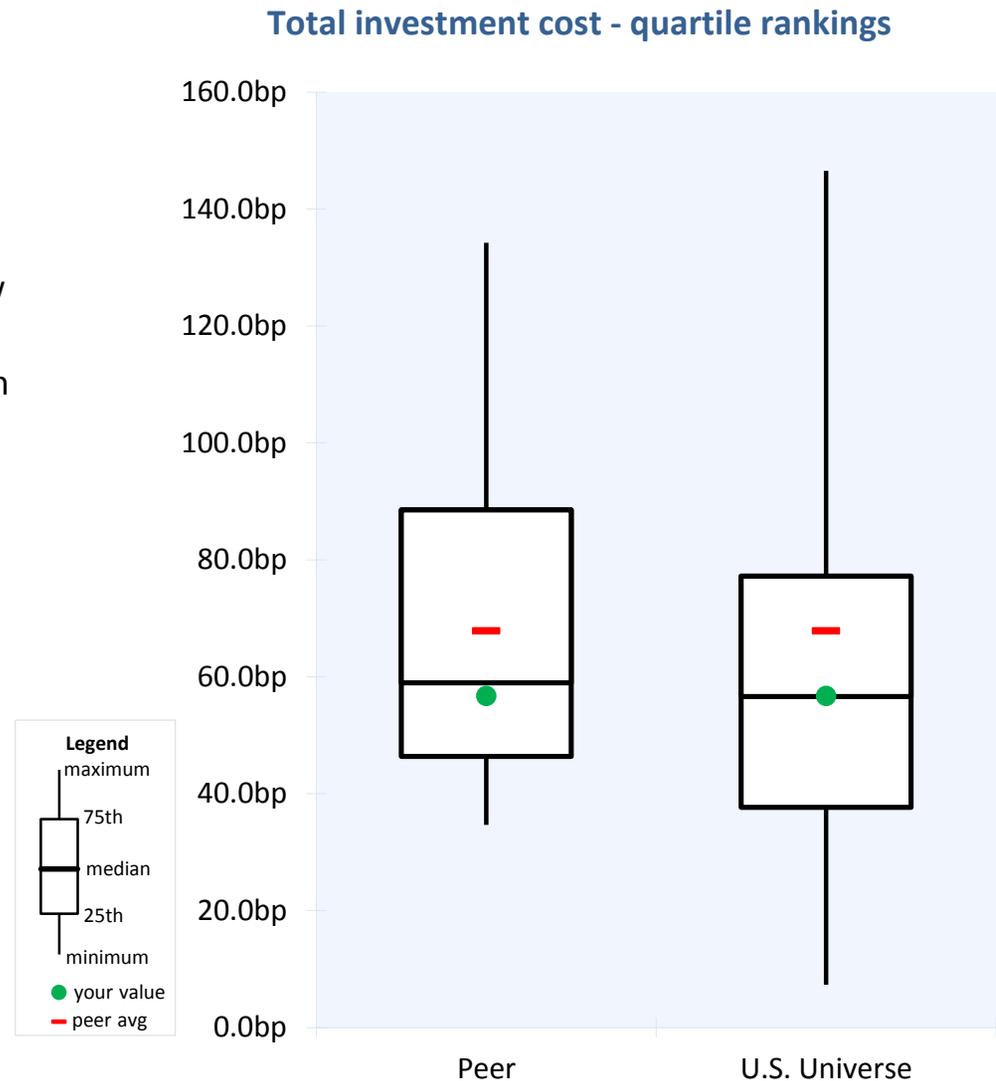
\* 2011 Total cost has changed from 64.9 bps in your 2011 report to 66.6 bps as reported here due to a change in Private Equity holdings for 2011.

## Your total investment cost of 56.7 bps was below the peer average of 67.9 bps.

Differences in total investment cost are often caused by two factors that are often outside of management's control:

- asset mix and
- fund size.

Therefore, to assess whether your costs are high or low given your unique asset mix and size, CEM calculates a benchmark cost for your fund. This analysis is shown on the following page.



## Benchmark cost analysis suggests that, after adjusting for fund size and asset mix, your fund was slightly low cost by 6.5 basis points in 2013.

Your benchmark cost is an estimate of what your cost would be given your actual asset mix and the median costs that your peers pay for similar services. It represents the cost your peers would incur if they had your actual asset mix.

Your total cost of 56.7 bp was below your benchmark cost of 63.2 bp. Thus, your cost savings was 6.5 bp.

### Your cost versus benchmark

	\$000s	basis points
Your total investment cost	49,096	56.7 bp
Your benchmark cost	<u>54,718</u>	<u>63.2 bp</u>
Your excess cost	(5,622)	(6.5) bp

Your fund was slightly low cost because you had a lower cost implementation style and you paid less than peers for similar mandates.

### Reasons for your low cost status

	Excess Cost/ (Savings)	
	\$000s	bps
1. Lower cost implementation style		
• Less fund of funds	(272)	(0.3)
• Less external active management (vs. lower cost passive and internal)	(3,274)	(3.8)
• Less overlays	(652)	(0.8)
• Other style differences	39	0.0
	<u>(4,159)</u>	<u>(4.8)</u>
2. Paying less than peers for similar mandates		
• External investment management costs	(512)	(0.6)
• Internal investment management costs	(33)	(0.0)
• Oversight, custodial & other costs	(919)	(1.1)
	<u>(1,463)</u>	<u>(1.7)</u>
<hr/> Total savings	<hr/> (5,622)	<hr/> (6.5)

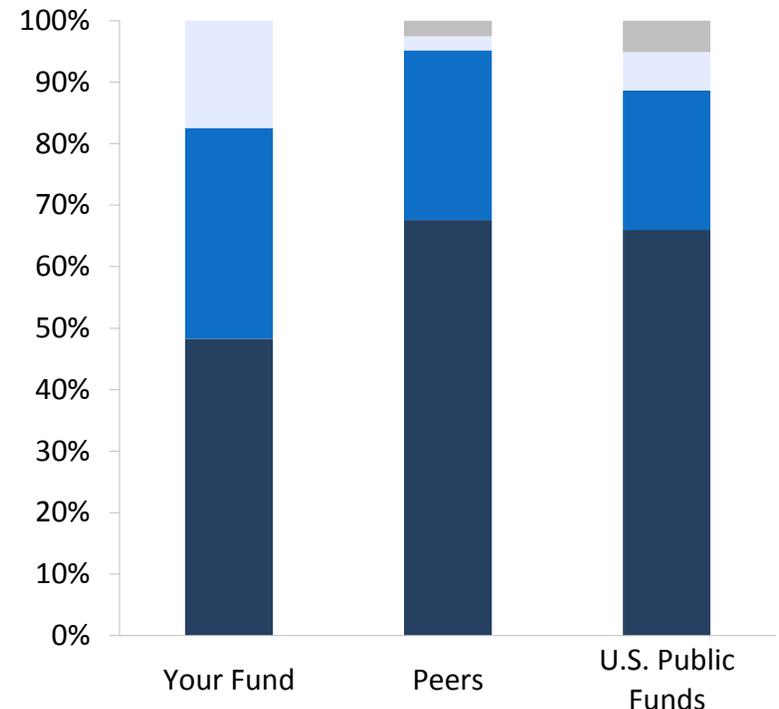
## Differences in cost performance are often caused by differences in implementation style.

Implementation style is defined as the way in which your fund implements asset allocation. It includes internal, external, active, passive and fund of funds styles.

The greatest cost impact is usually caused by differences in the use of:

- External active management because it tends to be much more expensive than internal or passive management. You used less external active management than your peers (your 48% versus 68% for your peers).
- Within external active holdings, fund of funds usage because it is more expensive than direct fund investment. You had similar amounts in fund of funds. Your 17% of hedge funds, real estate and private equity in fund of funds compared to 18% for your peers.

Implementation style<sup>1</sup>



■ Internal passive	0%	3%	5%
■ Internal active	17%	2%	6%
■ External passive	34%	28%	23%
■ External active	48%	68%	66%

1. The graph above does not take into consideration the impact of derivatives.

# Differences in implementation style saved you 4.8 bp relative to your peers.

## Calculation of the cost impact of differences in implementation style

Asset class	Your avg holdings in \$mils	<u>% External active</u>			<u>Premium vs passive &amp; internal<sup>1</sup></u>	<u>Cost/ (savings)</u>	
		You	Peer average	More/ (less)		\$000s	bps
	(A)			(B)	(C)	(A X B X C)	
U.S. Stock - Large Cap	2,650	29.4%	34.9%	(5.4%)	36.9 bp	(531)	
U.S. Stock - Small/Mid Cap	615	84.4%	96.6%	(12.1%)	55.6 bp	(415)	
Stock - ACWIxU.S.	1,494	33.1%	54.5%	(21.4%)	46.3 bp	(1,479)	
Fixed Income - U.S.	1,731	19.8%	72.6%	(52.8%)	15.5 bp	(1,415)	
Fixed Income - High Yield	173	100.0%	100.0%	0.0%		0	
Real Estate ex-REITs	961	100.0%	100.0%	0.0%		0	
of which Ltd Partnerships represent:		67.9%	37.4%	30.5%	19.3 bp	567	
Diversified Private Equity	1,631	100.0%	100.0%	0.0%		0	
Impact of less/more external active vs. lower cost styles						(3,274)	(3.8) bp
					<u>Premium vs. direct LP<sup>1</sup></u>		
		<u>Fund of funds % of LPs</u>					
Real Estate ex-REITs - LPs	652	0.0%	2.2%	(2.2%)	Insufficient <sup>2</sup>	0	
Diversified Private Equity - LPs	1,631	27.8%	30.5%	(2.7%)	60.9 bp	(272)	
Impact of less/more fund of funds vs. direct LPs						(272)	(0.3) bp
					<u>Overlays and other</u>		
Impact of lower use of portfolio level overlays						(652)	(0.8) bp
Impact of mix of internal passive, internal active, and external passive <sup>3</sup>						39	0.0 bp
Total impact of differences in implementation style						(4,159)	(4.8) bp

1. The cost premium is the additional cost of external active management relative to the average of other lower cost implementation styles - internal passive, internal active and external passive.

2. A cost premium listed as 'Insufficient' indicates that there was not enough peer data to calculate the premium.

3. The 'Impact of mix of internal passive, internal active and external passive' quantifies the net cost impact of differences in cost between, and your relative use of, these 'low-cost' styles.

## The net impact of paying more/less for external asset management costs saved you 0.6 bps.

### Cost impact of paying more/(less) for external asset management

	Your avg holdings in \$mils (A)	Cost in bps			Cost/ (savings) in \$000s (A X B)
		Your Fund	Peer median	More/ (less) (B)	
U.S. Stock - Large Cap - Passive	1,870	0.9	1.2	(0.3)	(62)
U.S. Stock - Large Cap - Active	780	52.6	38.2	14.4	1,126
U.S. Stock - Small/Mid Cap - Passive	96	7.6	4.2*	3.4	33
U.S. Stock - Small/Mid Cap - Active	519	70.6	59.8	10.8	563
Stock - ACWIxU.S. - Passive	999	8.9	3.8	5.1	507
Stock - ACWIxU.S. - Active	495	50.3	50.1	0.2	9
Fixed Income - U.S. - Active	343	22.0	17.9	4.1	142
Fixed Income - High Yield - Active	173	52.5	40.9	11.6	201
Real Estate ex-REITs - Active	309	93.3	93.3	0.0	0
Real Estate ex-REITs - Limited Partnership	652	112.7	112.7	0.0	0
Diversified Private Equity - Active	1,177	140.8	165.0	(24.2)	(2,848)
Diversified Private Equity - Fund of Fund <sup>1</sup>	453	56.9	60.9	(4.0)	(183)
<b>Total impact of paying more/less for external management</b>					<b>(512)</b>
<b>Total in bps</b>					<b>(0.6) bp</b>

\*Universe median used as peer data was insufficient.

1. The cost comparison for fund of fund private equity is only based on the top layer fees. The underlying fees were excluded because we could not confirm they were gross partnership costs.

The net impact of paying more/less for internal asset management costs was 0.0 bps.

**Cost impact of paying more/(less) for internal asset management**

	Your avg holdings in \$mils (A)	Cost in bps			Cost/ (savings) in \$000s (A x B)
		Your Fund	Peer median	More/ (less) (B)	
Fixed Income - U.S. - Active	1,388	2.4	2.7*	(0.2)	(33)
Total impact of paying more/less for internal management					(33)
Total in bps					(0.0) bp

\*Universe median used as peer data was insufficient.

## The net impact of differences in oversight, custodial & other costs saved 1.1 bps.

### Cost impact of differences in oversight, custodial & other costs

	Your avg holdings in \$mils (A)	Cost in bps			Cost/ (savings) in \$000s (A X B)
		Your fund	Peer median	More/ (less) (B)	
Oversight	8,657	0.7	1.3	(0.6)	(491)
Custodial*	8,657	1.2	0.5	0.7	597
Consulting	8,657	0.3	1.0	(0.7)	(582)
Audit	8,657	0.0	0.1	(0.0)	(38)
Other	8,657	0.0	0.5	(0.5)	(405)
Total					(919)
Total in bps					(1.1) bp

\* Important additional information about your custodial cost relative to peers:

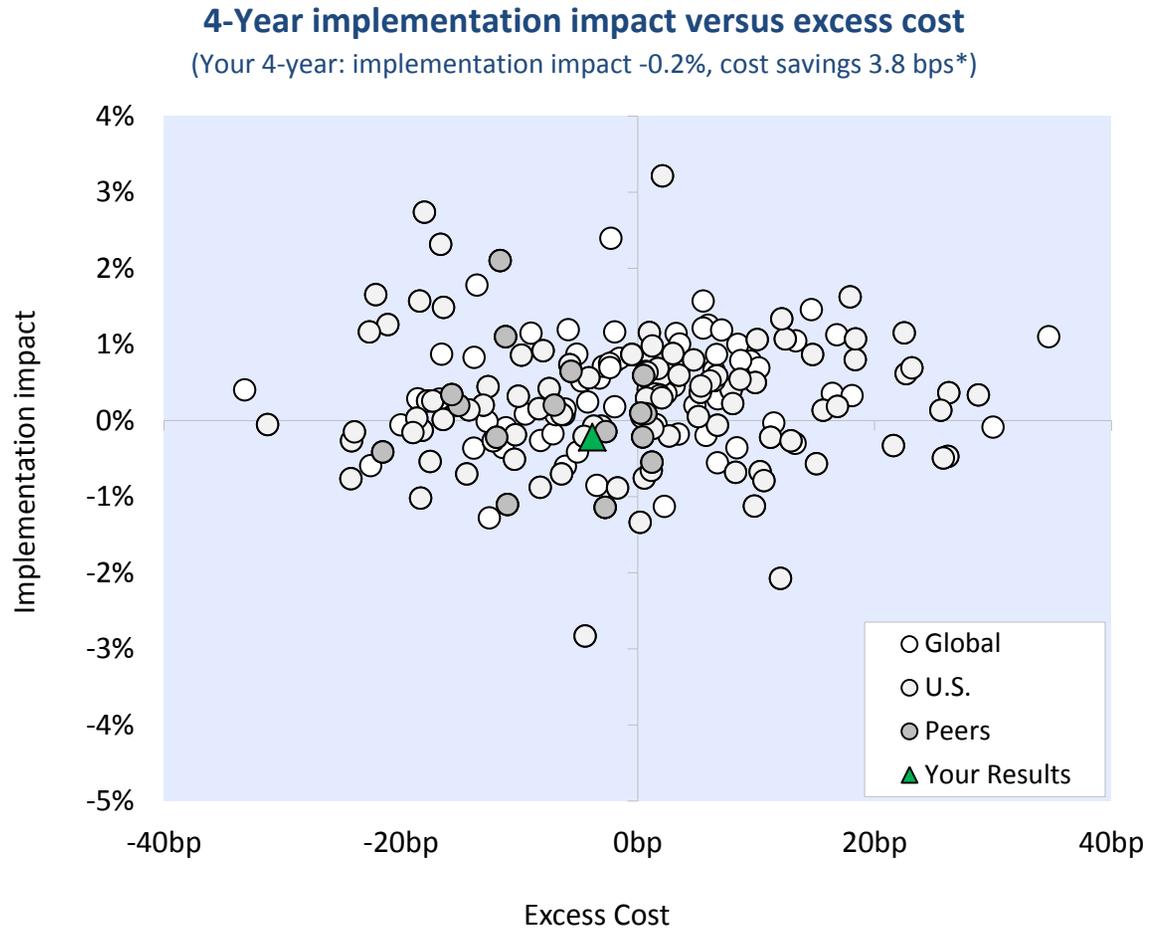
1. The peer median cost of 0.5 bps is unusually low. The U.S. Universe median custodial cost was 1.1 bps (See page 36 of Section 6).
2. You have a more complex structure than your peers. (You have 9 plans on your platform, 10 peers have only 1 plan, and the peer average is 2.5 plans.)
3. Specific services provided by custodians for funds vary somewhat. CEM does not collect detailed data related to specific custodial arrangements.

**In summary, your fund was slightly low cost because you had a lower cost implementation style and you paid less than peers for similar mandates.**

### Reasons for your low cost status

	Excess Cost/ (Savings)	
	\$000s	bps
1. Lower cost implementation style		
• Less fund of funds	(272)	(0.3)
• Less external active management (vs. lower cost passive and internal)	(3,274)	(3.8)
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• Oversight, custodial & other costs	(919)	(1.1)
	<u>(1,463)</u>	<u>(1.7)</u>
<b>Total savings</b>	<b>(5,622)</b>	<b>(6.5)</b>

**Your fund had a 4-year implementation impact of -0.2% and cost savings of 3.8 bps on the cost effectiveness chart.**



# Summary of key takeaways

## Returns

- Your 4-year net total return was 11.3%. This was above the U.S. Public median of 10.4% and above the peer median of 10.2%.
- Your 4-year policy return was 11.5%. This was above the U.S. Public median of 10.4% and above the peer median of 10.1%.

## Implementation impact

- Your 4-year implementation impact was -0.2%. This was below the U.S. Public median of 0.1% and below the peer median of 0.1%.

## Cost and cost effectiveness

- Your investment cost of 56.7 bps was below your benchmark cost of 63.2 bps. This suggests that your fund was slightly low cost compared to your peers.
- Your fund was slightly low cost because you had a lower cost implementation style and you paid less than peers for similar mandates..
- Your fund had a 4-year implementation impact of -0.2% and cost savings of 3.8 bps on the cost effectiveness chart.

# Key Trends and Research Insights from The CEM Global Investment Performance Database

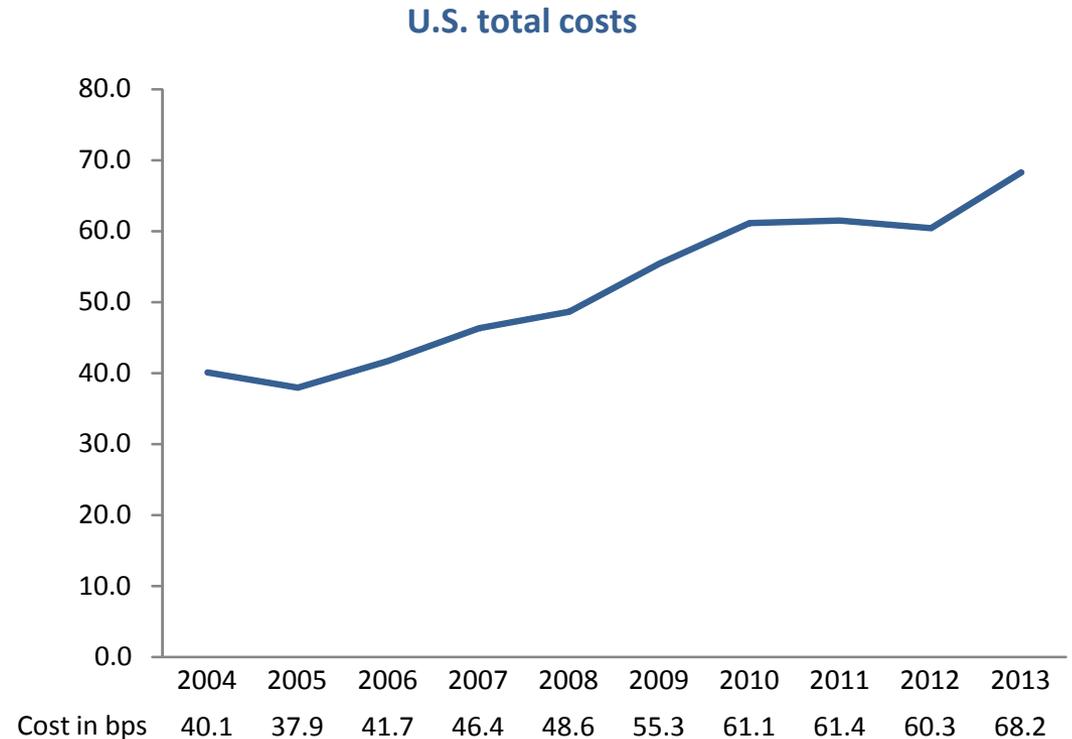
Mike Heale  
mike@cembenchmarking.com



## U.S. fund costs have grown by 28 basis points on average over the last 10 years.

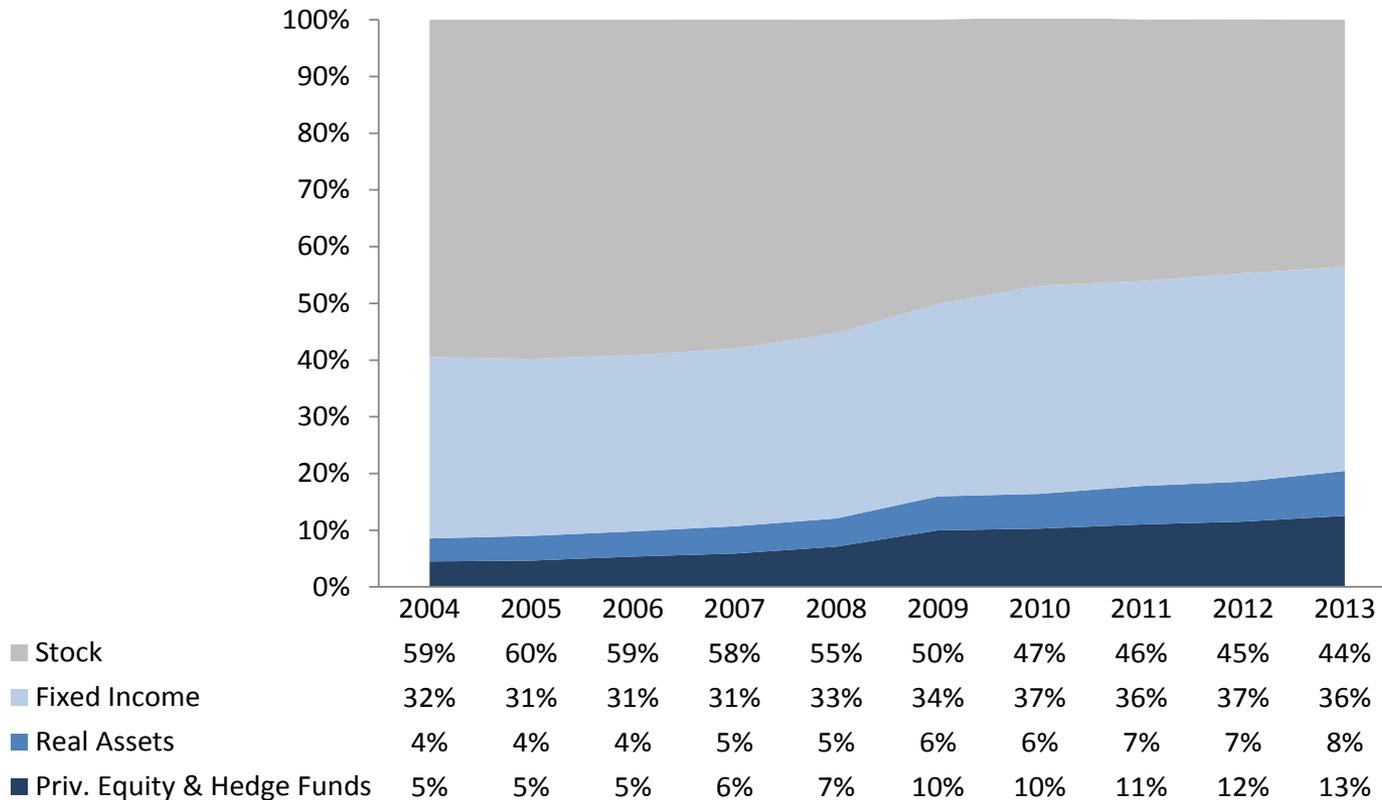
Reasons for the increase in costs include:

- Allocation to the more expensive asset classes - hedge funds, real assets and private equity- increased from 5% to 11% on average.
- Use of the most expensive implementation style, external active management, increased from 69% to 75% on average.



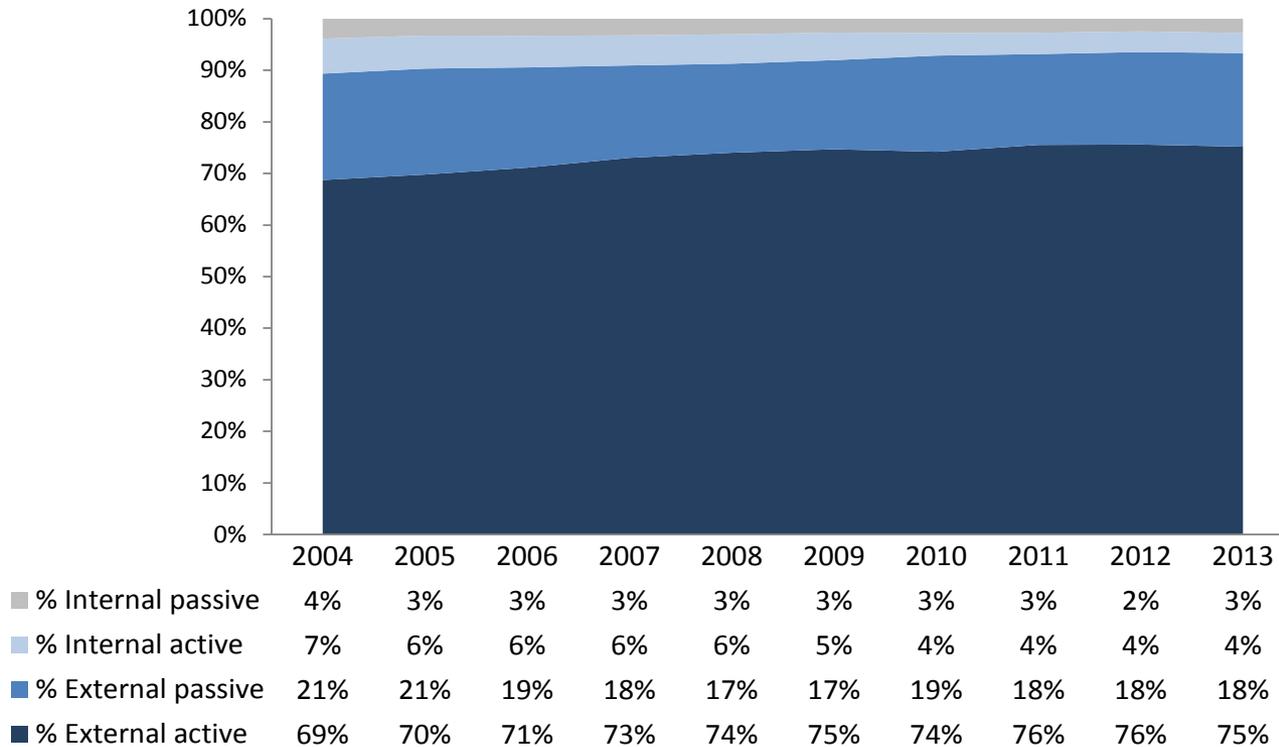
**For U.S. plans, real asset, private equity & hedge fund policy weights grew from a total of 8.6% in 2004 to 20.4% in 2013.**

**Policy mix by year - U.S.**



# For U.S. plans, external active management increased from 69% to 75% over the past 10 years.

Implementation style by year - U.S.

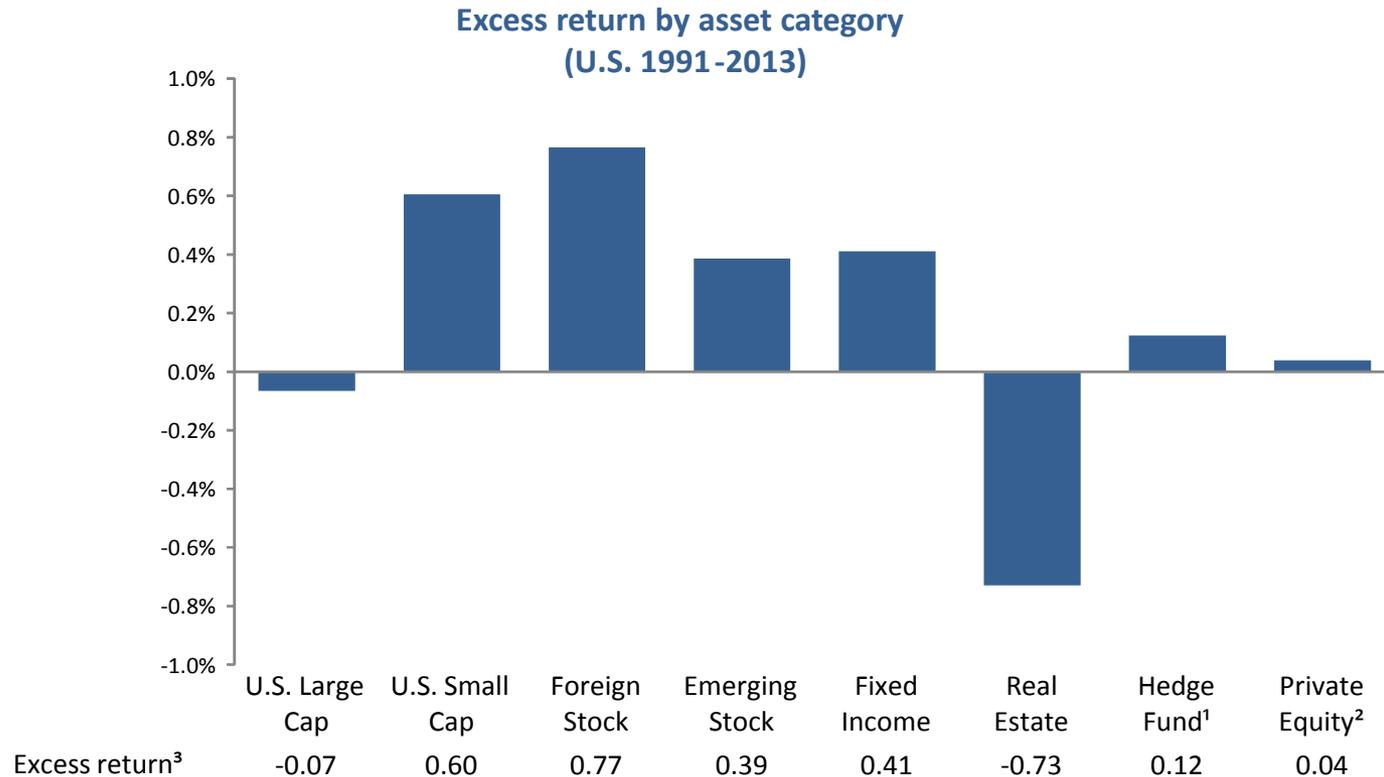


## Key U.S. pension fund performance results:

- Policy returns (from asset mix) are by far the biggest component of total returns.
- U.S. pension funds in the CEM database generated 23 bps of value added from implementation after costs.

<u>U.S. Funds</u>	
(23-year average)	
Total Return	9.97%
- Policy Return	9.28%
- <u>Costs</u>	<u>0.46%</u>
= Value Added	0.23%

# In the U.S., the asset class with the highest excess return relative to benchmarks over the past 23 years was Foreign Stock.



1. Hedge Fund excess return performance reflect data for the 14 year period from 2000 to 2013.

2. The excess return calculation for private equity uses the average benchmark of all U.S. participants.

3. Excess return analysis is from 3,873 annual fund performance observations from the CEM U.S. universe for the 23-year period ending 2013. Excess return reflects the asset weighted excess return of all mandates in each asset category including indexed holdings. Averages shown above are the simple average of the annual averages of all observations of funds with holdings in the asset category for each year.

## **Fund characteristics associated with higher implementation value added over the past 23 years:**

1. More internal management was better.
2. Large funds did better than small funds.

## More internal management was better.

A 10% increase in internal management was associated with 1.5 bps higher implementation value added.

- Internal management was better primarily because of lower costs.
- Internal management increases with fund size. Funds under \$10 billion manage 8% of assets internally on average. Funds over \$50 billion manage 51% of assets internally on average.
- Fixed income is the most likely asset class to be managed internally followed by public equity and real estate. A few very large funds manage some of their private equity program internally.

## Large funds did better than small funds over the past 23 years.

For a ten-fold increase in size, implementation value added increased by 18 bps.

Larger funds outperform because of:

- Lower total costs from scale economies
- More internal management
- Higher holdings in asset classes where value added was higher like U.S. Small Cap Stock.
- Higher holdings and lower cost implementation in private equity and real estate.

## DB plans have outperformed DC plans in the U.S.

### DB versus DC return and value added - U.S.

	17-yr average ending 2013 <sup>2</sup>		
	DB	DC	Difference
Total return	7.92%	6.85%	1.07%
- Policy return <sup>1</sup>	7.27%	6.42%	0.85%
- Costs	0.48%	0.40%	0.08%
= Implementation value added	0.16%	0.03%	0.13%
# of observations	3,048	1,995	

1. DC policy return = weights of holdings X benchmarks
2. Returns are the compound average of annual averages.

# Asset mix differences have been the primary reason for the better performance of U.S. DB plans.

## DB versus DC asset mix - U.S.

Asset class (Ranked by returns)	Asset mix <sup>1</sup>		Returns <sup>2</sup>	
	DB	DC	DB	DC
Private Equity	4%	n/a	11.8%	n/a
Real Assets	5%	n/a	9.4%	n/a
Small Cap Stock	6%	7%	10.2%	8.4%
Employer Stock	0%	21%	n/a	8.6%
Fixed Income	31%	10%	6.8%	6.7%
Hedge Funds	2%	n/a	7.7%	n/a
Stock U.S. Large Cap or Broad	26%	30%	6.9%	6.1%
Stock Non U.S. or Global	24%	7%	5.0%	6.5%
Stable Value/GICs	n/a	17%	n/a	4.9%
Cash	2%	8%	3.0%	3.2%
Total	100%	100%	7.9%	6.9%
# of observations	3,048	1,995		

1. 23 years ending 2013. Equals simple average of annual asset mix weights.

2. 23 years from 1997 to 2013. Returns are the compound average of the annual averages for each asset class. Hedge funds were not treated as a separate asset class until 2000, so 60% stock, 40% bond returns were used as a proxy for 1997-1999.

n/a= insufficient data.

[Back to Agenda](#)

# GUIDE TO INVESTMENT PERFORMANCE RVK, INC.

# **Guide to Investment Performance Analysis**

**Prepared for the Montana Board of Investments**

**Becky Gratsinger, CFA**  
**Mark Higgins, CFA**

# Total Fund Performance Summary

Montana Board of Investments  
Retirement Plans  
Comparative Performance  
As of June 30, 2014

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Public Employees' Retirement - Net</b> 1	3.91	6.05	17.16	10.70	13.27	5.00	6.95	17.38	13.24	2.13	12.77	15.42
Public Employees' Benchmark 3	3.76	6.67	18.16	11.31	13.99	5.26	7.07	17.94	14.88	1.67	12.44	15.41
<i>Difference</i>	0.15	-0.62	-1.00	-0.61	-0.72	-0.26	-0.12	-0.56	-1.64	0.46	0.33	0.01
<b>Public Employees' Retirement - Gross</b> 2	4.07	6.36	17.76	11.27	13.88	5.56	7.41	17.96	13.83	2.68	13.44	16.08
All Public Plans > \$3B Total Fund Median	4.03	6.25	16.90	10.17	12.95	5.34	7.71	15.21	13.34	0.82	12.82	18.21
<b>Public Employees' Retirement - Gross Rank</b> 4	47	46	28	3	20	48	71	10	36	26	41	74
<b>Teachers' Retirement - Net</b>	3.92	6.07	17.17	10.70	13.28	5.00	6.95	17.38	13.24	2.14	12.80	15.42
Teachers' Benchmark	3.76	6.68	18.16	11.31	13.99	5.26	7.08	17.94	14.89	1.66	12.45	15.40
<i>Difference</i>	0.16	-0.61	-0.99	-0.61	-0.71	-0.26	-0.13	-0.56	-1.65	0.48	0.35	0.02
<b>Teachers' Retirement - Gross</b>	4.08	6.33	17.71	11.26	13.88	5.56	7.41	17.96	13.84	2.68	13.47	16.08
All Public Plans > \$3B Total Fund Median	4.03	6.25	16.90	10.17	12.95	5.34	7.71	15.21	13.34	0.82	12.82	18.21
<b>Teachers' Retirement - Gross Rank</b>	46	47	29	3	20	48	71	10	35	26	41	74
<b>Police Retirement - Net</b>	3.92	6.06	17.20	10.69	13.24	4.95	6.88	17.41	13.23	2.10	12.62	15.42
Police Benchmark	3.76	6.68	18.14	11.28	13.94	5.20	6.98	17.92	14.80	1.66	12.26	15.46
<i>Difference</i>	0.16	-0.62	-0.94	-0.59	-0.70	-0.25	-0.10	-0.51	-1.57	0.44	0.36	-0.04
<b>Police Retirement - Gross</b>	4.08	6.37	17.79	11.25	13.84	5.51	7.34	18.00	13.78	2.65	13.29	16.08
All Public Plans > \$3B Total Fund Median	4.03	6.25	16.90	10.17	12.95	5.34	7.71	15.21	13.34	0.82	12.82	18.21
<b>Police Retirement - Gross Rank</b>	46	46	25	3	22	49	81	10	38	27	43	74

Net performance shown is net of all manager fees and expenses (Net-All). All Public Plans > \$3B Total Fund Median is reported gross of fees. Benchmark returns reflect unmanaged indices which are not impacted by management fees.

## Key Concepts

- 1 **Net Returns**—The “net” return is the annualized return that each retirement plan receives *after* all investment manager fees are deducted. The net return is the best indicator of overall fund performance relative to the total fund benchmark.
- 2 **Gross Returns**—The “gross” return is the return produced by investment managers *before* investment management fees are deducted. Gross performance is primarily used to benchmark plan performance against other institutional investors, as peer group benchmarks are only reported on a gross of fees basis.

## Key Metrics

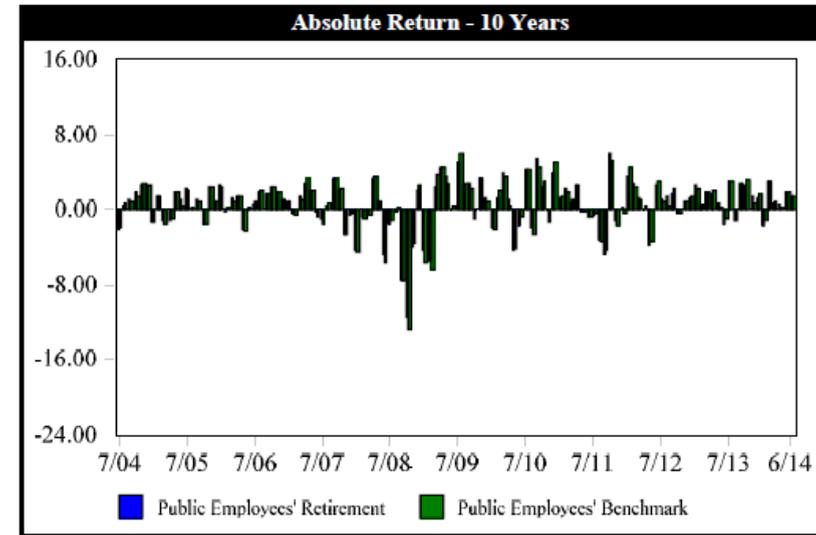
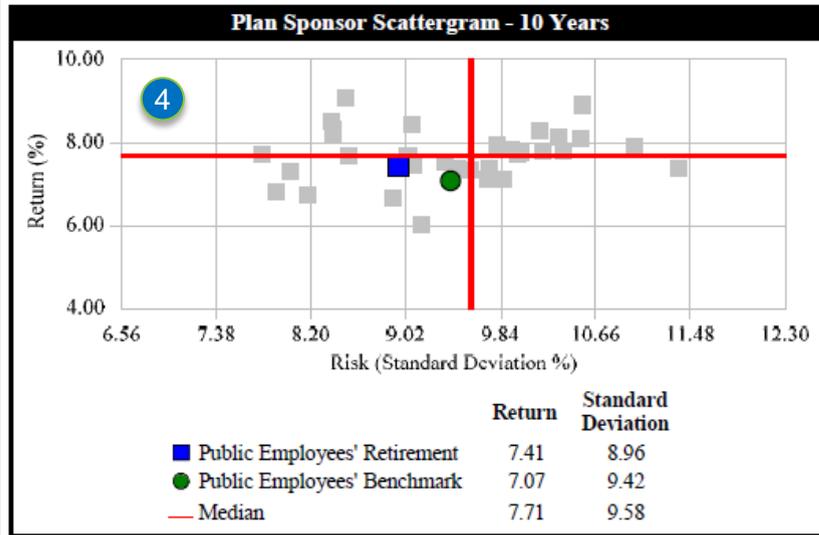
- 3 **Public Employees' Benchmark**—This benchmark represents the weighted aggregate performance of all of the underlying benchmarks against which MBOI's managers are measured. If MBOI trails the benchmark, this means that the combined performance of MBOI's managers failed to outperform the collective indices.
- 4 **Peer Ranking**—Peer rankings show how the retirement plans performed relative to other public plans with greater than \$3 billion in assets. The lower the rank, the better MBOI is performing relative to this group. Generally, lower rankings are driven by both asset allocation decisions and manager selection.

## Notes on Analyzing Performance

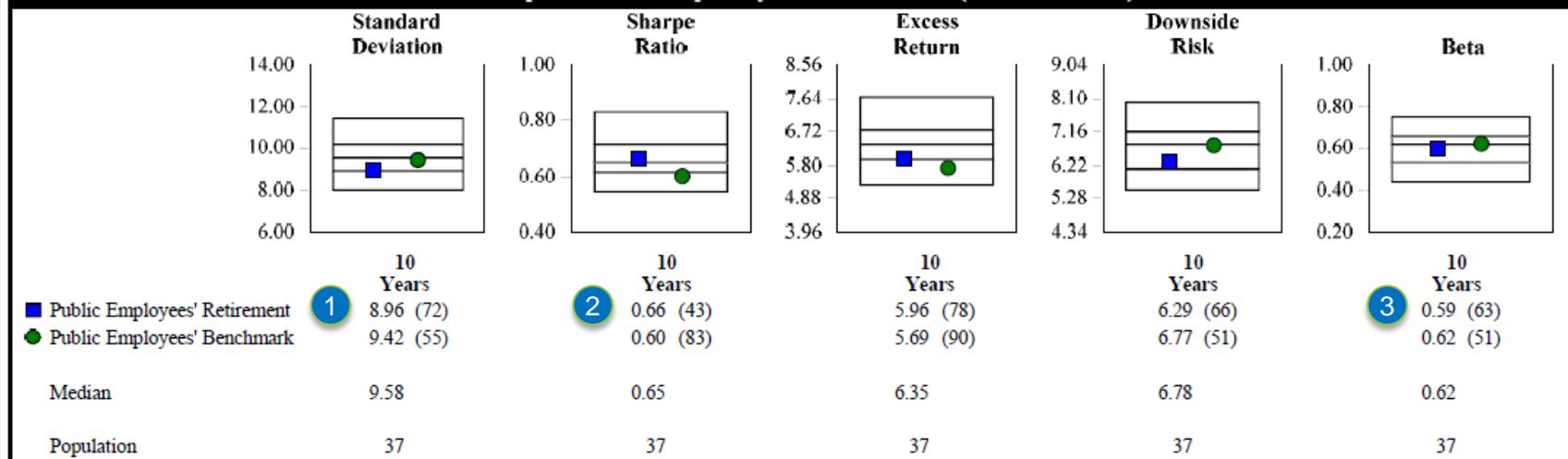
- ❑ **Impact of Private Equity & Real Estate**—The returns of the total fund relative to the total fund benchmark are often skewed by private equity, which tends to lag the U.S. equity benchmark against which it is measured. As a result, in strong equity bull markets, private equity tends to detract from total fund performance, while in strong equity bear markets, the opposite occurs.
- ❑ **Strategy Dissimilarities with Peer Groups**—While peer groups provide a rough gauge of performance relative to other public plans of similar size, these metrics should be viewed with caution. The plans in the peer group may have markedly different return objectives, risk tolerances, and investment constraints. There may be periods in which MBOI underperforms peers simply due to differences in the underlying investment objectives of the plan.

# Risk and Return Peer Comparisons

Montana Board of Investments  
Public Employees' Retirement vs. All Public Plans > \$3B (Custom Peer Group)  
As of June 30, 2014



Plan Sponsor Peer Group Analysis - Multi Statistics (Beta vs. S&P 500)



Performance shown is gross of fees. Calculation is based on monthly performance. Parentheses contain percentile ranks.

## Key Metrics

- 1 **Standard Deviation**—This measures the volatility of the portfolio returns. The higher the standard deviation, the greater the volatility. In this report, a standard deviation of 8.96% suggests that 67% of returns are expected to be +/- 8.96% of the expected return.
- 2 **Sharpe Ratio**—This is a metric that approximates the risk-adjusted return of the portfolio. Higher Sharpe ratios indicate greater risk-adjusted returns. In addition, the number in parentheses indicates how the retirement portfolio ranks relative to other public plans. In this case, the MBOI retirement portfolios rank in the 43<sup>rd</sup> percentile, outperforming 57% of plans.
- 3 **Beta**—Measures the degree to which the value of the MBOI retirement portfolios move relative to the U.S. equity market as represented by the S&P 500. As an example, a Beta of 0.59 indicates that the retirement portfolios capture roughly 59% of the S&P 500 return. As an example, if the S&P 500 returns 10%, the MBOI portfolio would be expected to return 5.9%.
- 4 **Plan Sponsor Scattergram**—This figure provides a visual representation of risk-adjusted returns relative to other public plans. The red cross hairs represents the median public plan in terms of risk and return. The blue square represents the MBOI risk and return.

## Notes on Performance Analysis

- Placement on Plan Sponsor Scattergram—The ideal placement of the blue square is in the upper left quadrant, as this indicates a higher return than peers with less risk. Depending on fund objectives, placement in the lower left or upper right may also be acceptable, as it indicates lower risk/lower return or higher risk/higher return, respectively. The bottom right quadrant is undesirable, as it includes plans that take more risk, but provide a lower return.
- Time Period of Analysis—For this analysis, longer time periods are generally more meaningful. It is quite possible for a plan to have undesirable statistics over shorter periods of time. For example, equity-heavy portfolios would show higher risk and lower returns than peers during the 2008 and 2009 financial crisis.
- Strategy Dissimilarities with Peer Groups—Similar to the previous page, peer comparisons must be viewed cautiously, as differences in risk and return objectives may produce “underperformance” for reasons that are acceptable to the plan.



# Asset Class Composite Performance

## Montana Board of Investments Investment Pools Comparative Performance As of June 30, 2014

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Montana Domestic Equity Pool</b>	4.84	6.77	25.18	16.31	19.19	6.19	7.63	34.19	16.44	0.44	16.37	29.05
S&P 1500 Composite Index <b>1</b>	5.05	7.03	24.70	16.48	19.18	6.42	8.09	32.80	16.17	1.75	16.38	27.25
<i>Difference</i>	-0.21	-0.26	0.48	-0.17	0.01	-0.23	-0.46	1.39	0.27	-1.31	-0.01	1.80
<b>Montana International Equity Pool</b>	4.71	5.33	21.67	5.58	11.07	-0.11	6.47	16.39	17.11	-14.63	11.57	36.46
International Custom Benchmark <b>2</b>	4.85	5.61	21.99	5.80	11.35	1.42	7.47	15.62	16.96	-14.07	12.16	42.97
<i>Difference</i>	-0.14	-0.28	-0.32	-0.22	-0.28	-1.53	-1.00	0.77	0.15	-0.56	-0.59	-6.51
<b>Retirement Funds Bond Pool</b>	2.09	4.19	5.22	4.94	7.14	6.27	5.91	-0.95	7.31	7.69	10.32	12.11
Barclays US Agg Bond Index <b>3</b>	2.05	3.93	4.38	3.67	4.85	5.35	4.93	-2.02	4.21	7.84	6.54	5.93
<i>Difference</i>	0.04	0.26	0.84	1.27	2.29	0.92	0.98	1.07	3.10	-0.15	3.78	6.18
<b>Trust Funds Investment Pool</b>	2.30	4.50	5.87	5.24	6.85	6.46	6.04	-0.25	6.99	8.20	8.50	10.37
Barclays US Agg Bond Index <b>3</b>	2.05	3.93	4.38	3.67	4.85	5.35	4.93	-2.02	4.21	7.84	6.54	5.93
<i>Difference</i>	0.25	0.57	1.49	1.57	2.00	1.11	1.11	1.77	2.78	0.36	1.96	4.44
<b>Real Estate Pool*</b>	2.91	5.92	11.67	10.57	5.41	-0.28	N/A	10.16	9.90	14.19	0.25	-33.65
NCREIF ODCE Index (Net) (Qtr Lag) <b>4</b>	2.29	5.29	12.74	11.99	6.31	2.10	6.18	11.97	10.47	17.18	6.01	-35.70
<i>Difference</i>	0.62	0.63	-1.07	-1.42	-0.90	-2.38	N/A	-1.81	-0.57	-2.99	-5.76	2.05
<b>Short Term Investment Pool</b>	0.03	0.06	0.14	0.23	0.27	1.02	1.92	0.19	0.30	0.28	0.30	0.70
1 Month LIBOR Index <b>5</b>	0.04	0.08	0.17	0.21	0.23	0.93	1.88	0.19	0.23	0.24	0.27	0.33
<i>Difference</i>	-0.01	-0.02	-0.03	0.02	0.04	0.09	0.04	0.00	0.07	0.04	0.03	0.37
<b>Short Term Investment Pool</b>	0.03	0.06	0.14	0.23	0.27	1.02	1.92	0.19	0.30	0.28	0.30	0.70
iMoneynet Money Fund (Gross) Median <b>6</b>	0.04	0.09	0.19	0.24	0.29	1.08	1.95	0.22	0.30	0.27	0.34	0.69
<i>Difference</i>	-0.01	-0.03	-0.05	-0.01	-0.02	-0.06	-0.03	-0.03	0.00	0.01	-0.04	0.01

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Private Equity Pool*</b>	4.74	9.50	16.51	13.35	15.90	8.19	11.33	14.52	14.28	16.11	14.21	-10.46
S&P 1500 + 4% (Qtr Lag) <b>7</b>	2.88	14.38	26.02	18.59	25.64	10.59	11.74	24.43	34.18	4.92	14.92	-2.76
<i>Difference</i>	1.86	-4.88	-9.51	-5.24	-9.74	-2.40	-0.41	-9.91	-19.90	11.19	-0.71	-7.70

Performance shown is net of all manager fees and expenses (Net-All). The S&P 1500 + 4% performance is lagged by one quarter.

\*Performance is based on prior quarter's fair market value adjusted for cash flows during the most recent quarterly period.

Benchmark returns reflect unmanaged indices which are not impacted by management fees.

## Notes on Performance Analysis

This page summarizes the performance of key asset classes. Because MBOI uses active managers, the goal is to outperform relevant indices for each asset class. However, benchmarks are not perfect, particularly for illiquid asset classes, such as real estate and private equity. These limitations are discussed below.

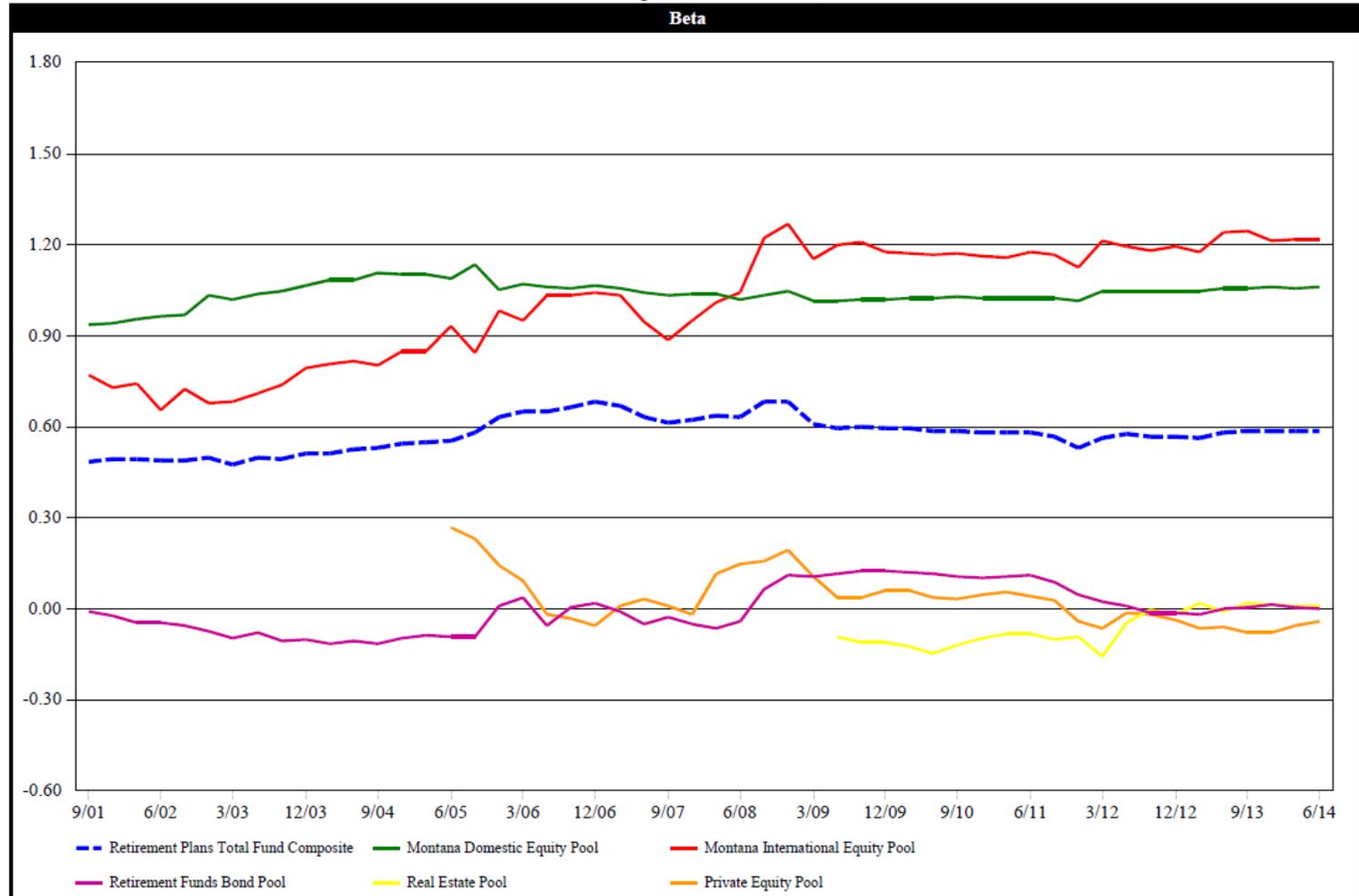
## Notes on Benchmarks

- S&P 1500 Composite Index**—This index is a broad measure of U.S. equity market performance, and covers all styles (e.g., value and growth) and capitalization (e.g., small, mid, and large cap).
- International Custom Benchmark**—This benchmark is currently the MSCI All Country World ex-US IMI index, which is a broad index of international equity markets, including both developed and emerging market equities. In the past, it combined several international indices; hence, the “custom” notation.
- Barclays US Aggregate Bond Index**—This index is a broad measure of core U.S. fixed income returns. The index has a relatively high concentration of U.S. treasury bonds and does not include “non-core” securities, such as high yield.
- NCREIF ODCE Index (Net)**—This benchmark represents a return of approximately 50 open-ended core U.S. real estate funds. While this is the best benchmark for performance, the underlying funds differ substantially from the MBOI portfolio. Examples of differences include the lack of inclusion of closed-end and timber funds.
- 1-Month Libor Index**—This index is a standard measure of short-term borrowing rates charged for interbank lending. While this is not a precise reflection of the STIP investment strategy, it provides a reasonable guidepost for performance.
- iMoneynet Money Fund (Gross) Median**—This index represents the median performance of a peer group of institutional money funds. While it provides a reasonable guidepost, it tends to underestimate relative performance as MBOI's returns are net of fees, while the peer group is reported gross of fees.
- S&P 1500+4% Index (Qtr Lag)**—Private equity is a difficult asset class to benchmark. Although imperfect, we believe the best benchmark is a public equity benchmark plus a return premium of 4% per year to compensate MBOI for the increased manager risk and illiquidity. Unfortunately, private equity returns do not move in sync with public equity markets over short or even medium term periods. As such, the 10-year return (and to a lesser extent the 7-year return) are the only benchmarks that should be considered.



# Asset Class and Total Fund Beta

Montana Board of Investments  
vs. S&P 500 Index (Cap Wtd)  
36 Months Rolling Periods As of June 30, 2014



The objective of the Total Fund Beta is to measure the aggregate level of non-diversifiable or systematic equity risk exposure of the Montana Retirement Plans. The Total Fund Beta is calculated using the S&P 500 as the benchmark and is based on monthly periodicity. It represents a measure of the sensitivity of the total fund to movements of the S&P 500 over the preceding three year period.

## Notes on Performance Analysis

- ❑ Beta measures the degree to which the value of the MBOI retirement portfolios move relative to the U.S. equity market as represented by the S&P 500. As an example, a Beta of 0.59 indicates that the retirement portfolios capture roughly 59% of the S&P 500 return. As an example, if the S&P 500 returns 10%, the MBOI portfolio would be expected to return 5.9%.
- ❑ This chart shows the beta of the total MBOI portfolio as well as the major asset classes on a rolling 3-year basis. The chart visually shows the diversification benefits of a multi asset class portfolio. Specifically, the low beta of the retirement fund bond pool, private equity pool, and real estate pool reduce the overall beta of the MBOI retirement plans.

# Investment Manager Performance

Montana Board of Investments  
Domestic Equity Managers  
Comparative Performance  
As of June 30, 2014

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>Domestic Large Cap Equity</b>														
Analytic Investors 130/30 (SA) - Net	4.20	6.39	23.47	16.45	17.99	N/A	N/A	35.22	17.38	3.13	10.59	23.03	7.61	03/01/2008
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46	8.67	
<i>Difference</i>	-1.04	-0.75	-1.14	-0.14	-0.84	N/A	N/A	2.83	1.38	1.02	-4.47	-3.43	-1.06	
Analytic Investors 130/30 (SA) - Gross	4.33	6.65	24.06	17.03	18.60	N/A	N/A	35.86	17.94	3.70	11.21	23.71	8.18	03/01/2008
IM U.S. Large Cap Core Equity (SA+CF) Median	4.88	7.03	25.61	16.59	18.83	6.86	8.72	33.40	15.71	1.90	14.85	26.59	9.24	
Analytic Investors 130/30 (SA) - Gross Rank	72	65	72	38	58	N/A	N/A	24	23	31	86	68	83	
BlackRock Equity Idx Fund A (CF) - Net	5.23	7.14	24.63	16.62	18.91	6.26	7.87	32.41	16.05	2.19	15.19	26.80	4.19	05/01/2000
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46	4.12	
<i>Difference</i>	-0.01	0.00	0.02	0.03	0.08	0.10	0.09	0.02	0.05	0.08	0.13	0.34	0.07	
BlackRock Equity Idx Fund A (CF) - Gross	5.24	7.15	24.64	16.64	18.93	6.28	7.88	32.42	16.06	2.22	15.20	26.80	4.20	05/01/2000
IM U.S. Large Cap Index Equity (SA+CF) Median	5.14	7.12	24.69	16.57	19.20	6.24	8.07	32.53	16.23	1.61	15.56	26.70	4.21	
BlackRock Equity Idx Fund A (CF) - Gross Rank	27	43	52	34	60	46	60	62	56	22	61	47	56	
Domestic Equity Pool SPIF - Net	5.08	6.82	23.83	16.67	18.81	5.90	7.48	31.85	17.26	1.81	15.35	25.52	8.46	07/01/2003
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46	8.77	
<i>Difference</i>	-0.16	-0.32	-0.78	0.08	-0.02	-0.26	-0.30	-0.54	1.26	-0.30	0.29	-0.94	-0.31	
Domestic Equity Pool SPIF - Gross	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	07/01/2003
IM U.S. Large Cap Index Equity (SA+CF) Median	5.14	7.12	24.69	16.57	19.20	6.24	8.07	32.53	16.23	1.61	15.56	26.70	8.99	
Domestic Equity Pool SPIF - Gross Rank	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
INTECH Enhanced Plus (SA) - Net	5.00	6.88	25.26	16.20	19.05	6.60	N/A	32.46	14.89	4.33	15.44	25.18	7.88	06/01/2006
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46	7.80	
<i>Difference</i>	-0.24	-0.26	0.65	-0.39	0.22	0.44	N/A	0.07	-1.11	2.22	0.38	-1.28	0.08	
INTECH Enhanced Plus (SA) - Gross	5.09	7.07	25.69	16.60	19.46	6.96	N/A	32.92	15.28	4.68	15.82	25.60	8.26	06/01/2006
IM U.S. Large Cap Core Equity (SA+CF) Median	4.88	7.03	25.61	16.59	18.83	6.86	8.72	33.40	15.71	1.90	14.85	26.59	8.42	
INTECH Enhanced Plus (SA) - Gross Rank	40	50	49	50	37	46	N/A	54	59	20	34	56	54	

Net performance shown is net of all manager fees and expenses (Net-All).  
Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all funds.

## Notes on Manager Performance Analysis

The reports summarizing the performance of individual investment managers are the final series of pages that RVK reviews at MBOI meetings. Due to time constraints, RVK does not review every manager's performance, but rather focuses on managers that are experiencing noteworthy events. These may include weak performance, organizational changes, or other concerns that are worthy of mention to the Board.

## Key Concepts

- Investment Manager Net Return**—The net return is the return generated by the manager net of the investment management fee. For active managers benchmarked against investable indices, a key objective is to outperform the index over a full market cycle (typically 5 years at minimum). For passive managers, the objective is to replicate the index return net of a small management fee.
- Investment Manager Gross Return**—The investment manager gross return is used to compare manager performance against a universe of managers employing a similar strategy. The objective is to exceed the return of the median manager.
- Calendar Year Return**—Calendar year returns provide a rough snapshot of how managers performed in different market environments. This can be useful to show how different portfolio biases, such as small cap or exposure to emerging markets, contributed to over or under performance in different years.
- Since Inception Return**—The since inception return shows the net results of the investment manager since MBOI invested in the strategy. The date of inception is listed in the far right column for each manager.



# MEMORANDUM

Montana Board of Investments

Department of Commerce

2401 Colonial Drive, 3<sup>rd</sup> Floor  
Helena, MT 59601 (406) 444-0001

**To:** Members of the Board  
**From:** David Ewer, Executive Director  
**Date:** August 19, 2014  
**Subject:** Fiscal Year 2015 Budget

## Overview

The Board operates under four different statutory methods to pay costs:

1. Operation costs for the majority of the Board's daily expenses are paid through an '**internal service fund**', which is a fund allowed to make charges against other state agencies (hence, the name). For the Board, the charges are made against the Board's seven investment pools and All Other Funds. The legislature sets the yearly maximum dollar amount that can be charged in House Bill 2. For FY 2015, this amount is \$5,234,796, which must also cover unforeseen contingencies. A 60-day working capital balance is allowed for internal service funds and in deriving the maximum allowable charge. Once the legislature sets the total annual allowable charge, this amount cannot be exceeded.
2. Custodial bank fees are also paid by charges against the Board's investment pools and All Other Funds. There is no fixed maximum charge set by each legislature; charges are allowed through an on-going mechanism known as a 'statutory authority' (i.e., a perpetual expenditure permission that the legislature has granted; it can be repealed by statute as well).
3. Bond program INTERCAP bond interest and issuance expenses are paid through another general statutory authority. Bond program staff are paid from the Board's bond program '**enterprise fund**' (different from an internal service fund: participants in an enterprise fund voluntarily choose to use the enterprise, e.g. the INTERCAP program, whereas participants in an internal service fund have no choice, e.g., participants in the Board's Trust Funds Bond Pool must pay the operational charges).
4. External investment management expenses are paid as authorized specifically in 17-6-201 (7) M.C.A., the unified investment program, which is one of only three programs specifically authorized in the Montana Constitution.

## Operational Budget for FY 2015

Table I, attached, reflects, by various categories, the Board's **internal service fund** actual expenses for fiscal years 2012, 2013 and 2014 and the proposed budget for 2015, with footnotes explaining the

differences. Table II shows the same for the *enterprise fund*. Table I-A reflects a breakdown of investment research services and related costs.

Recommendation #1

Staff recommends the proposed FY 2015 budgeted amounts contained in Tables I and II.

Budget for FY 2016 and 2017

The Board's Governance Manual sets out budget and other operational policies and delegates most of the budget and other cost-related functions to the Executive Director (see Section II Part 22 and Section III Parts 1, 4, and 7), except for the selection of outside investment managers which is under the Chief Investment Officer (See Section III Part 6, Investment Management Contracts).

The legislature receives a narrative from the Department of Commerce (Commerce) as part of the executive planning process on both the internal service and enterprise fund (See Exhibit A for Commerce's previous submission on behalf of the Board).

The Executive Branch is currently in the executive planning process to complete its 2016-2017 biennium budget for submission to the 2015 Legislature. Board staff will be working closely with Commerce budget staff in creating its budget. The budget process is fluid and Commerce will not finalize its total budget submission, including the Board's, until late August. Once the Board's budget is finalized, staff will provide copies to the Board.

Recommendation #2

Staff recommends the Board authorize staff to work with Commerce budget staff to complete its 2016-2017 biennium budget, which would set the maximum rate allowed to be charged, for submission to the Governor's Budget Office.

**DEPARTMENT OF COMMERCE-6501  
BOARD OF INVESTMENTS-75**

**75 Board of Investments  
David Ewer 444-1285**

**Proprietary Rates**

Program Proposed Budget	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget
Budget Item	Fiscal 2012	Fiscal 2014	Fiscal 2014	Fiscal 2014	Fiscal 2015	Fiscal 2015	Fiscal 2015
FTE	32.00	0.00	0.00	32.00	0.00	0.00	32.00
Personal Services	2,661,343	398,138	0	3,059,481	398,701	0	3,060,044
Operating Expenses	2,085,197	275,950	749	2,341,896	238,749	749	2,304,695
<b>Total Costs</b>	<b>\$4,726,540</b>	<b>\$674,088</b>	<b>\$749</b>	<b>\$5,401,377</b>	<b>\$637,450</b>	<b>\$749</b>	<b>\$5,364,739</b>
Proprietary	4,726,540	674,088	749	5,401,377	637,450	749	5,364,739
<b>Total Funds</b>	<b>\$4,726,540</b>	<b>\$674,088</b>	<b>\$749</b>	<b>\$5,401,377</b>	<b>\$637,450</b>	<b>\$749</b>	<b>\$5,364,739</b>

**Proprietary Program Description –**

**Unified Investment Program:**

The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 2-15-1808, MCA, created the Board of Investments and Section 17-6-201, MCA, gave the board sole authority to invest state funds. The board also invests local government funds at their discretion. The Board currently manages an investment portfolio with a market value of approximately \$12.0 billion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The Legislative Auditor audits the board annually. The board consists of nine members appointed by the Governor. The board also has two non-voting legislative liaisons, from different political parties; one appointed by the President of the Senate and one appointed by the Speaker of the House.

Section 17-6-305, MCA, authorizes the board to invest 25 percent of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the trust fund in participation with financial institutions. The board lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction. The board also lends low-interest monies funded from the trust fund to value-added type businesses creating jobs. Throughout FY 2010, the board purchased Montana residential mortgages with pension funds as part of the In-State Investment Program.

The board sells tax-exempt bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to 15 years and short-term loans to finance cash flow deficits or bridge financing are also available.

The INTERCAP and In-State Investment Programs were created in FY 1984 as part of the "Build Montana" program.

The Board of Investments is funded by two proprietary fund types. An enterprise fund funds the InterCap or Bond Programs. An internal service fund funds the Investment Programs.

The Board of Investments' responsibilities are mandated primarily in Article VIII, Section 13 of the Montana Constitution, Title 2, Chapter 15, and Title 17, Chapters 5 and 6, MCA.

Board of Investments' customers include: state agencies, the university system, local governments, financial institutions, and local economic development organizations.

## DEPARTMENT OF COMMERCE-6501 BOARD OF INVESTMENTS-75

There has been no significant change in the services provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow in size and complexity.

### Proprietary Revenues and Expenses -

Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the bond program between draws. Remaining revenues are received monthly from the board's contract with the Montana Facility Finance Authority.

Nearly all investment program revenues are generated from charges to each account that the board invests. The revenue objective of the investment program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve.

The Board of Investments does not receive any direct HB 2 appropriations.

FY 2012 base year funding, by fund type for the Investment Program, fund 06527 is as follows:

	FY 2012	%
General Fund	\$193,256.46	4.183%
State Special	\$75,820.87	1.641%
Federal Special	\$6,088.33	0.132%
Proprietary	\$291,439.61	6.308%
Expendable Trust	\$141,050.62	3.053%
Non Expendable Trust	\$3,742,260.59	81.005%
Local Government	\$92,977.18	2.013%
University	\$70,489.52	1.526%
Debt Service	\$6,400.32	0.139%
Total:	\$4,619,783.50	100.000%

Customer expenditure codes are not available because many customers are outside of state government and therefore do not record their financial activity on SABHRS.

Bond Program revenues (fund 06014) are primarily recorded in the following SABHRS revenue codes:

	FY 2012	%
527054	\$1,010.00	0.071%
530008	\$66,462.78	4.644%
530010	\$559.12	0.039%
530014	(\$813.12)	(0.057%)
530025	\$1,681.75	0.118%
530029	(\$93.38)	(0.007%)
531626	(\$36.24)	(0.003%)
531644	\$183.75	0.013%
538043	\$1,344,882.25	93.965%
582920	\$17,418.77	1.217%
Total:	\$1,431,255.68	100.00%

**DEPARTMENT OF COMMERCE-6501  
BOARD OF INVESTMENTS-75**

Investment Program revenues (fund 06527) are primarily recorded in the following SABHRS revenue code:

	FY 2012	%
521055	\$4,619,783.50	100.000%

The major cost drivers within the Board of Investments are personal services, operating expenses, and expenditures related to the periodic replacement of computer equipment. Additionally, over \$740,000 was disbursed in FY 2012 via a statutory appropriation for debt service requirements related to the state's bonding activity.

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the division's workload and customer levels will remain constant, although investment portfolios will continue to grow in size.

Non-typical and one-time-only expenses, if any, are subtracted from proposed budgets. The Board of Investments is authorized 32.00 FTE and personal services expenditures include board member per diem.

Working Capital Discussion: Bond program revenues are typically received on an annual basis, so a 270 day fund balance is required to provide adequate funding for the Bond Program between draws. Investment program revenues are assessed on a monthly basis; since collections lag by at least one month the board must maintain a nominal 60 day working capital reserve to meet ongoing operational expenses.

Fund Equity and Reserved Fund Balance: At the proposed rates, the department projects a FY 2015 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

**Proprietary Rate Explanation --**

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level. This process has worked very well since the passage of HB 576 in 1995 and this methodology is continued in the 2015 biennium because it provides an easy comparison with historical financial activity.

**DEPARTMENT OF COMMERCE-6501  
BOARD OF INVESTMENTS-75**

2015 Biennium Report on Internal Service and Enterprise Funds 2015								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06527	Investment Division	65010	Dept. of Commerce	Board of Investments				
			Actual FYE 10	Actual FYE 11	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
<b>Operating Revenues:</b>								
Fee revenue								
	Administrative Fees		4,869,468	4,416,709	4,619,784	4,430,000	5,109,144	5,234,796
Investment Earnings								
	Securities Lending Income		-	-	-	-	-	-
	Premiums		-	-	-	-	-	-
	Other Operating Revenues		-	167	-	-	-	-
	<b>Total Operating Revenue</b>		<b>4,869,468</b>	<b>4,416,876</b>	<b>4,619,784</b>	<b>4,430,000</b>	<b>5,109,144</b>	<b>5,234,796</b>
<b>Operating Expenses:</b>								
	Personal Services		2,369,344	2,372,134	2,498,975	2,729,157	2,956,401	3,101,061
	Other Operating Expenses		1,967,820	1,917,749	2,001,842	2,075,915	2,152,743	2,133,735
	<b>Total Operating Expenses</b>		<b>4,337,163</b>	<b>4,289,883</b>	<b>4,500,817</b>	<b>4,805,072</b>	<b>5,109,144</b>	<b>5,234,796</b>
	Operating Income (Loss)		<b>532,305</b>	<b>126,993</b>	<b>119,167</b>	<b>(375,072)</b>	-	-
<b>Nonoperating Revenues (Expenses):</b>								
	Gain (Loss) Sale of Fixed Assets		-	-	-	-	-	-
	Federal Indirect Cost Recoveries		-	-	-	-	-	-
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	<b>Net Nonoperating Revenues (Expenses)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Income (Loss) Before Operating Transfers		<b>532,305</b>	<b>126,993</b>	<b>119,167</b>	<b>(375,072)</b>	-	-
	Contributed Capital		-	-	-	-	-	-
	Operating Transfers In (Note 13)		-	-	-	-	-	-
	Operating Transfers Out (Note 13)		(472,340)	-	-	-	-	-
	<b>Change in net assets</b>		<b>59,965</b>	<b>126,993</b>	<b>119,167</b>	<b>(375,072)</b>	-	-
	Total Net Assets- July 1		<b>213,850</b>	<b>273,815</b>	<b>400,808</b>	<b>519,975</b>	<b>144,903</b>	<b>144,903</b>
	Prior Period Adjustments		-	-	-	-	-	-
	Cumulative effect of account change		-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated		<b>213,850</b>	<b>273,815</b>	<b>400,808</b>	<b>519,975</b>	<b>144,903</b>	<b>144,903</b>
	<b>Net Assets- June 30 (Fund Balance)</b>		<b>273,815</b>	<b>400,808</b>	<b>519,975</b>	<b>144,903</b>	<b>144,903</b>	<b>144,903</b>
	<b>Net Current Assets- June 30 (Working Capital)</b>		<b>651,587</b>	<b>934,921</b>	<b>1,105,769</b>	<b>730,697</b>	<b>730,697</b>	<b>730,697</b>
	<b>60 days of expenses</b>							
	(Total Operating Expenses divided by 6)		<b>722,861</b>	<b>714,981</b>	<b>750,103</b>	<b>800,845</b>	<b>851,524</b>	<b>872,466</b>
<b>Requested Rates for Internal Service Funds</b>								
<b>Fee/Rate Information</b>								
			Actual FYE 10	Actual FYE 11	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
	BOI Administrative Fee							
	Rate		4,819,844	4,768,607	4,831,041	4,831,041	5,109,144	5,234,796
Allocation Methodology: The revenue objective of the Board of Investments is to assess the costs of operations to each portfolio the Board invests while attempting to maintain a reasonable and prudent 60 day working capital reserve.								

## DEPARTMENT OF COMMERCE-6501 BOARD OF INVESTMENTS-75

2015 Biennium Report on Internal Service and Enterprise Funds 2015								
Fund	Fund Name	Agency #	Agency Name	Program Name				
06014	Industrial Revenue Bond I-95	65010	Dept. of Commerce	Board of Investments				
			Actual FYE 10	Actual FYE 11	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
<b>Operating Revenues:</b>								
<b>Fee revenue</b>								
	Fee Revenues		-	-	-	500	1,000	1,500
<b>Investment Earnings</b>								
			261,771	90,953	67,797	140,994	172,137	203,280
<b>Securities Lending Income</b>								
			165	233	184	350	400	450
<b>Premiums</b>								
			-	-	-	-	-	-
<b>Other Operating Revenues</b>								
			2,270,083	1,549,944	1,345,856	1,251,784	1,484,732	1,716,019
<b>Total Operating Revenue</b>								
			2,532,018	1,641,130	1,413,837	1,393,628	1,658,269	1,921,249
<b>Operating Expenses:</b>								
<b>Personal Services</b>								
			205,745	167,630	275,326	305,632	308,035	323,312
<b>Other Operating Expenses</b>								
			134,030	121,932	133,865	150,066	189,153	170,960
<b>Debt Service Expenses (Statutory)</b>								
			1,828,551	835,910	740,441	1,102,290	1,344,662	1,594,800
<b>Total Operating Expenses</b>								
			2,168,325	1,125,472	1,149,632	1,557,988	1,841,850	2,089,072
<b>Operating Income (Loss)</b>								
			363,693	515,658	264,205	(164,360)	(183,581)	(167,823)
<b>Nonoperating Revenues (Expenses):</b>								
<b>Gain (Loss) Sale of Fixed Assets</b>								
			-	-	-	-	-	-
<b>Federal Indirect Cost Recoveries</b>								
			-	-	-	-	-	-
<b>Other Nonoperating Revenues (Expenses)</b>								
			-	-	-	-	-	-
<b>Net Nonoperating Revenues (Expenses)</b>								
			-	-	-	-	-	-
<b>Income (Loss) Before Operating Transfers</b>								
			363,693	515,658	264,205	(164,360)	(183,581)	(167,823)
<b>Contributed Capital</b>								
			-	-	-	-	-	-
<b>Operating Transfers In (Note 13)</b>								
			494,639	17,955	17,419	18,000	18,000	18,000
<b>Operating Transfers Out (Note 13)</b>								
			-	-	-	-	-	-
<b>Change in net assets</b>								
			858,331	533,613	281,624	(146,360)	(165,581)	(149,823)
<b>Total Net Assets- July 1</b>								
			5,406,924	6,265,256	6,798,869	7,080,493	6,934,133	6,768,552
<b>Prior Period Adjustments</b>								
			-	-	-	-	-	-
<b>Cumulative effect of account change</b>								
			-	-	-	-	-	-
<b>Total Net Assets - July 1 - As Restated</b>								
			5,406,924	6,265,256	6,798,869	7,080,493	6,934,133	6,768,552
<b>Net Assets- June 30 (Fund Balance)</b>								
			6,265,256	6,798,869	7,080,493	6,934,133	6,768,552	6,618,729
<b>60 days of expenses</b>								
			361,388	187,579	191,605	259,665	306,975	348,179
<b>Requested Rates for Enterprise Funds</b>								
<b>Fee/Rate Information</b>								
			Actual FYE 10	Actual FYE 11	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
<b>Budgeted Revenues</b>								
	Fees & Investment Revenues		\$3,026,657	\$ 1,659,085	\$1,431,256	\$ 1,393,628	\$1,658,269	\$1,921,249

**DEPARTMENT OF COMMERCE-6501  
BOARD OF INVESTMENTS-75**

-----Present Law Adjustments-----

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$233,560	\$0
FY 2015	\$275,307	\$0

**PL - 7501 - BOI Administrative Costs Adjustments -**  
 This request reflects adjustments made to the Board of Investments for advertising both in and out of state, software administered programs, legal and court fees, and meetings expensive for the Board of Investments.

-----New Proposals-----

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$749	\$0
FY 2015	\$749	\$0

**NP - 6101 - Professional Development Center Fee Allocation -**  
 The Professional Development Center at the Department of Administration has been funded for many years by fees assessed for individual training courses. For the 2015 biennium and beyond, the program will be funded via a fixed cost allocation. Because the allocation represents a funding switch, the funding balance reflects \$749 in FY 2014 and \$749 in FY 2015.

**Table I**  
**Board of Investments**  
**06527 - Investments**

<b>Category</b>	<b>FY12 Actual</b>	<b>FY13 Actual</b>	<b>FY14 Actual</b>	<b>FY15 Budget</b>	<b>FY14 Over/Under FY 13</b>	<b>FY15 Over/Under FY 14</b>
Personal Services	2,441,532	2,745,760	2,811,565	2,977,683	65,805 (a)	166,118 (g)
Board Per Diem	7,680	5,160	4,480	7,290	(680)	2,810
Board of Housing Mortgage Serv	39,614	39,614	39,614	40,000	-	386
Research Services	705,338	726,603	806,869	794,450	80,266 (b)	(12,419) (h)
Consulting Services	275,000	299,334	295,000	322,500	(4,334)	27,500 (i)
Other Contracted Services (1)	196,365	236,930	345,335	325,000	108,405 (c)	(20,335) (j)
Supplies/Materials (2)	56,205	51,678	38,445	38,000	(13,233) (d)	(445)
Communications (3)	48,365	24,502	29,144	29,251	4,642	107
In-State Travel	2,314	2,903	4,056	3,500	1,153	(556)
Out-of-State Travel	32,386	33,706	39,956	38,700	6,250 (e)	(1,256)
Board Travel & Education	9,003	13,007	8,123	9,000	(4,884)	877
Building Rent	157,388	160,510	163,697	166,981	3,187	3,284
Other Rent (4)	3,218	3,283	3,524	4,302	241	778
Repairs & Maintenance (5)	1,590	686	948	1,441	262	493
Commerce Department Serv (6)	321,786	340,467	409,316	437,299	68,849 (f)	27,983 (k)
Miscellaneous (7)	76,331	38,623	40,497	39,000	1,874	(1,497)
<b>Total</b>	<b>4,374,116</b>	<b>4,722,766</b>	<b>5,040,569</b>	<b>5,234,397</b>	317,803	193,828
<b>Personal Services</b>	<b>2,449,212</b>	<b>2,750,920</b>	<b>2,816,045</b>	<b>2,984,973</b>		
<b>Operating Expenses</b>	<b>1,924,905</b>	<b>1,971,846</b>	<b>2,224,524</b>	<b>2,249,424</b>		
	4,374,116	4,722,766	5,040,569	5,234,397		
<b>Authorized Fee (Under)/Over</b>	<b>4,831,041 (456,925)</b>	<b>4,831,041 (108,275)</b>	<b>5,109,144 (68,575)</b>	<b>5,234,796 (399)</b>		

(1) Includes Employee Serv/Legal Serv/Contract Printing/State Computer Network Charges

(2) Computer Hardware & Software/Office Furniture/Office Supplies

(3) Phones/Parcel Delivery/Postage

(4) Copiers/Records Management

(5) Printer/FAX Repair & Maintenance

(6) Percentage of Personnel Services

(7) Training/Education/Subscriptions/Dues/Other Recruitment Charges/Misc State Charges

(a) Non-budgeted comp absences, investment accounting staff reorganization, legislative authorized pay increases (classified staff) and Board authorized pay increases (exempt staff)

(b) Timing of invoices (BCA, Bloomberg & Ratings Direct)

(c) Increase in private equity & real estate legal services

(d) Decrease in computer hardware purchases and office supplies

(e) Recruitment travel costs

(f) This fee is directly related to personal services

(g) Legislative authorized pay increases (classified staff) and Board authorized pay increases (exempt staff)

(h) Timing of invoices

(i) Timing of CEM invoice

(j) Phillips contract ending

(k) This fee is directly related to personal services

**Table I-A**

<b>INVESTMENT RESEARCH SERVICES</b>						<b>FY15</b>	
<b>Service Provider</b>	<b>Description of Service</b>	<b>FY2012 Actual</b>	<b>FY2013 Actual</b>	<b>FY2014 Actual</b>	<b>FY15 Budget</b>	<b>Over/Under FY14</b>	
BCA Research Investment Strategy	Independent investment research	18,750	25,000	18,750	25,000	6,250	timing of invoice
Bloomberg + Portfolio Order Management System	Comprehensive market news and portfolio trade management	262,577	303,862	354,487	343,692	(10,795)	timing of invoice
Credit Sights Online Research	Fixed income news and analysis	15,000	44,500	56,750	61,540	4,790	additional service added
Egan-Jones Rating Service	Fixed income ratings and analysis	13,875	13,875	-	-	-	cancelled service
Factset	Public equity portfolio information & performance analysis	183,187	174,367	179,599	185,000	5,401	annual increase
Gimme Credit	Fixed Income Investment grade credit research	15,000	15,000	15,000	15,000	-	
Magazine Subscriptions - various	Market news	3,742	5,192	6,435	6,456	21	
Moody's Credit Research Service	Fixed income ratings and analysis	51,014	16,400	8,350	-	(8,350)	service cancelled
MSCI, NYSE, Russell	Equity index data	3,339	3,889	3,055	5,178	2,123	price fluctuates based on services used
Standard & Poors - Ratings Direct	Fixed income ratings and analysis	35,000	18,000	55,000	38,192	(16,808)	timing of invoice - under review for cancellation
Wilshire Axiom	Fixed income analytics	103,854	106,517	109,443	114,392	4,949	annual increase
<b>TOTAL</b>		<b>705,338</b>	<b>726,602</b>	<b>806,869</b>	<b>794,450</b>		
	Fixed Income	233,743	214,292	244,543	229,124		
	Equity	186,526	178,256	182,654	190,178		
	General	285,069	334,054	379,672	375,148		
	Total	705,338	726,602	806,869	794,450		

**Table II**  
**Board of Investments**  
**06014 - Bond Program**

<b>Category</b>	<b>FY12 Actual</b>	<b>FY13 Actual</b>	<b>FY14 Actual</b>	<b>FY15 Budget</b>	<b>FY14 Over/Under FY13</b>	<b>FY15 Over/Under FY14</b>
Personal Services	273,406	170,855	370,744	325,000	199,889 (a)	(45,744) (c)
Board Per Diem	1,920	1,290	1,120	1,710	(170)	590
Other Contracted Services (1)	31,420	29,513	30,157	31,000	644	843
Supplies/Materials (2)	8,955	8,529	8,748	8,500	219	(248)
Communications (3)	8,948	6,435	7,441	7,000	1,006	(441)
In-State Travel	519	1,096	1,132	1,500	36	368
Out-of-State Travel	826	0	-	300	-	300
Board Travel & Education	2,488	2,698	2,167	2,000	(531)	(167)
Building Rent	43,786	44,654	45,541	46,455	887	914
Other Rent (4)	682	662	795	698	133	(97)
Repairs & Maintenance (5)	266	159	194	559	35	365
Commerce Department Services (6)	22,813	34,176	48,574	47,863	14,398 (b)	(711)
Miscellaneous (7)	4,855	5,523	4,133	4,889	(1,390)	756
<b>Total</b>	<b>400,884</b>	<b>305,590</b>	<b>520,746</b>	<b>477,474</b>	215,156	(43,272)
<b>Personal Services</b>	<b>275,326</b>	<b>172,145</b>	<b>371,864</b>	<b>326,710</b>		
<b>Operating Expenses</b>	<b>125,558</b>	<b>133,445</b>	<b>148,882</b>	<b>150,764</b>		
	400,884	305,590	520,746	477,474		

(1) Includes Employee Serv/Legal Serv/Contract Printing/State Computer Network Charges

(2) Computer Hardware & Software/Office Furniture/Office Supplies

(3) Phones/Parcel Delivery/Postage

(4) Copiers/Records Management

(5) Printer/FAX Repair & Maintenance

(6) Percentage of Personnel Services

(7) Training/Education/Subscriptions/Dues/Miscellaneous State Charges

(a) Non-budgeted comp absences, FTE at higher payband for full fiscal, additional allocation of staff time, legislative authorized pay increases (classified staff) and Board authorized pay increases (exempt staff)

(b) This fee is directly related to personal services

(c) See non-budgeted comp absences in (a) above, slight reduction in staff time allocation, legislative authorized pay increases (classified staff) and Board authorized pay increases (exempt staff)

[Return to Agenda](#)

# Investment Consultant



# Montana Board of Investments

## Investment Performance Analysis

Period Ended: June 30, 2014



**Montana Board of Investments**  
**Retirement Plans**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Public Employees' Retirement - Net</b>	<b>3.91</b>	<b>6.05</b>	<b>17.16</b>	<b>10.70</b>	<b>13.27</b>	<b>5.00</b>	<b>6.95</b>	<b>17.38</b>	<b>13.24</b>	<b>2.13</b>	<b>12.77</b>	<b>15.42</b>
Public Employees' Benchmark	3.76	6.67	18.16	11.31	13.99	5.26	7.07	17.94	14.88	1.67	12.44	15.41
<i>Difference</i>	<i>0.15</i>	<i>-0.62</i>	<i>-1.00</i>	<i>-0.61</i>	<i>-0.72</i>	<i>-0.26</i>	<i>-0.12</i>	<i>-0.56</i>	<i>-1.64</i>	<i>0.46</i>	<i>0.33</i>	<i>0.01</i>
<b>Public Employees' Retirement - Gross</b>	<b>4.07</b>	<b>6.36</b>	<b>17.76</b>	<b>11.27</b>	<b>13.88</b>	<b>5.56</b>	<b>7.41</b>	<b>17.96</b>	<b>13.83</b>	<b>2.68</b>	<b>13.44</b>	<b>16.08</b>
All Public Plans > \$3B Total Fund Median	4.04	6.28	17.02	10.19	12.95	5.44	7.71	15.21	13.34	0.82	12.82	18.21
<b>Public Employees' Retirement - Gross Rank</b>	<b>48</b>	<b>47</b>	<b>29</b>	<b>3</b>	<b>21</b>	<b>49</b>	<b>70</b>	<b>10</b>	<b>36</b>	<b>26</b>	<b>41</b>	<b>74</b>
<b>Teachers' Retirement - Net</b>	<b>3.92</b>	<b>6.07</b>	<b>17.17</b>	<b>10.70</b>	<b>13.28</b>	<b>5.00</b>	<b>6.95</b>	<b>17.38</b>	<b>13.24</b>	<b>2.14</b>	<b>12.80</b>	<b>15.42</b>
Teachers' Benchmark	3.76	6.68	18.16	11.31	13.99	5.26	7.08	17.94	14.89	1.66	12.45	15.40
<i>Difference</i>	<i>0.16</i>	<i>-0.61</i>	<i>-0.99</i>	<i>-0.61</i>	<i>-0.71</i>	<i>-0.26</i>	<i>-0.13</i>	<i>-0.56</i>	<i>-1.65</i>	<i>0.48</i>	<i>0.35</i>	<i>0.02</i>
<b>Teachers' Retirement - Gross</b>	<b>4.08</b>	<b>6.33</b>	<b>17.71</b>	<b>11.26</b>	<b>13.88</b>	<b>5.56</b>	<b>7.41</b>	<b>17.96</b>	<b>13.84</b>	<b>2.68</b>	<b>13.47</b>	<b>16.08</b>
All Public Plans > \$3B Total Fund Median	4.04	6.28	17.02	10.19	12.95	5.44	7.71	15.21	13.34	0.82	12.82	18.21
<b>Teachers' Retirement - Gross Rank</b>	<b>47</b>	<b>48</b>	<b>30</b>	<b>3</b>	<b>21</b>	<b>49</b>	<b>70</b>	<b>10</b>	<b>35</b>	<b>26</b>	<b>41</b>	<b>74</b>
<b>Police Retirement - Net</b>	<b>3.92</b>	<b>6.06</b>	<b>17.20</b>	<b>10.69</b>	<b>13.24</b>	<b>4.95</b>	<b>6.88</b>	<b>17.41</b>	<b>13.23</b>	<b>2.10</b>	<b>12.62</b>	<b>15.42</b>
Police Benchmark	3.76	6.68	18.14	11.28	13.94	5.20	6.98	17.92	14.80	1.66	12.26	15.46
<i>Difference</i>	<i>0.16</i>	<i>-0.62</i>	<i>-0.94</i>	<i>-0.59</i>	<i>-0.70</i>	<i>-0.25</i>	<i>-0.10</i>	<i>-0.51</i>	<i>-1.57</i>	<i>0.44</i>	<i>0.36</i>	<i>-0.04</i>
<b>Police Retirement - Gross</b>	<b>4.08</b>	<b>6.37</b>	<b>17.79</b>	<b>11.25</b>	<b>13.84</b>	<b>5.51</b>	<b>7.34</b>	<b>18.00</b>	<b>13.78</b>	<b>2.65</b>	<b>13.29</b>	<b>16.08</b>
All Public Plans > \$3B Total Fund Median	4.04	6.28	17.02	10.19	12.95	5.44	7.71	15.21	13.34	0.82	12.82	18.21
<b>Police Retirement - Gross Rank</b>	<b>47</b>	<b>47</b>	<b>26</b>	<b>3</b>	<b>22</b>	<b>50</b>	<b>81</b>	<b>10</b>	<b>38</b>	<b>27</b>	<b>43</b>	<b>74</b>

Net performance shown is net of all manager fees and expenses (Net-All). All Public Plans > \$3B Total Fund Median is reported gross of fees. Benchmark returns reflect unmanaged indices which are not impacted by management fees.



**Montana Board of Investments**  
**Retirement Plans**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Firefighters' Retirement - Net</b>	<b>3.92</b>	<b>6.06</b>	<b>17.19</b>	<b>10.69</b>	<b>13.23</b>	<b>4.99</b>	<b>6.91</b>	<b>17.41</b>	<b>13.22</b>	<b>2.10</b>	<b>12.61</b>	<b>15.46</b>
Firefighters' Benchmark	3.76	6.68	18.14	11.28	13.93	5.23	7.00	17.92	14.80	1.66	12.24	15.50
<i>Difference</i>	<i>0.16</i>	<i>-0.62</i>	<i>-0.95</i>	<i>-0.59</i>	<i>-0.70</i>	<i>-0.24</i>	<i>-0.09</i>	<i>-0.51</i>	<i>-1.58</i>	<i>0.44</i>	<i>0.37</i>	<i>-0.04</i>
<b>Firefighters' Retirement - Gross</b>	<b>4.08</b>	<b>6.36</b>	<b>17.79</b>	<b>11.26</b>	<b>13.84</b>	<b>5.55</b>	<b>7.37</b>	<b>17.99</b>	<b>13.81</b>	<b>2.64</b>	<b>13.27</b>	<b>16.12</b>
All Public Plans > \$3B Total Fund Median	4.04	6.28	17.02	10.19	12.95	5.44	7.71	15.21	13.34	0.82	12.82	18.21
<b>Firefighters' Retirement - Gross Rank</b>	<b>48</b>	<b>47</b>	<b>26</b>	<b>3</b>	<b>23</b>	<b>49</b>	<b>72</b>	<b>10</b>	<b>36</b>	<b>27</b>	<b>43</b>	<b>74</b>
<b>Sheriffs' Retirement - Net</b>	<b>3.91</b>	<b>6.04</b>	<b>17.14</b>	<b>10.67</b>	<b>13.22</b>	<b>4.99</b>	<b>6.92</b>	<b>17.35</b>	<b>13.19</b>	<b>2.12</b>	<b>12.68</b>	<b>15.37</b>
Sheriffs' Benchmark	3.75	6.66	18.13	11.29	13.94	5.28	7.04	17.91	14.84	1.65	12.33	15.47
<i>Difference</i>	<i>0.16</i>	<i>-0.62</i>	<i>-0.99</i>	<i>-0.62</i>	<i>-0.72</i>	<i>-0.29</i>	<i>-0.12</i>	<i>-0.56</i>	<i>-1.65</i>	<i>0.47</i>	<i>0.35</i>	<i>-0.10</i>
<b>Sheriffs' Retirement - Gross</b>	<b>4.07</b>	<b>6.34</b>	<b>17.73</b>	<b>11.24</b>	<b>13.83</b>	<b>5.55</b>	<b>7.38</b>	<b>17.93</b>	<b>13.79</b>	<b>2.66</b>	<b>13.34</b>	<b>16.03</b>
All Public Plans > \$3B Total Fund Median	4.04	6.28	17.02	10.19	12.95	5.44	7.71	15.21	13.34	0.82	12.82	18.21
<b>Sheriffs' Retirement - Gross Rank</b>	<b>48</b>	<b>48</b>	<b>29</b>	<b>3</b>	<b>23</b>	<b>49</b>	<b>71</b>	<b>10</b>	<b>38</b>	<b>27</b>	<b>42</b>	<b>74</b>
<b>Highway Patrol Retirement - Net</b>	<b>3.92</b>	<b>6.06</b>	<b>17.16</b>	<b>10.69</b>	<b>13.29</b>	<b>5.00</b>	<b>6.95</b>	<b>17.38</b>	<b>13.24</b>	<b>2.12</b>	<b>12.81</b>	<b>15.52</b>
Highway Patrol Benchmark	3.76	6.68	18.16	11.31	14.01	5.27	7.06	17.94	14.88	1.65	12.44	15.60
<i>Difference</i>	<i>0.16</i>	<i>-0.62</i>	<i>-1.00</i>	<i>-0.62</i>	<i>-0.72</i>	<i>-0.27</i>	<i>-0.11</i>	<i>-0.56</i>	<i>-1.64</i>	<i>0.47</i>	<i>0.37</i>	<i>-0.08</i>
<b>Highway Patrol Retirement - Gross</b>	<b>4.08</b>	<b>6.36</b>	<b>17.76</b>	<b>11.27</b>	<b>13.90</b>	<b>5.56</b>	<b>7.41</b>	<b>17.96</b>	<b>13.84</b>	<b>2.66</b>	<b>13.47</b>	<b>16.19</b>
All Public Plans > \$3B Total Fund Median	4.04	6.28	17.02	10.19	12.95	5.44	7.71	15.21	13.34	0.82	12.82	18.21
<b>Highway Patrol Retirement - Gross Rank</b>	<b>47</b>	<b>47</b>	<b>29</b>	<b>3</b>	<b>18</b>	<b>49</b>	<b>70</b>	<b>10</b>	<b>35</b>	<b>27</b>	<b>41</b>	<b>74</b>

Net performance shown is net of all manager fees and expenses (Net-All). All Public Plans > \$3B Total Fund Median is reported gross of fees. Benchmark returns reflect unmanaged indices which are not impacted by management fees.

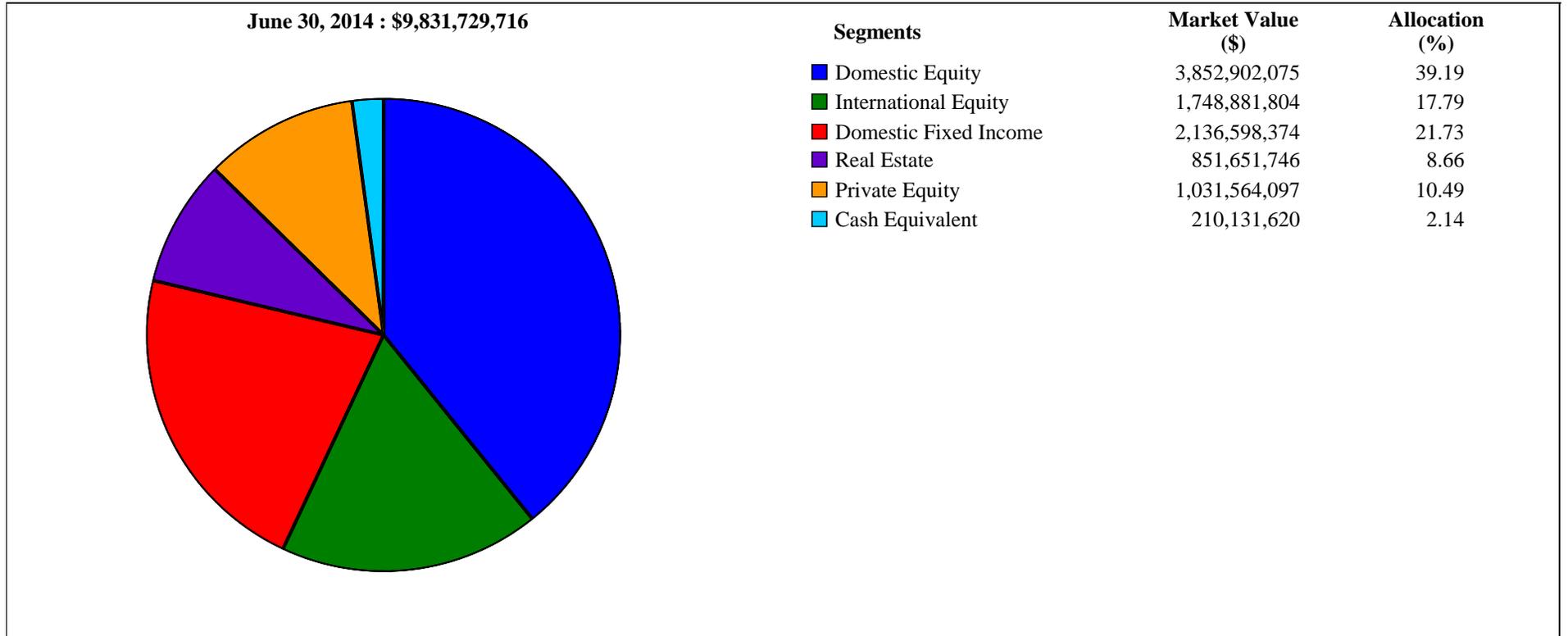
**Montana Board of Investments**  
**Retirement Plans**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Game Wardens' Retirement - Net</b>	<b>3.90</b>	<b>6.02</b>	<b>17.12</b>	<b>10.66</b>	<b>13.20</b>	<b>4.99</b>	<b>6.86</b>	<b>17.34</b>	<b>13.20</b>	<b>2.09</b>	<b>12.72</b>	<b>15.23</b>
Game Wardens' Benchmark	3.75	6.65	18.11	11.28	13.92	5.27	6.99	17.90	14.85	1.64	12.33	15.31
<i>Difference</i>	<i>0.15</i>	<i>-0.63</i>	<i>-0.99</i>	<i>-0.62</i>	<i>-0.72</i>	<i>-0.28</i>	<i>-0.13</i>	<i>-0.56</i>	<i>-1.65</i>	<i>0.45</i>	<i>0.39</i>	<i>-0.08</i>
<b>Game Wardens' Retirement - Gross</b>	<b>4.06</b>	<b>6.33</b>	<b>17.71</b>	<b>11.23</b>	<b>13.81</b>	<b>5.54</b>	<b>7.32</b>	<b>17.92</b>	<b>13.79</b>	<b>2.63</b>	<b>13.38</b>	<b>15.88</b>
All Public Plans > \$3B Total Fund Median	4.04	6.28	17.02	10.19	12.95	5.44	7.71	15.21	13.34	0.82	12.82	18.21
<b>Game Wardens' Retirement - Gross Rank</b>	<b>48</b>	<b>49</b>	<b>30</b>	<b>3</b>	<b>23</b>	<b>49</b>	<b>82</b>	<b>10</b>	<b>37</b>	<b>28</b>	<b>42</b>	<b>75</b>
<b>Judges' Retirement - Net</b>	<b>3.91</b>	<b>6.05</b>	<b>17.16</b>	<b>10.68</b>	<b>13.24</b>	<b>5.01</b>	<b>6.94</b>	<b>17.36</b>	<b>13.20</b>	<b>2.12</b>	<b>12.76</b>	<b>15.43</b>
Judges' Benchmark	3.75	6.67	18.15	11.29	13.96	5.28	7.05	17.92	14.84	1.64	12.39	15.50
<i>Difference</i>	<i>0.16</i>	<i>-0.62</i>	<i>-0.99</i>	<i>-0.61</i>	<i>-0.72</i>	<i>-0.27</i>	<i>-0.11</i>	<i>-0.56</i>	<i>-1.64</i>	<i>0.48</i>	<i>0.37</i>	<i>-0.07</i>
<b>Judges' Retirement - Gross</b>	<b>4.07</b>	<b>6.35</b>	<b>17.75</b>	<b>11.25</b>	<b>13.85</b>	<b>5.57</b>	<b>7.39</b>	<b>17.94</b>	<b>13.79</b>	<b>2.66</b>	<b>13.42</b>	<b>16.09</b>
All Public Plans > \$3B Total Fund Median	4.04	6.28	17.02	10.19	12.95	5.44	7.71	15.21	13.34	0.82	12.82	18.21
<b>Judges' Retirement - Gross Rank</b>	<b>48</b>	<b>48</b>	<b>29</b>	<b>3</b>	<b>22</b>	<b>49</b>	<b>71</b>	<b>10</b>	<b>37</b>	<b>27</b>	<b>41</b>	<b>74</b>
<b>Volunteer Firefighters' Retirement - Net</b>	<b>3.90</b>	<b>6.04</b>	<b>17.19</b>	<b>10.71</b>	<b>13.21</b>	<b>4.99</b>	<b>6.90</b>	<b>17.42</b>	<b>13.18</b>	<b>2.09</b>	<b>12.99</b>	<b>15.11</b>
Volunteer Firefighters' Benchmark	3.75	6.67	18.15	11.30	13.91	5.25	7.00	17.97	14.79	1.70	12.50	15.14
<i>Difference</i>	<i>0.15</i>	<i>-0.63</i>	<i>-0.96</i>	<i>-0.59</i>	<i>-0.70</i>	<i>-0.26</i>	<i>-0.10</i>	<i>-0.55</i>	<i>-1.61</i>	<i>0.39</i>	<i>0.49</i>	<i>-0.03</i>
<b>Volunteer Firefighters' Retirement - Gross</b>	<b>4.06</b>	<b>6.35</b>	<b>17.78</b>	<b>11.27</b>	<b>13.82</b>	<b>5.54</b>	<b>7.35</b>	<b>18.00</b>	<b>13.77</b>	<b>2.63</b>	<b>13.66</b>	<b>15.76</b>
All Public Plans > \$3B Total Fund Median	4.04	6.28	17.02	10.19	12.95	5.44	7.71	15.21	13.34	0.82	12.82	18.21
<b>Volunteer Firefighters' Retirement - Gross Rank</b>	<b>49</b>	<b>48</b>	<b>26</b>	<b>3</b>	<b>23</b>	<b>49</b>	<b>76</b>	<b>10</b>	<b>38</b>	<b>28</b>	<b>36</b>	<b>75</b>

Net performance shown is net of all manager fees and expenses (Net-All). All Public Plans > \$3B Total Fund Median is reported gross of fees. Benchmark returns reflect unmanaged indices which are not impacted by management fees.

**Montana Board of Investments  
Retirement Plans  
Asset Allocation by Segment  
As of June 30, 2014**

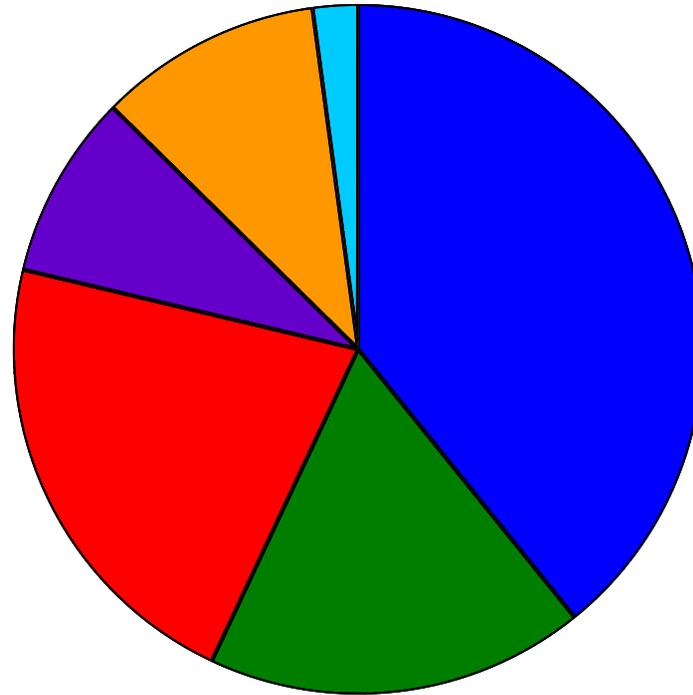
	Domestic Equity		International Equity		Domestic Fixed Income		Real Estate		Private Equity		Cash Equivalent		Total Fund	
	(\$)	%	(\$)	%	(\$)	%	(\$)	%	(\$)	%	(\$)	%	(\$)	%
Public Employees' Retirement	1,933,916,494	39.19	877,938,380	17.79	1,072,339,119	21.73	427,471,637	8.66	518,071,897	10.50	104,760,411	2.12	4,934,497,938	50.19
Teachers' Retirement	1,418,687,460	39.21	643,819,644	17.80	786,792,963	21.75	313,532,022	8.67	379,518,697	10.49	75,377,085	2.08	3,617,727,871	36.80
Police Retirement	120,008,829	39.24	54,478,797	17.81	66,552,093	21.76	26,574,981	8.69	32,123,711	10.50	6,074,784	1.99	305,813,194	3.11
Firefighters' Retirement	120,885,227	39.21	54,893,773	17.81	67,032,744	21.74	26,726,104	8.67	32,344,393	10.49	6,397,156	2.08	308,279,397	3.14
Sheriffs' Retirement	111,026,676	39.05	50,381,410	17.72	61,578,964	21.66	24,529,292	8.63	29,731,677	10.46	7,061,506	2.48	284,309,525	2.89
Highway Patrol Retirement	49,236,867	39.20	22,351,943	17.80	27,312,117	21.75	10,885,951	8.67	13,189,062	10.50	2,614,386	2.08	125,590,326	1.28
Game Wardens' Retirement	53,946,122	38.99	24,499,033	17.70	29,926,415	21.63	11,931,917	8.62	14,486,946	10.47	3,585,180	2.59	138,375,612	1.41
Judges' Retirement	32,835,259	39.10	14,911,784	17.75	18,212,207	21.68	7,267,448	8.65	8,799,285	10.48	1,962,119	2.34	83,988,103	0.85
Volunteer Firefighters' Retirement	12,359,142	37.29	5,607,040	16.92	6,851,752	20.67	2,732,393	8.24	3,298,429	9.95	2,298,993	6.94	33,147,749	0.34
<b>Retirement Plans Total Fund Composite</b>	<b>3,852,902,075</b>	<b>39.19</b>	<b>1,748,881,804</b>	<b>17.79</b>	<b>2,136,598,374</b>	<b>21.73</b>	<b>851,651,746</b>	<b>8.66</b>	<b>1,031,564,097</b>	<b>10.49</b>	<b>210,131,620</b>	<b>2.14</b>	<b>9,831,729,716</b>	<b>100.00</b>



Allocations shown may not sum up to 100% exactly due to rounding. Retirement Plan market values may differ from State Street due to uninvested amounts not included in segment totals.

**Montana Board of Investments**  
**Public Employees' Retirement**  
**Asset Allocation by Segment**  
**As of June 30, 2014**

**June 30, 2014 : \$4,934,497,938**

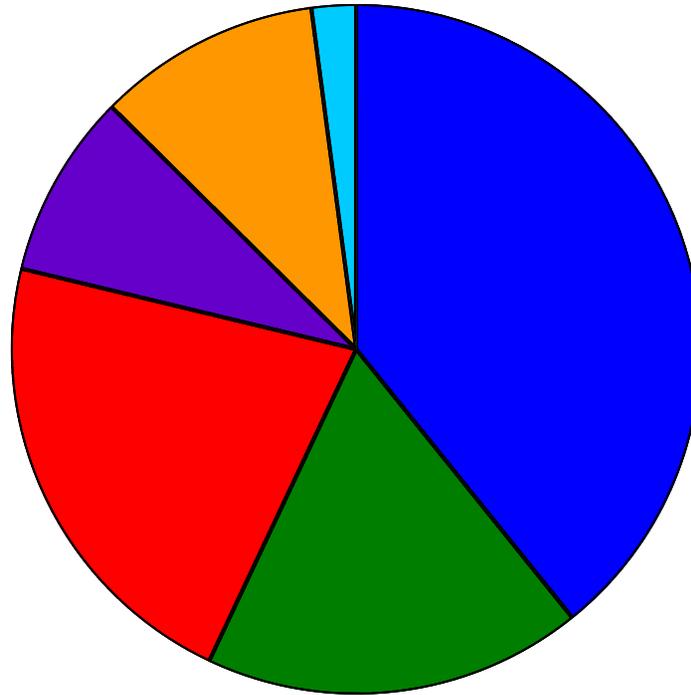


<b>Segments</b>	<b>Market Value (\$)</b>	<b>Allocation (%)</b>
<span style="color: blue;">■</span> Domestic Equity	1,933,916,494	39.19
<span style="color: green;">■</span> International Equity	877,938,380	17.79
<span style="color: red;">■</span> Domestic Fixed Income	1,072,339,119	21.73
<span style="color: purple;">■</span> Real Estate	427,471,637	8.66
<span style="color: orange;">■</span> Private Equity	518,071,897	10.50
<span style="color: cyan;">■</span> Cash Equivalent	104,760,411	2.12

Allocations shown may not sum up to 100% exactly due to rounding.

**Montana Board of Investments  
Teachers' Retirement  
Asset Allocation by Segment  
As of June 30, 2014**

**June 30, 2014 : \$3,617,727,871**

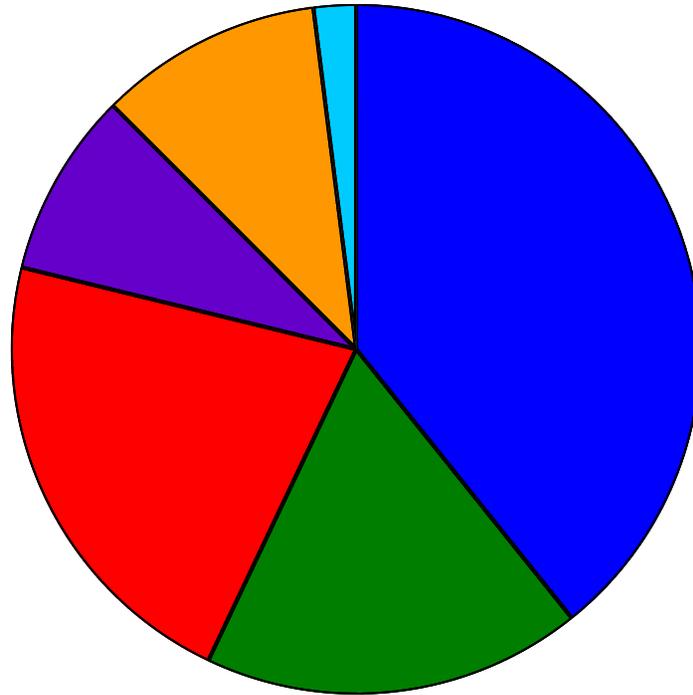


Segments	Market Value (\$)	Allocation (%)
<span style="color: blue;">■</span> Domestic Equity	1,418,687,460	39.21
<span style="color: green;">■</span> International Equity	643,819,644	17.80
<span style="color: red;">■</span> Domestic Fixed Income	786,792,963	21.75
<span style="color: purple;">■</span> Real Estate	313,532,022	8.67
<span style="color: orange;">■</span> Private Equity	379,518,697	10.49
<span style="color: cyan;">■</span> Cash Equivalent	75,377,085	2.08

Allocations shown may not sum up to 100% exactly due to rounding.

**Montana Board of Investments  
Police Retirement  
Asset Allocation by Segment  
As of June 30, 2014**

**June 30, 2014 : \$305,813,194**

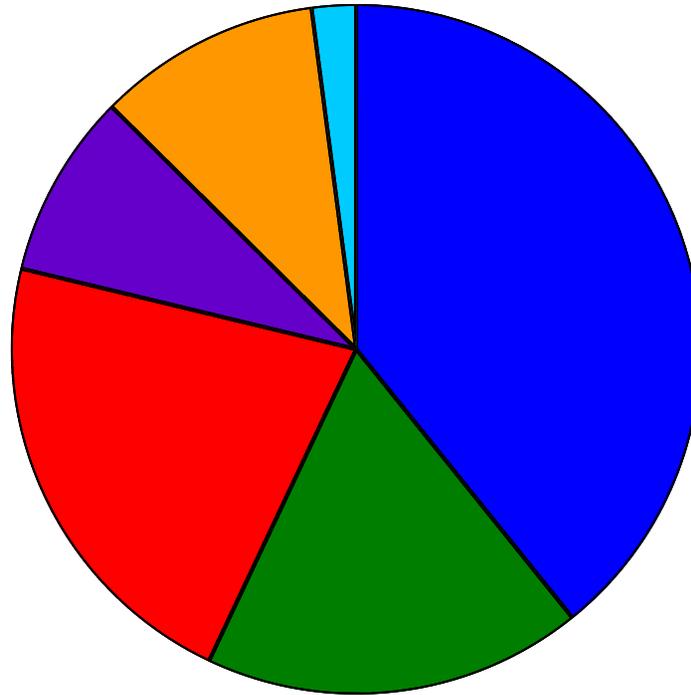


<b>Segments</b>	<b>Market Value (\$)</b>	<b>Allocation (%)</b>
■ Domestic Equity	120,008,829	39.24
■ International Equity	54,478,797	17.81
■ Domestic Fixed Income	66,552,093	21.76
■ Real Estate	26,574,981	8.69
■ Private Equity	32,123,711	10.50
■ Cash Equivalent	6,074,784	1.99

Allocations shown may not sum up to 100% exactly due to rounding.

**Montana Board of Investments  
Firefighters' Retirement  
Asset Allocation by Segment  
As of June 30, 2014**

**June 30, 2014 : \$308,279,397**

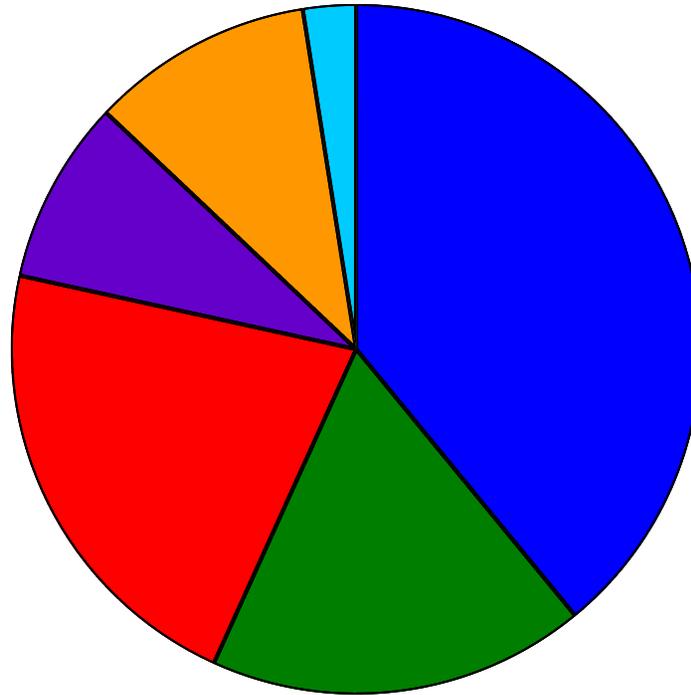


Segments	Market Value (\$)	Allocation (%)
■ Domestic Equity	120,885,227	39.21
■ International Equity	54,893,773	17.81
■ Domestic Fixed Income	67,032,744	21.74
■ Real Estate	26,726,104	8.67
■ Private Equity	32,344,393	10.49
■ Cash Equivalent	6,397,156	2.08

Allocations shown may not sum up to 100% exactly due to rounding.

**Montana Board of Investments  
 Sheriffs' Retirement  
 Asset Allocation by Segment  
 As of June 30, 2014**

**June 30, 2014 : \$284,309,525**

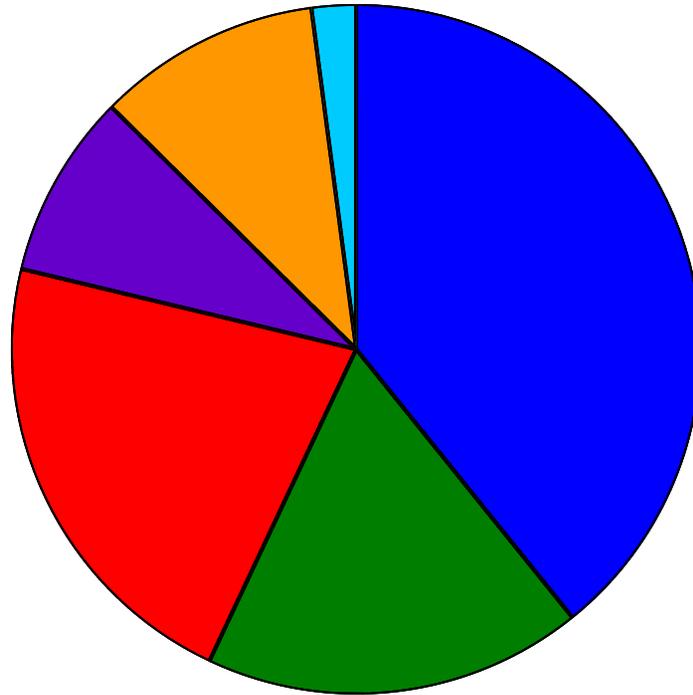


Segments	Market Value (\$)	Allocation (%)
<span style="color: blue;">■</span> Domestic Equity	111,026,676	39.05
<span style="color: green;">■</span> International Equity	50,381,410	17.72
<span style="color: red;">■</span> Domestic Fixed Income	61,578,964	21.66
<span style="color: purple;">■</span> Real Estate	24,529,292	8.63
<span style="color: orange;">■</span> Private Equity	29,731,677	10.46
<span style="color: cyan;">■</span> Cash Equivalent	7,061,506	2.48

Allocations shown may not sum up to 100% exactly due to rounding.

**Montana Board of Investments  
Highway Patrol Retirement  
Asset Allocation by Segment  
As of June 30, 2014**

**June 30, 2014 : \$125,590,326**

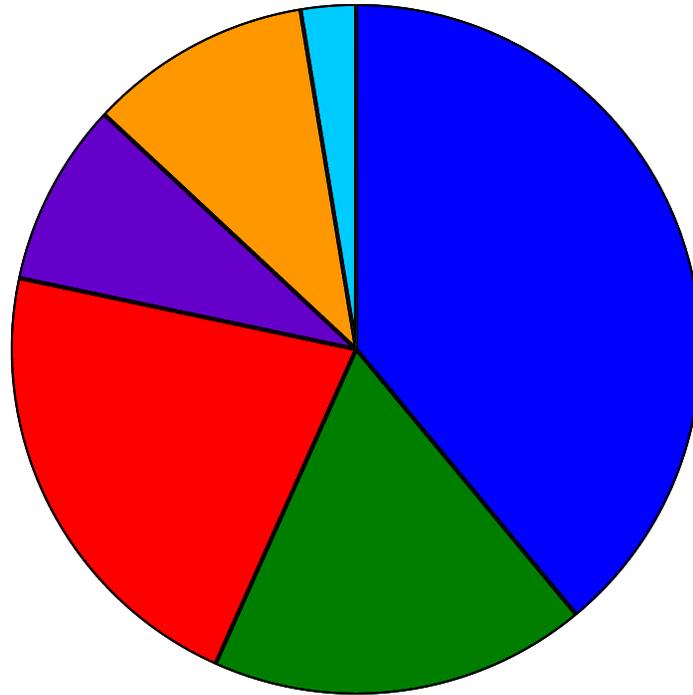


Segments	Market Value (\$)	Allocation (%)
<span style="color: blue;">■</span> Domestic Equity	49,236,867	39.20
<span style="color: green;">■</span> International Equity	22,351,943	17.80
<span style="color: red;">■</span> Domestic Fixed Income	27,312,117	21.75
<span style="color: purple;">■</span> Real Estate	10,885,951	8.67
<span style="color: orange;">■</span> Private Equity	13,189,062	10.50
<span style="color: cyan;">■</span> Cash Equivalent	2,614,386	2.08

Allocations shown may not sum up to 100% exactly due to rounding.

Montana Board of Investments  
 Game Wardens' Retirement  
 Asset Allocation by Segment  
 As of June 30, 2014

June 30, 2014 : \$138,375,612

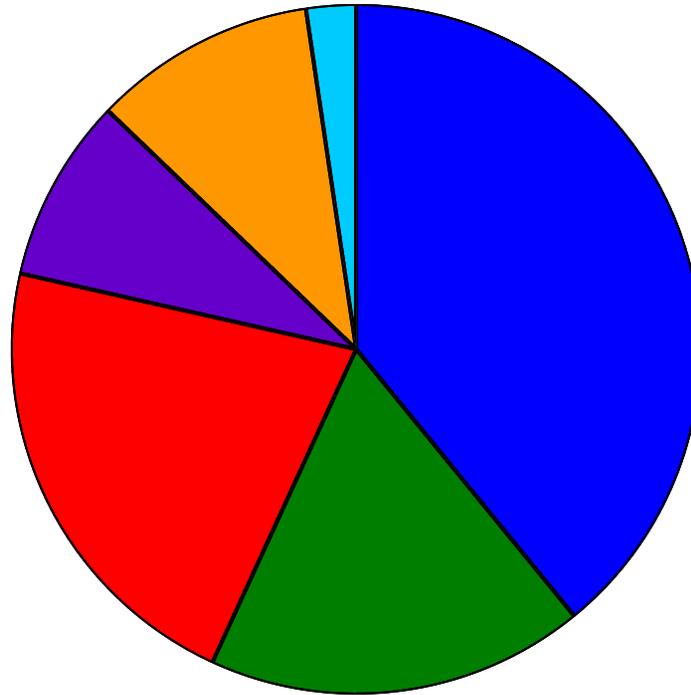


Segments	Market Value (\$)	Allocation (%)
■ Domestic Equity	53,946,122	38.99
■ International Equity	24,499,033	17.70
■ Domestic Fixed Income	29,926,415	21.63
■ Real Estate	11,931,917	8.62
■ Private Equity	14,486,946	10.47
■ Cash Equivalent	3,585,180	2.59

Allocations shown may not sum up to 100% exactly due to rounding.

**Montana Board of Investments  
Judges' Retirement  
Asset Allocation by Segment  
As of June 30, 2014**

**June 30, 2014 : \$83,988,103**

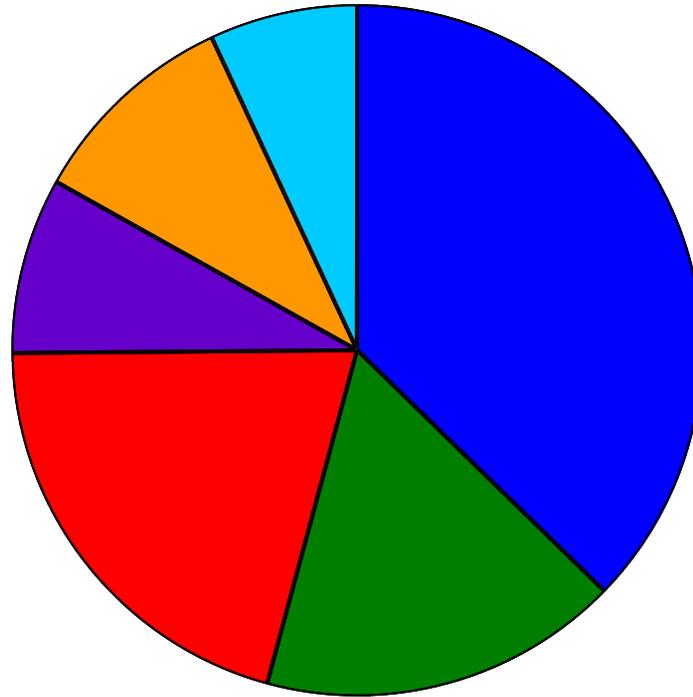


<b>Segments</b>	<b>Market Value (\$)</b>	<b>Allocation (%)</b>
<span style="color: blue;">■</span> Domestic Equity	32,835,259	39.10
<span style="color: green;">■</span> International Equity	14,911,784	17.75
<span style="color: red;">■</span> Domestic Fixed Income	18,212,207	21.68
<span style="color: purple;">■</span> Real Estate	7,267,448	8.65
<span style="color: orange;">■</span> Private Equity	8,799,285	10.48
<span style="color: cyan;">■</span> Cash Equivalent	1,962,119	2.34

Allocations shown may not sum up to 100% exactly due to rounding.

**Montana Board of Investments  
 Volunteer Firefighters' Retirement  
 Asset Allocation by Segment  
 As of June 30, 2014**

**June 30, 2014 : \$33,147,749**



<b>Segments</b>	<b>Market Value (\$)</b>	<b>Allocation (%)</b>
■ Domestic Equity	12,359,142	37.29
■ International Equity	5,607,040	16.92
■ Domestic Fixed Income	6,851,752	20.67
■ Real Estate	2,732,393	8.24
■ Private Equity	3,298,429	9.95
■ Cash Equivalent	2,298,993	6.94

Allocations shown may not sum up to 100% exactly due to rounding.

**Montana Board of Investments**  
**Investment Pools**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Montana Domestic Equity Pool</b>	<b>4.84</b>	<b>6.77</b>	<b>25.18</b>	<b>16.31</b>	<b>19.19</b>	<b>6.19</b>	<b>7.63</b>	<b>34.19</b>	<b>16.44</b>	<b>0.44</b>	<b>16.37</b>	<b>29.05</b>
S&P 1500 Composite Index	5.05	7.03	24.70	16.48	19.18	6.42	8.09	32.80	16.17	1.75	16.38	27.25
<i>Difference</i>	<i>-0.21</i>	<i>-0.26</i>	<i>0.48</i>	<i>-0.17</i>	<i>0.01</i>	<i>-0.23</i>	<i>-0.46</i>	<i>1.39</i>	<i>0.27</i>	<i>-1.31</i>	<i>-0.01</i>	<i>1.80</i>
<b>Montana International Equity Pool</b>	<b>4.71</b>	<b>5.33</b>	<b>21.67</b>	<b>5.58</b>	<b>11.07</b>	<b>-0.11</b>	<b>6.47</b>	<b>16.39</b>	<b>17.11</b>	<b>-14.63</b>	<b>11.57</b>	<b>36.46</b>
International Custom Benchmark	4.85	5.61	21.99	5.80	11.35	1.42	7.47	15.62	16.96	-14.07	12.16	42.97
<i>Difference</i>	<i>-0.14</i>	<i>-0.28</i>	<i>-0.32</i>	<i>-0.22</i>	<i>-0.28</i>	<i>-1.53</i>	<i>-1.00</i>	<i>0.77</i>	<i>0.15</i>	<i>-0.56</i>	<i>-0.59</i>	<i>-6.51</i>
<b>Retirement Funds Bond Pool</b>	<b>2.09</b>	<b>4.19</b>	<b>5.22</b>	<b>4.94</b>	<b>7.14</b>	<b>6.27</b>	<b>5.91</b>	<b>-0.95</b>	<b>7.31</b>	<b>7.69</b>	<b>10.32</b>	<b>12.11</b>
Barclays US Agg Bond Index	2.05	3.93	4.38	3.67	4.85	5.35	4.93	-2.02	4.21	7.84	6.54	5.93
<i>Difference</i>	<i>0.04</i>	<i>0.26</i>	<i>0.84</i>	<i>1.27</i>	<i>2.29</i>	<i>0.92</i>	<i>0.98</i>	<i>1.07</i>	<i>3.10</i>	<i>-0.15</i>	<i>3.78</i>	<i>6.18</i>
<b>Trust Funds Investment Pool</b>	<b>2.30</b>	<b>4.50</b>	<b>5.87</b>	<b>5.24</b>	<b>6.85</b>	<b>6.46</b>	<b>6.04</b>	<b>-0.25</b>	<b>6.99</b>	<b>8.20</b>	<b>8.50</b>	<b>10.37</b>
Barclays US Agg Bond Index	2.05	3.93	4.38	3.67	4.85	5.35	4.93	-2.02	4.21	7.84	6.54	5.93
<i>Difference</i>	<i>0.25</i>	<i>0.57</i>	<i>1.49</i>	<i>1.57</i>	<i>2.00</i>	<i>1.11</i>	<i>1.11</i>	<i>1.77</i>	<i>2.78</i>	<i>0.36</i>	<i>1.96</i>	<i>4.44</i>
<b>Real Estate Pool*</b>	<b>2.91</b>	<b>5.92</b>	<b>11.67</b>	<b>10.57</b>	<b>5.41</b>	<b>-0.28</b>	<b>N/A</b>	<b>10.16</b>	<b>9.90</b>	<b>14.19</b>	<b>0.25</b>	<b>-33.65</b>
NCREIF ODCE Index (Net) (Qtr Lag)	2.29	5.29	12.74	11.99	6.31	2.10	6.18	11.97	10.47	17.18	6.01	-35.70
<i>Difference</i>	<i>0.62</i>	<i>0.63</i>	<i>-1.07</i>	<i>-1.42</i>	<i>-0.90</i>	<i>-2.38</i>	<i>N/A</i>	<i>-1.81</i>	<i>-0.57</i>	<i>-2.99</i>	<i>-5.76</i>	<i>2.05</i>
<b>Short Term Investment Pool</b>	<b>0.03</b>	<b>0.06</b>	<b>0.14</b>	<b>0.23</b>	<b>0.27</b>	<b>1.02</b>	<b>1.92</b>	<b>0.19</b>	<b>0.30</b>	<b>0.28</b>	<b>0.30</b>	<b>0.70</b>
1 Month LIBOR Index	0.04	0.08	0.17	0.21	0.23	0.93	1.88	0.19	0.23	0.24	0.27	0.33
<i>Difference</i>	<i>-0.01</i>	<i>-0.02</i>	<i>-0.03</i>	<i>0.02</i>	<i>0.04</i>	<i>0.09</i>	<i>0.04</i>	<i>0.00</i>	<i>0.07</i>	<i>0.04</i>	<i>0.03</i>	<i>0.37</i>
<b>Short Term Investment Pool</b>	<b>0.03</b>	<b>0.06</b>	<b>0.14</b>	<b>0.23</b>	<b>0.27</b>	<b>1.02</b>	<b>1.92</b>	<b>0.19</b>	<b>0.30</b>	<b>0.28</b>	<b>0.30</b>	<b>0.70</b>
iMoneynet Money Fund (Gross) Median	0.04	0.09	0.19	0.24	0.29	1.08	1.95	0.22	0.30	0.27	0.34	0.69
<i>Difference</i>	<i>-0.01</i>	<i>-0.03</i>	<i>-0.05</i>	<i>-0.01</i>	<i>-0.02</i>	<i>-0.06</i>	<i>-0.03</i>	<i>-0.03</i>	<i>0.00</i>	<i>0.01</i>	<i>-0.04</i>	<i>0.01</i>

Performance shown is net of all manager fees and expenses (Net-All). The NCREIF ODCE Index (Net) performance is lagged by one quarter.

\*Performance is based on prior quarter's fair market value adjusted for cash flows during the most recent quarterly period.

Benchmark returns reflect unmanaged indices which are not impacted by management fees.

**Montana Board of Investments  
Investment Pools  
Comparative Performance  
As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Private Equity Pool*</b>	<b>4.74</b>	<b>9.50</b>	<b>16.51</b>	<b>13.35</b>	<b>15.90</b>	<b>8.19</b>	<b>11.33</b>	<b>14.52</b>	<b>14.28</b>	<b>16.11</b>	<b>14.21</b>	<b>-10.46</b>
S&P 1500 + 4% (Qtr Lag)	2.88	14.38	26.02	18.59	25.64	10.59	11.74	24.43	34.18	4.92	14.92	-2.76
<i>Difference</i>	1.86	-4.88	-9.51	-5.24	-9.74	-2.40	-0.41	-9.91	-19.90	11.19	-0.71	-7.70

Performance shown is net of all manager fees and expenses (Net-All). The S&P 1500 + 4% performance is lagged by one quarter.

\*Performance is based on prior quarter's fair market value adjusted for cash flows during the most recent quarterly period.

Benchmark returns reflect unmanaged indices which are not impacted by management fees.

**Montana Board of Investments**  
**Investment Pools**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Montana Domestic Equity Pool</b>	<b>4.91</b>	<b>6.92</b>	<b>25.58</b>	<b>16.68</b>	<b>19.63</b>	<b>6.57</b>	<b>7.92</b>	<b>34.61</b>	<b>16.77</b>	<b>0.85</b>	<b>16.88</b>	<b>29.58</b>
All Public Plans-US Equity Segment Median	4.41	6.37	25.11	16.11	19.32	6.31	8.37	34.03	16.52	0.52	18.09	28.81
<b>Montana Domestic Equity Pool Rank</b>	<b>25</b>	<b>22</b>	<b>33</b>	<b>23</b>	<b>41</b>	<b>40</b>	<b>66</b>	<b>39</b>	<b>40</b>	<b>42</b>	<b>71</b>	<b>42</b>
Population	87	85	82	75	61	50	36	79	84	90	84	73
<b>Montana International Equity Pool</b>	<b>4.78</b>	<b>5.46</b>	<b>22.10</b>	<b>5.91</b>	<b>11.47</b>	<b>0.29</b>	<b>6.86</b>	<b>16.80</b>	<b>17.45</b>	<b>-14.32</b>	<b>12.05</b>	<b>37.17</b>
All Public Plans-Intl. Equity Segment Median	4.57	5.39	22.34	7.90	12.76	2.01	8.21	18.47	18.80	-12.65	12.33	37.84
<b>Montana International Equity Pool Rank</b>	<b>42</b>	<b>49</b>	<b>57</b>	<b>83</b>	<b>86</b>	<b>91</b>	<b>93</b>	<b>72</b>	<b>80</b>	<b>84</b>	<b>59</b>	<b>55</b>
Population	82	81	79	69	56	46	34	74	73	78	73	69
<b>Retirement Funds Bond Pool</b>	<b>2.11</b>	<b>4.25</b>	<b>5.34</b>	<b>5.06</b>	<b>7.26</b>	<b>6.37</b>	<b>5.98</b>	<b>-0.83</b>	<b>7.44</b>	<b>7.82</b>	<b>10.44</b>	<b>12.20</b>
All Public Plans-US Fixed Income Segment Median	2.41	4.72	5.79	4.99	7.02	6.08	5.54	-1.35	7.23	7.74	8.05	13.76
<b>Retirement Funds Bond Pool Rank</b>	<b>74</b>	<b>67</b>	<b>63</b>	<b>48</b>	<b>38</b>	<b>35</b>	<b>32</b>	<b>39</b>	<b>48</b>	<b>47</b>	<b>17</b>	<b>55</b>
Population	83	82	79	72	56	47	35	76	83	87	80	76
<b>Trust Funds Investment Pool</b>	<b>2.32</b>	<b>4.55</b>	<b>5.98</b>	<b>5.34</b>	<b>6.95</b>	<b>6.54</b>	<b>6.10</b>	<b>-0.14</b>	<b>7.11</b>	<b>8.30</b>	<b>8.58</b>	<b>10.41</b>
All Public Plans-US Fixed Income Segment Median	2.41	4.72	5.79	4.99	7.02	6.08	5.54	-1.35	7.23	7.74	8.05	13.76
<b>Trust Funds Investment Pool Rank</b>	<b>56</b>	<b>58</b>	<b>47</b>	<b>43</b>	<b>52</b>	<b>33</b>	<b>29</b>	<b>25</b>	<b>52</b>	<b>29</b>	<b>45</b>	<b>63</b>
Population	83	82	79	72	56	47	35	76	83	87	80	76
<b>Real Estate Pool</b>	<b>3.46</b>	<b>6.83</b>	<b>13.07</b>	<b>12.08</b>	<b>7.17</b>	<b>1.12</b>	<b>N/A</b>	<b>11.73</b>	<b>11.44</b>	<b>15.96</b>	<b>2.70</b>	<b>-33.14</b>
All Public Plans-Real Estate Segment Median	3.04	6.42	13.76	12.17	9.39	2.26	N/A	13.05	12.21	14.05	11.04	-25.46
<b>Real Estate Pool Rank</b>	<b>26</b>	<b>38</b>	<b>57</b>	<b>51</b>	<b>80</b>	<b>75</b>	<b>N/A</b>	<b>70</b>	<b>68</b>	<b>24</b>	<b>86</b>	<b>89</b>
Population	32	32	30	21	18	13	N/A	26	19	15	19	19

Performance shown is gross of fees.

**Montana Board of Investments**  
**Equity Composites**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Domestic Large Cap Equity - Net</b>	<b>5.23</b>	<b>7.09</b>	<b>25.01</b>	<b>16.18</b>	<b>18.88</b>	<b>5.92</b>	<b>N/A</b>	<b>33.14</b>	<b>16.14</b>	<b>0.54</b>	<b>15.67</b>	<b>28.13</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46
<i>Difference</i>	<i>-0.01</i>	<i>-0.05</i>	<i>0.40</i>	<i>-0.41</i>	<i>0.05</i>	<i>-0.24</i>	<i>N/A</i>	<i>0.75</i>	<i>0.14</i>	<i>-1.57</i>	<i>0.61</i>	<i>1.67</i>
<b>Domestic Large Cap Equity - Gross</b>	<b>5.27</b>	<b>7.17</b>	<b>25.20</b>	<b>16.42</b>	<b>19.18</b>	<b>6.19</b>	<b>N/A</b>	<b>33.34</b>	<b>16.39</b>	<b>0.87</b>	<b>16.07</b>	<b>28.52</b>
IM U.S. Large Cap Equity (SA+CF) Median	4.86	6.96	25.65	16.50	18.96	6.84	8.62	33.62	15.92	1.16	15.09	27.71
<b>Domestic Large Cap Equity - Gross Rank</b>	<b>32</b>	<b>44</b>	<b>57</b>	<b>53</b>	<b>45</b>	<b>69</b>	<b>N/A</b>	<b>55</b>	<b>43</b>	<b>54</b>	<b>37</b>	<b>47</b>
<b>Domestic Large Cap Active - Net</b>	<b>5.21</b>	<b>6.96</b>	<b>25.91</b>	<b>16.35</b>	<b>19.04</b>	<b>5.74</b>	<b>N/A</b>	<b>34.90</b>	<b>16.03</b>	<b>-0.10</b>	<b>15.70</b>	<b>28.69</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46
<i>Difference</i>	<i>-0.03</i>	<i>-0.18</i>	<i>1.30</i>	<i>-0.24</i>	<i>0.21</i>	<i>-0.42</i>	<i>N/A</i>	<i>2.51</i>	<i>0.03</i>	<i>-2.21</i>	<i>0.64</i>	<i>2.23</i>
<b>Domestic Large Cap Active - Gross</b>	<b>5.34</b>	<b>7.22</b>	<b>26.51</b>	<b>16.90</b>	<b>19.59</b>	<b>6.20</b>	<b>N/A</b>	<b>35.55</b>	<b>16.56</b>	<b>0.35</b>	<b>16.23</b>	<b>29.25</b>
IM U.S. Large Cap Equity (SA+CF) Median	4.86	6.96	25.65	16.50	18.96	6.84	8.62	33.62	15.92	1.16	15.09	27.71
<b>Domestic Large Cap Active - Gross Rank</b>	<b>30</b>	<b>44</b>	<b>39</b>	<b>39</b>	<b>34</b>	<b>69</b>	<b>N/A</b>	<b>34</b>	<b>40</b>	<b>59</b>	<b>36</b>	<b>44</b>
<b>Domestic Mid Cap Equity - Net</b>	<b>3.62</b>	<b>6.50</b>	<b>26.26</b>	<b>16.77</b>	<b>20.75</b>	<b>7.99</b>	<b>N/A</b>	<b>38.18</b>	<b>16.27</b>	<b>1.28</b>	<b>18.15</b>	<b>37.88</b>
R Mid Cap Index	4.97	8.67	26.85	16.09	22.07	7.66	10.43	34.76	17.28	-1.55	25.47	40.48
<i>Difference</i>	<i>-1.35</i>	<i>-2.17</i>	<i>-0.59</i>	<i>0.68</i>	<i>-1.32</i>	<i>0.33</i>	<i>N/A</i>	<i>3.42</i>	<i>-1.01</i>	<i>2.83</i>	<i>-7.32</i>	<i>-2.60</i>
<b>Domestic Mid Cap Equity - Gross</b>	<b>3.77</b>	<b>6.81</b>	<b>27.00</b>	<b>17.39</b>	<b>21.41</b>	<b>8.62</b>	<b>N/A</b>	<b>38.95</b>	<b>16.83</b>	<b>1.79</b>	<b>18.85</b>	<b>38.71</b>
IM U.S. Mid Cap Equity (SA+CF) Median	3.78	6.18	26.33	15.32	21.31	8.50	10.64	36.06	16.26	-1.27	25.00	37.45
<b>Domestic Mid Cap Equity - Gross Rank</b>	<b>52</b>	<b>42</b>	<b>45</b>	<b>21</b>	<b>46</b>	<b>48</b>	<b>N/A</b>	<b>31</b>	<b>45</b>	<b>23</b>	<b>92</b>	<b>44</b>
<b>Domestic Small Cap Equity - Net</b>	<b>2.71</b>	<b>3.96</b>	<b>25.45</b>	<b>15.54</b>	<b>20.40</b>	<b>6.87</b>	<b>9.21</b>	<b>40.65</b>	<b>15.76</b>	<b>-2.50</b>	<b>24.56</b>	<b>32.04</b>
R 2000 Index	2.05	3.19	23.64	14.57	20.21	6.73	8.70	38.82	16.34	-4.18	26.86	27.18
<i>Difference</i>	<i>0.66</i>	<i>0.77</i>	<i>1.81</i>	<i>0.97</i>	<i>0.19</i>	<i>0.14</i>	<i>0.51</i>	<i>1.83</i>	<i>-0.58</i>	<i>1.68</i>	<i>-2.30</i>	<i>4.86</i>
<b>Domestic Small Cap Equity - Gross</b>	<b>2.88</b>	<b>4.32</b>	<b>26.29</b>	<b>16.37</b>	<b>21.21</b>	<b>7.59</b>	<b>9.79</b>	<b>41.54</b>	<b>16.40</b>	<b>-1.64</b>	<b>25.33</b>	<b>32.87</b>
IM U.S. Small Cap Equity (SA+CF) Median	2.13	3.53	25.24	16.02	21.86	8.09	10.34	41.96	16.52	-2.32	28.27	34.72
<b>Domestic Small Cap Equity - Gross Rank</b>	<b>35</b>	<b>40</b>	<b>40</b>	<b>44</b>	<b>63</b>	<b>61</b>	<b>66</b>	<b>52</b>	<b>52</b>	<b>45</b>	<b>72</b>	<b>57</b>

Net performance shown is net of all manager fees and expenses (Net-All). Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all composites.

**Montana Board of Investments**  
**Equity Composites**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>International Large Cap Passive - Net</b>	<b>5.20</b>	<b>5.71</b>	<b>21.69</b>	<b>5.70</b>	<b>11.07</b>	<b>N/A</b>	<b>N/A</b>	<b>14.95</b>	<b>16.92</b>	<b>-13.55</b>	<b>10.84</b>	<b>N/A</b>
MSCI ACW Ex US Index (Net)	5.03	5.56	21.75	5.73	11.11	1.27	7.75	15.29	16.83	-13.71	11.15	41.46
<i>Difference</i>	<i>0.17</i>	<i>0.15</i>	<i>-0.06</i>	<i>-0.03</i>	<i>-0.04</i>	<i>N/A</i>	<i>N/A</i>	<i>-0.34</i>	<i>0.09</i>	<i>0.16</i>	<i>-0.31</i>	<i>N/A</i>
<b>International Large Cap Passive - Gross</b>	<b>5.22</b>	<b>5.75</b>	<b>21.79</b>	<b>5.79</b>	<b>11.15</b>	<b>N/A</b>	<b>N/A</b>	<b>15.05</b>	<b>17.02</b>	<b>-13.48</b>	<b>10.92</b>	<b>N/A</b>
<b>International Equity Active - Net</b>	<b>4.12</b>	<b>4.80</b>	<b>21.82</b>	<b>6.14</b>	<b>11.43</b>	<b>0.15</b>	<b>5.93</b>	<b>19.23</b>	<b>17.87</b>	<b>-15.39</b>	<b>11.99</b>	<b>36.81</b>
MSCI ACW Ex US Index (Net)	5.03	5.56	21.75	5.73	11.11	1.27	7.75	15.29	16.83	-13.71	11.15	41.46
<i>Difference</i>	<i>-0.91</i>	<i>-0.76</i>	<i>0.07</i>	<i>0.41</i>	<i>0.32</i>	<i>-1.12</i>	<i>-1.82</i>	<i>3.94</i>	<i>1.04</i>	<i>-1.68</i>	<i>0.84</i>	<i>-4.65</i>
<b>International Equity Active - Gross</b>	<b>4.23</b>	<b>5.02</b>	<b>22.34</b>	<b>6.61</b>	<b>11.96</b>	<b>0.63</b>	<b>6.40</b>	<b>19.75</b>	<b>18.36</b>	<b>-14.98</b>	<b>12.59</b>	<b>37.55</b>
IM International Large Cap Core Equity (MF) Median	4.06	4.45	21.92	7.06	11.03	0.72	6.60	20.43	18.03	-12.84	7.49	28.92
<b>International Equity Active - Gross Rank</b>	<b>33</b>	<b>24</b>	<b>44</b>	<b>66</b>	<b>17</b>	<b>52</b>	<b>61</b>	<b>63</b>	<b>44</b>	<b>81</b>	<b>8</b>	<b>15</b>
<b>International Value - Net</b>	<b>5.62</b>	<b>7.85</b>	<b>24.45</b>	<b>5.99</b>	<b>11.19</b>	<b>-1.27</b>	<b>N/A</b>	<b>17.15</b>	<b>15.88</b>	<b>-15.46</b>	<b>9.91</b>	<b>41.79</b>
MSCI ACW Ex US Value Index (Net)	5.61	6.37	24.21	5.97	10.83	0.87	7.79	15.04	16.97	-13.20	7.84	44.29
<i>Difference</i>	<i>0.01</i>	<i>1.48</i>	<i>0.24</i>	<i>0.02</i>	<i>0.36</i>	<i>-2.14</i>	<i>N/A</i>	<i>2.11</i>	<i>-1.09</i>	<i>-2.26</i>	<i>2.07</i>	<i>-2.50</i>
<b>International Value - Gross</b>	<b>5.77</b>	<b>8.15</b>	<b>25.14</b>	<b>6.59</b>	<b>11.85</b>	<b>-0.67</b>	<b>N/A</b>	<b>17.82</b>	<b>16.55</b>	<b>-14.96</b>	<b>10.60</b>	<b>42.68</b>
IM International Large Cap Value Equity (SA+CF) Median	4.10	4.98	23.93	8.61	12.68	2.30	8.33	23.10	17.76	-10.65	10.64	33.99
<b>International Value - Gross Rank</b>	<b>11</b>	<b>14</b>	<b>38</b>	<b>79</b>	<b>66</b>	<b>94</b>	<b>N/A</b>	<b>75</b>	<b>64</b>	<b>78</b>	<b>51</b>	<b>19</b>
<b>International Growth - Net</b>	<b>3.28</b>	<b>1.34</b>	<b>16.50</b>	<b>4.81</b>	<b>10.72</b>	<b>0.12</b>	<b>N/A</b>	<b>18.55</b>	<b>18.37</b>	<b>-14.99</b>	<b>10.86</b>	<b>42.53</b>
MSCI ACW Ex US Growth Index (Net)	4.45	4.77	19.33	5.48	11.35	1.62	7.66	15.49	16.67	-14.21	14.45	38.67
<i>Difference</i>	<i>-1.17</i>	<i>-3.43</i>	<i>-2.83</i>	<i>-0.67</i>	<i>-0.63</i>	<i>-1.50</i>	<i>N/A</i>	<i>3.06</i>	<i>1.70</i>	<i>-0.78</i>	<i>-3.59</i>	<i>3.86</i>
<b>International Growth - Gross</b>	<b>3.39</b>	<b>1.57</b>	<b>17.03</b>	<b>5.29</b>	<b>11.30</b>	<b>0.63</b>	<b>N/A</b>	<b>19.09</b>	<b>18.89</b>	<b>-14.56</b>	<b>11.56</b>	<b>43.35</b>
IM International Large Cap Growth Equity (SA+CF) Median	4.03	4.09	21.14	8.10	13.64	3.39	8.82	20.89	19.61	-11.25	13.20	36.80
<b>International Growth - Gross Rank</b>	<b>64</b>	<b>85</b>	<b>87</b>	<b>92</b>	<b>87</b>	<b>89</b>	<b>N/A</b>	<b>68</b>	<b>60</b>	<b>80</b>	<b>63</b>	<b>29</b>

Net performance shown is net of all manager fees and expenses (Net-All). Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all composites.

**Montana Board of Investments**  
**Equity Composites**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>International Small Cap - Net</b>	<b>2.73</b>	<b>6.51</b>	<b>29.10</b>	<b>8.85</b>	<b>14.94</b>	<b>1.78</b>	<b>N/A</b>	<b>25.30</b>	<b>18.64</b>	<b>-15.36</b>	<b>24.34</b>	<b>36.86</b>
MSCI ACWI Ex US Sm Cap Index IMI (Net)	3.64	7.24	26.09	6.90	14.50	2.74	9.79	19.73	18.52	-18.50	25.21	62.91
<i>Difference</i>	<i>-0.91</i>	<i>-0.73</i>	<i>3.01</i>	<i>1.95</i>	<i>0.44</i>	<i>-0.96</i>	<i>N/A</i>	<i>5.57</i>	<i>0.12</i>	<i>3.14</i>	<i>-0.87</i>	<i>-26.05</i>
<b>International Small Cap - Gross</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
IM International Small Cap Equity (SA+CF) Median	2.35	6.06	29.05	12.56	18.19	4.46	11.28	31.22	23.53	-13.62	23.62	45.05
<b>International Small Cap - Gross Rank</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Gross of fees performance is not available (N/A) for the International Small Cap composite which currently consists of DFA Intl Sm Co;I (DFISX), BlackRock ACWI Ex-US Small Cap (CF), Templeton Investment Counsel (SA), and American Century Investment Mgmt (SA).

Net performance shown is net of all manager fees and expenses (Net-All). Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all composites.

**Montana Board of Investments**  
**Equity Sub Composites**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
<b>Domestic Large Cap Passive - Net</b>	<b>5.23</b>	<b>7.14</b>	<b>24.63</b>	<b>16.62</b>	<b>18.95</b>	<b>6.18</b>	<b>7.81</b>	<b>32.41</b>	<b>16.06</b>	<b>2.20</b>	<b>15.22</b>	<b>26.88</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46
<i>Difference</i>	<i>-0.01</i>	<i>0.00</i>	<i>0.02</i>	<i>0.03</i>	<i>0.12</i>	<i>0.02</i>	<i>0.03</i>	<i>0.02</i>	<i>0.06</i>	<i>0.09</i>	<i>0.16</i>	<i>0.42</i>
<b>Domestic Large Cap Passive - Gross</b>	<b>5.23</b>	<b>7.14</b>	<b>24.64</b>	<b>16.63</b>	<b>18.93</b>	<b>6.27</b>	<b>7.88</b>	<b>32.42</b>	<b>16.07</b>	<b>2.21</b>	<b>15.23</b>	<b>26.78</b>
IM U.S. Large Cap Index Equity (SA+CF) Median	5.14	7.12	24.69	16.57	19.20	6.24	8.07	32.53	16.23	1.61	15.56	26.70
<b>Domestic Large Cap Passive - Gross Rank</b>	<b>27</b>	<b>43</b>	<b>52</b>	<b>34</b>	<b>60</b>	<b>47</b>	<b>63</b>	<b>62</b>	<b>56</b>	<b>23</b>	<b>59</b>	<b>49</b>
<b>Domestic Large Cap Enhanced - Net</b>	<b>5.29</b>	<b>6.76</b>	<b>25.13</b>	<b>16.56</b>	<b>19.95</b>	<b>5.41</b>	<b>N/A</b>	<b>32.89</b>	<b>16.87</b>	<b>1.94</b>	<b>17.19</b>	<b>30.65</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46
<i>Difference</i>	<i>0.05</i>	<i>-0.38</i>	<i>0.52</i>	<i>-0.03</i>	<i>1.12</i>	<i>-0.75</i>	<i>N/A</i>	<i>0.50</i>	<i>0.87</i>	<i>-0.17</i>	<i>2.13</i>	<i>4.19</i>
<b>Domestic Large Cap Enhanced - Gross</b>	<b>5.37</b>	<b>6.93</b>	<b>25.52</b>	<b>16.92</b>	<b>20.31</b>	<b>5.72</b>	<b>N/A</b>	<b>33.31</b>	<b>17.21</b>	<b>2.25</b>	<b>17.55</b>	<b>31.04</b>
IM U.S. Large Cap Core Equity (SA+CF) Median	4.88	7.03	25.61	16.59	18.83	6.86	8.72	33.40	15.71	1.90	14.85	26.59
<b>Domestic Large Cap Enhanced - Gross Rank</b>	<b>28</b>	<b>54</b>	<b>52</b>	<b>40</b>	<b>17</b>	<b>85</b>	<b>N/A</b>	<b>51</b>	<b>31</b>	<b>46</b>	<b>20</b>	<b>30</b>
<b>Domestic Large Cap 130/30 - Net</b>	<b>5.14</b>	<b>7.16</b>	<b>26.69</b>	<b>17.43</b>	<b>18.88</b>	<b>N/A</b>	<b>N/A</b>	<b>36.94</b>	<b>18.42</b>	<b>-1.74</b>	<b>13.68</b>	<b>30.08</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46
<i>Difference</i>	<i>-0.10</i>	<i>0.02</i>	<i>2.08</i>	<i>0.84</i>	<i>0.05</i>	<i>N/A</i>	<i>N/A</i>	<i>4.55</i>	<i>2.42</i>	<i>-3.85</i>	<i>-1.38</i>	<i>3.62</i>
<b>Domestic Large Cap 130/30 - Gross</b>	<b>5.31</b>	<b>7.51</b>	<b>27.52</b>	<b>18.21</b>	<b>19.67</b>	<b>N/A</b>	<b>N/A</b>	<b>37.83</b>	<b>19.18</b>	<b>-1.05</b>	<b>14.44</b>	<b>30.90</b>
IM U.S. Large Cap Core Equity (SA+CF) Median	4.88	7.03	25.61	16.59	18.83	6.86	8.72	33.40	15.71	1.90	14.85	26.59
<b>Domestic Large Cap 130/30 - Gross Rank</b>	<b>29</b>	<b>37</b>	<b>23</b>	<b>17</b>	<b>32</b>	<b>N/A</b>	<b>N/A</b>	<b>12</b>	<b>14</b>	<b>76</b>	<b>57</b>	<b>30</b>

Net performance shown is net of all manager fees and expenses (Net-All). Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all composites.

**Montana Board of Investments**  
**Domestic Equity Managers**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>Domestic Large Cap Equity</b>														
<b>Analytic Investors 130/30 (SA) - Net</b>	<b>4.20</b>	<b>6.39</b>	<b>23.47</b>	<b>16.45</b>	<b>17.99</b>	<b>N/A</b>	<b>N/A</b>	<b>35.22</b>	<b>17.38</b>	<b>3.13</b>	<b>10.59</b>	<b>23.03</b>	<b>7.61</b>	<b>03/01/2008</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46	8.67	
<i>Difference</i>	<i>-1.04</i>	<i>-0.75</i>	<i>-1.14</i>	<i>-0.14</i>	<i>-0.84</i>	<i>N/A</i>	<i>N/A</i>	<i>2.83</i>	<i>1.38</i>	<i>1.02</i>	<i>-4.47</i>	<i>-3.43</i>	<i>-1.06</i>	
<b>Analytic Investors 130/30 (SA) - Gross</b>	<b>4.33</b>	<b>6.65</b>	<b>24.06</b>	<b>17.03</b>	<b>18.60</b>	<b>N/A</b>	<b>N/A</b>	<b>35.86</b>	<b>17.94</b>	<b>3.70</b>	<b>11.21</b>	<b>23.71</b>	<b>8.18</b>	<b>03/01/2008</b>
IM U.S. Large Cap Core Equity (SA+CF) Median	4.88	7.03	25.61	16.59	18.83	6.86	8.72	33.40	15.71	1.90	14.85	26.59	9.24	
<b>Analytic Investors 130/30 (SA) - Gross Rank</b>	<b>72</b>	<b>65</b>	<b>72</b>	<b>38</b>	<b>58</b>	<b>N/A</b>	<b>N/A</b>	<b>24</b>	<b>23</b>	<b>31</b>	<b>86</b>	<b>68</b>	<b>83</b>	
<b>BlackRock Equity Idx Fund A (CF) - Net</b>	<b>5.23</b>	<b>7.14</b>	<b>24.63</b>	<b>16.62</b>	<b>18.91</b>	<b>6.26</b>	<b>7.87</b>	<b>32.41</b>	<b>16.05</b>	<b>2.19</b>	<b>15.19</b>	<b>26.80</b>	<b>4.19</b>	<b>05/01/2000</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46	4.12	
<i>Difference</i>	<i>-0.01</i>	<i>0.00</i>	<i>0.02</i>	<i>0.03</i>	<i>0.08</i>	<i>0.10</i>	<i>0.09</i>	<i>0.02</i>	<i>0.05</i>	<i>0.08</i>	<i>0.13</i>	<i>0.34</i>	<i>0.07</i>	
<b>BlackRock Equity Idx Fund A (CF) - Gross</b>	<b>5.24</b>	<b>7.15</b>	<b>24.64</b>	<b>16.64</b>	<b>18.93</b>	<b>6.28</b>	<b>7.88</b>	<b>32.42</b>	<b>16.06</b>	<b>2.22</b>	<b>15.20</b>	<b>26.80</b>	<b>4.20</b>	<b>05/01/2000</b>
IM U.S. Large Cap Index Equity (SA+CF) Median	5.14	7.12	24.69	16.57	19.20	6.24	8.07	32.53	16.23	1.61	15.56	26.70	4.21	
<b>BlackRock Equity Idx Fund A (CF) - Gross Rank</b>	<b>27</b>	<b>43</b>	<b>52</b>	<b>34</b>	<b>60</b>	<b>46</b>	<b>60</b>	<b>62</b>	<b>56</b>	<b>22</b>	<b>61</b>	<b>47</b>	<b>56</b>	
<b>Domestic Equity Pool SPIF - Net</b>	<b>5.08</b>	<b>6.82</b>	<b>23.83</b>	<b>16.67</b>	<b>18.81</b>	<b>5.90</b>	<b>7.48</b>	<b>31.85</b>	<b>17.26</b>	<b>1.81</b>	<b>15.35</b>	<b>25.52</b>	<b>8.46</b>	<b>07/01/2003</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46	8.77	
<i>Difference</i>	<i>-0.16</i>	<i>-0.32</i>	<i>-0.78</i>	<i>0.08</i>	<i>-0.02</i>	<i>-0.26</i>	<i>-0.30</i>	<i>-0.54</i>	<i>1.26</i>	<i>-0.30</i>	<i>0.29</i>	<i>-0.94</i>	<i>-0.31</i>	
<b>Domestic Equity Pool SPIF - Gross</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>07/01/2003</b>
IM U.S. Large Cap Index Equity (SA+CF) Median	5.14	7.12	24.69	16.57	19.20	6.24	8.07	32.53	16.23	1.61	15.56	26.70	8.99	
<b>Domestic Equity Pool SPIF - Gross Rank</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
<b>INTECH Enhanced Plus (SA) - Net</b>	<b>5.00</b>	<b>6.88</b>	<b>25.26</b>	<b>16.20</b>	<b>19.05</b>	<b>6.60</b>	<b>N/A</b>	<b>32.46</b>	<b>14.89</b>	<b>4.33</b>	<b>15.44</b>	<b>25.18</b>	<b>7.88</b>	<b>06/01/2006</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46	7.80	
<i>Difference</i>	<i>-0.24</i>	<i>-0.26</i>	<i>0.65</i>	<i>-0.39</i>	<i>0.22</i>	<i>0.44</i>	<i>N/A</i>	<i>0.07</i>	<i>-1.11</i>	<i>2.22</i>	<i>0.38</i>	<i>-1.28</i>	<i>0.08</i>	
<b>INTECH Enhanced Plus (SA) - Gross</b>	<b>5.09</b>	<b>7.07</b>	<b>25.69</b>	<b>16.60</b>	<b>19.46</b>	<b>6.96</b>	<b>N/A</b>	<b>32.92</b>	<b>15.28</b>	<b>4.68</b>	<b>15.82</b>	<b>25.60</b>	<b>8.26</b>	<b>06/01/2006</b>
IM U.S. Large Cap Core Equity (SA+CF) Median	4.88	7.03	25.61	16.59	18.83	6.86	8.72	33.40	15.71	1.90	14.85	26.59	8.42	
<b>INTECH Enhanced Plus (SA) - Gross Rank</b>	<b>40</b>	<b>50</b>	<b>49</b>	<b>50</b>	<b>37</b>	<b>46</b>	<b>N/A</b>	<b>54</b>	<b>59</b>	<b>20</b>	<b>34</b>	<b>56</b>	<b>54</b>	

Net performance shown is net of all manager fees and expenses (Net-All).

Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all funds.

**Montana Board of Investments**  
**Domestic Equity Managers**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>T. Rowe U.S. Research (SA) - Net</b>	<b>5.39</b>	<b>6.73</b>	<b>25.17</b>	<b>16.73</b>	<b>18.56</b>	<b>6.61</b>	<b>N/A</b>	<b>33.23</b>	<b>16.42</b>	<b>1.67</b>	<b>13.90</b>	<b>30.02</b>	<b>8.29</b>	<b>06/01/2006</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46	7.80	
<i>Difference</i>	<i>0.15</i>	<i>-0.41</i>	<i>0.56</i>	<i>0.14</i>	<i>-0.27</i>	<i>0.45</i>	<i>N/A</i>	<i>0.84</i>	<i>0.42</i>	<i>-0.44</i>	<i>-1.16</i>	<i>3.56</i>	<i>0.49</i>	
<b>T. Rowe U.S. Research (SA) - Gross</b>	<b>5.47</b>	<b>6.89</b>	<b>25.55</b>	<b>17.08</b>	<b>18.92</b>	<b>6.94</b>	<b>N/A</b>	<b>33.63</b>	<b>16.77</b>	<b>1.98</b>	<b>14.25</b>	<b>30.45</b>	<b>8.62</b>	<b>06/01/2006</b>
IM U.S. Large Cap Core Equity (SA+CF) Median	4.88	7.03	25.61	16.59	18.83	6.86	8.72	33.40	15.71	1.90	14.85	26.59	8.42	
<b>T. Rowe U.S. Research (SA) - Gross Rank</b>	<b>26</b>	<b>56</b>	<b>51</b>	<b>38</b>	<b>48</b>	<b>46</b>	<b>N/A</b>	<b>47</b>	<b>36</b>	<b>50</b>	<b>59</b>	<b>31</b>	<b>41</b>	
<b>J.P. Morgan 130/30 (SA) - Net</b>	<b>5.48</b>	<b>7.43</b>	<b>27.83</b>	<b>17.73</b>	<b>19.38</b>	<b>N/A</b>	<b>N/A</b>	<b>37.55</b>	<b>18.64</b>	<b>-3.38</b>	<b>14.73</b>	<b>37.37</b>	<b>10.73</b>	<b>03/01/2008</b>
S&P 500 Index (Cap Wtd)	5.24	7.14	24.61	16.59	18.83	6.16	7.78	32.39	16.00	2.11	15.06	26.46	8.67	
<i>Difference</i>	<i>0.24</i>	<i>0.29</i>	<i>3.22</i>	<i>1.14</i>	<i>0.55</i>	<i>N/A</i>	<i>N/A</i>	<i>5.16</i>	<i>2.64</i>	<i>-5.49</i>	<i>-0.33</i>	<i>10.91</i>	<i>2.06</i>	
<b>J.P. Morgan 130/30 (SA) - Gross</b>	<b>5.67</b>	<b>7.82</b>	<b>28.74</b>	<b>18.58</b>	<b>20.24</b>	<b>N/A</b>	<b>N/A</b>	<b>38.53</b>	<b>19.48</b>	<b>-2.65</b>	<b>15.55</b>	<b>38.30</b>	<b>11.52</b>	<b>03/01/2008</b>
IM U.S. Large Cap Core Equity (SA+CF) Median	4.88	7.03	25.61	16.59	18.83	6.86	8.72	33.40	15.71	1.90	14.85	26.59	9.24	
<b>J.P. Morgan 130/30 (SA) - Gross Rank</b>	<b>18</b>	<b>31</b>	<b>14</b>	<b>11</b>	<b>18</b>	<b>N/A</b>	<b>N/A</b>	<b>9</b>	<b>12</b>	<b>85</b>	<b>37</b>	<b>9</b>	<b>6</b>	
<b>Domestic Mid Cap Equity</b>														
<b>Artisan Partners (SA) - Net</b>	<b>3.09</b>	<b>5.12</b>	<b>22.51</b>	<b>15.97</b>	<b>20.12</b>	<b>8.91</b>	<b>N/A</b>	<b>37.20</b>	<b>12.02</b>	<b>6.93</b>	<b>14.99</b>	<b>40.63</b>	<b>9.67</b>	<b>03/01/2007</b>
R Mid Cap Value Index	5.62	11.14	27.76	17.56	22.98	7.14	10.66	33.46	18.51	-1.38	24.75	34.21	7.49	
<i>Difference</i>	<i>-2.53</i>	<i>-6.02</i>	<i>-5.25</i>	<i>-1.59</i>	<i>-2.86</i>	<i>1.77</i>	<i>N/A</i>	<i>3.74</i>	<i>-6.49</i>	<i>8.31</i>	<i>-9.76</i>	<i>6.42</i>	<i>2.18</i>	
<b>Artisan Partners (SA) - Gross</b>	<b>3.25</b>	<b>5.47</b>	<b>23.31</b>	<b>16.76</b>	<b>20.96</b>	<b>9.71</b>	<b>N/A</b>	<b>38.11</b>	<b>12.79</b>	<b>7.69</b>	<b>15.82</b>	<b>41.66</b>	<b>10.46</b>	<b>03/01/2007</b>
IM U.S. Mid Cap Value Equity (SA+CF) Median	4.95	8.63	27.95	16.82	21.90	8.16	11.19	35.33	17.11	-0.90	22.30	34.91	9.10	
<b>Artisan Partners (SA) - Gross Rank</b>	<b>93</b>	<b>90</b>	<b>89</b>	<b>56</b>	<b>72</b>	<b>28</b>	<b>N/A</b>	<b>36</b>	<b>85</b>	<b>1</b>	<b>93</b>	<b>22</b>	<b>24</b>	
<b>BlackRock Mid Cap Eq Idx A (CF) - Net</b>	<b>4.32</b>	<b>7.48</b>	<b>25.21</b>	<b>15.26</b>	<b>21.68</b>	<b>8.61</b>	<b>N/A</b>	<b>33.51</b>	<b>17.90</b>	<b>-1.72</b>	<b>26.65</b>	<b>37.51</b>	<b>10.06</b>	<b>01/01/2005</b>
S&P MidCap 400 Index (Cap Wtd)	4.33	7.50	25.24	15.26	21.67	8.57	10.50	33.50	17.88	-1.73	26.64	37.38	10.00	
<i>Difference</i>	<i>-0.01</i>	<i>-0.02</i>	<i>-0.03</i>	<i>0.00</i>	<i>0.01</i>	<i>0.04</i>	<i>N/A</i>	<i>0.01</i>	<i>0.02</i>	<i>0.01</i>	<i>0.01</i>	<i>0.13</i>	<i>0.06</i>	
<b>BlackRock Mid Cap Eq Idx A (CF) - Gross</b>	<b>4.35</b>	<b>7.52</b>	<b>25.31</b>	<b>15.36</b>	<b>21.77</b>	<b>8.69</b>	<b>N/A</b>	<b>33.62</b>	<b>18.00</b>	<b>-1.65</b>	<b>26.72</b>	<b>37.53</b>	<b>10.12</b>	<b>01/01/2005</b>

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Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all funds.

**Montana Board of Investments**  
**Domestic Equity Managers**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>Iridian Asset Management (SA) - Net</b>	<b>6.88</b>	<b>11.46</b>	<b>36.17</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>34.58</b>	<b>05/01/2013</b>
R Mid Cap Value Index	5.62	11.14	27.76	17.56	22.98	7.14	10.66	33.46	18.51	-1.38	24.75	34.21	23.92	
<i>Difference</i>	<i>1.26</i>	<i>0.32</i>	<i>8.41</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>10.66</i>	
<b>Iridian Asset Management (SA) - Gross</b>	<b>7.09</b>	<b>11.90</b>	<b>37.26</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>35.65</b>	<b>05/01/2013</b>
IM U.S. Mid Cap Value Equity (SA+CF) Median	4.95	8.63	27.95	16.82	21.90	8.16	11.19	35.33	17.11	-0.90	22.30	34.91	25.38	
<b>Iridian Asset Management (SA) - Gross Rank</b>	<b>12</b>	<b>5</b>	<b>3</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1</b>	
<b>Nicholas Investment Partners (SA) - Net</b>	<b>3.46</b>	<b>10.08</b>	<b>34.30</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>31.51</b>	<b>05/01/2013</b>
R Mid Cap Growth Index	4.37	6.51	26.04	14.54	21.16	7.89	9.83	35.74	15.81	-1.65	26.38	46.29	23.38	
<i>Difference</i>	<i>-0.91</i>	<i>3.57</i>	<i>8.26</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>8.13</i>	
<b>Nicholas Investment Partners (SA) - Gross</b>	<b>3.66</b>	<b>10.49</b>	<b>35.31</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>32.49</b>	<b>05/01/2013</b>
IM U.S. Mid Cap Growth Equity (SA+CF) Median	2.72	4.07	24.80	13.74	20.36	8.50	10.59	36.42	15.01	-1.64	26.73	41.64	23.30	
<b>Nicholas Investment Partners (SA) - Gross Rank</b>	<b>25</b>	<b>3</b>	<b>3</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>5</b>	
<b>TimesSquare Capital Mgmt. (SA) - Net</b>	<b>2.51</b>	<b>4.05</b>	<b>24.08</b>	<b>16.29</b>	<b>19.93</b>	<b>8.96</b>	<b>N/A</b>	<b>37.79</b>	<b>19.19</b>	<b>-1.37</b>	<b>18.48</b>	<b>37.60</b>	<b>9.65</b>	<b>03/01/2007</b>
R Mid Cap Growth Index	4.37	6.51	26.04	14.54	21.16	7.89	9.83	35.74	15.81	-1.65	26.38	46.29	8.56	
<i>Difference</i>	<i>-1.86</i>	<i>-2.46</i>	<i>-1.96</i>	<i>1.75</i>	<i>-1.23</i>	<i>1.07</i>	<i>N/A</i>	<i>2.05</i>	<i>3.38</i>	<i>0.28</i>	<i>-7.90</i>	<i>-8.69</i>	<i>1.09</i>	
<b>TimesSquare Capital Mgmt. (SA) - Gross</b>	<b>2.69</b>	<b>4.41</b>	<b>24.94</b>	<b>17.11</b>	<b>20.79</b>	<b>9.76</b>	<b>N/A</b>	<b>38.75</b>	<b>20.03</b>	<b>-0.64</b>	<b>19.33</b>	<b>38.59</b>	<b>10.45</b>	<b>03/01/2007</b>
IM U.S. Mid Cap Growth Equity (SA+CF) Median	2.72	4.07	24.80	13.74	20.36	8.50	10.59	36.42	15.01	-1.64	26.73	41.64	9.47	
<b>TimesSquare Capital Mgmt. (SA) - Gross Rank</b>	<b>54</b>	<b>46</b>	<b>49</b>	<b>7</b>	<b>43</b>	<b>22</b>	<b>N/A</b>	<b>35</b>	<b>13</b>	<b>43</b>	<b>90</b>	<b>58</b>	<b>29</b>	

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**Montana Board of Investments**  
**Domestic Equity Managers**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>Domestic Small Cap Equity</b>														
<b>Alliance Bernstein (SA) - Net</b>	<b>0.55</b>	<b>1.80</b>	<b>26.79</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>45.22</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>17.68</b>	<b>04/01/2012</b>
R 2000 Growth Index	1.72	2.22	24.73	14.49	20.50	7.90	9.04	43.30	14.59	-2.91	29.09	34.47	19.10	
<i>Difference</i>	<i>-1.17</i>	<i>-0.42</i>	<i>2.06</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>1.92</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>-1.42</i>	
<b>Alliance Bernstein (SA) - Gross</b>	<b>0.78</b>	<b>2.28</b>	<b>27.94</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>46.52</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>18.74</b>	<b>04/01/2012</b>
IM U.S. Small Cap Growth Equity (SA+CF) Median	0.23	0.66	24.66	14.96	21.87	8.44	10.15	46.66	14.63	-1.69	28.95	37.74	19.44	
<b>Alliance Bernstein (SA) - Gross Rank</b>	<b>44</b>	<b>35</b>	<b>25</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>51</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>60</b>	
<b>DFA US Small Cap Trust (CF) - Net</b>	<b>1.92</b>	<b>2.50</b>	<b>24.76</b>	<b>16.39</b>	<b>21.98</b>	<b>7.87</b>	<b>9.71</b>	<b>42.42</b>	<b>18.20</b>	<b>-2.07</b>	<b>29.73</b>	<b>30.13</b>	<b>13.91</b>	<b>03/01/2003</b>
R 2000 Index	2.05	3.19	23.64	14.57	20.21	6.73	8.70	38.82	16.34	-4.18	26.86	27.18	12.61	
<i>Difference</i>	<i>-0.13</i>	<i>-0.69</i>	<i>1.12</i>	<i>1.82</i>	<i>1.77</i>	<i>1.14</i>	<i>1.01</i>	<i>3.60</i>	<i>1.86</i>	<i>2.11</i>	<i>2.87</i>	<i>2.95</i>	<i>1.30</i>	
<b>DFA US Small Cap Trust (CF) - Gross</b>	<b>2.01</b>	<b>2.68</b>	<b>25.18</b>	<b>16.79</b>	<b>22.40</b>	<b>8.23</b>	<b>10.04</b>	<b>42.90</b>	<b>18.59</b>	<b>-1.70</b>	<b>30.17</b>	<b>30.55</b>	<b>14.21</b>	<b>03/01/2003</b>
IM U.S. Small Cap Core Equity (SA+CF) Median	2.45	3.80	25.30	16.20	21.96	7.77	10.43	41.31	16.91	-1.49	28.30	29.71	14.08	
<b>DFA US Small Cap Trust (CF) - Gross Rank</b>	<b>62</b>	<b>61</b>	<b>54</b>	<b>41</b>	<b>43</b>	<b>42</b>	<b>53</b>	<b>43</b>	<b>35</b>	<b>52</b>	<b>36</b>	<b>45</b>	<b>46</b>	
<b>iShares S&amp;P SC 600 Index ETF (IJR) - Net</b>	<b>2.06</b>	<b>3.22</b>	<b>25.56</b>	<b>16.75</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>41.21</b>	<b>16.49</b>	<b>0.74</b>	<b>N/A</b>	<b>N/A</b>	<b>20.17</b>	<b>10/01/2010</b>
S&P SmallCap 600 Index (Cap Wtd)	2.07	3.22	25.54	16.81	21.98	8.06	9.95	41.31	16.33	1.02	26.31	25.57	20.18	
<i>Difference</i>	<i>-0.01</i>	<i>0.00</i>	<i>0.02</i>	<i>-0.06</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>-0.10</i>	<i>0.16</i>	<i>-0.28</i>	<i>N/A</i>	<i>N/A</i>	<i>-0.01</i>	
<b>Voya Investment Management (SA) - Net</b>	<b>1.80</b>	<b>2.37</b>	<b>22.45</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>23.19</b>	<b>05/01/2013</b>
R 2000 Growth Index	1.72	2.22	24.73	14.49	20.50	7.90	9.04	43.30	14.59	-2.91	29.09	34.47	25.42	
<i>Difference</i>	<i>0.08</i>	<i>0.15</i>	<i>-2.28</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>-2.23</i>	
<b>Voya Investment Management (SA) - Gross</b>	<b>2.03</b>	<b>2.83</b>	<b>23.54</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>24.28</b>	<b>05/01/2013</b>
IM U.S. Small Cap Growth Equity (SA+CF) Median	0.23	0.66	24.66	14.96	21.87	8.44	10.15	46.66	14.63	-1.69	28.95	37.74	26.71	
<b>Voya Investment Management (SA) - Gross Rank</b>	<b>24</b>	<b>28</b>	<b>61</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>69</b>	

Net performance shown is net of all manager fees and expenses (Net-All).

Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all funds.

**Montana Board of Investments**  
**Domestic Equity Managers**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>Metropolitan West Capital Mgmt (SA) - Net</b>	<b>4.55</b>	<b>6.27</b>	<b>24.68</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	<b>23.82</b>	<b>05/01/2013</b>
R 2000 Value Index	2.38	4.20	22.54	14.65	19.88	5.46	8.24	34.52	18.05	-5.50	24.50	20.58	21.65	
<i>Difference</i>	<i>2.17</i>	<i>2.07</i>	<i>2.14</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>2.17</i>	
<b>Metropolitan West Capital Mgmt (SA) - Gross</b>	<b>4.79</b>	<b>6.76</b>	<b>25.81</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	<b>24.93</b>	<b>05/01/2013</b>
IM U.S. Small Cap Value Equity (SA+CF) Median	2.91	4.73	25.68	16.48	21.81	8.23	10.46	38.46	17.56	-3.27	27.72	34.57	25.44	
<b>Metropolitan West Capital Mgmt (SA) - Gross Rank</b>	<b>17</b>	<b>19</b>	<b>50</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	<b>56</b>	
<b>Vaughan Nelson Mgmt. (SA) - Net</b>	<b>4.43</b>	<b>6.64</b>	<b>27.16</b>	<b>15.68</b>	<b>20.74</b>	<b>10.15</b>	N/A	<b>39.30</b>	<b>15.36</b>	<b>-3.61</b>	<b>24.21</b>	<b>28.91</b>	<b>11.00</b>	<b>03/01/2007</b>
R 2000 Value Index	2.38	4.20	22.54	14.65	19.88	5.46	8.24	34.52	18.05	-5.50	24.50	20.58	5.70	
<i>Difference</i>	<i>2.05</i>	<i>2.44</i>	<i>4.62</i>	<i>1.03</i>	<i>0.86</i>	<i>4.69</i>	<i>N/A</i>	<i>4.78</i>	<i>-2.69</i>	<i>1.89</i>	<i>-0.29</i>	<i>8.33</i>	<i>5.30</i>	
<b>Vaughan Nelson Mgmt. (SA) - Gross</b>	<b>4.65</b>	<b>7.09</b>	<b>28.20</b>	<b>16.65</b>	<b>21.77</b>	<b>11.13</b>	N/A	<b>40.47</b>	<b>16.32</b>	<b>-2.77</b>	<b>25.27</b>	<b>30.05</b>	<b>11.95</b>	<b>03/01/2007</b>
IM U.S. Small Cap Value Equity (SA+CF) Median	2.91	4.73	25.68	16.48	21.81	8.23	10.46	38.46	17.56	-3.27	27.72	34.57	8.94	
<b>Vaughan Nelson Mgmt. (SA) - Gross Rank</b>	<b>19</b>	<b>16</b>	<b>28</b>	<b>49</b>	<b>51</b>	<b>10</b>	N/A	<b>38</b>	<b>61</b>	<b>47</b>	<b>65</b>	<b>65</b>	<b>8</b>	

Gross of fees performance is not available (N/A) for the following funds: Domestic Equity Pool SPIF and iShares S&P SC 600 Index ETF (IJR).

The current annual expense ratios for the Domestic Equity Pool SPIF and the iShares S&P SC 600 Index ETF (IJR) are 0.15% and 0.17%, respectively.

Net performance shown is net of all manager fees and expenses (Net-All).

Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all funds.

**Montana Board of Investments**  
**International Equity Managers**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>International Developed Large Cap Equity</b>														
<b>Acadian Asset Non-US Equity (SA) - Net</b>	<b>6.23</b>	<b>9.49</b>	<b>26.27</b>	<b>8.52</b>	<b>13.72</b>	<b>-0.65</b>	N/A	<b>17.60</b>	<b>18.66</b>	<b>-10.60</b>	<b>13.90</b>	<b>33.86</b>	<b>2.38</b>	<b>11/01/2006</b>
MSCI ACW Ex US Value Index (Net)	5.61	6.37	24.21	5.97	10.83	0.87	7.79	15.04	16.97	-13.20	7.84	44.29	3.14	
<i>Difference</i>	<i>0.62</i>	<i>3.12</i>	<i>2.06</i>	<i>2.55</i>	<i>2.89</i>	<i>-1.52</i>	<i>N/A</i>	<i>2.56</i>	<i>1.69</i>	<i>2.60</i>	<i>6.06</i>	<i>-10.43</i>	<i>-0.76</i>	
<b>Acadian Asset Non-US Equity (SA) - Gross</b>	<b>6.36</b>	<b>9.78</b>	<b>26.93</b>	<b>9.12</b>	<b>14.37</b>	<b>-0.07</b>	N/A	<b>18.22</b>	<b>19.37</b>	<b>-10.10</b>	<b>14.57</b>	<b>34.65</b>	<b>2.98</b>	<b>11/01/2006</b>
IM International Large Cap Value Equity (SA+CF) Median	4.10	4.98	23.93	8.61	12.68	2.30	8.33	23.10	17.76	-10.65	10.64	33.99	4.29	
<b>Acadian Asset Non-US Equity (SA) - Gross Rank</b>	<b>3</b>	<b>4</b>	<b>27</b>	<b>40</b>	<b>27</b>	<b>92</b>	N/A	<b>74</b>	<b>31</b>	<b>38</b>	<b>31</b>	<b>48</b>	<b>86</b>	
<b>AllianceBernstein Int'l Value (SA) - Net</b>	<b>5.05</b>	<b>6.32</b>	<b>22.76</b>	<b>3.75</b>	<b>9.04</b>	<b>-1.66</b>	N/A	<b>16.73</b>	<b>13.41</b>	<b>-19.37</b>	<b>6.87</b>	<b>49.45</b>	<b>1.10</b>	<b>11/01/2006</b>
MSCI ACW Ex US Value Index (Net)	5.61	6.37	24.21	5.97	10.83	0.87	7.79	15.04	16.97	-13.20	7.84	44.29	3.14	
<i>Difference</i>	<i>-0.56</i>	<i>-0.05</i>	<i>-1.45</i>	<i>-2.22</i>	<i>-1.79</i>	<i>-2.53</i>	<i>N/A</i>	<i>1.69</i>	<i>-3.56</i>	<i>-6.17</i>	<i>-0.97</i>	<i>5.16</i>	<i>-2.04</i>	
<b>AllianceBernstein Int'l Value (SA) - Gross</b>	<b>5.20</b>	<b>6.63</b>	<b>23.48</b>	<b>4.36</b>	<b>9.71</b>	<b>-1.05</b>	N/A	<b>17.45</b>	<b>14.04</b>	<b>-18.88</b>	<b>7.56</b>	<b>50.45</b>	<b>1.73</b>	<b>11/01/2006</b>
IM International Large Cap Value Equity (SA+CF) Median	4.10	4.98	23.93	8.61	12.68	2.30	8.33	23.10	17.76	-10.65	10.64	33.99	4.29	
<b>AllianceBernstein Int'l Value (SA) - Gross Rank</b>	<b>20</b>	<b>28</b>	<b>56</b>	<b>98</b>	<b>91</b>	<b>95</b>	N/A	<b>75</b>	<b>84</b>	<b>97</b>	<b>63</b>	<b>8</b>	<b>94</b>	
<b>BlackRock ACWI Ex-US SuperFund A (CF) - Net</b>	<b>5.16</b>	<b>5.71</b>	<b>21.96</b>	<b>5.92</b>	<b>11.30</b>	N/A	N/A	<b>15.51</b>	<b>17.07</b>	<b>-13.54</b>	<b>11.36</b>	N/A	<b>10.89</b>	<b>06/01/2009</b>
MSCI ACW Ex US Index (Net)	5.03	5.56	21.75	5.73	11.11	1.27	7.75	15.29	16.83	-13.71	11.15	41.46	10.67	
<i>Difference</i>	<i>0.13</i>	<i>0.15</i>	<i>0.21</i>	<i>0.19</i>	<i>0.19</i>	<i>N/A</i>	<i>N/A</i>	<i>0.22</i>	<i>0.24</i>	<i>0.17</i>	<i>0.21</i>	<i>N/A</i>	<i>0.22</i>	
<b>BlackRock ACWI Ex-US SuperFund A (CF) - Gross</b>	<b>5.18</b>	<b>5.76</b>	<b>22.05</b>	<b>6.01</b>	<b>11.39</b>	N/A	N/A	<b>15.61</b>	<b>17.17</b>	<b>-13.46</b>	<b>11.44</b>	N/A	<b>10.98</b>	<b>06/01/2009</b>
<b>Hansberger Global Investors (SA) - Net</b>	<b>2.93</b>	<b>1.15</b>	<b>19.61</b>	<b>3.76</b>	<b>10.39</b>	<b>0.86</b>	N/A	<b>20.64</b>	<b>16.21</b>	<b>-18.12</b>	<b>11.85</b>	<b>56.95</b>	<b>3.32</b>	<b>11/01/2006</b>
MSCI ACW Ex US Growth Index (Net)	4.45	4.77	19.33	5.48	11.35	1.62	7.66	15.49	16.67	-14.21	14.45	38.67	3.97	
<i>Difference</i>	<i>-1.52</i>	<i>-3.62</i>	<i>0.28</i>	<i>-1.72</i>	<i>-0.96</i>	<i>-0.76</i>	<i>N/A</i>	<i>5.15</i>	<i>-0.46</i>	<i>-3.91</i>	<i>-2.60</i>	<i>18.28</i>	<i>-0.65</i>	
<b>Hansberger Global Investors (SA) - Gross</b>	<b>3.04</b>	<b>1.38</b>	<b>20.15</b>	<b>4.23</b>	<b>10.94</b>	<b>1.38</b>	N/A	<b>21.19</b>	<b>16.72</b>	<b>-17.70</b>	<b>12.47</b>	<b>57.81</b>	<b>3.86</b>	<b>11/01/2006</b>
IM International Large Cap Growth Equity (SA+CF) Median	4.03	4.09	21.14	8.10	13.64	3.39	8.82	20.89	19.61	-11.25	13.20	36.80	5.29	
<b>Hansberger Global Investors (SA) - Gross Rank</b>	<b>74</b>	<b>86</b>	<b>65</b>	<b>98</b>	<b>89</b>	<b>81</b>	N/A	<b>47</b>	<b>74</b>	<b>92</b>	<b>54</b>	<b>6</b>	<b>76</b>	
<b>International Equity Pool SPIF - Net</b>	<b>4.18</b>	<b>4.21</b>	<b>22.53</b>	<b>7.08</b>	<b>10.53</b>	<b>0.35</b>	N/A	<b>20.79</b>	<b>17.97</b>	<b>-13.22</b>	<b>5.93</b>	<b>29.68</b>	<b>4.72</b>	<b>12/01/2005</b>
MSCI EAFE Index (Net)	4.09	4.78	23.57	8.10	11.77	0.97	6.93	22.78	17.32	-12.14	7.75	31.78	5.37	
<i>Difference</i>	<i>0.09</i>	<i>-0.57</i>	<i>-1.04</i>	<i>-1.02</i>	<i>-1.24</i>	<i>-0.62</i>	<i>N/A</i>	<i>-1.99</i>	<i>0.65</i>	<i>-1.08</i>	<i>-1.82</i>	<i>-2.10</i>	<i>-0.65</i>	

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Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all funds.

**Montana Board of Investments**  
**International Equity Managers**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>Martin Currie (SA) - Net</b>	<b>3.64</b>	<b>1.53</b>	<b>13.55</b>	<b>5.91</b>	<b>11.14</b>	<b>0.15</b>	<b>N/A</b>	<b>16.51</b>	<b>20.53</b>	<b>-11.57</b>	<b>9.83</b>	<b>35.63</b>	<b>2.64</b>	<b>11/01/2006</b>
MSCI ACW Ex US Growth Index (Net)	4.45	4.77	19.33	5.48	11.35	1.62	7.66	15.49	16.67	-14.21	14.45	38.67	3.97	
<i>Difference</i>	<i>-0.81</i>	<i>-3.24</i>	<i>-5.78</i>	<i>0.43</i>	<i>-0.21</i>	<i>-1.47</i>	<i>N/A</i>	<i>1.02</i>	<i>3.86</i>	<i>2.64</i>	<i>-4.62</i>	<i>-3.04</i>	<i>-1.33</i>	
<b>Martin Currie (SA) - Gross</b>	<b>3.75</b>	<b>1.76</b>	<b>14.06</b>	<b>6.38</b>	<b>11.76</b>	<b>0.66</b>	<b>N/A</b>	<b>17.05</b>	<b>21.06</b>	<b>-11.10</b>	<b>10.60</b>	<b>36.39</b>	<b>3.15</b>	<b>11/01/2006</b>
IM International Large Cap Growth Equity (SA+CF) Median	4.03	4.09	21.14	8.10	13.64	3.39	8.82	20.89	19.61	-11.25	13.20	36.80	5.29	
<b>Martin Currie (SA) - Gross Rank</b>	<b>56</b>	<b>85</b>	<b>99</b>	<b>86</b>	<b>79</b>	<b>89</b>	<b>N/A</b>	<b>79</b>	<b>32</b>	<b>49</b>	<b>69</b>	<b>52</b>	<b>87</b>	
<b>International Developed Small Cap Equity</b>														
<b>American Century Investment Mgmt (SA) - Net</b>	<b>0.81</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.11</b>	<b>03/01/2014</b>
MSCI ACW Ex US Sm Cap Grth Index (Net)	3.43	6.78	25.23	6.29	14.31	2.04	8.95	18.52	16.87	-17.86	27.30	61.23	3.12	
<i>Difference</i>	<i>-2.62</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>-3.01</i>	
<b>American Century Investment Mgmt (SA) - Gross</b>	<b>1.02</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.39</b>	<b>03/01/2014</b>
IM International Small Cap Growth Equity (SA+CF) Median	1.57	5.70	26.92	11.93	18.07	4.50	10.80	31.09	23.40	-14.81	23.68	48.28	0.65	
<b>American Century Investment Mgmt (SA) - Gross Rank</b>	<b>59</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>66</b>	
<b>BlackRock ACWI Ex-US Small Cap (CF) - Net</b>	<b>3.72</b>	<b>7.27</b>	<b>26.03</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>19.87</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>14.99</b>	<b>02/01/2012</b>
MSCI ACWI Ex US Sm Cap Index IMI (Net)	3.64	7.24	26.09	6.90	14.50	2.74	9.79	19.73	18.52	-18.50	25.21	62.91	14.89	
<i>Difference</i>	<i>0.08</i>	<i>0.03</i>	<i>-0.06</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>0.14</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>0.10</i>	
<b>BlackRock ACWI Ex-US Small Cap (CF) - Gross</b>	<b>3.76</b>	<b>7.36</b>	<b>26.24</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>20.08</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>15.19</b>	<b>02/01/2012</b>
<b>DFA Intl Sm Co;I (DFISX) - Net</b>	<b>2.56</b>	<b>6.89</b>	<b>31.19</b>	<b>9.65</b>	<b>15.47</b>	<b>3.31</b>	<b>N/A</b>	<b>27.49</b>	<b>18.75</b>	<b>-15.36</b>	<b>23.91</b>	<b>41.96</b>	<b>9.69</b>	<b>11/01/2004</b>
MSCI Wrld Ex US Sm Cap Index (Net)	3.23	6.79	29.55	8.74	15.31	2.45	8.73	25.55	17.48	-15.81	24.51	50.82	8.79	
<i>Difference</i>	<i>-0.67</i>	<i>0.10</i>	<i>1.64</i>	<i>0.91</i>	<i>0.16</i>	<i>0.86</i>	<i>N/A</i>	<i>1.94</i>	<i>1.27</i>	<i>0.45</i>	<i>-0.60</i>	<i>-8.86</i>	<i>0.90</i>	
<b>DFA Intl Sm Co;I (DFISX) - Gross</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>11/01/2004</b>
IM International Small Cap Equity (SA+CF) Median	2.35	6.06	29.05	12.56	18.19	4.46	11.28	31.22	23.53	-13.62	23.62	45.05	11.41	
<b>DFA Intl Sm Co;I (DFISX) - Gross Rank</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	

Net performance shown is net of all manager fees and expenses (Net-All).

Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all funds.

**Montana Board of Investments  
International Equity Managers  
Comparative Performance  
As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>Templeton Investment Counsel (SA) - Net</b>	<b>3.81</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	<b>3.98</b>	<b>03/01/2014</b>
MSCI ACW Ex US Sm Cap Val Index (Net)	3.85	7.69	26.95	7.50	14.67	3.41	10.59	20.92	20.15	-19.12	23.15	64.53	4.43	
<i>Difference</i>	<i>-0.04</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>-0.45</i>	
<b>Templeton Investment Counsel (SA) - Gross</b>	<b>4.04</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	<b>4.29</b>	<b>03/01/2014</b>
IM International Small Cap Value Equity (SA+CF) Median	2.67	6.74	29.89	12.66	18.84	5.20	11.57	30.48	23.58	-13.62	24.09	48.76	3.62	
<b>Templeton Investment Counsel (SA) - Gross Rank</b>	<b>33</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	<b>38</b>	
<b>International Emerging Equity</b>														
<b>BlackRock Emerging Mkts (CF) - Net</b>	<b>6.58</b>	<b>5.92</b>	<b>14.06</b>	N/A	N/A	N/A	N/A	<b>-2.79</b>	N/A	N/A	N/A	N/A	<b>3.68</b>	<b>02/01/2012</b>
MSCI Emg Mkts Index (Net)	6.60	6.14	14.31	-0.39	9.24	2.28	11.94	-2.60	18.23	-18.42	18.88	78.51	3.93	
<i>Difference</i>	<i>-0.02</i>	<i>-0.22</i>	<i>-0.25</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>-0.19</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>-0.25</i>	
<b>BlackRock Emerging Mkts (CF) - Gross</b>	<b>6.63</b>	<b>6.03</b>	<b>14.30</b>	N/A	N/A	N/A	N/A	<b>-2.57</b>	N/A	N/A	N/A	N/A	<b>3.89</b>	<b>02/01/2012</b>

Gross of fees performance is not available (N/A) for the following funds: International Equity Pool SPIF and DFA Intl Sm Co;I (DFISX).

The current annual expense ratios for the International Equity Pool SPIF and the DFA Intl Sm Co;I (DFISX) are 0.18% and 0.56%, respectively.

Net performance shown is net of all manager fees and expenses (Net-All).

Gross returns are compared to median performance of similar managers. A peer group of similar managers may not exist for all funds.

**Montana Board of Investments**  
**Fixed Income Managers**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>Aberdeen Total Return Bond (SA) - Net</b>	<b>2.34</b>	<b>4.61</b>	<b>5.00</b>	<b>4.80</b>	N/A	N/A	N/A	<b>-2.62</b>	<b>7.98</b>	<b>7.97</b>	<b>7.97</b>	N/A	<b>5.81</b>	<b>09/01/2009</b>
Barclays US Agg Bond Index + .50%	2.17	4.19	4.90	4.18	5.38	5.87	5.46	-1.53	4.74	8.38	7.07	6.46	4.98	
Difference	0.17	0.42	0.10	0.62	N/A	N/A	N/A	-1.09	3.24	-0.41	0.90	N/A	0.83	
<b>Aberdeen Total Return Bond (SA) - Gross</b>	<b>2.40</b>	<b>4.74</b>	<b>5.27</b>	<b>5.07</b>	N/A	N/A	N/A	<b>-2.38</b>	<b>8.26</b>	<b>8.23</b>	<b>8.24</b>	N/A	<b>6.08</b>	<b>09/01/2009</b>
IM U.S. Broad Market Core+ FI (SA+CF)	2.38	4.66	6.20	5.26	7.43	6.49	6.03	-0.63	7.99	7.51	8.97	14.88	6.68	
<b>Aberdeen Total Return Bond (SA) - Gross Rank</b>	<b>48</b>	<b>47</b>	<b>78</b>	<b>57</b>	N/A	N/A	N/A	<b>100</b>	<b>47</b>	<b>17</b>	<b>67</b>	N/A	<b>64</b>	
<b>Core Internal Bond Portfolio</b>	<b>2.18</b>	<b>4.28</b>	<b>4.76</b>	<b>4.40</b>	<b>6.61</b>	<b>5.95</b>	<b>5.69</b>	<b>-2.02</b>	<b>6.07</b>	<b>8.20</b>	<b>9.97</b>	<b>10.94</b>	<b>6.94</b>	<b>04/01/1995</b>
Barclays US Agg Bond Index	2.05	3.93	4.38	3.67	4.85	5.35	4.93	-2.02	4.21	7.84	6.54	5.93	6.07	
Difference	0.13	0.35	0.38	0.73	1.76	0.60	0.76	0.00	1.86	0.36	3.43	5.01	0.87	
<b>Core Internal Bond Portfolio</b>	<b>2.18</b>	<b>4.28</b>	<b>4.76</b>	<b>4.40</b>	<b>6.61</b>	<b>5.95</b>	<b>5.69</b>	<b>-2.02</b>	<b>6.07</b>	<b>8.20</b>	<b>9.97</b>	<b>10.94</b>	<b>6.94</b>	<b>04/01/1995</b>
IM U.S. Broad Market Core FI (SA+CF)	2.13	4.18	4.91	4.37	5.72	5.87	5.33	-1.54	5.77	7.84	7.22	9.84	6.44	
<b>Core Internal Bond Portfolio Rank</b>	<b>44</b>	<b>41</b>	<b>55</b>	<b>47</b>	<b>20</b>	<b>44</b>	<b>25</b>	<b>75</b>	<b>46</b>	<b>24</b>	<b>7</b>	<b>38</b>	<b>8</b>	
<b>Neuberger Berman High Yield (SA) - Net</b>	<b>2.20</b>	<b>5.00</b>	<b>11.95</b>	<b>9.22</b>	N/A	N/A	N/A	<b>7.78</b>	<b>15.90</b>	<b>4.07</b>	<b>16.27</b>	N/A	<b>10.81</b>	<b>01/01/2010</b>
Barclays US Hi Yld - 2% Issuer Cap Index	2.41	5.46	11.72	9.46	13.92	9.18	9.04	7.44	15.78	4.96	14.94	58.76	10.74	
Difference	-0.21	-0.46	0.23	-0.24	N/A	N/A	N/A	0.34	0.12	-0.89	1.33	N/A	0.07	
<b>Neuberger Berman High Yield (SA) - Gross</b>	<b>2.31</b>	<b>5.24</b>	<b>12.44</b>	<b>9.71</b>	N/A	N/A	N/A	<b>8.26</b>	<b>16.42</b>	<b>4.54</b>	<b>16.83</b>	N/A	<b>11.32</b>	<b>01/01/2010</b>
IM U.S. High Yield Bonds (SA+CF) Median	2.38	5.57	11.50	9.43	13.61	8.77	8.91	7.57	15.40	5.39	15.06	44.88	10.88	
<b>Neuberger Berman High Yield (SA) - Gross Rank</b>	<b>58</b>	<b>63</b>	<b>24</b>	<b>37</b>	N/A	N/A	N/A	<b>31</b>	<b>28</b>	<b>65</b>	<b>22</b>	N/A	<b>28</b>	

Net performance shown is net of all manager fees and expenses (Net-All).  
Gross returns are compared to median performance of similar managers.

**Montana Board of Investments**  
**Fixed Income Managers**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009	Since Incep.	Inception Date
<b>Reams Asset Core Plus (SA) - Net</b>	<b>1.27</b>	<b>2.91</b>	<b>3.63</b>	<b>5.01</b>	<b>7.34</b>	N/A	N/A	<b>-0.85</b>	<b>8.64</b>	<b>7.54</b>	<b>9.27</b>	<b>24.34</b>	<b>7.67</b>	<b>10/01/2008</b>
Barclays US Unv Bond Index	2.20	4.19	5.20	4.22	5.58	5.58	5.27	-1.35	5.53	7.40	7.16	8.60	5.93	
Difference	-0.93	-1.28	-1.57	0.79	1.76	N/A	N/A	0.50	3.11	0.14	2.11	15.74	1.74	
<b>Reams Asset Core Plus (SA) - Gross</b>	<b>1.31</b>	<b>3.00</b>	<b>3.80</b>	<b>5.19</b>	<b>7.53</b>	N/A	N/A	<b>-0.68</b>	<b>8.83</b>	<b>7.72</b>	<b>9.47</b>	<b>24.56</b>	<b>7.86</b>	<b>10/01/2008</b>
IM U.S. Broad Market Core+ FI (SA+CF)	2.38	4.66	6.20	5.26	7.43	6.49	6.03	-0.63	7.99	7.51	8.97	14.88	7.53	
<b>Reams Asset Core Plus (SA) - Gross Rank</b>	<b>97</b>	<b>96</b>	<b>97</b>	<b>54</b>	<b>45</b>	N/A	N/A	<b>53</b>	<b>41</b>	<b>39</b>	<b>39</b>	<b>16</b>	<b>38</b>	
<b>Post High Yield Plus (SA) - Net</b>	<b>2.72</b>	<b>6.06</b>	<b>12.68</b>	<b>9.97</b>	<b>12.94</b>	N/A	N/A	<b>10.19</b>	<b>16.97</b>	<b>2.60</b>	<b>14.96</b>	N/A	<b>13.13</b>	<b>06/01/2009</b>
Barclays US Hi Yld - 2% Issuer Cap Index	2.41	5.46	11.72	9.46	13.92	9.18	9.04	7.44	15.78	4.96	14.94	58.76	14.33	
Difference	0.31	0.60	0.96	0.51	-0.98	N/A	N/A	2.75	1.19	-2.36	0.02	N/A	-1.20	
<b>Post High Yield Plus (SA) - Gross</b>	<b>2.87</b>	<b>6.37</b>	<b>13.36</b>	<b>10.63</b>	<b>13.63</b>	N/A	N/A	<b>10.85</b>	<b>17.67</b>	<b>3.22</b>	<b>15.65</b>	N/A	<b>13.82</b>	<b>06/01/2009</b>
IM U.S. High Yield Bonds (SA+CF) Median	2.38	5.57	11.50	9.43	13.61	8.77	8.91	7.57	15.40	5.39	15.06	44.88	13.90	
<b>Post High Yield Plus (SA) - Gross Rank</b>	<b>16</b>	<b>14</b>	<b>12</b>	<b>10</b>	<b>50</b>	N/A	N/A	<b>10</b>	<b>13</b>	<b>82</b>	<b>38</b>	N/A	<b>52</b>	
<b>Post Trad'l High Yield LP (CF) - Gross</b>	<b>2.72</b>	<b>5.86</b>	<b>12.51</b>	<b>10.28</b>	N/A	N/A	N/A	<b>9.98</b>	<b>18.62</b>	<b>3.08</b>	<b>14.48</b>	N/A	<b>12.60</b>	<b>09/01/2009</b>
IM U.S. High Yield Bonds (SA+CF) Median	2.38	5.57	11.50	9.43	13.61	8.77	8.91	7.57	15.40	5.39	15.06	44.88	12.46	
<b>Post Trad'l High Yield LP (CF) - Gross Rank</b>	<b>22</b>	<b>30</b>	<b>22</b>	<b>17</b>	N/A	N/A	N/A	<b>12</b>	<b>10</b>	<b>83</b>	<b>68</b>	N/A	<b>43</b>	

Post Trad'l High Yield LP (CF) is part of the Trust Fund Investment Pool.

Net performance shown is net of all manager fees and expenses (Net-All).  
Gross returns are compared to median performance of similar managers.

Montana Board of Investments  
Trust Accounts  
Comparative Performance  
As of June 30, 2014

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
Abandoned Mine Trust	0.63	0.99	1.87	1.60	2.67	3.15	3.29	0.63	2.82	1.49	3.31	11.04
Big Sky Economic Development Fund	2.24	4.37	5.75	5.12	6.75	6.29	N/A	-0.22	6.72	8.13	8.48	10.40
Butte Area One Restoration	1.19	2.28	3.06	2.78	3.85	N/A	N/A	-0.08	3.68	4.61	5.13	6.09
Clark Fork River Restoration	1.42	2.72	3.65	3.26	4.46	N/A	N/A	-0.12	4.36	5.33	5.78	7.06
Coal Tax Cultural Trust Fund	2.25	4.38	5.76	5.12	6.74	6.30	5.93	-0.23	6.76	8.09	8.42	10.44
Coal Tax Park Acquisition	2.18	4.28	5.63	5.08	6.73	6.28	5.90	-0.25	6.78	8.10	8.43	10.44
East Helena Compensation Fund	1.00	1.95	2.59	N/A	N/A	N/A	N/A	-0.13	N/A	N/A	N/A	N/A
Endowment for Children	2.20	4.29	5.63	5.03	6.63	N/A	N/A	-0.28	6.69	8.00	8.26	10.09
FWP License Account	0.24	0.39	0.93	0.96	1.33	2.23	2.72	0.42	1.64	1.08	2.01	2.14
FWP Mitigation Trust Fund	0.58	0.90	1.79	1.56	2.59	2.96	3.14	0.61	2.85	1.46	3.21	10.58
FWP Real Property Trust	2.14	4.16	5.43	4.90	6.46	6.07	5.53	-0.24	6.51	7.76	8.06	10.01
Group Benefits	0.49	0.76	1.41	1.30	2.18	2.88	3.16	0.32	2.22	1.43	3.13	5.81
Montana Pole	1.80	3.50	4.59	4.15	5.58	5.38	5.07	-0.17	5.50	6.61	7.07	8.96
Montana Tech-UM Agency Funds	0.11	0.21	0.35	0.44	0.60	1.32	2.19	0.17	0.57	0.66	0.75	1.37
Montana State University	0.29	0.53	0.75	0.81	1.09	1.72	N/A	0.12	1.07	1.23	1.40	2.07
MT BOI - Clark Fork Site	1.79	3.44	4.52	3.98	5.27	N/A	N/A	-0.09	5.23	6.23	6.68	7.95
MT BOI UOFM Other	0.93	1.69	2.39	1.75	2.20	2.60	3.03	-0.12	2.54	2.21	2.79	3.38
MUS Group Insurance	0.55	0.85	1.49	N/A	N/A	N/A	N/A	0.17	1.56	N/A	N/A	N/A
Older Montanans Trust	2.19	4.24	5.56	3.96	6.12	N/A	N/A	-0.23	6.01	5.85	8.45	10.41
Permanent Coal Trust Excl Crp	1.94	3.86	5.44	5.00	6.03	5.76	5.65	0.99	6.29	7.16	7.09	8.22
Resource Indemnity Trust	2.29	4.48	5.87	5.19	6.75	6.31	5.92	-0.27	6.86	8.18	8.12	10.52
Smelter Hill Up Restorative	0.87	1.65	2.28	1.88	2.32	N/A	N/A	0.01	2.47	2.83	2.80	3.29
State Fund Insurance	1.82	3.23	6.17	5.23	6.88	5.71	5.49	3.11	7.25	5.26	8.63	11.36
Streamside Tailings Operable Unit	2.00	3.96	5.20	4.61	5.93	5.84	5.50	-0.21	6.14	7.20	7.35	8.95
Tobacco Trust Fund	2.26	4.44	5.83	5.14	6.77	6.33	5.93	-0.27	6.77	8.12	8.45	10.48
Treasurers	0.06	0.09	0.21	0.26	0.30	1.12	1.90	0.23	0.31	0.31	0.34	0.72
Treasure State Endowment	2.26	4.41	5.80	5.15	6.77	6.33	5.96	-0.21	6.76	8.14	8.48	10.43
Treasure State Reg. Water System	2.25	4.39	5.77	5.13	6.76	6.30	5.91	-0.22	6.73	8.13	8.48	10.41
Trust and Legacy Account	2.29	4.47	5.85	5.14	6.75	6.31	5.92	-0.26	6.78	8.04	8.42	10.40
UCFRB Assess/Litig Cost Rec	2.12	4.16	5.48	4.70	6.09	6.09	5.77	-0.24	6.45	6.87	7.47	9.54
UCFRB Restoration Fund	2.06	4.03	5.30	4.80	6.41	6.01	5.67	-0.20	6.43	7.66	8.22	9.87
Upper Blackfoot Response	0.51	0.96	1.37	1.27	N/A	N/A	N/A	0.13	1.60	2.30	N/A	N/A

Performance shown is gross of fees.

**Montana Board of Investments**  
**Trust Accounts**  
**Comparative Performance**  
**As of June 30, 2014**

	QTD	CYTD	FYTD/ 1 Year	3 Years	5 Years	7 Years	10 Years	2013	2012	2011	2010	2009
Weed Control Trust	2.29	4.48	5.87	5.01	6.43	5.85	5.18	-0.23	6.69	7.42	7.71	11.44
Wildlife Habitat Trust	2.18	4.26	5.57	4.92	6.47	6.07	5.60	-0.24	6.46	7.74	8.07	9.98
Zortman/Landusky LT H20	0.69	1.47	2.52	4.43	6.48	7.71	7.38	-0.51	5.47	11.21	12.62	-3.80
Z/L Long Term H20 Trust Fund	0.81	1.34	1.98	3.85	5.62	6.90	N/A	-0.96	3.91	11.64	10.79	-4.14

Performance shown is gross of fees.

**Montana Board of Investments**  
**Addendum**  
**As of June 30, 2014**

**Performance Notes:**

All gross and net performance data is provided by State Street Analytics (SSA). Reported gross returns for the retirement plans prior to July 1, 2002 are net of all fees.

Gross performance for the retirement plans is calculated with fee accruals provided by Montana's Accounting department.

Retirement Plan Custom Benchmarks are provided by State Street Bank and are calculated daily using actual allocations.

Effective May 2014, ING rebranded to Voya. The ING Investment Management (SA) has been updated to Voya Investment Management (SA) to reflect the change.

**Index Notes:**

The Montana International Custom Benchmark consists of 100% MSCI EAFE Index (Net) through 10/31/2006, 100% MSCI ACW Ex US Index (Net) through 6/30/2007, 92.5% MSCI ACW Ex US Index (Net) and 7.5% MSCI ACW Ex US SC IM Index (Net) through 2/28/2014, and 100% MSCI ACWI ex-US IMI thereafter.

Gross of fees performance is not available (N/A) for the following funds: Domestic Equity Pool SPIF, iShares S&P SC 600 Index ETF (IJR), International Equity Pool SPIF, and DFA Intl Sm Co;I (DFISX). The current annual expense ratios are 0.15%, 0.17%, 0.18%, and 0.56%, respectively.

PORTLAND

CHICAGO

NEW YORK

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[Return to Agenda](#)

# Investment Activity

## ALLOCATION REPORT

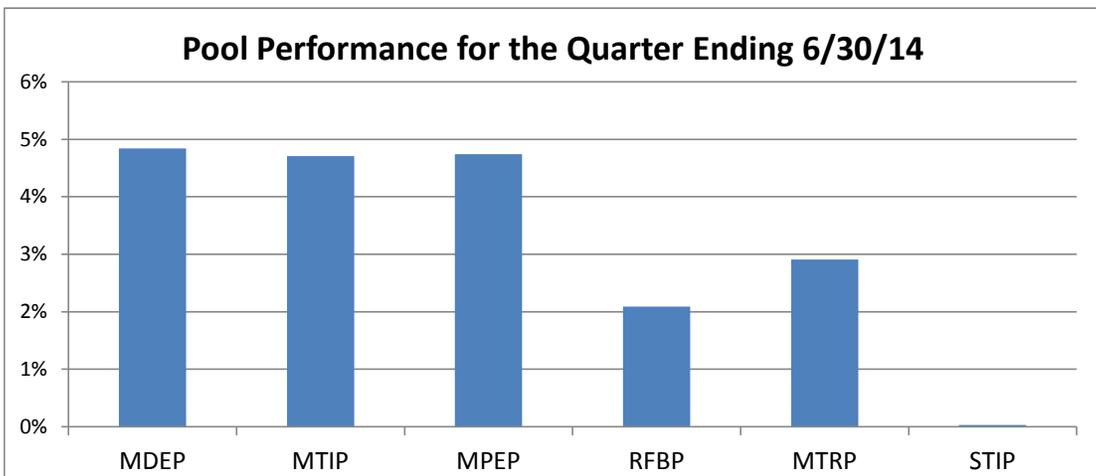
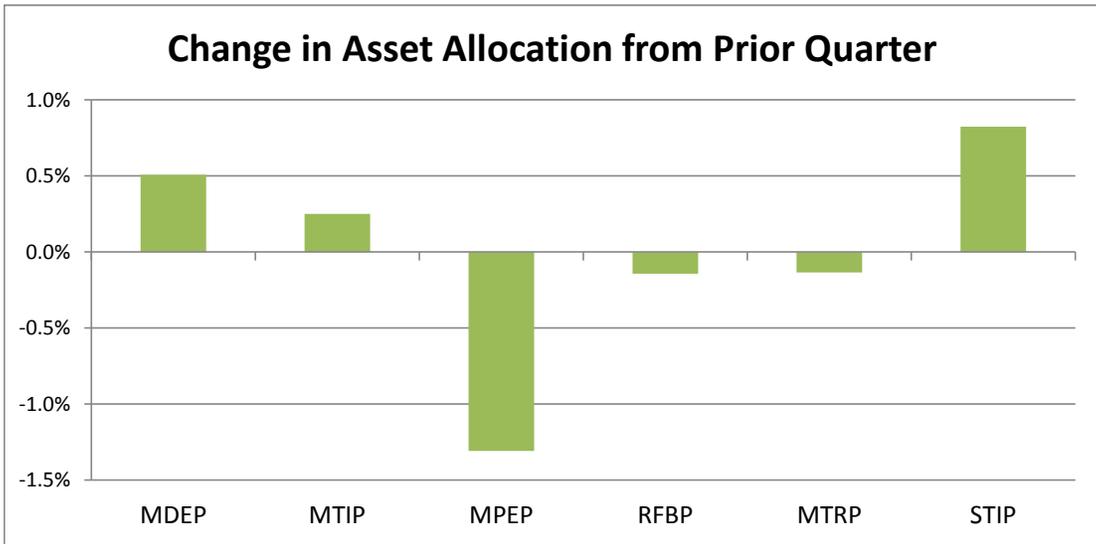
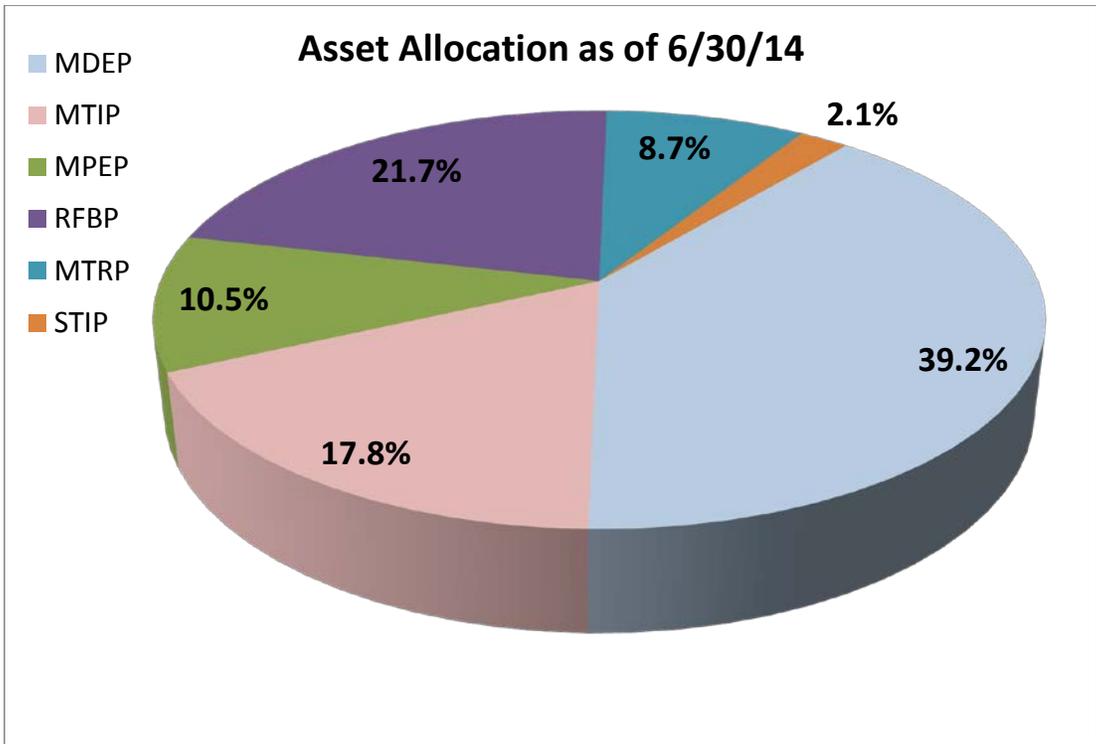
Retirement Systems Asset Allocations as of 3/31/14								
<u>Pension Fund</u>	<u>MDEP</u>	<u>MTIP</u>	<u>MPEP</u>	<u>Total Equity</u>	<u>RFBP</u>	<u>MTRP</u>	<u>STIP</u>	<u>Total Assets</u>
PUBLIC EMPLOYEES	38.7%	17.5%	11.8%	68.0%	21.8%	8.8%	1.4%	\$ 4,768,552,686
TEACHERS	38.8%	17.6%	11.8%	68.2%	21.9%	8.8%	1.1%	\$ 3,503,644,886
POLICE	38.7%	17.6%	11.8%	68.1%	21.9%	8.8%	1.2%	\$ 296,548,162
SHERIFFS	38.6%	17.5%	11.8%	67.8%	21.8%	8.7%	1.7%	\$ 273,700,421
FIREFIGHTERS	38.7%	17.6%	11.8%	68.1%	21.8%	8.8%	1.3%	\$ 298,496,585
HIGHWAY PATROL	38.7%	17.5%	11.8%	68.1%	21.8%	8.8%	1.3%	\$ 121,446,882
GAME WARDENS	38.5%	17.4%	11.7%	67.6%	21.7%	8.7%	2.0%	\$ 132,614,187
JUDGES	38.6%	17.5%	11.8%	67.8%	21.8%	8.8%	1.6%	\$ 81,097,553
VOL FIREFIGHTERS	38.8%	17.6%	11.8%	68.3%	21.9%	8.8%	1.1%	\$ 30,776,546
<b>TOTAL</b>	<b>38.7%</b>	<b>17.5%</b>	<b>11.8%</b>	<b>68.1%</b>	<b>21.8%</b>	<b>8.8%</b>	<b>1.3%</b>	<b>\$ 9,506,877,908</b>
Approved Range	28 - 44%	14 - 22%	9 - 15%	58 - 72%	22 - 30%	6-10%	1 - 5%	

Retirement Systems Asset Allocations as of 6/30/14								
<u>Pension Fund</u>	<u>MDEP</u>	<u>MTIP</u>	<u>MPEP</u>	<u>Total Equity</u>	<u>RFBP</u>	<u>MTRP</u>	<u>STIP</u>	<u>Total Assets</u>
PUBLIC EMPLOYEES	39.2%	17.8%	10.5%	67.5%	21.7%	8.7%	2.1%	\$ 4,929,131,537
TEACHERS	39.2%	17.8%	10.5%	67.5%	21.7%	8.7%	2.1%	\$ 3,613,791,200
POLICE	39.3%	17.8%	10.5%	67.6%	21.7%	8.7%	2.0%	\$ 305,480,092
SHERIFFS	39.1%	17.7%	10.5%	67.3%	21.6%	8.6%	2.5%	\$ 284,001,376
FIREFIGHTERS	39.2%	17.8%	10.5%	67.6%	21.7%	8.7%	2.1%	\$ 307,943,947
HIGHWAY PATROL	39.2%	17.8%	10.5%	67.5%	21.7%	8.7%	2.1%	\$ 125,453,667
GAME WARDENS	39.0%	17.7%	10.5%	67.2%	21.6%	8.6%	2.6%	\$ 138,225,812
JUDGES	39.1%	17.8%	10.5%	67.4%	21.7%	8.6%	2.3%	\$ 83,896,937
VOL FIREFIGHTERS	37.3%	16.9%	10.0%	64.2%	20.6%	8.2%	6.9%	\$ 33,113,443
<b>TOTAL</b>	<b>39.2%</b>	<b>17.8%</b>	<b>10.5%</b>	<b>67.5%</b>	<b>21.7%</b>	<b>8.7%</b>	<b>2.1%</b>	<b>\$ 9,821,038,010</b>
Approved Range	28 - 44%	14 - 22%	9 - 15%	58 - 72%	22 - 30%	6-10%	1 - 5%	

Change From Last Quarter								
<u>Pension Fund</u>	<u>MDEP</u>	<u>MTIP</u>	<u>MPEP</u>	<u>Total Equity</u>	<u>RFBP</u>	<u>MTRP</u>	<u>STIP</u>	<u>Total Assets</u>
PUBLIC EMPLOYEES	0.5%	0.3%	-1.3%	-0.5%	-0.1%	-0.1%	0.7%	160,578,851
TEACHERS	0.5%	0.2%	-1.3%	-0.7%	-0.2%	-0.1%	1.0%	110,146,314
POLICE	0.6%	0.2%	-1.3%	-0.5%	-0.1%	-0.1%	0.8%	8,931,930
SHERIFFS	0.5%	0.3%	-1.3%	-0.5%	-0.1%	-0.1%	0.8%	10,300,955
FIREFIGHTERS	0.5%	0.3%	-1.3%	-0.5%	-0.1%	-0.1%	0.8%	9,447,362
HIGHWAY PATROL	0.5%	0.3%	-1.3%	-0.5%	-0.1%	-0.1%	0.8%	4,006,785
GAME WARDENS	0.6%	0.3%	-1.2%	-0.4%	-0.1%	-0.1%	0.6%	5,611,625
JUDGES	0.5%	0.3%	-1.3%	-0.5%	-0.1%	-0.1%	0.7%	2,799,384
VOL FIREFIGHTERS	-1.5%	-0.7%	-1.9%	-4.1%	-1.3%	-0.6%	5.9%	2,336,897
<b>TOTAL</b>	<b>0.5%</b>	<b>0.3%</b>	<b>-1.3%</b>	<b>-0.5%</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>0.8%</b>	<b>314,160,102</b>

Allocations During Quarter					
<u>MDEP</u>	<u>MTIP</u>	<u>MPEP</u>	<u>Total Equity</u>	<u>RFBP</u>	<u>MTRP</u>
(\$3,000,000)	\$6,000,000	(\$138,000,000)	(\$135,000,000)	\$28,000,000	(\$5,000,000)

Net New Investments for Quarter ➔ **(\$112,000,000)**



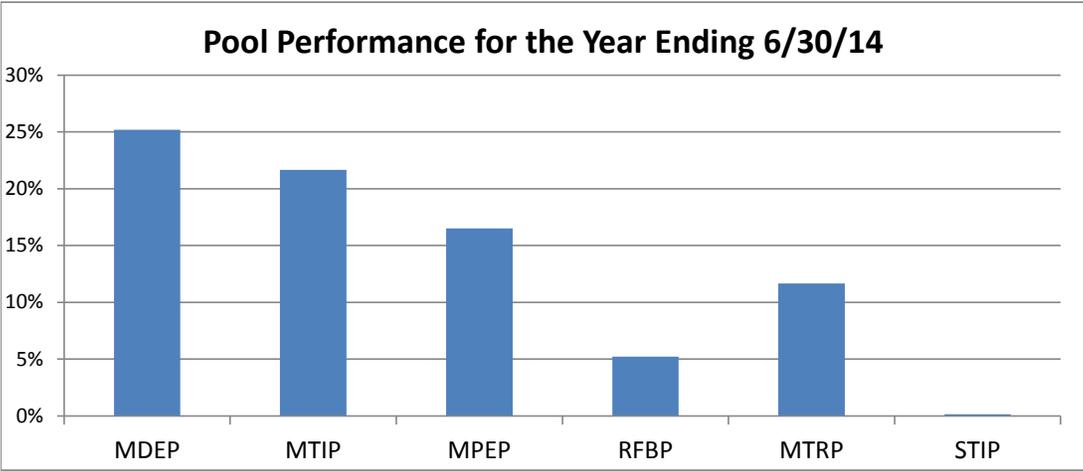
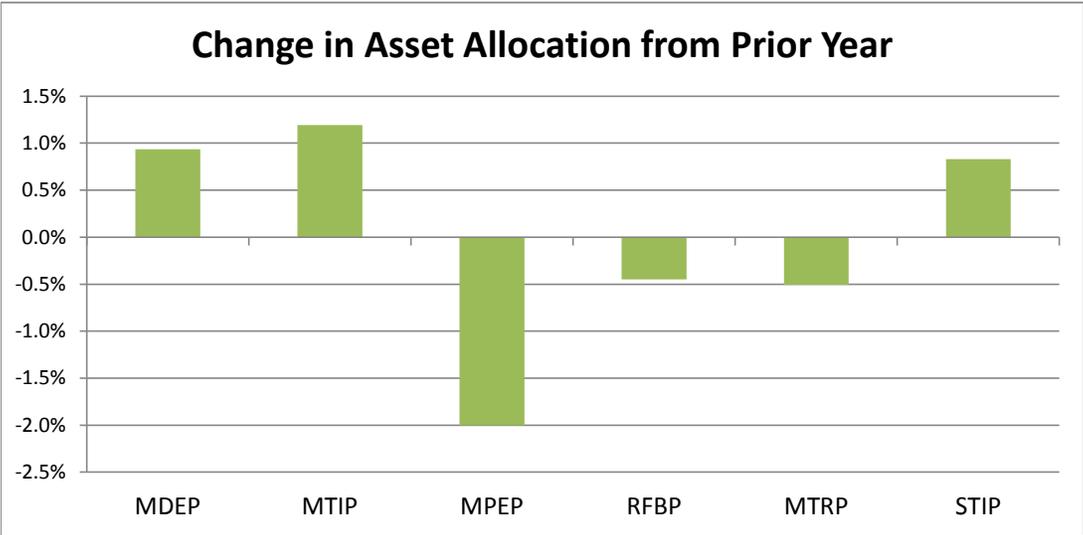
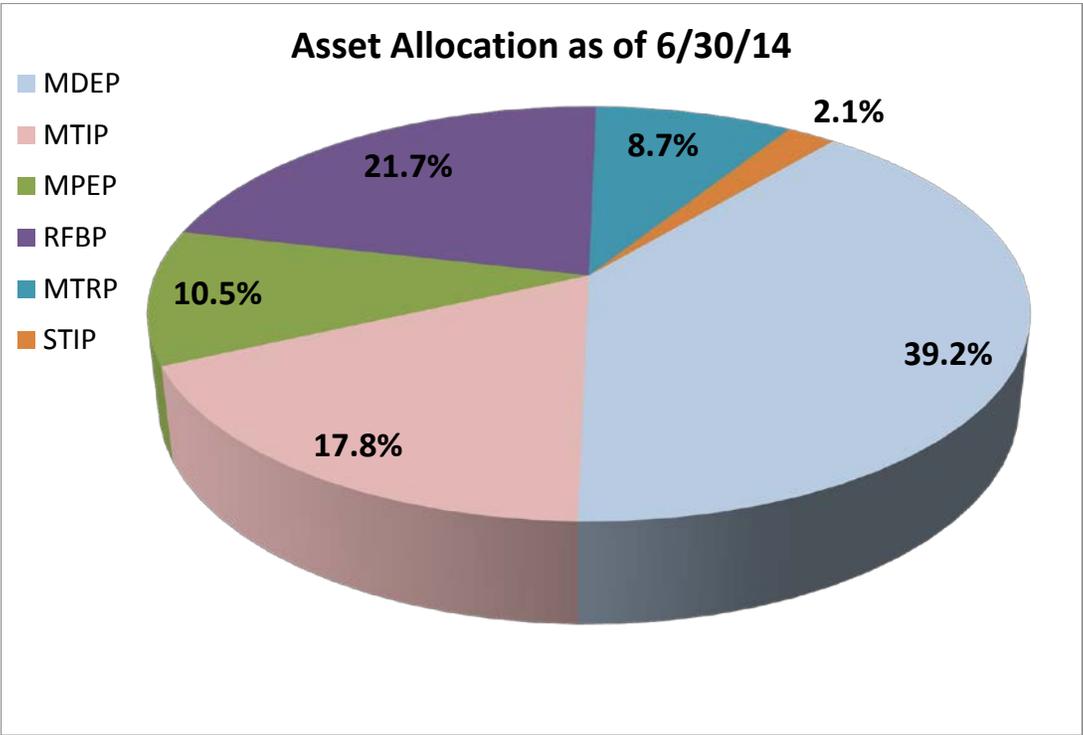
## ALLOCATION REPORT

Retirement Systems Asset Allocations as of 6/30/13								
				Total				
<u>Pension Fund</u>	<u>MDEP</u>	<u>MTIP</u>	<u>MPEP</u>	<u>Equity</u>	<u>RFBP</u>	<u>MTRP</u>	<u>STIP</u>	<u>Total Assets</u>
PUBLIC EMPLOYEES	38.3%	16.6%	12.5%	67.4%	22.1%	9.2%	1.3%	\$ 4,290,306,086
TEACHERS	38.3%	16.6%	12.5%	67.4%	22.2%	9.2%	1.3%	\$ 3,153,447,617
POLICE	38.3%	16.6%	12.5%	67.5%	22.2%	9.2%	1.1%	\$ 257,931,552
SHERIFFS	38.1%	16.6%	12.5%	67.1%	22.1%	9.1%	1.7%	\$ 243,520,912
FIREFIGHTERS	38.3%	16.6%	12.5%	67.5%	22.2%	9.2%	1.2%	\$ 258,910,031
HIGHWAY PATROL	38.3%	16.6%	12.5%	67.4%	22.2%	9.2%	1.3%	\$ 109,363,561
GAME WARDENS	38.1%	16.5%	12.5%	67.1%	22.0%	9.2%	1.7%	\$ 115,561,406
JUDGES	38.2%	16.6%	12.5%	67.3%	22.1%	9.1%	1.5%	\$ 72,632,146
VOL FIREFIGHTERS	36.2%	15.7%	11.8%	63.7%	20.9%	8.6%	6.8%	\$ 29,096,619
<b>TOTAL</b>	<b>38.3%</b>	<b>16.6%</b>	<b>12.5%</b>	<b>67.4%</b>	<b>22.1%</b>	<b>9.2%</b>	<b>1.3%</b>	<b>\$ 8,530,769,930</b>
Approved Range	30 - 50%	15 - 30%	9 - 15%	60 - 70%	22 - 32%	4-10%	1 - 5%	

Retirement Systems Asset Allocations as of 6/30/14								
				Total				
<u>Pension Fund</u>	<u>MDEP</u>	<u>MTIP</u>	<u>MPEP</u>	<u>Equity</u>	<u>RFBP</u>	<u>MTRP</u>	<u>STIP</u>	<u>Total Assets</u>
PUBLIC EMPLOYEES	39.2%	17.8%	10.5%	67.5%	21.7%	8.7%	2.1%	\$ 4,929,131,537
TEACHERS	39.2%	17.8%	10.5%	67.5%	21.7%	8.7%	2.1%	\$ 3,613,791,200
POLICE	39.3%	17.8%	10.5%	67.6%	21.7%	8.7%	2.0%	\$ 305,480,092
SHERIFFS	39.1%	17.7%	10.5%	67.3%	21.6%	8.6%	2.5%	\$ 284,001,376
FIREFIGHTERS	39.2%	17.8%	10.5%	67.6%	21.7%	8.7%	2.1%	\$ 307,943,947
HIGHWAY PATROL	39.2%	17.8%	10.5%	67.5%	21.7%	8.7%	2.1%	\$ 125,453,667
GAME WARDENS	39.0%	17.7%	10.5%	67.2%	21.6%	8.6%	2.6%	\$ 138,225,812
JUDGES	39.1%	17.8%	10.5%	67.4%	21.7%	8.6%	2.3%	\$ 83,896,937
VOL FIREFIGHTERS	37.3%	16.9%	10.0%	64.2%	20.6%	8.2%	6.9%	\$ 33,113,443
<b>TOTAL</b>	<b>39.2%</b>	<b>17.8%</b>	<b>10.5%</b>	<b>67.5%</b>	<b>21.7%</b>	<b>8.7%</b>	<b>2.1%</b>	<b>\$ 9,821,038,010</b>
Approved Range	28 - 44%	14 - 22%	9 - 15%	58 - 72%	22 - 30%	6-10%	1 - 5%	

Change From Last Year								
				Total				
<u>Pension Fund</u>	<u>MDEP</u>	<u>MTIP</u>	<u>MPEP</u>	<u>Equity</u>	<u>RFBP</u>	<u>MTRP</u>	<u>STIP</u>	<u>Total Assets</u>
PUBLIC EMPLOYEES	0.9%	1.2%	-2.0%	0.1%	-0.5%	-0.5%	0.8%	638,825,450
TEACHERS	1.0%	1.2%	-2.0%	0.1%	-0.4%	-0.5%	0.8%	460,343,583
POLICE	0.9%	1.2%	-2.0%	0.1%	-0.5%	-0.5%	0.9%	47,548,540
SHERIFFS	0.9%	1.2%	-2.0%	0.1%	-0.4%	-0.5%	0.8%	40,480,464
FIREFIGHTERS	0.9%	1.2%	-2.0%	0.1%	-0.4%	-0.5%	0.9%	49,033,915
HIGHWAY PATROL	0.9%	1.2%	-2.0%	0.1%	-0.4%	-0.5%	0.8%	16,090,106
GAME WARDENS	0.9%	1.2%	-2.0%	0.1%	-0.4%	-0.6%	0.9%	22,664,406
JUDGES	0.9%	1.2%	-2.0%	0.1%	-0.4%	-0.5%	0.8%	11,264,792
VOL FIREFIGHTERS	1.1%	1.3%	-1.9%	0.5%	-0.3%	-0.3%	0.2%	4,016,823
<b>TOTAL</b>	<b>0.9%</b>	<b>1.2%</b>	<b>-2.0%</b>	<b>0.1%</b>	<b>-0.4%</b>	<b>-0.5%</b>	<b>0.8%</b>	<b>1,290,268,080</b>

Allocations During Year						
<u>MDEP</u>	<u>MTIP</u>	<u>MPEP</u>	<u>Total Equity</u>	<u>RFBP</u>	<u>MTRP</u>	
(\$192,000,000)	\$31,500,000	(\$191,500,000)	(\$352,000,000)	\$204,000,000	(\$4,000,000)	
Net New Investments for Quarter					➔	<b>(\$152,000,000)</b>



# Montana Board of Investments

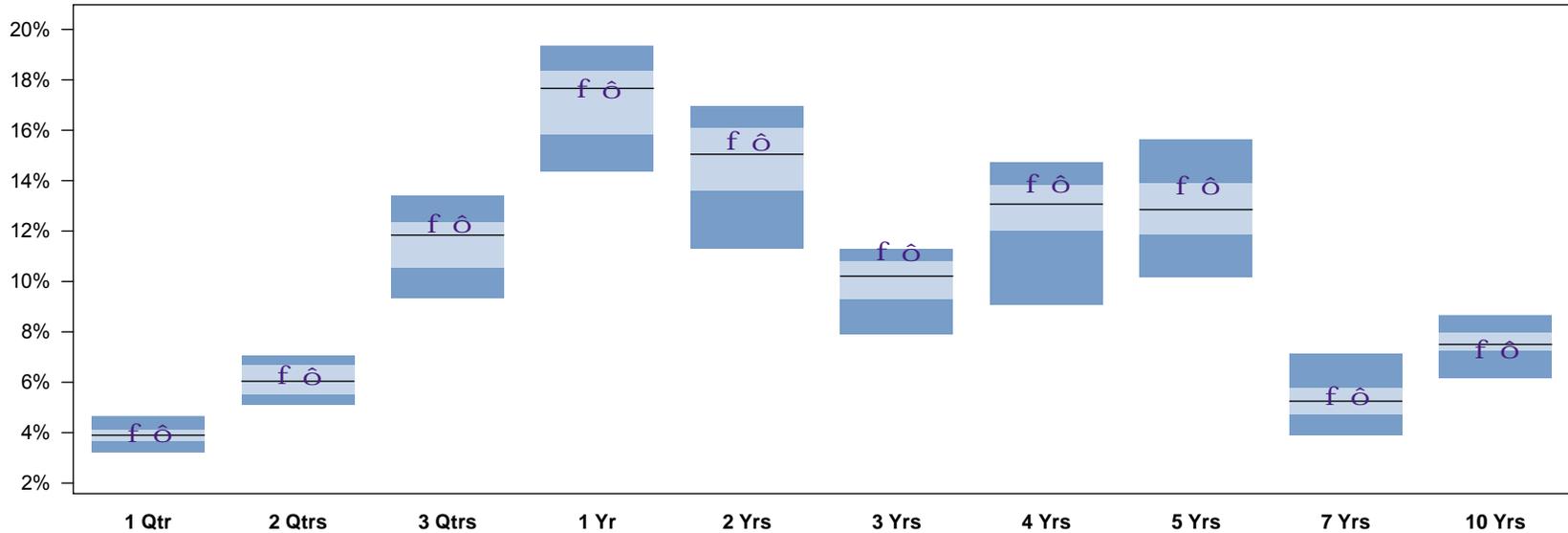
Public Funds (DB) \$3B to \$20B & >30% Equity (SSE)

PERIOD ENDING June 30, 2014

Total Returns



STATE STREET



	1 Qtr	2 Qtrs	3 Qtrs	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs										
5th Percentile	4.66	7.05	13.41	19.36	16.94	11.29	14.73	15.64	7.13	8.66										
25th Percentile	4.14	6.67	12.37	18.38	16.08	10.81	13.84	13.92	5.78	7.98										
50th Percentile	3.90	6.04	11.84	17.66	15.05	10.21	13.07	12.85	5.25	7.50										
75th Percentile	3.65	5.53	10.51	15.82	13.59	9.28	11.99	11.87	4.72	7.23										
95th Percentile	3.20	5.12	9.33	14.35	11.31	7.89	9.08	10.18	3.91	6.15										
No. of Obs	24	24	24	23	23	23	23	23	22	20										
f PUBLIC EMPLOYEES RE	4.07	30	6.36	38	12.39	23	17.76	39	15.66	39	11.27	10	13.97	22	13.88	26	5.56	35	7.41	58
o TEACHERS RETIREMEN	4.08	29	6.33	40	12.38	24	17.71	44	15.64	39	11.26	10	13.97	21	13.88	26	5.56	36	7.41	58

## Montana Board of Investments

Asset Allocation - Public Funds (DB) \$3B to \$20B & >30% Equity

Periods Ending June 30, 2014

	% Tot Equity	% US Equity	% Int'l Equity	% Fixed Inc.	% Cash Equiv	% Real Estate	% Pvt. Equity
<b>High</b>	86.06	71.06	31.48	89.88	11.34	15.41	22.59
<b>Median</b>	58.97	38.16	20.45	21.15	4.73	5.46	9.75
<b>Low</b>	32.63	18.03	3.81	8.84	0.53	1.05	0.00
<b>Observations</b>	24	24	24	24	22	18	24
<b>PUBLIC EMPLOYEES RET SYS</b>	56.98 (53)	39.19 (45)	17.79 (57)	21.73 (38)	2.12 (80)	8.66 (21)	10.5 (49)
<b>TEACHERS RETIREMENT SYS</b>	57.01 (53)	39.21 (45)	17.8 (57)	21.75 (37)	2.08 (80)	8.67 (21)	10.49 (50)

*Note: all zero allocations to an asset class have been removed.*

**MONTANA DOMESTIC EQUITY POOL**  
Rande R. Muffick, CFA, Portfolio Manager  
August 20, 2014

<b>6/30/2014 Domestic Stock Pool By Manager</b>			
			<u>Approved</u>
<u>Manager Name</u>	<u>Market Value</u>	<u>%</u>	<u>Range</u>
BLACKROCK EQUITY INDEX FUND	2,155,870,910	56.24%	
STATE STREET SPIF ALT INV	3,450,636	0.09%	
<b>LARGE CAP PASSIVE Total</b>	<b>2,159,321,546</b>	<b>56.33%</b>	45-70%
ENHANCED INVEST TECHNOLOGIES	120,478,736	3.14%	
T ROWE PRICE ASSOCIATES INC	337,349,618	8.80%	
<b>LARGE CAP ENHANCED Total</b>	<b>457,828,355</b>	<b>11.94%</b>	8-12%
ANALYTIC INVESTORS MU3B	120,572,892	3.15%	
JP MORGAN ASSET MGMT MU3E	339,960,565	8.87%	
<b>130-30 Total</b>	<b>460,533,458</b>	<b>12.01%</b>	8-12%
<b>COMBINED LARGE CAP Total</b>	<b>3,077,683,358</b>	<b>80.28%</b>	72-90%
ARTISAN MID CAP VALUE	139,082,212	3.63%	
BLACKROCK MIDCAP EQUITY IND FD	86,729,368	2.26%	
IRIDIAN ASSET MANAGEMENT MU3V	57,019,287	1.49%	
NICHOLAS INVESTMENT PARTNERS	56,709,263	1.48%	
TIMESQUARE CAPITAL MGMT	142,382,643	3.71%	
<b>MID CAP Total</b>	<b>481,922,774</b>	<b>12.57%</b>	6-17%
ALLIANCE BERNSTEIN SMALL CAP3R	36,581,906	0.95%	
DIMENSIONAL FUND ADVISORS INC	88,621,109	2.31%	
ING INVESTMENT MGT MU3U	32,819,045	0.86%	
ISHARES CORE S+P SMALL CAP ETF	6,097,696	0.16%	
MET WEST CAPITAL MGT MU3W	26,406,647	0.69%	
VAUGHAN NELSON INV	83,527,525	2.18%	
<b>SMALL CAP Total</b>	<b>274,053,929</b>	<b>7.15%</b>	3-11%
<b>MDEP Total</b>	<b>3,833,660,061</b>	<b>100.00%</b>	

The table above displays the Montana Domestic Equity Pool (MDEP) allocation at quarter end across market cap segments and manager styles. At this time, all weightings are within the approved ranges. Staff recognizes the Large Cap Enhanced and 130-30 allocations are at the top of their ranges and these will be trimmed as needed going forward.

The U.S. equity market experienced a sharp downdraft in early April, but rebounded to new highs by the end of the quarter. A selloff in high priced stocks and high beta stocks ignited the market drop which amounted to a little less than 5%. Soothing words from the Fed and positive economic data eventually trumped the selloff and domestic markets ended the quarter with strong gains. On a total return basis, the S&P 500 Index was up 5.2% for the quarter.

Although the markets could go higher through the remainder of the year, it is likely that the largest amount of equity returns for this calendar year have already been seen. In addition, there is continued risk of a major market selloff. Equity investors continue to assess the Fed's reduction in bond purchases, the potential for higher interest rates, corporate earnings growth, and geopolitical turmoil.

Last March 9<sup>th</sup>, the current bull market celebrated its fifth anniversary. Since then, through the end of June, the S&P 500 Index cumulative return has been 224%. That equates to an annual return of more than 24% since the bear market low. With that said, it stands to reason that given this huge upward move in the markets and the time length of the bull market, many investors have a guarded approach at this point.

US Market Environment									
	2Q 2014						Last Twelve Months		
	Value	Neutral	Growth				Value	Neutral	Growth
Large	5.1%	5.1%	5.1%			Large	23.8%	25.4%	26.9%
Mid	5.6%	5.0%	4.4%			Mid	27.8%	26.9%	26.0%
Small	2.4%	2.1%	1.7%			Small	22.5%	23.6%	24.7%

Large caps led in the cap size performances for the quarter with mid caps close behind. The small cap returns reflected the selloff in those stocks during the quarter. All returns were positive though which added to robust fiscal year returns. For the fiscal year, the cap size performances were fairly even. Mid caps led the way but were followed closely by both large caps and small caps.

Overall value stocks fared just slightly better than growth stocks during the quarter. This is somewhat of a surprise given that the biggest amount of the April selloff was centered in high growth/high beta stocks. In fact, within the large caps, value and growth returns were equal. All this demonstrates the resilience of the market later in the quarter as many stocks that had been hit hard in April rallied strongly.

As with the cap sizes, the style performances during the fiscal year were all fairly even. Robust, broad-based returns were evident across the style boxes and showed what a fine fiscal year for domestic stocks it was.



The VIX spiked to a reading of 17 during the early April selloff, but then gradually declined to record lows near a reading of 10 as investors bought stocks and the domestic market moved to all-time highs. Even the elevated reading of 17 didn't really display much investor fear. A reading needs to be at least in the low 20's before being regarded as indicating serious investor anxiety.

MDEP underperformed the S&P 1500 Index by 21 basis points for the quarter but outperformed by 48 basis points for the fiscal year. The active portfolios along with the mid cap and small cap allocations struggled at the beginning of the quarter but rebounded later on.

For the fiscal year, the performance of the actively managed portfolios drove the success of the pool as nine of the thirteen actively managed portfolios outperformed their respective benchmarks. For the quarter, six of the thirteen outperformed.

The strategy going forward is to continue overweight positions in mid caps and small caps at the expense of large caps. With that said, the small cap overweight may be pared based upon market conditions. The active/passive weights are expected to remain about the same.

**DOMESTIC EXPOSURE-MARKET CAP %**

June 30, 2014

MANAGERS	MEGA	GIANT	LARGE			MID	SMALL	MICRO	WTD AVG
	\$200B+	\$100-\$200B	\$50-\$100B	\$20-\$50B	\$10-\$20B	\$2.5-\$10B	\$500MM-\$2.5B	< \$500MM	MARKET CAP (\$B)
Alliance Bernstein	--	--	--	--	--	65.6	29.8	3.0	3,561.7
Analytic Investors, Inc	12.7	19.4	22.0	24.9	13.8	7.8	-3.7	--	95,238.8
Artisan Partners	--	--	--	15.9	33.0	47.8	3.3	--	12,002.2
Dimensional Fund Advisors	--	--	--	--	0.2	23.0	64.1	12.7	1,781.5
Voya Investment Management	--	--	--	--	--	43.1	56.1	0.9	2,628.6
INTECH Investment Management	9.3	10.5	15.0	33.3	23.2	8.6	--	--	77,977.2
Iridian Asset Mgmt	--	--	--	18.0	20.6	59.8	1.6	--	12,322.8
J.P. Morgan	21.1	23.6	22.6	19.2	11.6	1.3	-0.8	--	139,269.6
Met West Capital Mgt	--	--	--	--	--	58.7	38.1	3.2	2,906.8
Nicholas Investment Partners	--	--	1.9	15.4	24.0	53.7	5.0	--	11,821.9
T. Rowe Associates	17.6	21.4	17.9	22.2	14.7	6.1	0.1	--	119,508.0
TimesSquare Cap Mgmt	--	--	--	4.8	37.4	54.7	3.1	--	10,499.3
Vaughan Nelson Mgmt	--	--	--	--	--	62.4	37.6	--	3,013.9
BlackRock S&P 500 Index Fund	17.9	22.1	20.8	21.7	12.4	4.9	--	--	125,012.0
BlackRock Midcap Equity Index Fund	--	--	--	--	3.8	86.0	9.4	--	5,260.7
<b>ALL DOMESTIC EQUITY PORTFOLIOS</b>	<b>14.3</b>	<b>17.5</b>	<b>16.6</b>	<b>19.0</b>	<b>13.8</b>	<b>14.4</b>	<b>3.7</b>	<b>0.4</b>	<b>100.6</b>
<b>Benchmark: S&amp;P Composite 1500</b>	<b>15.8</b>	<b>19.6</b>	<b>18.4</b>	<b>19.2</b>	<b>11.3</b>	<b>12.3</b>	<b>3.4</b>	<b>0.1</b>	<b>110.7</b>
<b>Over/underweight(-)</b>	<b>-1.5</b>	<b>-2.1</b>	<b>-1.8</b>	<b>-0.1</b>	<b>2.5</b>	<b>2.2</b>	<b>0.3</b>	<b>0.2</b>	

**DOMESTIC EXPOSURE-SECTOR %**

June 30, 2014

**MANAGERS**

Alliance Bernstein  
 Analytic Investors, Inc  
 Artisan Partners  
 Dimensional Fund Advisors  
 Iridian Asset Mgmt  
 Voya Investment Management  
 INTECH Investment Management  
 Met West Capital Mgt  
 Nicholas Investment Partners  
 J.P. Morgan  
 T. Rowe Associates  
 TimesSquare Cap Mgmt  
 Vaughan Nelson Mgmt  
 BlackRock S&P 500 Index Fund  
 BlackRock Midcap Equity Index Fund

	<b>Consumer Discretionary</b>	<b>Consumer Staples</b>	<b>Energy</b>	<b>Financials</b>	<b>Health Care</b>	<b>Industrials</b>	<b>Technology</b>	<b>Materials</b>	<b>Telecom Services</b>	<b>Utilities</b>
Alliance Bernstein	14.0	1.8	4.9	5.6	22.7	20.3	27.8	2.0	0.9	--
Analytic Investors, Inc	9.9	10.8	9.9	15.5	12.5	10.4	18.9	3.6	3.3	2.3
Artisan Partners	14.1	3.2	12.8	23.0	3.9	12.9	23.9	1.3	--	4.9
Dimensional Fund Advisors	17.6	4.3	5.5	17.6	8.9	17.9	18.2	5.6	0.7	3.7
Iridian Asset Mgmt	19.2	--	6.6	--	18.2	17.4	17.0	21.4	--	--
Voya Investment Management	17.9	1.9	5.6	11.6	17.6	15.3	24.5	5.1	--	--
INTECH Investment Management	16.0	10.5	6.1	13.2	16.6	10.9	16.3	3.9	0.9	5.5
Met West Capital Mgt	19.0	8.2	5.7	18.9	7.9	19.7	14.5	4.2	0.5	1.4
Nicholas Investment Partners	24.4	3.8	7.4	12.7	9.3	20.7	16.1	3.8	0.7	1.0
J.P. Morgan	13.9	4.6	11.5	17.0	15.5	9.9	20.6	3.8	1.8	0.1
T. Rowe Associates	13.4	9.4	10.2	15.3	13.2	9.9	19.0	4.6	1.9	3.0
TimesSquare Cap Mgmt	16.9	3.4	6.3	11.6	10.7	26.1	16.9	4.1	4.1	--
Vaughan Nelson Mgmt	12.1	--	6.1	23.2	11.4	19.6	16.2	9.4	--	0.5
BlackRock S&P 500 Index Fund	11.8	9.5	10.8	16.0	13.3	10.5	18.8	3.5	2.4	3.2
BlackRock Midcap Equity Index Fund	12.9	3.4	5.2	22.8	9.4	16.8	16.0	7.5	0.5	4.8
<b>All Domestic Equity Portfolios</b>	<b>13.1</b>	<b>7.9</b>	<b>10.0</b>	<b>16.0</b>	<b>13.0</b>	<b>12.0</b>	<b>18.9</b>	<b>4.1</b>	<b>2.0</b>	<b>2.7</b>
<b>Benchmark: S&amp;P Composite 1500</b>	<b>12.0</b>	<b>8.8</b>	<b>10.2</b>	<b>16.8</b>	<b>12.9</b>	<b>11.2</b>	<b>18.6</b>	<b>3.9</b>	<b>2.2</b>	<b>3.3</b>
<b>Over/underweight(-)</b>	<b>1.1</b>	<b>-0.9</b>	<b>-0.2</b>	<b>-0.8</b>	<b>0.1</b>	<b>0.8</b>	<b>0.3</b>	<b>0.2</b>	<b>-0.2</b>	<b>-0.6</b>

## DOMESTIC PORTFOLIO CHARACTERISTICS

June 30, 2014

<b>MANAGERS</b>	<b>Market Value</b>	<b>Number of Securities</b>	<b>3Yr Historical EPS Growth</b>	<b>Price/Earnings</b>	<b>Price/Book</b>	<b>Dividend Yield</b>
Alliance Bernstein	36,479,725	107	27.9	32.0	4.1	0.2
Analytic Investors, Inc	123,977,422	204	15.3	14.7	2.9	1.7
Artisan Partners	139,109,736	57	12.3	16.1	1.9	1.7
Dimensional Fund Advisors	88,613,863	2,133	16.9	20.3	2.1	1.0
Voya Investment Management	32,837,731	154	12.3	26.7	3.0	0.7
INTECH Investment Management	120,627,229	328	15.8	18.4	3.0	1.5
Iridian Asset Mgmt	57,343,409	41	14.1	18.4	3.9	0.9
J.P. Morgan	347,246,962	269	12.5	18.0	2.4	1.5
Met West Capital Mgt	26,264,114	61	15.1	19.1	2.1	1.3
Nicholas Investment Partners	56,286,400	99	23.4	20.3	3.4	0.5
T. Rowe Associates	337,802,354	264	11.0	19.6	2.9	1.6
TimesSquare Cap Mgmt	142,711,566	78	20.4	22.3	3.6	0.7
Vaughan Nelson Mgmt	83,373,990	77	21.4	20.8	2.1	1.0
BlackRock S&P 500 Index Fund	2,155,870,918	503	11.3	18.5	2.7	1.9
BlackRock Midcap Equity Index Fund	86,729,333	403	14.9	21.8	2.4	1.3
<b>All Domestic Equity Portfolios</b>	<b>3,844,823,752</b>	<b>3,120</b>	<b>12.7</b>	<b>18.6</b>	<b>2.7</b>	<b>1.6</b>

## BENCHMARKS

S&P Composite 1500	1,501	11.8	18.8	2.7	1.8
S&P/Citigroup 1500 Pure Growth	353	38.3	22.0	3.0	0.7
S&P/Citigroup 1500 Pure Value	361	6.9	16.1	1.3	1.4
S&P 500	501	11.3	18.5	2.7	1.9
Russell 1000	1,027	11.9	18.8	2.7	1.8
Russell 1000 Growth	672	15.1	21.9	5.0	1.4
Russell 1000 Value	685	8.7	16.5	1.8	2.2
Russell Midcap	833	15.2	21.5	2.6	1.4
Russell Midcap Growth	544	18.4	25.7	4.8	0.9
Russell Midcap Value	561	11.9	18.5	1.8	2.0
Russell 2000	1,973	18.8	20.3	2.2	1.2
Russell 2000 Growth	1,163	24.0	26.6	4.1	0.6
Russell 2000 Value	1,321	14.2	16.6	1.5	1.8

## MONTANA INTERNATIONAL EQUITY POOL

Rande R. Muffick, CFA, Portfolio Manager

August 20, 2014

<b>6/30/2014 International Stock Pool By Manager</b>			
<u>Manager Name</u>	<u>Market Value</u>	<u>%</u>	<u>Approved Range</u>
BLACKROCK ACWI EX US SUPERFUND	1,026,453,503	58.71%	
BLACKROCK MSCI EM MKT FR FD B	45,333,257	2.59%	0-5%
EAFE STOCK PERFORMANCE INDEX	13,145,564	0.75%	
<b>PASSIVE Total</b>	<b>1,084,932,324</b>	<b>62.06%</b>	42-66%
ACADIAN ACWI EX US VALUE	113,631,755	6.50%	
BERNSTEIN ACWI EX	118,685,132	6.79%	
<b>VALUE Total</b>	<b>232,316,887</b>	<b>13.29%</b>	
HANSBERGER INTL EQUITY GROWTH	121,424,473	6.95%	
MARTIN CURRIE ACWI X	120,826,217	6.91%	
<b>GROWTH Total</b>	<b>242,250,690</b>	<b>13.86%</b>	
AMERICAN CENTURY INV MGMT	30,600,358	1.75%	
BLACKROCK ACWI EX US SMALL CAP	29,692,886	1.70%	
DFA INTERNATIONAL SMALL COMPAN	86,515,358	4.95%	
TEMPLETON INVESTMENT COUNSEL	41,949,367	2.40%	
<b>SMALL CAP Total</b>	<b>188,757,968</b>	<b>10.80%</b>	8-16%
<b>MTIP Total</b>	<b>1,748,257,870</b>	<b>100.00%</b>	

The table above displays the Montana International Equity Pool (MTIP) allocation at quarter end across market cap segments and manager styles. At this time, all weightings are within the approved ranges.

International equity markets posted strong, broad-based returns in the quarter despite mixed economic and geopolitical influences. In April, international markets experienced increased volatility resulting from unrest in Ukraine and some effects from the selloff of U.S. stocks. In Europe, economic data remained sluggish and showed only very slight improvement, prompting the European Central Bank to cut deposit rates. Japan posted early signs of continued economic growth despite its recent increase in taxes. Emerging markets improved significantly as confidence in growth within the larger EM economies improved.

<b>Non-US Developed Market Environment</b>									
<b>2Q 2014</b>						<b>Last Twelve Months</b>			
	<b>Value</b>	<b>Neutral</b>	<b>Growth</b>				<b>Value</b>	<b>Neutral</b>	<b>Growth</b>
<b>Large</b>	5.2%	4.7%	4.1%			<b>Large</b>	27.0%	23.7%	20.2%
<b>Mid</b>	5.5%	4.3%	3.6%			<b>Mid</b>	26.5%	24.3%	22.9%
<b>Small</b>	3.4%	3.2%	3.1%			<b>Small</b>	30.9%	29.6%	28.2%
<b>Emerging Market Environment</b>									
<b>2Q 2014</b>						<b>Last Twelve Months</b>			
	<b>Value</b>	<b>Neutral</b>	<b>Growth</b>				<b>Value</b>	<b>Neutral</b>	<b>Growth</b>
<b>Large</b>	7.4%	6.8%	6.1%			<b>Large</b>	14.8%	14.4%	14.0%
<b>Mid</b>	4.8%	5.7%	6.5%			<b>Mid</b>	12.2%	13.7%	14.8%
<b>Small</b>	5.6%	5.3%	4.9%			<b>Small</b>	13.5%	14.2%	14.9%

A look at the style performance matrices shows that developed market returns in the quarter were similar to U.S. equities, although the small caps did not lag quite as much. Large caps led slightly over mid caps and small caps. For the fiscal year, international developed market returns were exceptional given the geopolitical turmoil that has occurred. Small cap value returned over 30% and every style and size category returned at least 20%.

Emerging markets led all equity markets in the quarter. Large cap EM was the top performing area with returns around 7%. Even the mid cap and small cap returns were strong and outdistanced those of developed markets and the U.S. Value EM stocks led growth EM stocks for the first quarter in several. The rebound in EM as a whole was demonstrated in the fiscal year returns as all styles within EM generated solid double digit returns.



The currency effect on international investments was minimal in the quarter as the dollar ended the quarter basically flat versus the basket of six major foreign currencies. For the fiscal year the dollar ended weaker by about 4% from where it started the year, which was a nice boost for returns of U.S. investors with money abroad.

MTIP underperformed the pool benchmark by 14 basis points for the quarter and underperformed by 32 basis points for the fiscal year. The pool performance in both periods was largely a result of the performance of the actively managed portfolios.

Active management disappointed in the quarter as only one of seven portfolios outperformed its respective benchmark. For the fiscal year, active management fared better, as three of the five portfolios that posted full fiscal year numbers outperformed their benchmarks. Recall that the two new small cap active portfolios were added in March. Both of those portfolios underperformed during their four months of the fiscal year.

Going forward, the strategy is to maintain approximately the same weightings in active/passive and large cap/small cap. Any increase in the small cap allocation is dependent on market opportunity.

**INTERNATIONAL EXPOSURE-MARKET CAP %**

June 30, 2014

<b>Managers</b>	<b>MEGA \$200B+</b>	<b>GIANT \$100-\$200B</b>	<b>LARGE</b>			<b>MID \$2.5-\$10B</b>	<b>SMALL \$500MM-\$2.5B</b>	<b>MICRO &lt; \$500MM</b>	<b>WTD AVG MARKET CAP (\$B)</b>
			<b>\$50-\$100B</b>	<b>\$20-\$50B</b>	<b>\$10-\$20B</b>				
Acadian Asset Management	--	13.0	12.2	21.8	13.3	15.5	15.3	8.8	28.1
American Century Invt Mgmt	--	--	--	--	--	34.2	64.2	1.6	1.7
Bernstein Inv Mgt & Research with look throughs	3.5	6.7	20.9	27.8	16.9	18.3	5.4	0.1	37.8
DFA International Small Cap	--	--	--	--	0.6	32.5	54.5	12.4	1.8
Hansberger Global Investors	4.8	7.1	16.0	30.5	15.4	21.2	4.9	--	39.3
Martin Currie	4.6	12.4	23.3	24.5	19.5	14.2	1.5	--	46.9
Templeton Invt Counsel LLC	--	--	--	--	--	36.1	59.9	4.0	1.7
BlackRock ACWI Ex US Superfund A	4.2	13.5	19.6	25.8	16.7	17.8	1.1	--	48.1
BlackRock Intl Small Cap Index look through	--	--	--	--	--	29.0	61.0	9.2	1.6
BlackRock Emerging Market Fund look through	--	12.7	5.4	27.1	20.5	28.9	4.8	0.1	22.6
<b>ALL INTERNATIONAL EQUITY PORTFOLIOS</b>	<b>3.4</b>	<b>11.0</b>	<b>16.7</b>	<b>23.1</b>	<b>14.9</b>	<b>19.5</b>	<b>8.8</b>	<b>1.5</b>	<b>40.1</b>
<b>International Custom Benchmark</b>	<b>3.8</b>	<b>11.9</b>	<b>17.2</b>	<b>22.8</b>	<b>14.7</b>	<b>19.4</b>	<b>9.0</b>	<b>1.2</b>	<b>42.0</b>
<b>Over/underweight(-)</b>	<b>-0.4</b>	<b>-0.9</b>	<b>-0.5</b>	<b>0.3</b>	<b>0.2</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.2</b>	

**INTERNATIONAL EXPOSURE-SECTOR %**

June 30, 2014

**MANAGERS**

	<b>Consumer Discretionary</b>	<b>Consumer Staples</b>	<b>Energy</b>	<b>Financials</b>	<b>Health Care</b>	<b>Industrials</b>	<b>Technology</b>	<b>Materials</b>	<b>Telecom. Services</b>	<b>Utilities</b>
Acadian Asset Management	9.5	3.9	19.4	29.2	5.8	9.4	10.4	4.6	2.8	4.9
American Century Invt Mgmt	20.2	6.9	4.0	17.9	4.3	24.5	11.8	6.2	0.0	0.0
Bernstein Inv Mgt & Research with look throughs	13.5	4.6	10.1	25.3	8.5	11.8	8.7	8.2	7.1	2.0
DFA International Small Cap	19.1	5.7	6.6	14.1	6.0	25.1	8.9	10.2	2.0	2.3
Hansberger Global Investors	19.8	10.2	3.7	16.0	10.6	14.2	8.5	8.7	6.4	1.9
Martin Currie	19.5	12.4	6.5	13.9	12.8	13.2	9.9	5.3	5.2	1.3
Templeton Invt Counsel LLC	31.1	6.9	5.4	13.7	6.0	16.1	14.0	5.1	0.0	0.0
BlackRock ACWI Ex US Superfund A	10.6	9.7	9.5	26.3	8.0	10.8	6.9	8.4	5.1	3.6
BlackRock Intl Small Cap Index look through	16.9	5.9	6.0	19.9	5.7	20.0	10.3	11.0	1.2	2.4
BlackRock Emerging Market Fund look through	9.1	8.2	10.7	26.8	1.8	6.5	17.1	8.8	6.9	3.5
<b>All International Equity Portfolios</b>	<b>12.8</b>	<b>8.7</b>	<b>8.6</b>	<b>23.8</b>	<b>7.8</b>	<b>12.4</b>	<b>8.4</b>	<b>8.2</b>	<b>5.1</b>	<b>2.9</b>
<b>International Custom Benchmark</b>	<b>12.8</b>	<b>8.8</b>	<b>9.2</b>	<b>23.6</b>	<b>8.0</b>	<b>12.3</b>	<b>8.4</b>	<b>7.9</b>	<b>4.8</b>	<b>3.0</b>
<b>Over/underweight(-)</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.6</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>-0.1</b>

## INTERNATIONAL PORTFOLIO CHARACTERISTICS

June 30, 2014

	Market Value	Number of Securities	3Yr Hist EPS Growth	Price/Earnings	Price/Book	Dividend Yield
<b>International Accounts with look throughs</b>	<b>1,774,730,507</b>	<b>8,407</b>	<b>8.6</b>	<b>14.8</b>	<b>1.7</b>	<b>2.76</b>

### International Equity Managers

Acadian Asset Management	113,497,636.3	456	33.5	10.6	1.3	3.0
American Century Invt Mgmt	30,652,256.3	106	30.6	21.3	2.4	1.5
Bernstein Inv Mgt & Research with look throughs	145,467,845.1	219	3.1	13.2	1.4	2.8
DFA International Small Cap	86,520,558.0	4,159	15.9	14.6	1.4	2.4
Hansberger Global Investors	121,456,838.1	63	10.4	18.4	2.4	2.0
Martin Currie	120,575,798.0	63	9.3	17.7	2.3	2.3
Templeton Invt Counsel LLC	41,960,201.0	110	5.4	16.6	1.7	2.3
BlackRock ACWI Ex US Superfund A	1,026,459,967.3	1,853	5.2	15.0	1.7	2.9
BlackRock Intl Small Cap Index look through	29,658,400.8	4,295	18.0	14.9	1.5	2.4
BlackRock Emerging Market Fund look through	45,335,915.3	843	8.3	12.1	1.5	2.7

### Benchmarks

MSCI All Country World Ex-United States		1,829	5.2	15.0	1.7	2.9
MSCI All Country World Ex-United States Growth		1,065	10.4	18.6	2.4	2.2
MSCI All Country World Ex-United States Value		997	0.0	12.7	1.3	3.7
MSCI EAFE Small Cap		2,182	17.8	14.6	1.5	2.3
MSCI World Ex-United States Small Cap		2,424	18.8	15.0	1.5	2.4
MSCI All Country Pacific		920	13.8	13.6	1.5	2.6
MSCI Europe		436	(1.3)	16.4	1.9	3.2

**INTERNATIONAL EQUITY**  
**Region and Market Exposure**  
June 30, 2014

Developed Countries	Aggregate	MSCI	3 Month	FYTD	Calendar	1 yr
	Int'l Portfolio	ACWI ex US				
	Weight (%)	IMI	Return	Return	YTD Return	Return
<b>Asia/Pacific</b>	<b>22.3%</b>	<b>23.7%</b>				<b>-1.43%</b>
Australia	4.40%	5.39%	1.6%	9.5%	6.3%	9.5%
Hong Kong	2.00%	2.00%	5.7%	8.7%	1.3%	8.7%
Japan	14.82%	15.00%	6.8%	2.4%	0.5%	2.4%
New Zealand	0.12%	0.18%	-0.4%	17.8%	12.9%	17.8%
Singapore	0.91%	1.11%	4.7%	0.7%	3.7%	0.7%
<b>European Union</b>	<b>24.9%</b>	<b>24.8%</b>				<b>0.07%</b>
Austria	0.40%	0.24%	-1.7%	13.0%	-1.8%	13.0%
Belgium	0.90%	0.87%	2.4%	22.8%	5.6%	22.8%
Denmark	1.10%	1.09%	5.0%	40.6%	19.4%	40.6%
Finland	0.67%	0.66%	1.9%	29.7%	1.7%	29.7%
France	6.91%	6.65%	-0.1%	17.0%	3.1%	17.0%
Germany	6.21%	6.32%	0.0%	18.9%	-0.1%	18.9%
Ireland	0.37%	0.26%	-9.0%	20.4%	-0.4%	20.4%
Italy	1.87%	1.95%	-3.4%	34.6%	11.2%	34.6%
Netherlands	1.89%	1.81%	-0.7%	13.5%	0.2%	13.5%
Portugal	0.17%	0.18%	-7.1%	23.0%	6.7%	23.0%
Spain	2.06%	2.54%	5.9%	42.9%	11.5%	42.9%
Sweden	2.35%	2.27%	-1.5%	10.4%	0.7%	10.4%
<b>Non-EU Europe</b>	<b>6.8%</b>	<b>6.7%</b>				<b>0.10%</b>
Norway	0.94%	0.74%	4.5%	11.9%	6.5%	11.9%
Switzerland	5.90%	5.99%	0.6%	15.1%	4.6%	15.1%
<b>North America</b>	<b>7.2%</b>	<b>7.8%</b>				<b>-0.60%</b>
Canada	6.98%	7.78%	9.7%	15.9%	11.2%	15.9%
USA	0.20%	0.00%	4.5%	16.8%	6.0%	16.8%
<b>United Kingdom</b>	<b>14.6%</b>	<b>15.3%</b>				<b>-0.68%</b>
United Kingdom	14.59%	15.27%	3.8%	13.7%	2.6%	13.7%
<b>Other</b>						
Other	0.73%	0.41%				
<b>DEVELOPED TOTAL</b>	<b>76.50%</b>	<b>78.72%</b>				<b>-2.22%</b>
<b>Emerging &amp; Frontier Market Countries</b>						
<b>Asia/Pacific</b>	<b>14.5%</b>	<b>13.6%</b>				<b>0.84%</b>
China	4.25%	3.90%	2.9%	8.2%	-2.4%	8.2%
India	1.66%	1.45%	14.3%	25.0%	23.7%	25.0%
Indonesia	0.53%	0.55%	-2.8%	-11.4%	18.9%	-11.4%
South Korea	3.76%	3.32%	6.2%	17.2%	4.0%	17.2%
Malaysia	0.72%	0.85%	2.9%	0.7%	2.2%	0.7%
Philippines	0.21%	0.21%	9.1%	-0.4%	18.9%	-0.4%
Taiwan	2.89%	2.83%	8.9%	16.2%	10.5%	16.2%
Thailand	0.46%	0.52%	7.5%	-5.9%	15.3%	-5.9%
<b>European Union</b>	<b>0.6%</b>	<b>0.6%</b>				<b>-0.04%</b>
Czech Republic	0.06%	0.05%	-0.3%	17.5%	6.5%	17.5%
Greece	0.15%	0.17%	-10.7%	54.8%	5.9%	54.8%
Hungary	0.05%	0.04%	2.2%	-11.4%	-6.6%	-11.4%
Poland	0.31%	0.34%	-2.5%	11.0%	0.6%	11.0%
<b>Non-EU Europe</b>	<b>1.1%</b>	<b>1.0%</b>				<b>0.06%</b>
Russia	1.09%	1.03%	9.9%	-1.6%	-6.3%	-1.6%
<b>Latin America/Caribbean</b>	<b>4.1%</b>	<b>3.8%</b>				<b>0.28%</b>
Brazil	2.41%	2.17%	5.7%	7.2%	7.4%	7.2%
Chile	0.28%	0.32%	0.6%	-11.9%	-2.4%	-11.9%
Colombia	0.16%	0.19%	5.5%	-0.2%	10.6%	-0.2%
Mexico	1.07%	1.02%	6.1%	2.1%	1.1%	2.1%
Peru	0.14%	0.09%	8.3%	15.4%	11.9%	15.4%
<b>Mid East/Africa</b>	<b>2.1%</b>	<b>2.2%</b>				<b>-0.12%</b>
Egypt	0.03%	0.06%	2.2%	42.4%	16.3%	42.4%
Qatar	0.07%	0.09%	-3.4%	15.3%	7.8%	15.3%
South Africa	1.41%	1.59%	4.2%	14.1%	7.8%	14.1%
Turkey	0.45%	0.36%	1.3%	-3.7%	17.4%	-3.7%
United Arab Emirates	0.13%	0.10%	-0.8%	38.8%	12.8%	38.8%
<b>Frontier</b>	<b>0.01%</b>	<b>0.00%</b>				<b>0.01%</b>
<b>EMERGING &amp; FRONTIER TOTAL</b>	<b>22.3%</b>	<b>21.3%</b>				<b>1.05%</b>

# MEMORANDUM

Montana Board of Investments

Department of Commerce

2401 Colonial Drive, 3<sup>rd</sup> Floor

Helena, MT 59601 (406) 444-0001

**To:** Members of the Board

**From:** Rande R. Muffick, CFA  
Portfolio Manager – Public Equities

**Date:** August 20, 2014

**Subject:** Public Equity External Managers Watch List - Quarterly Update

There was one addition to the Watch List this quarter. Martin Currie was added due to lagging performance and an ownership change. Legg Mason has agreed to acquire the firm with the transaction to close sometime in the fourth quarter of this year.

**PUBLIC EQUITIES  
MANAGER WATCH LIST**  
August 2014

<u>Manager</u>	<u>Style Bucket</u>	<u>Reason</u>	<u>\$ Invested (mil)</u>	<u>Inclusion Date</u>
Alliance Bernstein	International – LC Value	Performance	\$118.7	August 2012
Hansberger	International – LC Growth	Performance, Ownership Change	\$121.4	May 2013
Martin Currie	International – LC Growth	Performance, Ownership Change	\$120.8	August 2014

[Return to Agenda](#)

# Private Equity & Real Estate

# MEMORANDUM

Montana Board of Investments

Department of Commerce  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
Helena, MT 59601 (406) 444-0001

**To:** Members of the Board  
**From:** Ethan Hurley, Portfolio Manager – Alternative Investments  
**Date:** August 19, 2014  
**Subject:** Montana Private Equity Pool (MPEP)

Following this memo are the items listed below:

- (i) **Montana Private Equity Pool Review:**  
Comprehensive overview of the private equity portfolio for the quarter ended March 31<sup>st</sup>.
- (ii) **New Commitments:**  
The table below summarizes the investment decisions made by staff since the last Board meeting. Four commitments were made to Kinderhook Capital Fund IV, LP for \$20M, The Catalyst Fund IV Parallel Limited Partnership, LP for \$15M, Guardian Capital Partners Fund II, LP for \$20M and to Veritas Capital Fund V, LP for \$20M. Investment briefs summarizing these funds and the general partners follow.

Fund Name	Vintage	Subclass	Sector	Amount	Date
Kinderhook Capital Fund V, LP	2014	Buyout	Diversified	\$20M	5/30/14
The Catalyst Fund IV Parallel Limited Partnership, LP	2014	Distressed	Diversified	\$15M	5/30/14
Guardian Capital Partners Fund II, LP	2014	Buyout	Diversified	\$20M	6/9/14
Veritas Capital Fund V, LP	2014	Buyout	Diversified	\$20M	7/9/14

- (iii) **Portfolio Index Comparison:**  
Table comparing the performance of the private equity portfolio to the State Street Private Equity Index<sup>TM</sup>.

# **Montana Board of Investments**

## **Private Equity Board Report**

**Q1 2014**

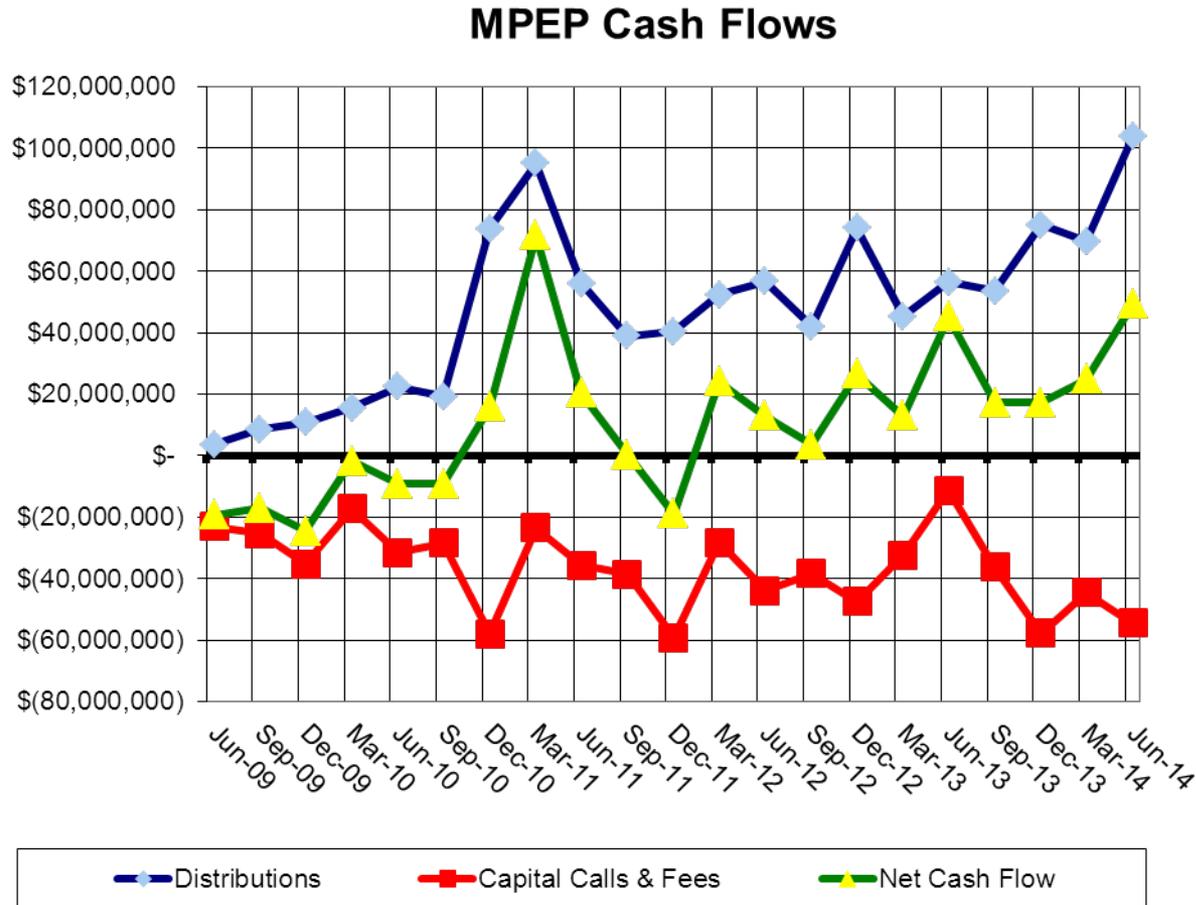
**Due to, among other things, the lack of a valuation standard in the private equity industry, differences in the pace of investment across funds and the understatement of returns in the early years of a fund's life, the internal rate of return information may not accurately reflect current or expected future returns, and the internal rates of return and all other disclosures with respect to the Partnerships have not been prepared, reviewed or approved by the Partnerships, the General Partners, or any other affiliates.**

# Contents

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- **Quarterly Cash Flow Chart**
- **Strategy – Total Exposure Chart**
- **Industry – Market Value Exposure Chart**
- **Geography – Total Exposure Chart**
- **Investment Vehicle – Total Exposure Chart**
- **Periodic Return Comparison**
- **LPs by Family of Funds Table**

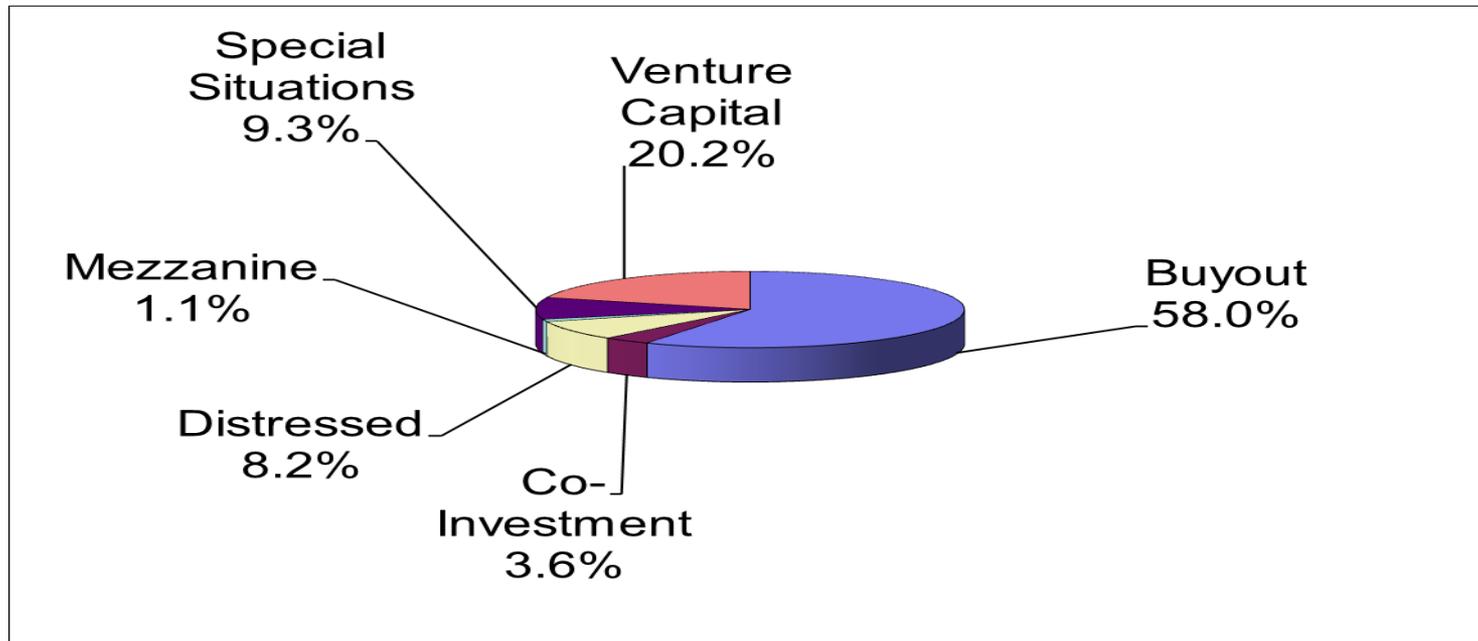
# MPEP Quarterly Cash Flow June 30, 2009 through June 30, 2014



Net cash flow for the quarter ending 6/30/14 remained positive as distributions continued to outpace capital calls. Broadly speaking relative to 1Q14, US leveraged buyout activity for the period ending 2Q14 was up slightly both in terms of dollar volume and number of transactions. In terms of the US IPO market, there were 89 public company debuts in 2Q14, representing \$21.5 billion in proceeds raised. On an annual basis, this represents an increase of 41% over the 63 public listings in the 2Q13, and a 63% increase over the \$13.2 billion raised. For 1H14, there were a total of 160 IPOs, generating \$32.4 billion in proceeds compared to 97 IPOs totaling \$21 billion in the same period the previous year.

# Q1 2014 Strategy – Total Exposure

(Since inception through March 31, 2014)

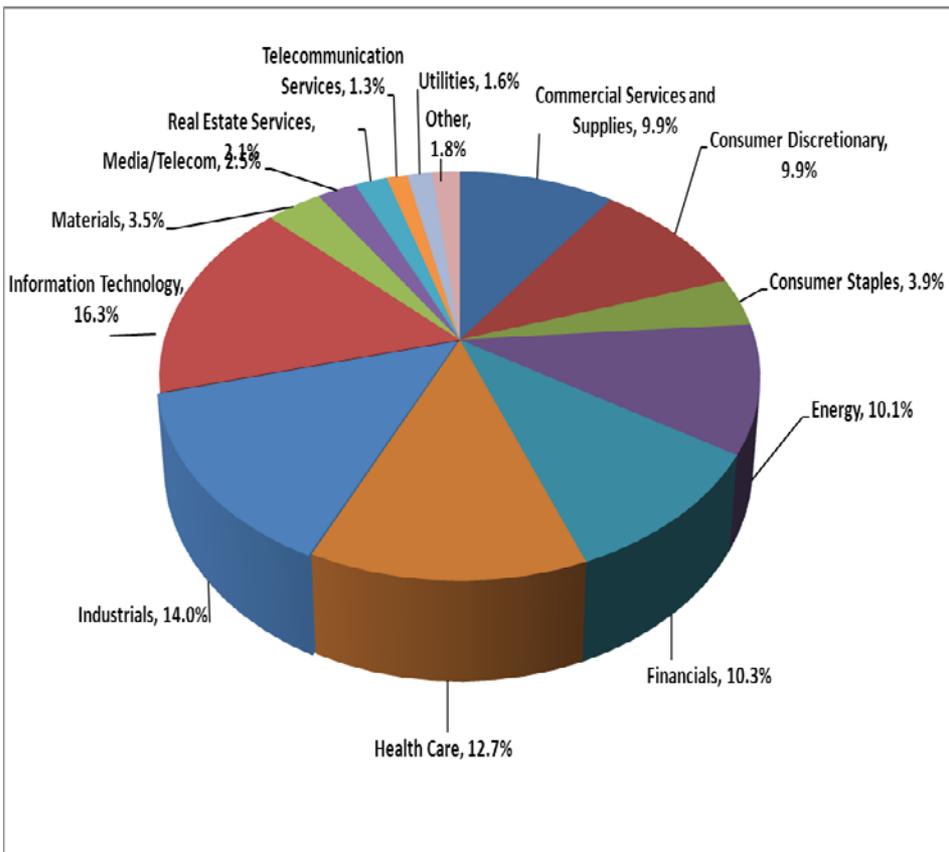


Strategy	Remaining Commitments	Percentage	Market Value	Percentage	Total Exposure	Percentage
Buyout	\$473,188,570	69.1%	\$584,041,715	51.3%	\$1,057,230,285	58.0%
Co-Investment	\$18,159,643	2.7%	\$46,729,062	4.1%	\$64,888,705	3.6%
Distressed	\$45,138,376	6.6%	\$105,085,879	9.2%	\$150,224,256	8.2%
Mezzanine	\$1,251,182	0.2%	\$18,531,472	1.6%	\$19,782,653	1.1%
Special Situations	\$76,886,093	11.2%	\$90,548,020	8.0%	\$167,434,113	9.2%
Venture Capital	\$70,578,707	10.3%	\$293,510,714	25.8%	\$364,089,421	20.0%
<b>Total</b>	<b>\$685,202,570</b>	<b>100.0%</b>	<b>\$1,138,446,863</b>	<b>100.0%</b>	<b>\$1,823,649,433</b>	<b>100.0%</b>

The portfolio is well diversified by strategy, with the most significant strategy weight consisting of Buyout at 57.9% of total exposure. When combined with Co-Investment and Special Situations, the overall exposure to Buyout strategies is approximately 71%. Strategic allocations are expected to remain relatively stable going forward. That said, the Distressed allocation should continue to decline marginally in the near-term given the ongoing liquidation of mature funds in this category.

# Q1 2014 Industry – Market Value Exposure

(Since inception through March 31, 2014)

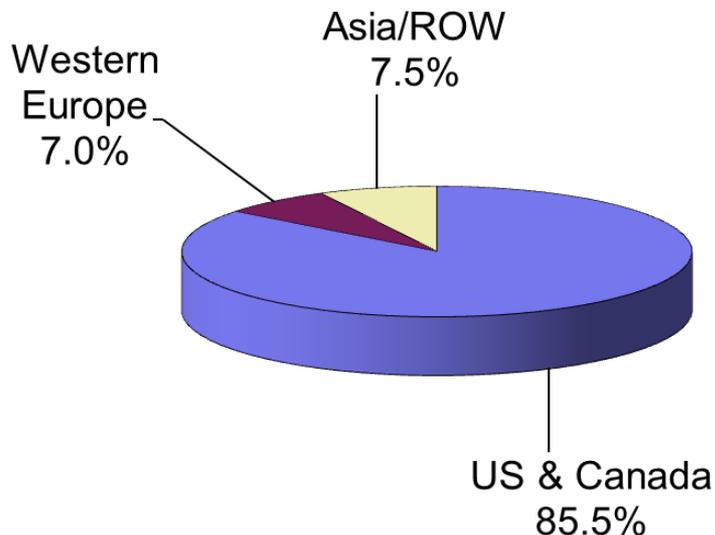


Industry	Investments, At Market Value	Percentage
Commercial Services and Supplies	111,189,665	9.9%
Consumer Discretionary	111,158,808	9.9%
Consumer Staples	43,064,255	3.9%
Energy	113,253,836	10.1%
Financials	115,638,100	10.3%
Health Care	141,950,843	12.7%
Industrials	156,659,350	14.0%
Information Technology	181,954,649	16.3%
Materials	39,641,773	3.5%
Media/Telecom	28,078,928	2.5%
Real Estate Services	23,186,040	2.1%
Telecommunication Services	14,769,250	1.3%
Utilities	17,910,598	1.6%
Other	19,652,450	1.8%
<b>Total</b>	<b>1,118,108,547</b>	<b>100%</b>

The portfolio is broadly diversified by industry with the energy, financials, healthcare, industrials and information technology sectors representing the five largest industry exposures at approximately 63% of total assets. With the exception of energy and the information technology-related industries, the portfolio's underlying managers tend to be multi-sector investors. Therefore, composition of the portfolio by industry is and will continue to primarily be a function of a manager's industry expertise and success in sourcing deals rather than a function of staff's desire to over or underweight a specific industry.

# Q1 2014 Geography – Total Exposure

(Since inception through March 31, 2014)



The portfolio's predominate geographic exposure is to developed North America, representing 85.5% of the market value and uncalled capital domiciled in or targeted for the US and Canada. No significant divergence from this is expected in the near-term. Targeted international investments will continue to be made largely through fund-of-funds given existing constraints on internal resources.

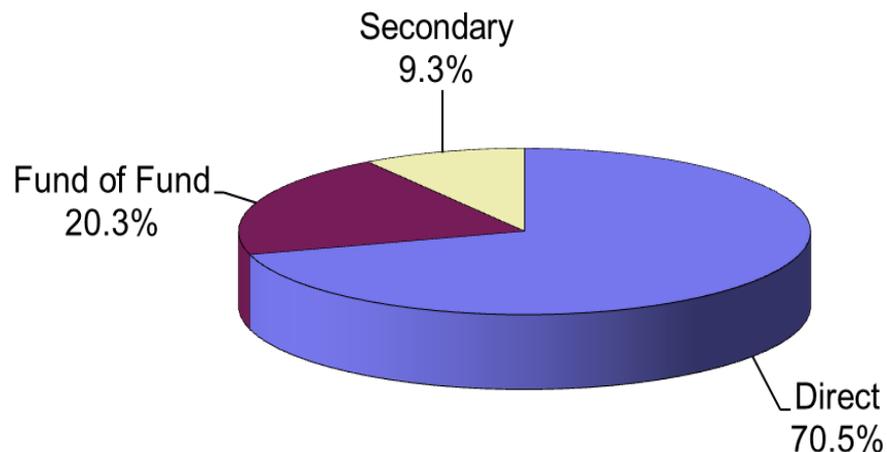
Geography	Remaining Commitments (1)	Percentage	Market Value (2)	Percentage	Total Exposure	Percentage
US & Canada	\$ 617,825,812	90.2%	\$ 924,376,654	82.7%	\$ 1,542,202,465	85.5%
Western Europe	\$ 19,567,818	2.9%	\$ 106,407,160	9.5%	\$ 125,974,978	7.0%
Asia/ROW	\$ 47,808,940	7.0%	\$ 87,324,734	7.8%	\$ 135,133,674	7.5%
<b>Total</b>	<b>\$ 685,202,570</b>	<b>100.0%</b>	<b>\$ 1,118,108,547</b>	<b>100.0%</b>	<b>\$ 1,803,311,118</b>	<b>100.0%</b>

(1) Remaining commitments are based upon the investment location of the partnerships.

(2) Market Value represents the aggregate market values of the underlying investment companies of the partnerships.

# Q1 2014 Investment Vehicle – Total Exposure

(Since inception through March 31, 2014)



The portfolio is invested primarily through direct private equity commitments. To the extent the quality of managers invested with directly is comparable to the quality of managers available through a fund-of-funds, a direct strategy should outperform fund-of-funds due to a reduced fee burden. In the medium-term, the portfolio is likely to continue to depend upon fund-of-funds managers for targeted international investments as well as for maintaining its core allocation to domestic venture capital. Longer term it is the intention of staff to leverage the fund-of-funds relationships to slowly, but not entirely move away from this model in order to access more of these specialized managers directly and to reduce overall costs. Non-venture domestic exposure will be accessed directly.

Investment Vehicle	Remaining Commitments	Percentage	Market Value	Percentage	Total Exposure	Percentage
Direct	\$ 523,146,498	76.3%	\$ 761,862,883	66.9%	\$ 1,285,009,380	70.5%
Fund of Fund	\$ 118,288,227	17.3%	\$ 251,631,949	22.1%	\$ 369,920,177	20.3%
Secondary	\$ 43,767,845	6.4%	\$ 124,952,031	11.0%	\$ 168,719,876	9.3%
<b>Total</b>	<b>\$ 685,202,570</b>	<b>100.0%</b>	<b>\$ 1,138,446,863</b>	<b>100.0%</b>	<b>\$ 1,823,649,433</b>	<b>100.0%</b>

# Q1 2014 1 – 3 – 5 – 7 Year Periodic Return Comparison

Description	Current					1 Year Return	3 Year Return	5 Year Return	7 Year Return
	Count	Ending Market Value	Investment Multiple	Inception To Date IRR	Contribution To IRR	Annual Rate of Return			
<b>Total</b>	152	1,138,446,863	1.51	12.73	12.73	15.92	12.67	15.79	8.47
<i>Adams Street Funds</i>	34	132,859,560	1.59	12.35	2.52	18.16	9.72	13.82	6.17
<i>Buyout</i>	43	411,415,342	1.66	12.68	5.63	19.84	17.25	18.37	10.99
<i>Co-Investment</i>	3	46,729,062	1.42	9.81	0.31	24.36	12.18	19.38	9.75
<i>Distressed</i>	11	102,894,570	1.50	24.28	1.57	10.37	13.14	23.68	12.32
<i>Mezzanine</i>	3	14,319,847	1.37	7.80	0.12	16.45	8.90	3.56	5.05
<i>Non-US Private Equity</i>	11	94,024,083	1.18	6.00	0.34	11.80	7.97	14.91	0.12
<i>Secondary</i>	8	116,868,496	1.46	13.59	1.11	16.58	12.76	14.96	9.66
<i>Special Situations</i>	9	87,768,968	1.21	6.40	0.41	(0.00)	3.66	8.46	5.99
<i>Venture Capital</i>	30	131,566,935	1.40	15.62	0.70	16.21	11.93	11.27	8.25

1.) Due to, among other things, the lack of a valuation standard in the private equity industry, differences in the pace of investment across funds and the understatement of returns in the early years of a fund's life, the internal rate of return information does not accurately reflect current or expected future returns, and the internal rates of return and all other disclosures with respect to the Partnerships have not been prepared, reviewed or approved by the Partnerships, the General Partners, or any other affiliates.

As of 3/31/14, the portfolio's since inception net investment multiple and net IRR results increased slightly relative to last quarter 1.51x and 12.71% compared to 1.49x and 12.62% last quarter. As of quarter end, all strategy categories performed approximately in-line relative to last quarter's performance. This exhibit will reflect 10-year IRR return data in the future once the necessary data has been gathered by our administrator.

# Q1 2014 LPs by Family of Funds

		Since Inception									
Description	Vintage Year	Capital			Remaining	% Capital	Ending Market	Investment		Total Exposure	
		Commitment	Contributed for Investment	Management Fees				Commitment	Contributed/C omitted		Value
<b>LPs By Family of Funds (Active)</b>											
<b>Total</b>		<b>2,562,363,173.73</b>	<b>1,765,001,448</b>	<b>143,875,686</b>	<b>685,202,570</b>	<b>74.50</b>	<b>1,743,812,977</b>	<b>1,138,446,863</b>	<b>12.73</b>	<b>1.51</b>	<b>1,823,649,433.29</b>
<b>Adams Street Partners</b>		295,356,964.00	263,097,112	28,929,249	15,157,960	98.87	304,830,291	132,859,560	7.75	1.50	148,017,520.00
<b>Adams Street Partners Fund - U.S.</b>		94,000,000.00	80,630,382	7,125,118	6,244,500	93.36	72,135,678	58,219,410	8.06	1.49	64,463,910.00
Adams Street - 2002 U.S. Fund, L.P.	2002	34,000,000.00	29,641,828	2,726,172	1,632,000	95.20	33,015,016	18,059,370	9.02	1.58	19,691,370.00
Adams Street - 2003 U.S. Fund, L.P.	2003	20,000,000.00	17,318,750	1,481,250	1,200,000	94.00	16,146,033	12,116,985	8.27	1.50	13,316,985.00
Adams Street - 2004 U.S. Fund, L.P.	2004	15,000,000.00	12,678,399	1,121,601	1,200,000	92.00	10,432,809	9,488,049	7.38	1.44	10,688,049.00
Adams Street - 2005 U.S. Fund, L.P.	2005	25,000,000.00	20,991,405	1,796,095	2,212,500	91.15	12,541,820	18,555,006	6.58	1.36	20,767,506.00
<b>Adams Street Partners Fund - Non-U.S.</b>		16,000,000.00	13,909,182	1,199,818	891,000	94.43	13,239,259	9,753,462	9.34	1.52	10,644,462.00
Adams Street - 2002 Non-U.S. Fund, L.P.	2002	6,000,000.00	5,299,155	466,845	234,000	96.10	7,505,409	2,499,472	12.70	1.74	2,733,472.00
Adams Street - 2004 Non-U.S. Fund, L.P.	2004	5,000,000.00	4,388,309	377,191	234,500	95.31	3,453,758	3,338,875	7.59	1.43	3,573,375.00
Adams Street - 2005 Non-U.S. Fund, L.P.	2005	5,000,000.00	4,221,718	355,782	422,500	91.55	2,280,092	3,915,115	6.14	1.35	4,337,615.00
<b>Brinson Partnership Trust - Non-U.S.</b>		9,809,483.00	9,656,562	1,156,618	231,648	110.23	16,017,759	2,794,768	12.97	1.74	3,026,416.00
Brinson Non-U.S. Trust-1999 Primary Fund	1999	1,524,853.00	1,507,418	179,793	96,162	110.65	2,590,285	222,253	10.91	1.67	318,415.00
Brinson Non-U.S. Trust-2000 Primary Fund	2000	1,815,207.00	1,815,207	214,028	0	111.79	3,121,937	401,198	12.04	1.74	401,198.00
Brinson Non-U.S. Trust-2001 Primary Fund	2001	1,341,612.00	1,341,612	158,187	0	111.79	2,205,778	250,247	11.62	1.64	250,247.00
Brinson Non-U.S. Trust-2002 Primary Fund	2002	1,696,452.00	1,696,452	200,025	0	111.79	2,368,728	620,062	8.88	1.58	620,062.00
Brinson Non-U.S. Trust-2002 Secondary	2002	637,308.00	637,308	75,144	0	111.79	1,481,483	65,409	26.07	2.17	65,409.00
Brinson Non-U.S. Trust-2003 Primary Fund	2003	1,896,438.00	1,802,863	223,605	93,575	106.86	3,349,464	705,250	20.56	2.00	798,825.00
Brinson Non-U.S. Trust-2004 Primary Fund	2004	897,613.00	855,702	105,835	41,911	107.12	900,084	530,349	8.78	1.49	572,260.00
<b>Brinson Partnership Trust - U.S.</b>		95,547,481.00	91,751,846	10,291,835	4,015,812	106.80	124,054,790	27,445,961	7.51	1.48	31,461,773.00
Brinson Partners - 1998 Primary Fund	1998	7,161,019.00	7,122,251	840,141	38,768	111.19	10,819,769	174,551	6.45	1.38	213,319.00
Brinson Partners - 1999 Primary Fund	1999	8,346,761.00	7,998,817	986,862	347,944	107.65	9,619,329	843,826	2.61	1.16	1,191,770.00
Brinson Partners - 2000 Primary Fund	2000	20,064,960.00	19,087,369	2,309,370	985,390	106.64	26,590,149	3,114,500	5.87	1.39	4,099,890.00
Brinson Partners - 2001 Primary Fund	2001	15,496,322.00	14,995,863	1,625,664	666,114	107.26	18,472,395	5,391,761	6.11	1.44	6,057,875.00
Brinson Partners - 2002 Primary Fund	2002	16,297,079.00	15,783,921	1,704,675	513,158	107.31	23,953,640	5,428,451	11.72	1.68	5,941,609.00
Brinson Partners - 2002 Secondary Fund	2002	2,608,820.00	2,545,315	267,863	110,228	107.83	4,227,089	672,219	12.86	1.74	782,447.00
Brinson Partners - 2003 Primary Fund	2003	15,589,100.00	14,784,432	1,603,164	804,668	105.12	18,737,395	6,149,885	9.53	1.52	6,954,553.00
Brinson Partners - 2003 Secondary Fund	2003	1,151,151.00	1,094,757	110,013	56,394	104.66	2,481,325	171,931	22.76	2.20	228,325.00
Brinson Partners - 2004 Primary Fund	2004	8,832,269.00	8,339,121	844,083	493,148	103.97	9,153,699	5,498,837	9.02	1.60	5,991,985.00
Adams Street Global Oppty Secondary Fund	2004	25,000,000.00	19,734,972	1,490,028	3,775,000	84.90	24,246,403	7,173,976	10.94	1.48	10,948,976.00
Adams Street V, L.P.	2003	40,000,000.00	34,653,912	5,426,088	0	100.20	31,905,958	23,874,341	5.40	1.39	23,874,341.00
BVCF IV, L.P.	1999	15,000,000.00	12,760,256	2,239,744	0	100.00	23,230,444	3,597,642	7.39	1.79	3,597,642.00

# Q1 2014 LPs by Family of Funds – Continued

Description	Vintage Year	Since Inception									
		Capital Contributed for Commitment	Capital Investment	Management Fees	Remaining Commitment	% Capital Contributed/C ommitted	Capital Distributed	Ending Market Value	Net IRR	Investment Multiple	Total Exposure
<b>Affinity Asia Capital</b>		35,000,000.00	12,302,097	2,524,781	20,158,037	42.36	3,897,161	18,316,619	12.90	1.50	38,474,656.34
Affinity Asia Pacific Fund III, L.P.	2006	15,000,000.00	11,313,542	2,062,416	1,625,710	89.17	3,897,162	17,092,860	13.42	1.57	18,718,569.53
Affinity Asia Pacific Fund IV, L.P.	2013	20,000,000.00	988,555	462,365	18,532,328	7.25	0	1,223,759	-15.22	0.84	19,756,086.81
<b>American Securities LLC</b>		35,000,000.00	9,951,541	1,254,802	23,793,657	32.02	19,733	16,722,791	25.39	1.49	40,516,448.00
American Securities Partners VI, L.P.	2011	35,000,000.00	9,951,541	1,254,802	23,793,657	32.02	19,733	16,722,791	25.39	1.49	40,516,448.00
<b>ArcLight Energy Partners</b>		70,000,000.00	50,430,595	3,900,757	15,668,671	77.62	55,740,552	23,289,404	11.60	1.45	38,958,075.00
ArcLight Energy Partners Fund II, L.P.	2004	25,000,000.00	19,904,269	1,269,911	3,825,820	84.70	33,185,476	834,956	16.78	1.61	4,660,776.00
ArcLight Energy Partners Fund III, L.P.	2006	25,000,000.00	19,752,166	1,851,535	3,396,322	86.41	21,604,298	10,357,797	7.81	1.48	13,754,119.00
ArcLight Energy Partners Fund V, L.P.	2011	20,000,000.00	10,774,160	779,311	8,446,529	57.77	950,778	12,096,651	12.02	1.13	20,543,180.00
<b>Audax</b>		25,000,000.00	4,097,741	0	20,902,259	16.39	0	4,737,129	12.84	1.16	25,639,388.00
Audax Private Equity Fund IV, L.P.	2012	25,000,000.00	4,097,741	0	20,902,259	16.39	0	4,737,129	12.84	1.16	25,639,388.00
<b>Avenue Investments</b>		35,000,000.00	33,123,011	2,086,886	0	100.00	46,063,536	289,380	10.97	1.32	289,380.00
Avenue Special Situations Fund V, LP	2007	35,000,000.00	33,123,011	2,086,886	0	100.00	46,063,536	289,380	10.97	1.32	289,380.00
<b>Axiom Asia Private Capital</b>		50,000,000.00	20,591,856	1,795,725	27,650,903	44.78	2,496,591	22,887,341	7.47	1.13	50,538,244.00
Axiom Asia Private Capital II, LP	2009	25,000,000.00	16,688,937	1,360,616	6,988,931	72.20	2,496,583	18,681,560	8.29	1.17	25,670,491.00
Axiom Asia Private Capital III, LP	2012	25,000,000.00	3,902,919	435,109	20,661,972	17.35	8	4,205,781	-4.93	0.97	24,867,753.00
<b>Black Diamond Capital Management</b>		25,000,000.00	12,938,711	969,692	11,091,597	55.63	728,410	16,953,207	15.64	1.27	28,044,803.76
BDCM Opportunity Fund III, L.P.	2011	25,000,000.00	12,938,711	969,692	11,091,597	55.63	728,410	16,953,207	15.64	1.27	28,044,803.76
<b>Carlyle Partners</b>		60,000,000.00	49,867,325	5,056,902	5,487,778	91.54	68,204,863	30,348,996	11.94	1.79	35,836,774.00
Carlyle Partners IV, L.P.	2005	35,000,000.00	30,710,214	1,664,556	2,801,627	92.50	52,472,312	15,346,389	13.79	2.09	18,148,016.00
Carlyle U.S. Growth Fund III, L.P.	2006	25,000,000.00	19,157,111	3,392,346	2,686,151	90.20	15,732,551	15,002,607	7.32	1.36	17,688,758.00
<b>Cartesian Capital Group, LLC</b>		20,000,000.00	5,448,118	617,202	13,934,680	30.33	29,479	5,889,580	-1.87	0.98	19,824,260.00
Pangaea Two, L.P.	2012	20,000,000.00	5,448,118	617,202	13,934,680	30.33	29,479	5,889,580	-1.87	0.98	19,824,260.00
<b>CCMP Associates</b>		55,000,000.00	26,851,669	2,963,692	25,183,834	54.21	19,745,433	29,219,064	14.54	1.64	54,402,898.00
CCMP Capital Investors II, L.P.	2006	30,000,000.00	25,234,544	2,595,231	2,170,225	92.77	19,745,433	27,733,018	14.85	1.71	29,903,243.00
CCMP Capital Investors III, L.P.	2013	25,000,000.00	1,617,125	368,461	23,013,609	7.94	0	1,486,046	-55.90	0.75	24,499,655.00
<b>Centerbridge</b>		57,500,000.00	39,843,432	1,939,164	15,717,404	72.67	9,932,919	41,975,362	11.48	1.24	57,692,766.00
Centerbridge Capital Partners II, L.P.	2011	25,000,000.00	15,562,685	1,094,911	8,342,404	66.63	289,462	18,738,144	8.72	1.14	27,080,548.00
Centerbridge Special Credit Partners	2009	12,500,000.00	10,344,120	280,880	1,875,000	85.00	9,643,457	6,653,295	12.40	1.53	8,528,295.00
Centerbridge Special Credit Partners II	2012	20,000,000.00	13,936,627	563,373	5,500,000	72.50	0	16,583,923	13.19	1.14	22,083,923.00
<b>CIVC Partners</b>		25,000,000.00	11,415,356	2,007,720	11,767,496	53.69	11,737,570	9,774,535	32.64	1.60	21,542,030.60
CIVC Partners Fund IV, L.P.	2010	25,000,000.00	11,415,356	2,007,720	11,767,496	53.69	11,737,570	9,774,535	32.64	1.60	21,542,030.60
<b>Energy Investors Funds</b>		25,000,000.00	8,647,054	1,564,234	14,788,712	40.85	1,071,047	8,546,843	-4.70	0.94	23,335,555.00
EIF US Power Fund IV, L.P.	2011	25,000,000.00	8,647,054	1,564,234	14,788,712	40.85	1,071,047	8,546,843	-4.70	0.94	23,335,555.00

# Q1 2014 LPs by Family of Funds - Continued

Description	Vintage Year	Since Inception									
		Capital Committed	Capital Contributed for Investment	Management Fees	Remaining Commitment	%Capital Contributed/C ommitted	Capital Distributed	Ending Market Value	Net IFR	Investment Multiple	Total Exposure
<b>Eureka Capital Partners</b>		20,000,000.00	2,392,623	600,000	17,229,133	14.96	0	4,934,411	64.89	1.65	22,163,544.00
Eureka III, L.P.	2012	20,000,000.00	2,392,623	600,000	17,229,133	14.96	0	4,934,411	64.89	1.65	22,163,544.00
<b>First Reserve</b>		55,485,789.47	52,900,427	2,643,679	2,922,362	100.11	21,664,244	37,784,414	1.88	1.07	40,706,776.00
First Reserve Fund XI, L.P.	2006	30,000,000.00	30,678,911	1,047,014	0	105.75	15,775,129	17,857,069	1.46	1.06	17,857,069.00
First Reserve Fund XII, L.P.	2008	25,485,789.47	22,221,516	1,596,664	2,922,362	93.46	5,889,115	19,927,345	2.59	1.08	22,849,707.00
<b>GI Partners</b>		20,000,000.00	0	0	20,000,000	0.00	0	0	N/A	0.00	20,000,000.00
GI Partners IV	2014	20,000,000.00	0	0	20,000,000	0.00	0	0	N/A	0.00	20,000,000.00
<b>Gridiron Capital</b>		15,000,000.00	7,478,906	618,855	6,961,861	53.99	141,564	9,450,631	10.03	1.18	16,412,492.00
Gridiron Capital Fund II, LP	2011	15,000,000.00	7,478,906	618,855	6,961,861	53.99	141,564	9,450,631	10.03	1.18	16,412,492.00
<b>GTCR LLC</b>		25,000,000.00	18,772,907	629,025	5,598,068	77.61	890,323	17,877,584	-2.10	0.97	23,475,652.00
GTCR X, L.P.	2011	25,000,000.00	18,772,907	629,025	5,598,068	77.61	890,323	17,877,584	-2.10	0.97	23,475,652.00
<b>HarbourVest Direct 2007 Fund</b>		20,000,000.00	18,136,824	713,176	1,150,000	94.25	5,286,103	21,531,491	9.97	1.42	22,681,491.00
Dover Street VII L.P.	2008	20,000,000.00	17,730,308	1,033,217	1,250,000	93.82	10,539,174	16,961,122	13.57	1.47	18,211,122.00
Dover Street VIII LP	2012	25,000,000.00	5,120,290	135,915	19,750,000	21.02	1,113,752	6,320,544	68.94	1.41	26,070,544.00
HarbourVest Direct 2007 Fund	2007	20,000,000.00	18,136,824	713,176	1,150,000	94.25	5,286,103	21,531,491	9.97	1.42	22,681,491.00
HarbourVest Intl Private Equity Fund VI	2008	21,823,772.34	8,049,924	471,016	13,773,848	39.04	2,303,001	7,382,976	8.49	1.14	21,156,824.09
<b>Hellman &amp; Friedman</b>		40,000,000.00	30,655,767	2,080,417	7,263,816	81.84	22,775,271	26,901,653	12.08	1.52	34,165,469.00
Hellman & Friedman Capital Partners VI	2006	25,000,000.00	22,443,557	1,468,691	1,087,752	95.65	22,059,572	17,842,886	12.32	1.67	18,930,638.00
Hellman & Friedman Capital Partners VII	2011	15,000,000.00	8,212,210	611,726	6,176,064	58.83	715,699	9,058,767	8.53	1.11	15,234,831.00
<b>Highway 12 Ventures</b>		10,000,000.00	8,092,091	1,726,816	181,093	98.19	1,074,322	11,973,133	6.91	1.33	12,154,226.06
Highway 12 Venture Fund II, L.P.	2006	10,000,000.00	8,092,091	1,726,816	181,093	98.19	1,074,322	11,973,133	6.91	1.33	12,154,226.06
<b>HKW Capital Partners</b>		20,000,000.00	0	0	20,000,000	0.00	0	192,542	N/A	0.00	20,192,542.00
HKW Capital Partners IV, L.P.	2012	20,000,000.00	0	0	20,000,000	0.00	0	192,542	N/A	0.00	20,192,542.00
<b>Industry Ventures</b>		10,000,000.00	9,166,021	838,115	400,001	100.04	7,942,615	4,064,003	4.43	1.20	4,464,004.00
Industry Ventures Fund IV, L.P.	2005	10,000,000.00	9,166,021	838,115	400,001	100.04	7,942,615	4,064,003	4.43	1.20	4,464,004.00
<b>JCF</b>		25,000,000.00	23,213,324	1,188,295	673,129	97.61	1,621,477	7,032,107	-16.07	0.35	7,705,236.00
J.C. Flowers II, L.P.	2006	25,000,000.00	23,213,324	1,188,295	673,129	97.61	1,621,477	7,032,107	-16.07	0.35	7,705,236.00
<b>Joseph Littlejohn &amp; Levy</b>		25,000,000.00	22,906,975	1,092,574	1,000,451	96.00	28,884,063	12,891,396	12.75	1.74	13,891,847.00
JLL Partners Fund V, L.P.	2005	25,000,000.00	22,906,975	1,092,574	1,000,451	96.00	28,884,063	12,891,396	12.75	1.74	13,891,847.00
<b>KKR</b>		25,000,000.00	25,000,000	1,750,674	1,672	107.00	61,437,379	335,278	19.81	2.31	336,950.00
KKR European Fund, L. P.	1999	25,000,000.00	25,000,000	1,750,674	1,672	107.00	61,437,379	335,278	19.81	2.31	336,950.00
<b>Lexington Capital Partners</b>		155,000,000.00	131,263,494	7,644,439	16,166,613	89.62	127,704,598	77,087,585	13.95	1.47	93,254,198.00
Lexington Capital Partners V, L.P.	2001	50,000,000.00	46,997,565	2,759,053	243,382	99.51	75,203,483	8,155,229	18.48	1.68	8,398,611.00
Lexington Capital Partners VI-B, L.P.	2005	50,000,000.00	46,417,884	2,849,003	733,113	98.53	34,474,309	31,181,707	7.13	1.33	31,914,820.00
Lexington Capital Partners VII, L.P.	2009	45,000,000.00	30,281,407	1,706,485	13,086,654	71.08	14,392,062	30,752,292	19.86	1.41	43,838,946.00
Lexington Middle Market Investors II, LP	2008	10,000,000.00	7,566,638	329,898	2,103,464	78.97	3,634,744	6,998,357	15.07	1.35	9,101,821.00
<b>Madison Dearborn Capital Partners</b>		75,000,000.00	57,430,825	3,353,255	14,368,672	81.05	59,448,369	43,957,127	12.28	1.70	58,325,799.22
Madison Dearborn Capital Partners IV, LP	2001	25,000,000.00	23,823,838	590,665	736,233	97.66	43,970,740	4,062,143	15.04	1.97	4,798,376.22
Madison Dearborn Capital Partners V, LP	2006	25,000,000.00	19,767,799	1,147,065	4,085,136	83.66	9,463,131	22,484,495	7.04	1.53	26,569,631.00
Madison Dearborn Capital Partners VI, LP	2008	25,000,000.00	13,839,187	1,615,525	9,547,303	61.82	6,014,498	17,410,489	18.52	1.52	26,957,792.00
<b>Matlin Patterson</b>		30,000,000.00	23,641,566	2,439,747	3,918,687	86.94	13,377,161	22,087,973	7.51	1.36	26,006,659.57
MatlinPatterson Global Opps. Ptrns. III	2007	30,000,000.00	23,641,566	2,439,747	3,918,687	86.94	13,377,161	22,087,973	7.51	1.36	26,006,659.57
<b>MHR Institutional Partners</b>		25,000,000.00	13,010,354	2,771,653	9,217,993	63.13	9,121,520	18,819,669	9.86	1.77	28,037,662.00
MHR Institutional Partners III, L.P.	2006	25,000,000.00	13,010,354	2,771,653	9,217,993	63.13	9,121,520	18,819,669	9.86	1.77	28,037,662.00
<b>Montlake Capital</b>		15,000,000.00	11,120,497	2,304,503	1,575,000	89.50	4,428,592	10,415,510	2.68	1.11	11,990,509.54
Montlake Capital II, L.P.	2007	15,000,000.00	11,120,497	2,304,503	1,575,000	89.50	4,428,592	10,415,510	2.68	1.11	11,990,509.54

# Q1 2014 LPs by Family of Funds - Continued

Description	Vintage Year	Since Inception									
		Capital Committed	Capital Contributed for Investment	Management Fees	Remaining Commitment	%Capital Contributed/C ommitted	Capital Distributed	Ending Market Value	Net IFR	Investment Multiple	Total Exposure
<b>Neuberger Berman Group, LLC</b>		55,000,000.00	36,294,559	2,572,691	17,009,643	70.67	29,654,992	25,197,571	9.74	1.41	42,207,214.04
NB Co-Investment Partners, L.P.	2006	35,000,000.00	30,189,556	2,049,404	3,523,071	92.11	28,339,900	17,285,714	8.77	1.42	20,808,784.72
NB Strategic Co-Investment Partners II	2012	20,000,000.00	6,105,003	523,288	13,486,572	33.14	1,315,092	7,911,857	42.07	1.39	21,398,429.32
<b>Northgate Capital Partners</b>		45,000,000.00	18,060,000	540,000	26,400,000	41.33	0	22,667,986	12.32	1.22	49,067,986.00
Northgate V, L.P.	2010	30,000,000.00	15,840,000	360,000	13,800,000	54.00	0	20,613,352	14.01	1.27	34,413,352.00
Northgate Venture Partners VI, L.P.	2012	15,000,000.00	2,220,000	180,000	12,600,000	16.00	0	2,054,634	-18.83	0.86	14,654,634.00
<b>Oak Hill Capital Partners</b>		45,000,000.00	35,327,577	4,516,548	5,240,991	88.54	38,207,616	23,378,913	9.34	1.55	28,619,904.06
Oak Hill Capital Partners II, L.P.	2005	25,000,000.00	22,604,762	2,299,531	99,469	99.62	33,827,223	6,989,517	9.95	1.64	7,088,986.36
Oak Hill Capital Partners III, L.P.	2008	20,000,000.00	12,722,815	2,217,017	5,141,522	74.70	4,380,393	16,389,396	7.82	1.39	21,530,917.70
<b>Oaktree Capital Partners</b>		120,000,000.00	111,847,758	4,798,932	3,524,335	97.21	175,642,402	16,144,553	41.79	1.64	19,668,888.00
Oaktree Opportunities Fund VIII, L.P.	2009	10,000,000.00	9,582,904	472,901	24,335	100.56	6,107,551	8,344,607	12.92	1.44	8,368,942.00
OCM Opportunities Fund IVb, L.P.	2002	75,000,000.00	73,086,225	1,913,775	0	100.00	121,581,315	115,195	44.89	1.62	115,195.00
OCM Opportunities Fund VIIb, L.P.	2008	35,000,000.00	29,178,629	2,412,256	3,500,000	90.26	47,953,536	7,684,751	18.04	1.76	11,184,751.00
<b>Odyssey Partners</b>		70,000,000.00	32,834,310	3,764,258	33,401,452	52.28	52,320,575	25,939,498	25.41	2.14	59,340,950.20
Odyssey Investment Partners III, L.P.	2004	25,000,000.00	21,232,921	1,906,003	1,881,076	92.56	34,864,974	13,468,885	24.31	2.09	15,329,960.94
Odyssey Investment Partners IV, L.P.	2008	20,000,000.00	11,601,389	1,858,255	6,540,376	67.30	17,455,601	12,470,613	29.72	2.22	19,010,989.26
Odyssey Investment Partners Fund V, LP	2014	25,000,000.00	0	0	25,000,000	0.00	0	0	N/A	0.00	25,000,000.00
<b>Opus Capital Venture Partners</b>		10,000,000.00	2,887,450	562,500	6,550,050	34.50	0	4,273,312	13.36	1.24	10,823,362.41
Opus Capital Venture Partners VI, LP	2011	10,000,000.00	2,887,450	562,500	6,550,050	34.50	0	4,273,312	13.36	1.24	10,823,362.41
<b>Performance Venture Capital</b>		25,000,000.00	15,497,931	1,306,189	8,195,880	67.22	857,365	20,513,891	9.79	1.27	28,709,770.48
Performance Venture Capital II	2008	25,000,000.00	15,497,931	1,306,189	8,195,880	67.22	857,365	20,513,891	9.79	1.27	28,709,770.48
<b>Pine Brook Partners</b>		25,000,000.00	3,666,051	644,334	20,744,543	17.24	0	3,628,278	-17.18	0.84	24,372,821.00
Pine Brook Fund II, L.P.	2013	25,000,000.00	3,666,051	644,334	20,744,543	17.24	0	3,628,278	-17.18	0.84	24,372,821.00
<b>Portfolio Advisors</b>		70,000,000.00	51,657,761	3,278,223	15,310,867	78.48	18,231,799	62,032,247	8.86	1.46	77,343,114.00
Port. Advisors Fund IV (B), L.P.	2006	30,000,000.00	21,678,896	1,445,313	6,875,791	77.08	6,919,271	28,559,468	8.02	1.53	35,435,259.00
Port. Advisors Fund IV (E), L.P.	2006	15,000,000.00	10,753,606	864,200	3,382,194	77.45	2,373,947	12,121,257	4.73	1.25	15,503,451.00
Port. Advisors Fund V (B), L.P.	2008	10,000,000.00	6,842,224	481,250	2,793,273	73.23	2,149,924	8,916,280	11.72	1.51	11,709,553.00
Portfolio Advisors Secondary Fund, L.P.	2008	15,000,000.00	12,383,035	487,460	2,259,609	85.80	6,788,657	12,435,242	18.00	1.49	14,694,851.00
<b>Quintana Energy Partners</b>		15,000,000.00	13,818,613	1,726,816	588,556	103.64	7,825,993	11,949,182	6.43	1.27	12,537,738.00
Quintana Energy Partners Fund I, L.P.	2006	15,000,000.00	13,818,613	1,726,816	588,556	103.64	7,825,993	11,949,182	6.43	1.27	12,537,738.00
<b>Siguler Guff &amp; Company</b>		50,000,000.00	30,565,631	1,566,656	18,000,000	64.26	14,396,713	31,278,709	10.96	1.42	49,278,709.00
Siguler Guff Small Buyout Opportunities	2007	25,000,000.00	21,563,588	1,318,699	2,250,000	91.53	13,467,457	21,588,978	11.50	1.53	23,838,978.00
Siguler Guff Small Buyout Opps Fund II	2011	25,000,000.00	9,002,043	247,957	15,750,000	37.00	929,255	9,689,731	7.40	1.15	25,439,731.00
<b>Southern Capital</b>		15,000,000.00	2,657,540	393,699	11,949,432	20.34	0	2,609,740	-27.20	0.86	14,559,172.03
Southern Capital Fund III, L.P.	2013	15,000,000.00	2,657,540	393,699	11,949,432	20.34	0	2,609,740	-27.20	0.86	14,559,172.03
<b>Sterling Capital Partners</b>		20,000,000.00	5,505,260	694,023	13,854,890	31.00	968,830	5,943,452	14.04	1.12	19,798,342.40
Sterling Capital Partners IV	2012	20,000,000.00	5,505,260	694,023	13,854,890	31.00	968,830	5,943,452	14.04	1.12	19,798,342.40
<b>Summit Ventures</b>		20,000,000.00	6,557,191	242,809	13,200,000	34.00	0	8,115,081	27.76	1.19	21,315,081.00
Summit Partners Growth Equity Fund VIII	2011	20,000,000.00	6,557,191	242,809	13,200,000	34.00	0	8,115,081	27.76	1.19	21,315,081.00
<b>TA Associates, Inc.</b>		10,000,000.00	5,620,164	504,836	3,875,000	61.25	1,000,000	7,565,712	17.21	1.40	11,440,712.00
TA XI, L.P.	2010	10,000,000.00	5,620,164	504,836	3,875,000	61.25	1,000,000	7,565,712	17.21	1.40	11,440,712.00

# Q1 2014 LPs by Family of Funds - Continued

Description	Vintage Year	Since Inception									
		Commitment	Capital Contributed for Investment	Management Fees	Remaining Commitment	%Capital Contributed/C	Capital Distributed	Ending Market Value	Net IRR	Investment Multiple	Total Exposure
<b>Tenaya Capital</b>		20,000,000.00	8,427,981	589,777	10,982,242	45.09	0	9,244,748	2.88	1.03	20,226,990.28
Tenaya Capital VI, L.P.	2012	20,000,000.00	8,427,981	589,777	10,982,242	45.09	0	9,244,748	2.88	1.03	20,226,990.28
<b>Tenex Capital Management</b>		20,000,000.00	11,948,549	600,597	7,513,424	62.75	136,602	12,893,636	3.68	1.04	20,407,060.24
Tenex Capital Partners LP	2012	20,000,000.00	11,948,549	600,597	7,513,424	62.75	136,602	12,893,636	3.68	1.04	20,407,060.24
<b>Terra Firma Capital Partners</b>		25,432,996.77	21,925,825	2,909,897	614,327	97.65	587,739	17,449,185	-6.61	0.73	18,063,512.09
Terra Firma Capital Partners III, L.P.	2007	25,432,996.77	21,925,825	2,909,897	614,327	97.65	587,739	17,449,185	-6.61	0.73	18,063,512.09
<b>Thayer Hidden Creek Management, L.P.</b>		45,000,000.00	18,493,234	2,054,951	24,778,513	45.66	4,987,523	23,780,430	20.74	1.40	48,558,943.00
HCI Equity Partners III, LP	2008	20,000,000.00	17,328,665	1,679,951	1,318,082	95.04	4,987,523	22,702,241	21.73	1.46	24,020,323.00
HCI Equity Partners IV, LP	2013	25,000,000.00	1,164,569	375,000	23,460,431	6.16	0	1,078,189	-29.97	0.70	24,538,620.00
<b>The Catalyst Capital Group</b>		15,000,000.00	4,750,463	519,096	9,750,000	35.13	449,516	5,362,570	10.69	1.10	15,112,570.00
Catalyst Fund LP IV	2012	15,000,000.00	4,750,463	519,096	9,750,000	35.13	449,516	5,362,570	10.69	1.10	15,112,570.00
<b>Trilantic Capital Partners</b>		31,098,351.15	11,823,128	1,680,356	17,637,920	43.42	7,804,285	13,600,950	18.62	1.59	31,238,870.37
Trilantic Capital Partners IV L.P.	2007	11,098,351.15	8,749,789	1,071,761	1,276,800	88.50	7,784,613	10,509,791	20.30	1.86	11,786,591.43
Trilantic Capital Partners V L.P.	2013	20,000,000.00	3,073,339	608,595	16,361,120	18.41	19,672	3,091,159	-16.87	0.84	19,452,278.94
<b>Veritas Capital</b>		25,000,000.00	16,290,137	371,359	8,338,504	66.65	0	25,702,878	19.96	1.54	34,041,382.00
The Veritas Capital Fund IV, L.P.	2010	25,000,000.00	16,290,137	371,359	8,338,504	66.65	0	25,702,878	19.96	1.54	34,041,382.00
<b>Welsh, Carson, Anderson &amp; Stowe</b>		75,000,000.00	68,339,373	5,342,966	1,500,000	98.24	72,120,282	36,792,534	8.52	1.48	38,292,534.00
Welsh, Carson, Anderson & Stowe IV, LP	2004	25,000,000.00	22,512,834	1,737,166	750,000	97.00	18,021,876	14,319,847	6.22	1.33	15,069,847.00
Welsh, Carson, Anderson & Stowe IX, L.P.	2000	25,000,000.00	22,704,505	2,045,495	250,000	99.00	37,425,388	3,082,468	11.60	1.64	3,332,468.00
Welsh, Carson, Anderson & Stowe X, L.P.	2005	25,000,000.00	23,122,034	1,560,305	500,000	98.73	16,673,018	19,390,219	6.87	1.46	19,890,219.00
<b>White Deer</b>		25,000,000.00	2,857,540	646,074	21,536,613	14.01	0	2,570,847	-41.86	0.73	24,107,460.00
White Deer Energy II L.P.	2013	25,000,000.00	2,857,540	646,074	21,536,613	14.01	0	2,570,847	-41.86	0.73	24,107,460.00

1.) Due to, among other things, the lack of a valuation standard in the private equity industry, differences in the pace of investment across funds and the understatement of returns in the early years of a fund, the internal rate of return information does not accurately reflect current or expected future returns, and the internal rates of return and all other disclosures with respect to the Partnerships have not been pre reviewed or approved by the Partnerships, the General Partners, or any other affiliates.

Affinity IV and Axiom Asia III are moving closer to positive territory. Our recent commitment to Eureka III is out of the gates strong reporting an IRR and MOIC of 64.89% and 1.65x respectively. We can expect to see this moderate through time. Industry Ventures IV has turned positive as of 1Q14. Northgate V, our venture fund of funds and Summit Partners VIII, both saw significant increases in performance since 4Q13.

## State Street Private Equity Index™

IRR Benchmark Comparison (Since 1980)  
As of March 31, 2014

## By Investment Focus

Description	PIC	Client	DPI	Client	RVPI	Client	TVPI	Client	IRR	Client
Buyout	0.77	0.67	0.92	1.03	0.62	0.63	1.54	1.66	13.31	12.68
Venture Capital	0.84	0.76	0.89	0.72	0.62	0.79	1.51	1.51	13.95	15.84
Mezz & Distressed	0.79	0.79	0.90	1.05	0.56	0.44	1.46	1.49	11.79	21.39
<b>Pooled IRR</b>	<b>0.78</b>	<b>0.74</b>	<b>0.91</b>	<b>0.91</b>	<b>0.61</b>	<b>0.60</b>	<b>1.52</b>	<b>1.51</b>	<b>13.24</b>	<b>12.73</b>

## By Origin

Description	PIC	Client	DPI	Client	RVPI	Client	TVPI	Client	IRR	Client
US	0.82	0.76	0.97	0.94	0.59	0.59	1.56	1.54	13.56	13.03
Non-US	0.70	0.71	0.74	0.65	0.67	0.62	1.41	1.27	11.75	7.50
<b>Pooled IRR</b>	<b>0.78</b>	<b>0.74</b>	<b>0.91</b>	<b>0.91</b>	<b>0.61</b>	<b>0.60</b>	<b>1.52</b>	<b>1.51</b>	<b>13.24</b>	<b>12.73</b>

## By Vintage Year

Description	PIC	Client	DPI	Client	RVPI	Client	TVPI	Client	IRR	Client
1990	0.99	1.04	2.46	2.41	0.00	0.00	2.46	2.41	18.58	27.63
1991	1.02	1.07	2.83	2.29	0.00	0.00	2.83	2.29	27.17	24.24
1992	1.04	0.00	2.42	0.00	0.00	0.00	2.42	0.00	25.73	0.00
1993	1.04	1.03	2.48	2.23	0.00	0.00	2.48	2.23	26.14	23.25
1994	0.97	0.00	2.95	0.00	0.00	0.00	2.95	0.00	32.57	0.00
1995	0.93	0.00	1.95	0.00	0.00	0.00	1.95	0.00	21.29	0.00
1996	0.98	1.12	1.89	1.65	0.01	0.00	1.91	1.65	17.61	14.80
1997	0.98	1.05	1.59	1.89	0.01	0.00	1.61	1.89	10.87	15.19
1998	0.94	1.11	1.39	1.33	0.02	0.02	1.41	1.35	7.17	6.02
1999	0.90	1.04	1.24	1.86	0.07	0.08	1.31	1.94	5.53	14.81
2000	0.96	1.03	1.46	1.39	0.13	0.14	1.58	1.53	10.51	8.76
2001	0.96	1.00	1.61	1.52	0.18	0.19	1.78	1.71	16.06	14.10
2002	0.95	1.00	1.64	1.43	0.23	0.20	1.87	1.63	21.85	25.42
2003	0.92	1.00	1.62	0.93	0.36	0.55	1.99	1.47	18.67	7.32
2004	0.96	0.91	1.39	1.13	0.37	0.46	1.76	1.59	14.48	12.42
2005	0.95	0.96	1.05	0.98	0.53	0.58	1.58	1.57	10.22	9.51
2006	0.90	0.89	0.69	0.56	0.67	0.80	1.35	1.36	6.60	6.81
2007	0.89	0.94	0.59	0.60	0.84	0.69	1.42	1.29	9.40	7.16
2008	0.83	0.77	0.55	0.59	0.92	0.90	1.47	1.49	13.31	14.69
2009	0.78	0.76	0.42	0.46	1.06	0.91	1.47	1.37	15.89	14.26
2010	0.75	0.58	0.20	0.24	1.15	1.21	1.35	1.46	14.89	20.83
2011	0.54	0.50	0.15	0.05	1.06	1.10	1.21	1.15	14.22	9.67
2012	0.37	0.30	0.12	0.05	1.05	1.09	1.17	1.14	17.71	14.77
2013	0.19	0.13	0.03	0.00	0.98	0.80	1.01	0.80	2.49	-38.76
2014	0.04	0.00	0.00	0.00	0.85	0.00	0.85	0.00	-30.43	N/A
<b>Pooled IRR</b>	<b>0.78</b>	<b>0.74</b>	<b>0.91</b>	<b>0.91</b>	<b>0.61</b>	<b>0.60</b>	<b>1.52</b>	<b>1.51</b>	<b>13.24</b>	<b>12.73</b>

Based on data compiled from 2,357 Private Equity funds, including fully liquidated partnerships, formed between 1980 to 2014.

IRR: Pooled Average IRR is net of fees, expenses and carried interest.

# MEMORANDUM

Montana Board of Investments

Department of Commerce  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
Helena, MT 59601 (406) 444-0001

**To:** Members of the Board  
**From:** Ethan Hurley, Portfolio Manager – Alternative Investments  
**Date:** August 19, 2014  
**Subject:** Montana Real Estate Pool (MTRP)

The table below summarizes the investment decisions made by staff since the last Board Meeting. One commitment of \$20M was made to Harbert US Real Estate Fund V, LP. The investment brief summarizing this fund and the general partner follow.

Fund Name	Vintage	Subclass	Property Type	Amount	Date
Harbert US Real Estate Fund V, LP	2012	Value Add	Diverse	\$20M	5/22/14

Following this fund description is the comprehensive review of the real estate portfolio for the quarter ended March 31<sup>st</sup>.

# **Montana Board of Investments**

## **Real Estate Board Report**

**Q1 2014**

**Due to, among other things, the lack of a valuation standard in the real estate private equity industry, differences in the pace of investment across funds and the understatement of returns in the early years of a fund's life, the internal rate of return information may not accurately reflect current or expected future returns, and the internal rates of return and all other disclosures with respect to the Partnerships have not been prepared, reviewed or approved by the Partnerships, the General Partners, or any other affiliates.**

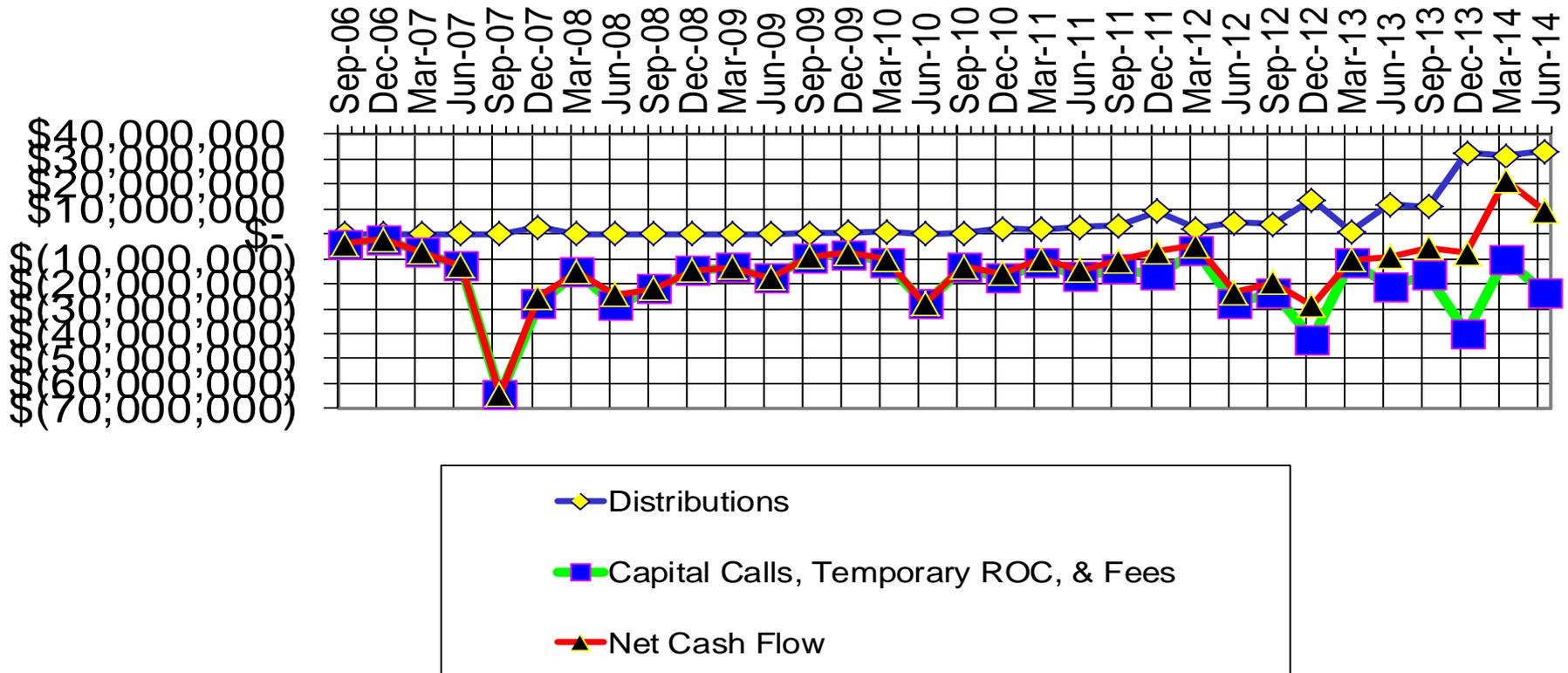
# Contents

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- **Quarterly Cash Flow Chart**
- **Strategy – Total Exposure Chart**
- **Geography – Total Exposure Chart**
- **Property Type – Market Value Exposure Chart**
- **Time Weighted Returns & Internal Rates of Return**
- **Commitment Summary**
- **Leverage**

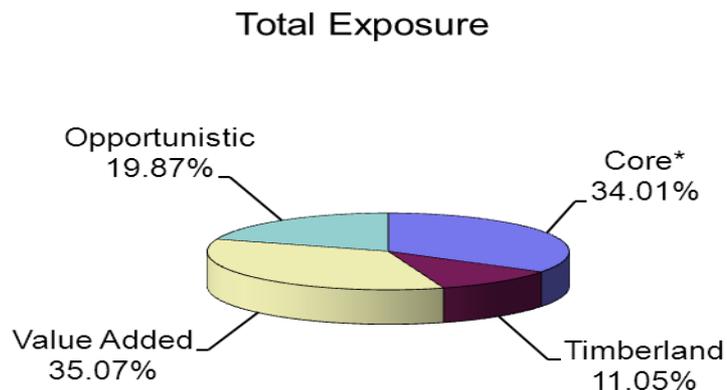
# Quarterly Cash Flows through June 30, 2014

## Montana RE Cash Flows Through 6/30/14 (Non Core)



While there was a significant uptick in capital calls during the latest quarter, aggregate distributions were more than enough to offset them leading to our second straight quarter of positive cash flow. General market conditions continue to show signs of improvement.

# Q1 2014 Strategy – Total Exposure



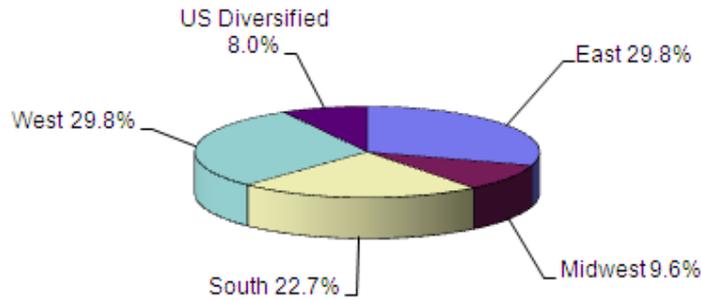
Strategy	Remaining Commitments	Percentage	Net Asset Value	Percentage	Total Exposure	Percentage
Core*	\$0	0.00%	\$344,223,552	41.14%	\$344,223,552	34.01%
Timberland	\$33,619,022	19.16%	\$78,216,307	9.35%	\$111,835,329	11.05%
Value Added	\$87,329,051	49.78%	\$267,589,734	31.98%	\$354,918,785	35.07%
Opportunistic	\$54,479,224	31.06%	\$146,594,290	17.52%	\$201,073,514	19.87%
<b>Total</b>	<b>\$175,427,297</b>	<b>100.00%</b>	<b>\$836,623,883</b>	<b>100.00%</b>	<b>\$1,012,051,179</b>	<b>100.00%</b>

\* Includes MT Office Portfolio

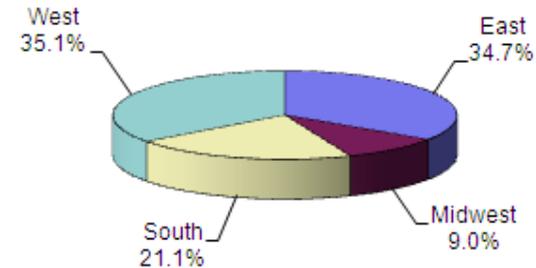
Core real estate dominates assets in the ground at approximately 41% and includes the directly owned Montana office buildings. Timberland, being the most recent addition to the real estate portfolio, represents approximately 9% of the total portfolio's NAV and approximately 11% of the aggregate exposure which includes unfunded commitments. Value Added and Opportunistic account for approximately 32% and 18% of NAV respectively.

# Q1 2014 Geography – Total Exposure

Montana United States Portfolio



NCREIF Index



	East	Midwest	South	West	US Diverse	Non-US	Total
Montana US Value <sup>2</sup>	\$374.4	\$120.9	\$284.8	\$374.2	\$101.0		\$1,255.4
Montana US Total <sup>1</sup>	29.8%	9.6%	22.7%	29.8%	8.0%		100.0%
NCREIF Value <sup>2, 3</sup>	125,929	34,532	76,869	129,064			\$366,394
NCREIF <sup>1</sup>	34.7%	9.0%	21.1%	35.1%			100.0%
Difference	-4.9%	0.6%	1.6%	-5.3%	8.0%		
Montana Total Value <sup>2</sup>	\$374.4	\$120.9	\$284.8	\$374.2	\$101.0	\$145.7	\$1,401.1
Montana Total <sup>1</sup>	26.7%	8.6%	20.3%	26.7%	7.2%	10.4%	100.0%

1) Diversification percentages are based on the Gross Market Value, which represents the MBOI share of the partnerships' interests in properties exclusive of any underlying debt used to acquire each property.

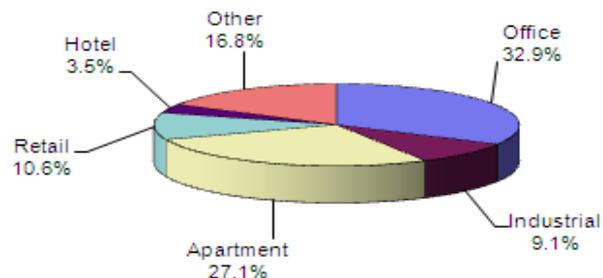
2) Values shown are in Millions.

3) The NCREIF gross market values represent the total gross asset values of the participating funds exclusive of any underlying debt.

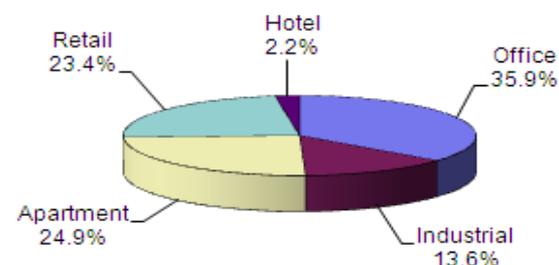
The geographic mix of the real estate portfolio is fairly aligned with NCREIF, although exposure in the West at 29.8% is 5.3% less than the index. 8% of the portfolio is broadly diversified across the remainder of the US and the portfolio's international exposure represents approximately 10% of the mix.

# Q1 2014 Property Type – Market Value Exposure

Montana United States Portfolio



NCREIF Index



	Office	Industrial	Apartment	Retail	Hotel	Other <sup>2</sup>	Total
Montana US Value <sup>3</sup>	\$412.5	\$114.3	\$340.6	\$133.5	\$43.8	\$210.6	\$1,255.4
Montana US Total	32.9%	9.1%	27.1%	10.6%	3.5%	16.8%	100.0%
NCREIF Value <sup>3,4</sup>	131,612	49,545	91,256	86,213	7,766		\$366,394
NCREIF <sup>1</sup>	35.9%	13.6%	24.9%	23.4%	2.2%		100.0%
Difference	-3.0%	-4.5%	2.2%	-12.8%	1.3%	16.8%	
Montana Non-US Value <sup>3</sup>	\$51.5	\$0.0	\$15.4	\$11.0	\$11.2	\$56.6	\$145.7
Montana Non-US Total	35.3%	0.0%	10.6%	7.5%	7.7%	38.8%	100.0%
Montana Total Value <sup>3</sup>	\$464.0	\$114.3	\$356.0	\$144.5	\$55.0	\$267.2	\$1,401.1
Montana Total <sup>1</sup>	33.1%	8.2%	25.4%	10.3%	3.9%	19.1%	100.0%

Note: Due to limited GP reporting for Liquid Realty holdings values have been rolled forward from the prior reporting cycle.

1) Diversification percentages are based on the Gross Market Value, which represents the MBOI share of the partnerships' interests in properties exclusive of any underlying debt used to acquire each property.

2) Total U.S. Other includes \$97,797,176 in mixed-use assets, \$1,012,682 in healthcare/senior living, \$9,517,457 in land, \$313,791 in storage, \$11,606,793 in debt assets, \$206,874 in parking, \$769,321 in manufactured assets, \$81,671,017 in timber, \$7,700,445 in other assets.

3) Values shown are in Millions.

4) The NCREIF gross market values represent the total gross asset values of the participating funds exclusive of any underlying debt. This amount differs from the index total due to rounding in the NCREIF report.

The real estate portfolio is well diversified across the major property types and is underweight relative to NCREIF in Office, Retail and Industrial and overweight in Apartments and Hotels. At approximately 17%, Other represents the portfolio's exposure to Timberland, Mixed-Use properties, Land, Manufactured Housing, Storage, Parking, Senior Living and Healthcare related properties. As has been noted in the past, composition of the portfolio by property type is and will continue to be primarily a function of a manager's expertise and success in sourcing deals rather than a function of staff's desire to over or underweight a specific property type.

# Q1 2014 Time Weighted

	Time Weighted Returns														
	Current Quarter			Year to Date		1 - Year		3 - Year		5 - Year		7 - Year		Inception	
	NAV	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
Clarion Lion Properties Fund	38,890,998	1.64%	1.89%	1.64%	1.89%	11.68%	12.74%	11.69%	12.76%	5.19%	6.27%	0.44%	1.48%	1.02%	2.06%
INVESCO Core Real Estate-USA	41,872,336	1.48%	1.71%	1.48%	1.71%	11.53%	12.53%	11.41%	12.41%	4.36%	5.30%	-	-	1.09%	2.01%
JP Morgan Strategic Properties Fund	134,616,221	2.11%	2.37%	2.11%	2.37%	13.62%	14.76%	13.20%	14.33%	7.43%	8.51%	-	-	2.97%	4.01%
TIAA-CREF Asset Management Core Property	42,509,218	1.25%	1.45%	-	-	-	-	-	-	-	-	-	-	6.67%	7.30%
UBS-Trumbull Property Fund	67,589,670	2.26%	2.53%	2.26%	2.53%	10.18%	11.34%	9.74%	10.89%	-	-	-	-	11.68%	12.76%
<b>Core Total</b>	<b>325,478,443</b>	<b>1.89%</b>	<b>2.14%</b>	<b>1.89%</b>	<b>2.14%</b>	<b>11.98%</b>	<b>13.07%</b>	<b>11.76%</b>	<b>12.86%</b>	<b>5.46%</b>	<b>6.50%</b>	<b>2.03%</b>	<b>3.04%</b>	<b>2.57%</b>	<b>3.59%</b>
<i>Montana Office Portfolio</i> <sup>1</sup>	18,745,108	0.00%	0.00%	0.00%	0.00%	7.58%	7.58%	-	-	-	-	-	-	5.24%	5.24%
<i>Timberland Total</i>	78,216,307	1.27%	1.49%	1.27%	1.49%	12.24%	13.25%	6.14%	7.07%	-	-	-	-	6.14%	7.07%
<i>Value Added Total</i>	267,589,734	2.48%	3.26%	2.48%	3.26%	14.09%	17.60%	11.91%	14.76%	4.30%	6.90%	3.16%	5.97%	3.10%	6.41%
<i>Opportunistic Total</i>	146,594,290	3.24%	3.74%	3.24%	3.74%	9.60%	12.04%	10.18%	12.60%	6.17%	9.68%	-	-	-10.73%	-7.22%
<b>Total Portfolio</b>	<b>836,623,883</b>	<b>2.21%</b>	<b>2.67%</b>	<b>2.21%</b>	<b>2.67%</b>	<b>12.11%</b>	<b>14.21%</b>	<b>10.99%</b>	<b>12.88%</b>	<b>4.98%</b>	<b>6.99%</b>	<b>0.22%</b>	<b>2.25%</b>	<b>1.10%</b>	<b>3.36%</b>
<b>Benchmark</b>															
NCREIF	366,394,420,236		2.74%		2.74%		11.18%		11.69%		7.89%		-		9.16%
NFI-ODCE (NET)	111,048,700,000	2.29%		2.29%		12.74%		11.99%		6.31%		-		7.42%	

1) The value for the Montana Office Portfolio is provided by the MBOI and is taken "as-is".

The portfolio turned in a strong quarter as general real estate market conditions continue to stabilize and show signs of improvement. Total portfolio return was below Q4 but still respectable. While Timberland, Core, Value Added and Opportunistic all underperformed relative to Q4, they were all positive for the quarter and the upward momentum continues. Both 5 and 7-yr. returns remain weak given the lagged downturn of real estate vs. other risk assets, which resulted in most real estate markets bottoming around Q1'10.

# Q1 2014 Internal Rates of Return

	Current Quarter		Year to Date		1 - Year		3 - Year		5 - Year		7 - Year		Inception	
	NAV	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	
	<u>Internal Rates of Return (Net of Fees)</u>													
<b>Montana Office Portfolio</b>	<b>18,745,108</b>	-				7.86%								5.07%
Molpus Woodlands Fund III, LP	47,382,231	0.99%		0.99%		15.57%								7.02%
ORM Timber Fund III, LLC	12,302,957	2.20%		2.20%		4.61%								2.86%
RMS Forest Growth III LP	18,531,119	1.36%		1.36%		6.39%	5.91%							5.72%
<b>Timberland</b>	<b>78,216,307</b>	<b>1.27%</b>		<b>1.27%</b>		<b>11.59%</b>	<b>6.34%</b>							<b>6.28%</b>
ABR Chesapeake Fund III	15,926,520	0.50%		0.50%		6.23%	7.43%	2.92%		2.70%				2.76%
ABR Chesapeake Fund IV	13,574,460	-0.95%		-0.95%		8.32%	11.22%							10.56%
AG Core Plus Realty Fund II	5,864,529	3.17%		3.17%		9.29%	14.92%	11.98%						8.10%
AG Core Plus Realty Fund III	24,643,437	1.44%		1.44%		20.49%								14.42%
Apollo Real Estate Finance Corp.	3,565,630	0.57%		0.57%		0.86%	0.99%		-3.67%		-2.13%			-2.37%
AREFIN Co-Invest	24,461	-6.19%		-6.19%		37.25%	21.81%		7.77%					8.58%
BPG Investment Partnership IX	8,301,581	2.45%												9.08%
CBRE Strategic Partners US Value Fund 6	19,800,906	1.84%		1.84%		12.84%								12.39%
DRA Growth & Income Fund VI	18,516,951	5.62%		5.62%		16.14%	16.27%	9.80%						7.64%
DRA Growth & Income Fund VII	28,532,257	3.96%		3.96%		15.22%								15.16%
Five Arrows Securities V, L.P.	23,255,050	0.77%		0.77%		20.74%	15.34%	13.17%						11.76%
Hudson RE Fund IV Co-Invest	7,562,424	0.30%		0.30%		20.48%	14.23%	6.78%						6.14%
Hudson Realty Capital Fund IV	8,244,718	-0.25%		-0.25%		10.15%	0.33%		-3.61%		-5.98%			-5.98%
Landmark Real Estate Partners VI	14,701,733	9.66%		9.66%		22.82%								32.03%
Realty Associates Fund VIII	13,084,092	3.06%		3.06%		4.40%	3.08%		-4.27%					-4.34%
Realty Associates Fund IX	19,879,639	2.47%		2.47%		8.83%	10.35%							9.73%
Realty Associates Fund X	10,625,114	4.22%		4.22%		12.27%								11.20%
Stockbridge Value Fund, LP	18,318,629	4.20%		4.20%		18.22%								17.93%
Strategic Partners Value Enhancement Fund	13,167,604	-0.07%		-0.07%		2.58%	7.34%		-2.89%		-0.63%			-1.26%
<b>Value Added</b>	<b>267,589,734</b>	<b>2.48%</b>		<b>2.48%</b>		<b>13.75%</b>	<b>12.17%</b>	<b>6.39%</b>		<b>5.23%</b>				<b>5.12%</b>
AG Realty Fund VII L.P.	9,192,786	2.85%		2.85%		29.87%	19.42%	16.14%						12.69%
AG Realty Fund VIII L.P.	14,882,151	1.57%		1.57%		9.70%								10.13%
Beacon Capital Strategic Partners V	7,084,886	2.70%		2.70%		6.13%	4.35%	0.17%						-10.64%
Carlyle Europe Real Estate Partners III	21,929,129	-0.22%		-0.22%		-6.73%	-4.23%		-1.45%					-5.75%
CIM Fund III, L.P.	34,166,958	8.79%		8.79%		10.97%	16.97%	17.55%						12.68%
GEM Realty Fund IV	11,983,664	9.87%		9.87%		16.35%	17.20%							17.28%
GEM Realty Fund V	558,080	-8.01%		-8.01%										-71.77%
JER Real Estate Partners IV	5,187	-0.75%		-0.75%		1.48%	4.11%	12.98%						-5.65%
Liquid Realty IV	6,866,451					8.58%	6.65%	5.48%						-1.50%
MGP Asia Fund III, LP	24,806,425	0.40%		0.40%		11.94%	12.96%	21.05%						4.96%
MSREF VI International	6,858,882	2.64%		2.64%		8.16%	8.28%		-2.27%					-21.31%
O'Connor North American Property Partners II	8,259,691	0.71%		0.71%		14.80%	10.18%	5.49%						-6.95%
<b>Opportunistic</b>	<b>146,594,290</b>	<b>3.23%</b>		<b>3.23%</b>		<b>8.47%</b>	<b>9.63%</b>	<b>9.06%</b>						<b>-1.68%</b>
<b>Total</b>	<b>511,145,440</b>	<b>2.41%</b>		<b>2.41%</b>		<b>11.61%</b>	<b>10.31%</b>	<b>7.19%</b>		<b>2.56%</b>				<b>2.51%</b>

Timberland underperformed Q4 by 142bps. Value-Added and Opportunistic underperformed relative to Q4, but continue their upward trajectory.

# Q1 2014 Commitment Summary

	Vintage Year	Commitment	Capital		Since Inception			NAV %	Total Exposure	Total Exposure%	Investment Multiple
			Contributed <sup>1</sup>	Contributed %	Remaining Commitment	Capital Distributed	Net Asset Value				
<b>Core</b>		<b>278,236,254</b>	<b>278,236,254</b>	<b>100%</b>	-	<b>31,411,183</b>	<b>325,478,443</b>	<b>38.90%</b>	<b>325,478,443</b>	<b>32.16%</b>	<b>1.23</b>
Clarion Lion Properties Fund	2006	48,236,254	48,236,254	100%	-	11,724,900	38,890,998	4.65%	38,890,998	3.84%	1.01
INVESCO Core Real Estate-USA	2007	45,000,000	45,000,000	100%	-	7,965,075	41,872,336	5.00%	41,872,336	4.14%	1.06
JP Morgan Strategic Property Fund	2007	95,000,000	95,000,000	100%	-	1,759,599	134,616,221	16.09%	134,616,221	13.30%	1.37
TIAA-CREF Asset Management Core Property	2013	40,000,000	40,000,000	100%	-	1,129,488	42,509,218	5.08%	42,509,218	4.20%	1.09
UBS-Trumbull Property Fund	2010	50,000,000	50,000,000	100%	-	8,832,120	67,589,670	8.08%	67,589,670	6.68%	1.46
<b>Montana Office Portfolio</b>	<b>2011</b>	<b>17,674,045</b>	<b>17,674,045</b>	<b>100%</b>	-	<b>1,670,405</b>	<b>18,745,108</b>	<b>2.24%</b>	<b>18,745,108</b>	<b>1.85%</b>	<b>1.16</b>
<b>Timberland</b>		<b>130,000,000</b>	<b>71,380,978</b>	<b>55%</b>	<b>33,619,022</b>	<b>4,460,267</b>	<b>78,216,307</b>	<b>9.35%</b>	<b>110,066,563</b>	<b>10.88%</b>	<b>1.13</b>
Molpus Woodlands Fund III, LP	2011	50,000,000	42,895,545	86%	7,104,455	3,671,280	45,613,465	5.45%	52,717,920	5.21%	1.14
Molpus Woodlands Fund IV, LP	2013	25,000,000									
ORM Timber Fund III, LLC	2012	30,000,000	11,937,000	40%	18,063,000	-	12,302,957	1.47%	30,365,957	3.00%	1.03
RMS Forest Growth III LP	2011	25,000,000	16,548,433	66%	8,451,567	788,987	18,531,119	2.21%	26,982,686	2.67%	1.16
<b>Value Added</b>		<b>473,677,598</b>	<b>321,348,547</b>	<b>68%</b>	<b>87,329,051</b>	<b>108,623,764</b>	<b>267,589,734</b>	<b>31.98%</b>	<b>354,918,785</b>	<b>35.07%</b>	<b>1.14</b>
ABR Chesapeake Fund III	2006	20,000,000	20,000,000	100%	-	7,486,995	15,926,520	1.90%	15,926,520	1.57%	1.16
ABR Chesapeake Fund IV	2010	30,000,000	15,000,000	50%	15,000,000	4,092,702	13,574,460	1.62%	28,574,460	2.82%	1.15
AG Core Plus Realty Fund II	2007	20,000,000	16,625,976	83%	3,374,024	14,652,653	5,864,529	0.70%	9,238,553	0.91%	1.23
AG Core Plus Realty Fund III	2011	35,000,000	20,563,523	59%	14,436,477	1,464,532	24,643,437	2.95%	39,079,914	3.86%	1.18
Apollo Real Estate Finance Corp.	2007	10,000,000	10,000,000	100%	-	5,530,744	3,565,630	0.43%	3,565,630	0.35%	0.91
AREFIN Co-Invest	2008	10,000,000	8,336,000	83%	1,664,000	10,478,779	24,461	0.00%	1,688,461	0.17%	1.26
BPG Investment Partnership IX	2013	30,000,000	7,975,529	27%	22,024,471	496,326	8,301,581	0.99%	30,326,052	3.00%	1.10
CBRE Strategic Partners US Value Fund 6	2011	20,000,000	18,065,249	90%	1,934,751	486,143	19,800,906	2.37%	21,735,657	2.15%	1.10
CBRE Strategic Partners US Value Fund 7	2014	15,000,000									
DRA Growth & Income Fund VI	2007	24,696,000	22,540,269	91%	2,155,731	13,805,506	18,516,951	2.21%	20,672,682	2.04%	1.28
DRA Growth & Income Fund VII	2011	30,000,000	26,448,000	88%	3,552,000	3,412,698	28,532,257	3.41%	32,084,257	3.17%	1.17
DRA Growth and Income Fund VIII, LLC	2014	25,000,000									
Five Arrows Securities V, L.P.	2007	29,781,598	29,781,598	100%	-	14,332,016	23,255,050	2.78%	23,255,050	2.30%	1.24
Hudson RE Fund IV Co-Invest	2008	10,000,000	10,000,000	100%	-	6,495,694	7,562,424	0.90%	7,562,424	0.75%	1.40
Hudson Realty Capital Fund IV	2007	15,000,000	15,000,000	100%	-	1,900,483	8,244,718	0.99%	8,244,718	0.81%	0.68
Landmark Real Estate Partners VI	2011	20,000,000	13,298,754	66%	6,701,246	6,496,978	14,701,733	1.76%	21,402,979	2.11%	1.57
Realty Associates Fund VIII	2007	20,000,000	20,000,000	100%	-	2,333,970	13,084,092	1.56%	13,084,092	1.29%	0.77
Realty Associates Fund IX	2009	20,000,000	20,000,000	100%	-	6,195,323	19,879,639	2.38%	19,879,639	1.96%	1.29
Realty Associates Fund X	2012	20,000,000	10,000,000	50%	10,000,000	155,625	10,625,114	1.27%	20,625,114	2.04%	1.07
Stockbridge Value Fund, LP	2011	25,000,000	18,513,649	74%	6,486,351	3,124,788	18,318,629	2.19%	24,804,980	2.45%	1.12
Stockbridge Value Fund II, LP	2014	25,000,000									
Strategic Partners Value Enhancement Fund	2007	19,200,000	19,200,000	100%	-	4,749,988	13,167,604	1.57%	13,167,604	1.30%	0.93
<b>Opportunistic</b>		<b>254,726,572</b>	<b>202,747,348</b>	<b>80%</b>	<b>54,479,224</b>	<b>43,381,634</b>	<b>146,594,290</b>	<b>17.52%</b>	<b>201,073,514</b>	<b>19.87%</b>	<b>0.91</b>
AG Realty Fund VII L.P.	2007	20,000,000	16,054,354	80%	3,945,646	13,617,910	9,192,786	1.10%	13,138,432	1.30%	1.44
AG Realty Fund VIII L.P.	2011	20,000,000	13,112,168	66%	6,887,832	410,450	14,882,151	1.78%	21,769,983	2.15%	1.16
Beacon Capital Strategic Partners V	2007	25,000,000	21,500,000	86%	3,500,000	5,216,584	7,084,886	0.85%	10,584,886	1.05%	0.87
Carlyle Europe Real Estate Partners III <sup>2</sup>	2007	30,994,690	28,007,780	90%	2,986,910	316,789	21,929,129	2.62%	24,916,039	2.46%	0.79
CIM Fund III, L.P.	2007	25,000,000	22,688,877	91%	2,311,123	2,140,865	34,166,958	4.08%	36,478,081	3.60%	1.44
GEM Realty Fund IV	2010	15,000,000	11,550,000	77%	3,450,000	2,233,638	11,983,664	1.43%	15,433,664	1.52%	1.21
GEM Realty Fund V	2013	20,000,000	962,250	5%	19,037,750	-	558,080	0.07%	19,595,830	1.94%	0.28
JER Real Estate Partners - Fund IV	2007	9,913,679	7,506,175	76%	2,407,504	3,833,807	5,187	0.00%	2,412,691	0.24%	0.51
Liquid Realty IV <sup>4</sup>	2007	18,818,203	18,818,203	100%	-	12,470,449	6,866,451	0.82%	6,866,451	0.68%	0.93
MGP Asia Fund III, LP	2007	30,000,000	20,085,768	67%	9,914,232	219,683	24,806,425	2.97%	34,720,657	3.43%	1.25
MSREF VI International <sup>3</sup>	2007	25,000,000	27,500,000	110%	-	807,878	6,858,882	0.82%	6,858,882	0.68%	0.27
O'Connor North American Property Partners II <sup>5</sup>	2008	15,000,000	14,961,772	100%	38,228	3,143,610	8,259,691	0.99%	8,297,919	0.82%	0.75
<b>Montana Real Estate</b>		<b>1,154,314,469</b>	<b>891,387,173</b>	<b>77%</b>	<b>175,427,297</b>	<b>189,547,253</b>	<b>836,623,883</b>		<b>1,012,051,179</b>		<b>1.12</b>

1) Capital contributed does not include contributions for expenses outside of the commitment amounts.

2) Carlyle Europe III's Commitment amount is converted to USD by using the EUR exchange rate from 10/9/2007, the date Montana committed to the fund. The current unfunded capital is based on this figure less the cumulative USD activity.

3) Morgan Stanley has the ability to call a 10% reserve from the investors. The full reserve, \$2.5 million, was called on 5/21/2009.

4) GP gave a voluntary reduction to Montana on 3/24/2014.

5) GP's unfunded is \$0 but they have the right to call an additional 10% of original commitment.

New commitments showing as of 1Q14 are Molpus IV, CBRE 7 and Stockbridge II at \$25M, \$15M and \$25M respectively.

# Q1 2014 Leverage

	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q4 2013</u>	<u>Q1 2014</u>
Core	22.12%	21.10%	21.27%	21.24%
Timber	0.00%	0.00%	3.83%	3.87%
Non-Core (Total)	55.12%	55.45%	48.72%	53.56%
<b>Total</b>	<b>42.11%</b>	<b>42.36%</b>	<b>42.08%</b>	<b>40.65%</b>
Non-Core Breakout:				
Opportunistic	45.25%	45.33%	44.67%	44.67%
Value Add	59.78%	60.21%	60.09%	57.53%

The portfolio remains moderately leveraged and well within all policy constraints.

[Back to Agenda](#)

# FIXED INCOME

# FIXED INCOME OVERVIEW & STRATEGY

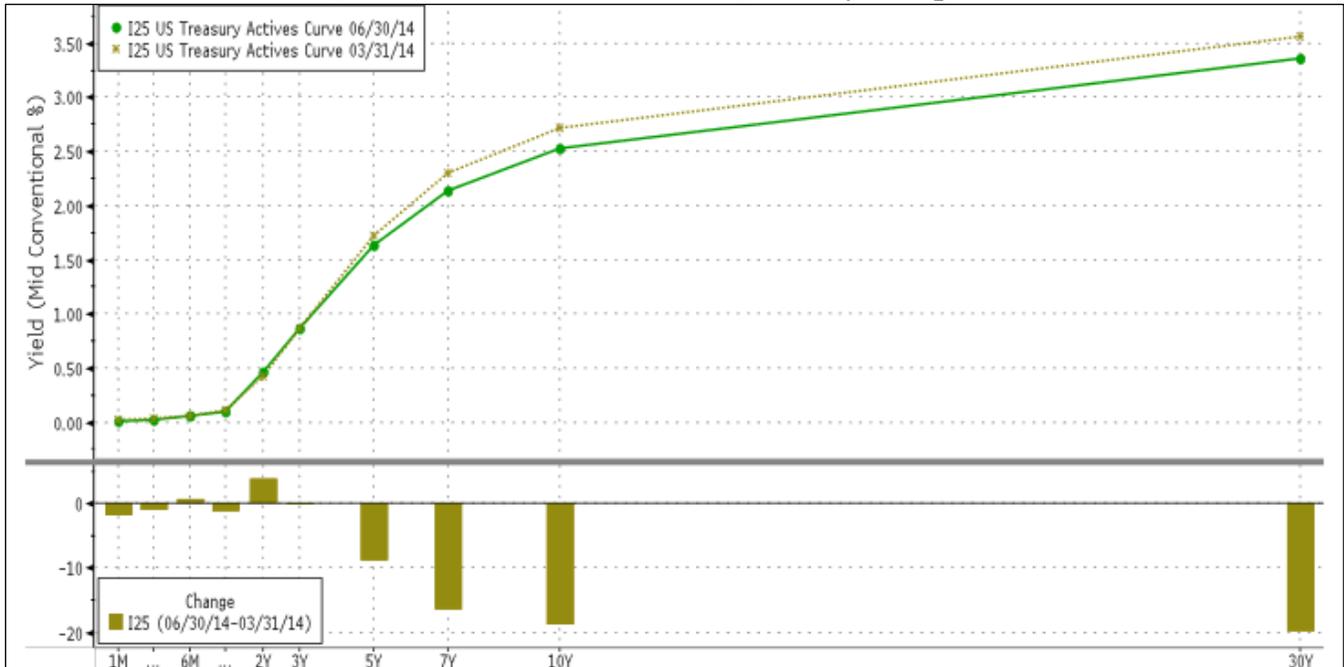
Nathan Sax, CFA, Portfolio Manager

August 19, 2014

## RETIREMENT & TRUST FUND BOND POOLS

The yield on the U.S. Treasury 10-year note dropped again in the second quarter. The yield on the benchmark 10-year ended the first quarter at 2.72% before falling another 19 basis points in the second quarter of 2014 to yield 2.53%. Year-to-date, the 10-year Treasury is down 50 basis points. Disappointing growth and low inflation continue to push rates down. Federal Reserve tapering of its monthly bond buying program has not stemmed the tide of falling rates.

2Q14 Historical Yield Curve – Quarterly Comparison



Source: Bloomberg

Real GDP was revised to a seasonally adjusted annual rate of (2.1)% in the first quarter. Second quarter growth has been initially reported at an annual rate of 4.0%. Projections for calendar year 2014 are for real GDP growth of approximately 2.0%. The economy grew at just 1.9% in 2013.

The Federal Reserve Board is expected to conclude its quantitative easing program in October of this year. That will clear the way for the central bank to begin to move the Federal Funds rate up in 2015. The current target rate for the overnight interbank lending rate is within a range of 0-1/4% as it has been for more than five years.

The following table shows the sector weightings of our internally and externally managed funds. It also shows a comparison to policy constraints:

**RFBP/TFBP vs. Barclays Aggregate – 06/30/14**

	RFBP Combined	Retirement Fund Bond Pool							
		External Management				Internal Management			
		Reams	Aberdeen	Post	Neuberg Berman	CIBP	TFBP	CIBP/TFIP Policy Range	Barclays Aggregate
Treasuries	20.19	49.62	16.32	0.00	0.00	18.10	18.01	15-45	35.26
Agencies & Govt Related	4.34	0.00	6.07	0.00	0.00	5.29	5.44	5-15	9.88
<b>Total Government</b>	<b>24.53</b>	<b>49.62</b>	<b>22.39</b>	<b>0.00</b>	<b>0.00</b>	<b>23.39</b>	<b>23.45</b>	<b>20-60</b>	<b>45.14</b>
Mortgage Backed	21.08	10.23	23.10	0.00	0.00	24.61	25.57	20-40	29.97
Asset Backed	5.17	0.00	6.78	0.00	0.00	6.33	5.87	0-7	0.48
CMBS	9.97	9.10	6.79	0.00	0.00	11.29	11.29	0-12	2.13
<b>Total Securitized</b>	<b>36.22</b>	<b>19.33</b>	<b>36.67</b>	<b>0.00</b>	<b>0.00</b>	<b>42.23</b>	<b>42.73</b>	<b>20-59</b>	<b>31.58</b>
Financial	12.19	16.54	11.32	7.53	7.83	12.07	11.77		7.58
Industrial	20.16	12.31	17.66	72.50	86.85	15.58	15.45		13.91
Utility	3.07	0.00	1.06	0.00	3.43	3.71	4.19		1.79
<b>Total Corporate</b>	<b>35.42</b>	<b>28.85</b>	<b>30.04</b>	<b>80.03</b>	<b>98.11</b>	<b>31.36</b>	<b>31.41</b>	<b>10-40</b>	<b>23.28</b>
Other	0.36	0.00	3.66	7.21	1.32	0.00	0.00		0.00
Cash	3.47	2.20	7.24	12.76	0.57	3.02	2.41		0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

RFBP Fixed Income Sector	Policy Range	RFBP on 06/30/14
U.S. High Yield	0-15%	9.69%
Non-US (incl. EM)	0-10%	1.62%
Total "Plus" sectors	0-20%	11.31%
Core (U.S. Investment Grade)	80-100%	88.69%

TFIP Fixed Income Sector	Policy Range	TFIP on 06/30/14
High Yield	0-10%	6.47%
Core Real Estate	0-8%	7.08%
Core (U.S. Investment Grade)	0-100%	86.45%

Option-adjusted spreads (OAS) for below investment grade bonds tightened by 21 basis points in the second quarter. High Yield spreads narrowed in the twelve months ended June 30, 2014 by 155 basis points to an OAS of 337 basis points as shown in the graph on the next page. Investment grade corporate bond spreads tightened as well, with OAS dropping 53 basis points to 99 basis points by June 30th.

### Barclays U.S. High Yield 2% Issuer Cap, Average OAS – 06/30/13 to 06/30/14



Source: Bloomberg

The bond portfolios as compared to the benchmark are shown below. The Merrill index shown here is used as a proxy for the actual benchmark, the Barclays Capital Aggregate Bond Index.

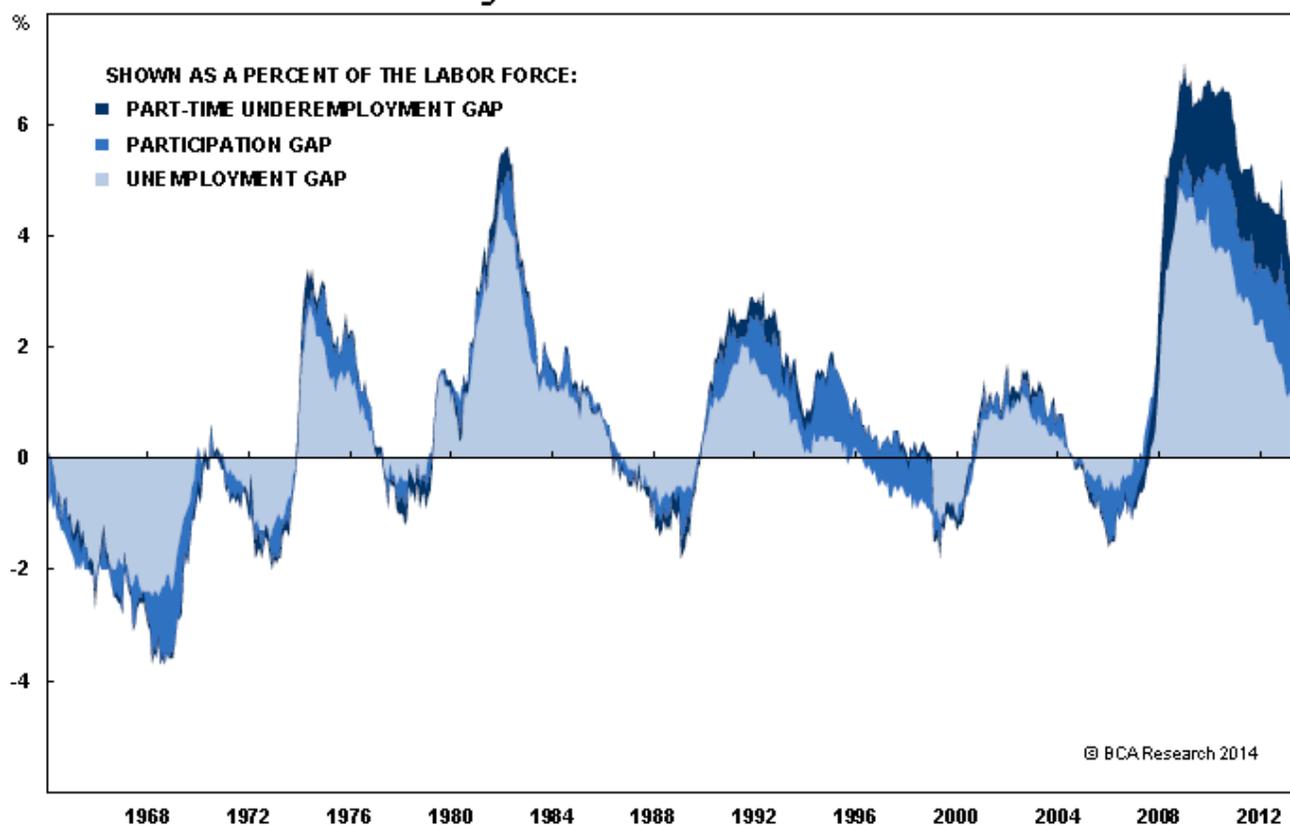
Benchmark Comparison Analysis						
CIBP vs. Merrill US Broad Market Index on 06/30/14						
Summary Characteristics						
	Price	Coupon	Current Yield	Yield to Maturity	Effective Duration	Effective Spread
Portfolio	104.35	3.31	3.19	2.47	5.20	0.65
Benchmark	106.93	3.40	3.21	2.18	5.29	0.37
Difference	-2.58	-0.09	0.02	0.29	-0.09	0.28

Benchmark Comparison Analysis						
RFBP vs. Merrill US Broad Market Index on 06/30/14						
Summary Characteristics						
	Price	Coupon	Current Yield	Yield to Maturity	Effective Duration	Effective Spread
Portfolio	103.75	3.99	3.35	2.68	5.05	0.84
Benchmark	106.93	3.40	3.21	2.18	5.29	0.37
Difference	-3.18	0.59	0.14	0.51	-0.24	0.46

Benchmark Comparison Analysis						
TFBP vs. Merrill US Broad Market Index on 06/30/14						
Summary Characteristics						
	Price	Coupon	Current Yield	Yield to Maturity	Effective Duration	Effective Spread
Portfolio	105.76	3.77	3.63	2.48	5.21	0.67
Benchmark	106.93	3.40	3.21	2.18	5.29	0.37
Difference	-1.17	0.37	0.42	0.30	-0.08	0.30

The graph below shows improvement in U.S. labor markets. However, the number of part-time workers remains elevated and the participation rate is still low. The overall rate of unemployment is getting closer to what economists would term full employment.

### The Broad Labor Market Is Not Tight



### Concluding Comments

Following a rare negative total return for calendar year 2013, the bond market surprised money managers when yields fell in the first half of 2014. Globally, inflation is quite low and economic growth in the United States and abroad has not yet accelerated to the point where interest rates can rise for a more sustained period of time. Housing, credit, business investment and hiring have all lagged despite extraordinary measures on the part of the Federal Reserve to keep monetary policy accommodative.

**BELOW INVESTMENT GRADE FIXED INCOME HOLDINGS (INTERNALLY MANAGED)**

**June 30, 2014**

(in millions)

	Par	Book	Market	Price	Name	Coupon %	Maturity	Rating M/S&P	Comments
A	\$17.000	\$17.516	\$16.708	\$98.28	PPL Energy Supply	4.600	12/15/21	Ba1/BB	In June of 2014 PPL announced its intention to spin out PPL Energy Supply into a new corporation to be combined with the generation assets of a private equity company. The rating agencies downgraded PPL Energy Supply in anticipation of higher leverage and the removal of PPL parent support.
	\$30.000	\$30.000	\$34.352	\$114.51	DOT Headquarters II Lease	6.001	12/07/21	NR/BB+	The bond was insured by XL Capital which has defaulted. However, lease payments are guaranteed by the US govt and the bond is collateralized by the building.
	\$5.000	\$4.762	\$4.584	\$91.68	American Presidents Co	8.000	01/15/24	NR/NR	Downgraded to below investment grade in December of 1997 due to high leverage and overall stress in the industry. The rating was dropped in August of 1999 when the company was acquired by NOL. NOL is wholly owned by AAA rated TEMASEK which will likely continue support.
	<u>\$10.000</u>	<u>\$0.000</u>	<u>\$1.938</u>	<u>\$19.38</u>	Lehman Brothers	5.500	05/25/10	NR/NR	Currently in default and liquidation
	<u>\$62.000</u>	<u>\$52.278</u>	<u>\$57.582</u>						
A	= Additions since 3/31/14								
D	\$8.000				Zions Bancorporation	5.650	05/15/14		Matured at Par 5/15/2014
D	= Deletions since 3/31/14								
	<u>In default</u>								
	\$10.000	\$0.000	\$1.938	\$19.380	Lehman Brothers	5.500	05/25/10	NR/NR	Currently in default and liquidation

**BELOW INVESTMENT GRADE FIXED INCOME HOLDINGS**  
**As % of Total Fixed Income Holdings**

<u>Date</u>	<u>Market</u>	<u>Total Market(1)</u>	<u>of Mkt.</u>	<u>In Default (par)</u>	<u>In Default (market)</u>	<u>of Total Market</u>
12/31/2010	\$73.4	\$4,697.5	1.56%	\$15.0	\$3.4	0.07%
9/30/2010	\$102.9	\$4,853.6	2.12%	\$15.0	\$3.3	0.07%
6/30/2010	\$91.3	\$4,734.8	1.93%	\$15.0	\$3.0	0.06%
6/30/2009	\$61.3	\$4,376.4	1.40%	\$15.0	\$2.2	0.05%
6/30/2008	\$26.7	\$4,382.3	0.61%	\$0.0	\$0.00	0.00%
6/30/2007	\$54.7	\$4,034.0	1.36%	\$0.0	\$0.00	0.00%
6/30/2006	\$106.2	\$3,820.6	2.78%	\$10.0	\$0.01	0.00%
6/30/2005	\$90.3	\$3,785.1	2.39%	\$10.0	\$0.01	0.00%
6/30/2004	\$92.3	\$3,472.7	2.66%	\$10.0	\$3.75	0.11%
6/30/2003	\$159.0	\$3,447.9	4.61%	\$41.0	\$11.11	0.32%
6/30/2002	\$168.5	\$3,508.7	4.80%	\$35.0	\$5.05	0.14%
6/30/2001	\$90.4	\$3,632.0	2.49%	\$0.0	\$0.0	0.00%
6/30/2000	\$87.4	\$3,446.9	2.53%	\$0.0	\$0.0	0.00%
6/30/1999	\$77.5	\$3,435.2	2.26%	\$0.0	\$0.0	0.00%
6/30/1998	\$73.3	\$3,523.1	2.08%	\$0.0	\$0.0	0.00%
6/30/1997	\$71.4	\$3,153.3	2.26%	\$0.0	\$0.0	0.00%
6/30/1996	\$133.9	\$3,026.8	4.42%	\$0.0	\$0.0	0.00%

(1) Excludes STIP

# MEMORANDUM

Montana Board of Investments

Department of Commerce  
2401 Colonial Drive, 3<sup>rd</sup> Floor  
Helena, MT 59601 (406) 444-0001

**To:** Members of the Board  
**From:** Nathan Sax, CFA  
Portfolio Manager – Fixed Income  
**Date:** August 20, 2014  
**Subject:** Fixed Income External Managers Watch List

Post Advisors, a High Yield manager in both the Retirement Funds Bond Pool and the Trust Funds Investment Pool remains on the watch list. Performance has been excellent but the firm continues to experience organizational instability. They will remain on the list until we have more confidence the organization is stable.

Reams Asset Management has been added to the watch list because their total return performance has lagged their benchmark, the Barclays Capital Universal bond index, in each of the past four quarters.

## MANAGER WATCH LIST

<u>Manager</u>	<u>Strategy</u>	<u>Reason</u>	<u>Amount Invested</u> <u>(\$ millions) as of</u> <u>July 31, 2014</u>	<u>Inclusion Date</u>
Post Advisors	Public High Yield	Organizational stability	\$61mm RFBP \$108mm TFIP	August 2013
Reams Asset	Core Plus	Performance	\$235mm RFBP	August 2014

## Short Term Investment Pool (STIP)

Richard Cooley, CFA, Portfolio Manager  
August 19, 2014

During the second quarter money market yields were flat as the Federal Reserve continued its five plus year-old policy of low fed funds rates. Three month Libor rates were unchanged and one month Libor rates increased by 0.3 basis points during the quarter. The stability in Libor rates reflects the continuation of a good market tone and funding conditions for the large international banks. Credit spreads were slightly wider during the quarter, as depicted by the spread between three month Treasury bills and three month Libor rates (TED spread). This spread ended the second quarter at about 21 basis points, up 1 basis point for the quarter.

TED Spread (06/30/13 – 06/30/14)



The STIP portfolio is currently well diversified and is operating within all the guidelines adopted by the Board at the November 2012 meeting. Daily liquidity is at a minimum of \$150 million and weekly liquidity is at a minimum of \$250 million. The average days to maturity is 57 days as compared to a policy maximum of 60 days. Asset-backed commercial paper is 32% of holdings (40% max) and corporate exposure is 31% (40% max). We currently have approximately 11% in agency paper, 19% in CD's (30% max) and 5.2% in four institutional money funds.

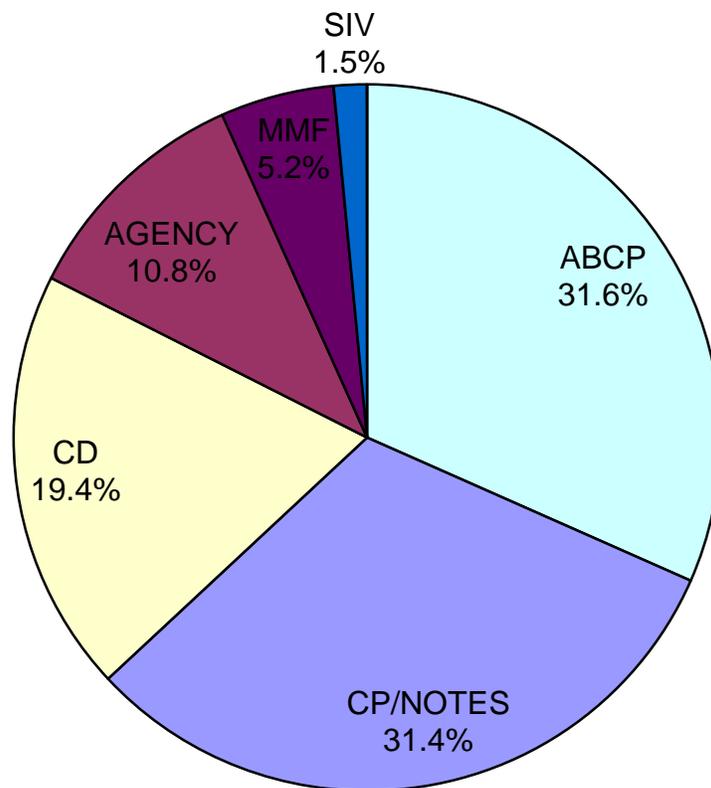
During the second quarter we purchased \$80 million of floating rate corporate notes. We also purchased \$25 million of fixed rate Yankee CDs, \$25 million of floating rate Yankee CDs and \$25 million of fixed rate agencies.

The net daily yield on STIP is currently 0.11% as compared with the current one-month LIBOR rate of 0.156% and current fed funds target rate of 0.0%-0.25%. The portfolio asset size is currently \$2.5 billion, down \$100 million from three months ago. All charts below are as of July 3, 2014.

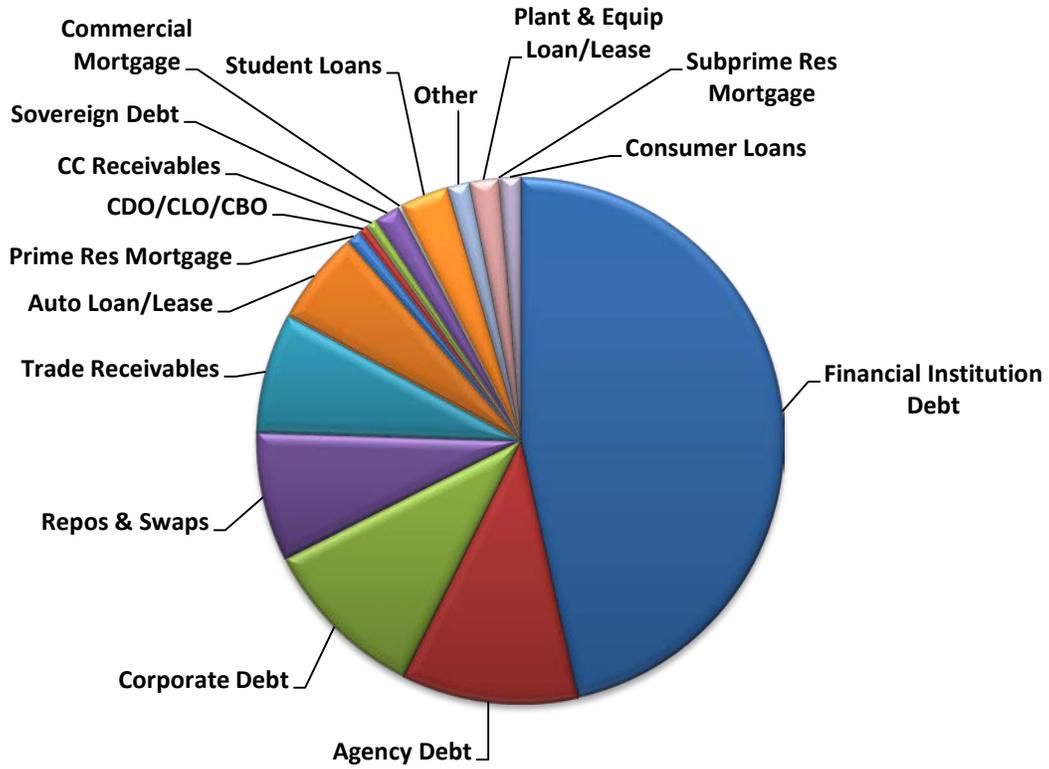
### STIP Performance (06/30/14)

	1 Year	3 Year	5 Year	10 Year
STIP Net of Fees/Reserve	0.14%	0.23%	0.27%	1.92%
iMoneynet First Tier Instit. (Gross)	0.19%	0.24%	0.29%	1.95%
LIBOR 1 Month Index	0.17%	0.21%	0.23%	1.88%

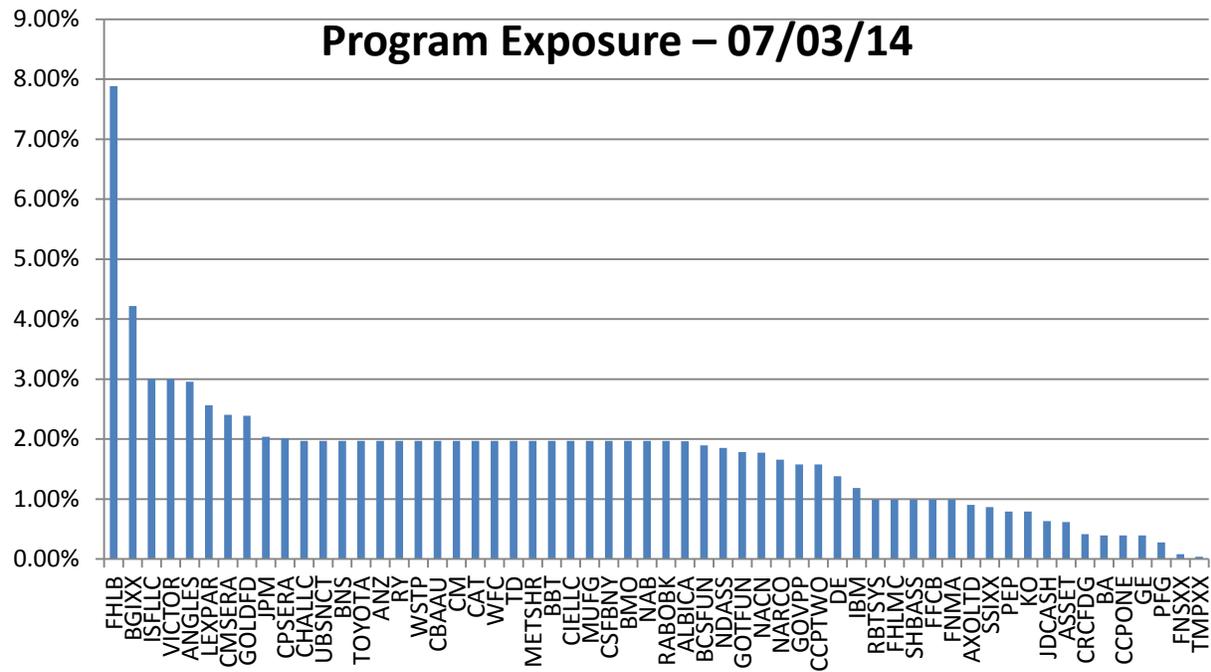
### Program Type Exposure – 07/03/14



## Portfolio Composition by Sector – 07/03/14



## Program Exposure – 07/03/14



## **Treasurer's Fund**

Richard Cooley, CFA, Portfolio Manager

August 19, 2014

The fund totaled \$1.19 billion as of June 30, 2014, consisting of approximately one half general fund monies and the balance in various other state operating accounts. There were \$30 million of security purchases in the second quarter. Current securities holdings total \$90 million. The investment policy for the fund limits security holdings to 50% of the projected General Fund FYE balance of the current period. The June projected General Fund FYE balance was \$428 million.

## State Fund Insurance

Richard Cooley, CFA, Portfolio Manager  
August 19, 2014

The table below lays out the basic characteristics of the State Fund fixed income portfolio in comparison to a Merrill Lynch index. The Merrill Lynch index serves as a proxy for the account's actual benchmark, the Barclays Capital Government/Credit Intermediate Index.

Benchmark Comparison Analysis						
State Fund vs. Merrill US Corp and Govt, 1-10 Yrs on 06/30/2014						
Summary Characteristics						
	Price	Coupon	Current Yield	Yield to Maturity	Effective Duration	Effective Spread
Portfolio	105.20	3.46	3.31	1.70	3.86	0.45
Benchmark	104.64	2.76	2.66	1.59	3.95	0.33
Difference	0.56	0.70	0.65	0.11	-0.09	0.12

The portfolio has an overweight in agencies, asset backed securities (ABS) and corporate bonds and is underweighted in Treasuries. The sector table on the following page provides more detail on the differences between the portfolio and the benchmark. The portfolio has a slightly shorter duration than the benchmark.

Spread product ended the second quarter slightly tighter as compared to the end of the previous quarter. Agencies spreads were 3 basis points tighter at 13 basis points and corporate spreads tightened by 7 basis points from 106 basis points to 99 basis points. During the quarter, the ten year Treasury yield decreased by 19 basis points from 2.72% to 2.53%.

The total fixed income (including STIP) portion of the account outperformed the benchmark by 5 basis points during the June quarter and outperformed by 71 basis points over one year. Longer term performance is +94 basis points for the past three years, +137 basis points for the past five years and +49 basis points for the past ten years (ended June 30, 2014).

As a reminder, the primary investment objective is to maximize investment income consistent with safety of principal.

During the June quarter, there were purchases of \$50 million of corporate bonds and \$45 million of governments in the 5 to 10 year part of the curve. We sold \$43 million of shorter securities to partially fund the purchases. During the quarter we extended duration from 91.4% to 97.7% of the benchmark and increased the yield to maturity advantage from 2 to 11 basis points. We also sold \$3 million of equity fund units during the quarter.

The portfolio has an 11 basis point yield advantage over the benchmark. Client preferences include keeping the STIP balance in a 1-5 percent range (2.2% on 06/30) and limiting holdings rated lower than A3 or A- to 25 percent of fixed income, at the time of purchase, (22.6% on 06/30).

<b>State Fund vs. Merrill US Corp and Govt, 1-10 Yrs on 06/30/2014</b>			
	SFBP Portfolio (%)	Benchmark (%)	Difference
Treasuries	15.14	57.81	-42.67
Agencies & Govt Related	22.91	12.47	10.44
<b>Total Government</b>	<b>38.05</b>	<b>70.28</b>	<b>-32.23</b>
Mortgage Backed	0.62	0.00	0.66
Asset Backed	5.05	0.00	5.05
CMBS	0.00	0.00	0.00
<b>Securitized</b>	<b>5.67</b>	<b>0.00</b>	<b>5.67</b>
Financial	27.00	10.49	16.51
Industrial	22.48	17.58	4.90
Utility	4.17	1.65	2.52
<b>Total Corporates</b>	<b>53.65</b>	<b>29.72</b>	<b>23.93</b>
Other	0.00	0.00	0.00
Cash	2.63	0.00	2.63
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	

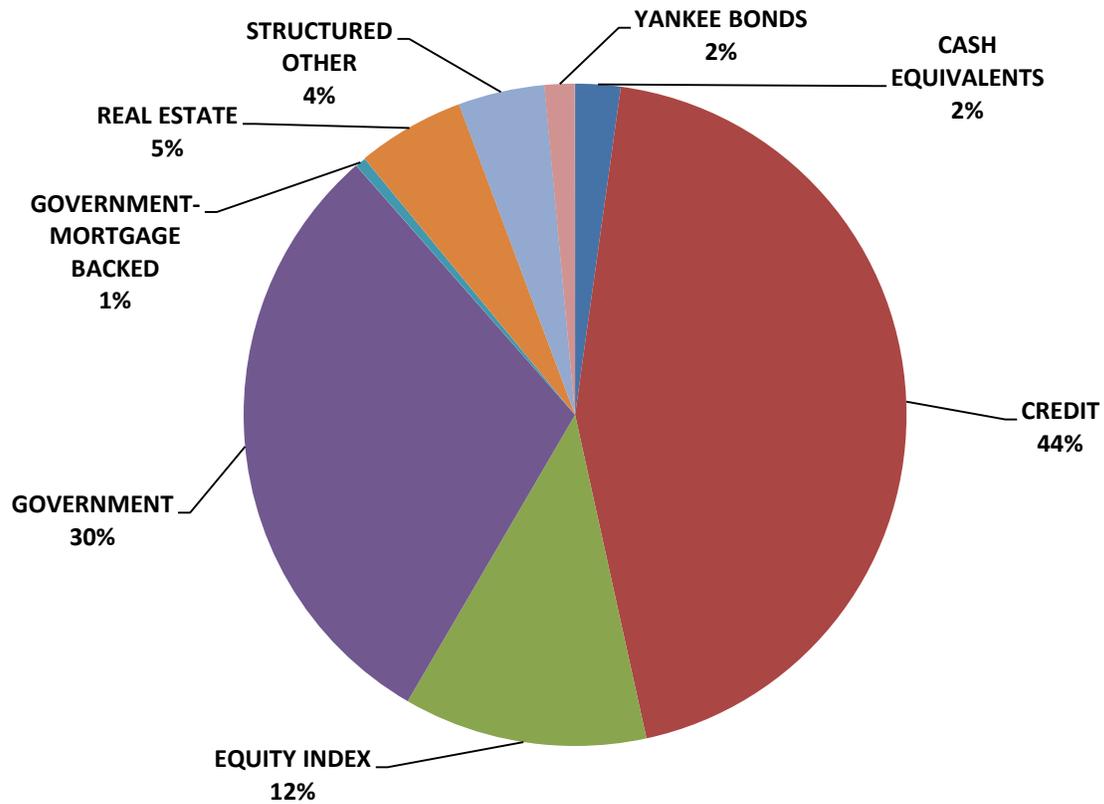
The following sector breakout is a look at the entire State Fund account including the S&P 500 and ACWI ex-U.S. equity holdings. The policy range for equities is currently 8%-12%. This is a client preference as the maximum allowed by statute is 25% of book value.

The last page is the monthly performance report from State Street. The custom composite index is an asset-weighted index that holds the same weights as the portfolio in each of the underlying benchmarks. The fixed income returns have been over the benchmark due to an overweight in spread product versus the benchmark.

### 6/30/2014 State Fund By Sector

<u>Security Name</u>	<u>Market Value</u>	<u>%</u>
CASH	30,992,117	2.20%
<b>CASH EQUIVALENTS</b>	<b>30,992,117</b>	<b>2.20%</b>
BANKS	138,068,516	9.79%
COMMUNICATIONS	14,240,687	1.01%
ENERGY	42,517,009	3.01%
GAS/PIPELINES	6,088,112	0.43%
INSURANCE	64,694,793	4.59%
OTHER FINANCE	128,061,738	9.08%
RETAIL	23,225,041	1.65%
TRANSPORTATION	39,941,496	2.83%
UTILITIES	52,671,426	3.73%
ENERGY	5,396,996	0.38%
INDUSTRIAL	110,823,510	7.86%
<b>CREDIT</b>	<b>625,729,325</b>	<b>44.35%</b>
EQUITY	167,515,006	11.87%
<b>EQUITY INDEX</b>	<b>167,515,006</b>	<b>11.87%</b>
TITLE XI	521,958	0.04%
TREASURY NOTES/BONDS	177,328,551	12.57%
AGENCY	247,089,320	17.51%
<b>GOVERNMENT</b>	<b>424,939,829</b>	<b>30.12%</b>
FHLMC	4,078,551	0.29%
FNMA	3,205,904	0.23%
<b>GOVERNMENT-MORTGAGE BACKED</b>	<b>7,284,455</b>	<b>0.52%</b>
REAL ESTATE	74,072,988	5.25%
<b>REAL ESTATE</b>	<b>74,072,988</b>	<b>5.25%</b>
OTHER STRUCTURED	59,464,034	4.21%
<b>STRUCTURED OTHER</b>	<b>59,464,034</b>	<b>4.21%</b>
OTHER MINOR	20,856,220	1.48%
<b>YANKEE BONDS</b>	<b>20,856,220</b>	<b>1.48%</b>
<b>STATE FUND BY SECTOR</b>	<b>1,410,853,973</b>	<b>100.00%</b>

## 6/30/2014 State Fund By Sector



[Back to Agenda](#)

# APPENDIX

# 2014 CALENDAR

## Board Dates Board Packet Mailing

01 New Year's Day  
20 M L King Day

JANUARY						
S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

04 Independence Day

JULY						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

17 President's Day

FEBRUARY						
S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

AUGUST						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

1 Labor Day

MARCH						
S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

SEPTEMBER						
S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

18 Good Friday  
20 Easter Sunday

APRIL						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

13 Columbus Day  
31 Halloween

OCTOBER						
S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

11 Mother's Day  
26 Memorial Day

MAY						
S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

04 Election Day  
11 Veterans Day  
27 Thanksgiving Day

NOVEMBER						
S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

15 Father's Day

JUNE						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

25 Christmas Day

DECEMBER						
S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

## Systematic Work and Education Plan 2014

- Feb. 25-26      Quarterly Meeting**  
Quarterly reports and subcommittee meetings  
Annual Report and Financial Statements  
Financial Audit  
Performance Audit  
Ethics  
Domestic equities  
Real estate - RVK
- April 8          Non-Quarterly Meeting**  
All policy review  
International equities  
Emergency/Disaster preparedness  
Intercap program  
Custodial bank RFP  
Web site  
Look-back on terminated managers (RVK)  
Board education and possible conferences (IFE usually in June)
- May 20-21      Quarterly Meeting**  
Quarterly reports and subcommittee meetings  
Private equity, real estate and timberland  
Proxy voting public equities  
Cash management  
Staffing level review
- August 19-20   Quarterly Meeting**  
Quarterly reports and subcommittee meetings  
Costs (including reviewing CEM Benchmarking Inc. results)  
MBOI Budget and legislative-related action-decision  
Internal Controls  
Fiscal Year performance through June 30<sup>th</sup>  
Custodial bank recommendation
- October 7      Non-Quarterly Meeting**  
TBD
- Nov. 18-19     Quarterly Meeting**  
Quarterly reports and subcommittee meetings  
Affirm or Revise Asset Allocation  
Resolution 217  
PERS/TRS annual update  
Securities litigation status  
Exempt staff annual review  
Accounting Review

## 24 Month Work Plan Exposure

			Proposed	
2012	2013	2014	2015	
		X	X	Accounting Review
X	X	X	X	Annual report and financial statements
X	X	X	X	Asset Allocation Range Approval (Board must review/approve annually as per policy)
X	X		X	Capital Market/Asset Allocation
X	X	X	X	Audit (Financial)
	X		X	Board as a rated investment credit, a bond issuer and a credit enhancer
X	X	X	X	Board member education
X	X	X	X	Board's budget
	X		X	Board as landlord/tenant holdings
	X		X	Board's website
X		X		Cash Management of state monies
X	X	X	X	Cost reporting including CEM, Inc. analysis
		X		Custodial bank relationship, performance, continuity
	X		X	Customer relationships (State government)
	X	X		Disaster Recovery and other emergency preparedness
X	X	X	X	Exempt staff performance and raises (HR policy requires annual consideration)
X	X	X	X	Ethics policy – (Board policy requires annual affirmations)
X	X		X	Fixed Income
	X		X	In-state Loan program
X		X		INTERCAP program
X	X	X	X	Internal controls
X	X	X	X	Investment Policy Statements Review (Governance policy requires annual review)
X	X	X	X	Legislative session and interim matters
	X	X		Outreach efforts for Board - loan and municipal programs
X	X	X	X	PERS and TRS relationship
X		X		Private Equity
		X		Proxy voting public equities
X		X		Public Domestic Equities
X		X		Public International Equities
X		X		Real Estate and timberland
X	X	X	X	Resolution 217 update of current Investment Firms (Board policy requires annual update)
X	X	X	X	Resolution 218, role of deputy director to serve as acting executive if necessary
	X		X	Securities Lending
X	X	X	X	Securities Litigation
X	X	X	X	Staffing levels (required biannually in board policy)
	X		X	State Fund as major client

**MONTANA BOARD OF INVESTMENTS**  
**ACRONYM INDEX**

ACH.....	Automated Clearing House
ADR.....	American Depository Receipts
AOF.....	All Other Funds
ARC.....	Actuarially Required Contribution
BOI.....	Board of Investments
CFA.....	Chartered Financial Analyst
EM.....	Emerging Market
FOIA.....	Freedom of Information Act
FWP.....	Fish Wildlife and Parks
FX.....	Foreign Exchange
IPS.....	Investment Policy Statement
LDI.....	Liability-Driven Investing
MBOH.....	Montana Board of Housing
MBOI.....	Montana Board of Investments
MDEP.....	Montana Domestic Equity Pool
MFFA.....	Montana Facility Finance Authority
MPEP.....	Montana Private Equity Pool
MPT.....	Modern Portfolio Theory
MSTA.....	Montana Science and Technology Alliance
MTIP.....	Montana International Pool
MTRP.....	Montana Real Estate Pool
MTSBA.....	Montana School Boards Association
MVO.....	Mean-Variance Optimization

**MONTANA BOARD OF INVESTMENTS**  
**ACRONYM INDEX**

NAV .....	Net Asset Value
PERS .....	Public Employees' Retirement System
PFL.....	Partnership Focus List
QZAB .....	Qualified Zone Academy Bonds
QSCB .....	Qualified School Construction Bonds
RFBP .....	Retirement Funds Bond Pool
RFP .....	Request for Proposal
SABHRS .....	Statewide Accounting Budgeting and Human Resource System
SLQT .....	Securities Lending Quality Trust
SSBCI .....	State Small Business Credit Initiative
STIP .....	Short Term Investment Pool
TFBP .....	Trust Funds Bond Pool
TFIP .....	Trust Funds Investment Pool
TIF.....	Tax Increment Financing
TIFD .....	Tax Increment Financing District
TRS.....	Teachers' Retirement System
TUCS .....	Trust Universe Comparison Service
VIX .....	Volatility Index

## **Terminology Commonly Used and Generally Understood at the Montana Board of Investments** (And most typical context used at BOI)

### **Active management (typically with respect to stocks)**

Investment method which involves hiring a manager to research securities and actively make investment decisions to buy and sell securities in an effort to outperform an assigned index, rather than purchasing a portfolio of securities that would simply replicate the index holdings (*'passive'* investing).

### **Actuarial assumed rate (pension concept)**

The investment return rate used by actuaries that enables them to project the investment growth of retirement system assets into the future (typically perpetual).

### **Actuarial funding status (pension concept)**

A measurement made by actuaries to measure a pension system's financial soundness (ratio of actuarial liabilities to the actuarial value of the assets available to pay the liabilities).

### **Alpha (investment term)**

Return on an investment portfolio in excess of the market return or benchmark return; generally used in the context of *'active'* management (as passive management, by definition, does not seek excess returns, or *'alpha'*).

### **Alternative Investments**

A wide range of investments, other than traditional assets such as publically traded stocks and bonds. The most common nontraditional or alternative investments are private equity, real estate, commodities, and hedge funds.

### **Arbitrage (bond program)**

A structural or systematic difference between investment types which may allow profiting from the *'difference,'* i.e., arbitrage. The most common context for the use of *'arbitrage'* at the BOI is the federal law that prevents *'arbitrage,'* i.e., the profiting of investing tax-exempt securities (e.g. INTERCAP) into taxable yields investments (such as U.S. Treasuries).

### **Asset Allocation and Asset Allocation Range (general investment principle)**

The Board's invested assets are divided or allocated into various asset classes such as stocks and bonds, each with its own characteristics, with the objective of attaining an optimal mix of risk and return. The total expected return of a portfolio is primarily determined by the mix or allocation to its underlying assets classes. Given the importance of *'asset allocation,'* the BOI Board sets the asset allocation *'range'* for each broad investment type or asset class.

### **Average life (fixed income, particularly bonds)**

The average time period the debt is expected to be outstanding. This is typically the maturity date for a traditional bond structure, however it will be shorter for bonds having a sinking fund or amortizing payment structure.

### **Barclay's Aggregate Index (fixed income)**

A composite of outstanding bond issues, including corporate, structured, and government bonds whose overall investment features such as return and investment type are tracked over many years. This is the most common benchmark used for comparing the performance of a portfolio that invests in U.S. investment grade fixed income securities. Formerly known as the Lehman Aggregate bond index.

### **Basis points (investment jargon)**

A basis point is  $1/100^{\text{th}}$  of a percentage. Ten basis points is one tenth of a percent, typically written as 10 bps.

**Benchmark (standard investment concept)**

The concept of employing a particular independent or market investment return as a measurement to judge an investment portfolio's return; typically chosen investment benchmarks have the following attributes: they are investible, quantifiable, chosen in advance, easily understandable, and have a long history; common examples are the S & P 500 Index and the Barclay's Aggregate Index.

**Beta (investment jargon)**

A measure of the risk (or volatility) of a security or a portfolio in comparison to the market as a whole. If the stock or portfolio moves identically to that market, its beta value is 1; if its price volatility (or movement) is greater than that market's price volatility, it is said to have beta greater than 1.

**Cap, as in large 'cap' (generally for stocks, i.e., public equities)**

'Cap' is short for capitalization, as a reference to the market value of a publically-traded company. The current stock price times the total shares outstanding of the company equals its market capitalization or market 'cap'; often used contextually such as 'large-cap,' 'mid-cap,' and 'small-cap' for different sized public companies.

**Clawback (private equity)**

A clause in the agreement between the general partner and the limited partners of a private equity fund. The clawback gives limited partners the right to reclaim a portion of distributions to a general partner for profitable investments based on significant losses from later investments in a portfolio which ultimately resulted in the general partner receiving more distributions than it was legally entitled to.

**Core (context varies for equity, fixed income, real estate)**

In equity and fixed income, 'core' refers to investments that are generally always found in the portfolio and normally expect to hold for a very long time e.g. 'core' holdings of the largest U.S. companies, or U.S. treasuries; in real estate, 'core' generally refers to the best quality of real estate holdings such as prime commercial property in major metropolitan cities that have low leverage and low levels of vacancy.

**Correlation (common statistical concept)**

A measure of how two or more investment values or two asset classes move relative to each other during the same time period. A central concept in portfolio construction is to seek investments whose values do not move *together* at the same time, i.e., are uncorrelated. A correlation of 1 means that two or more investments 'move' precisely together.

**Custom benchmark (or sometimes custom index)**

A way to measure investment performance using a tailor-made measurement versus a generic industry-standard benchmark. At the BOI, total pension performance is measured against the Board's 'custom index' or 'custom benchmark' which is a weighted blend of all the underlying asset class benchmarks used to measure the asset class returns.

**Derivatives (investment jargon)**

Investment securities whose performance itself depends (or is 'derived') from another underlying investment return. Examples include stock options, puts/calls, and forward currency contracts whose returns are based on the underlying stock or currency.

**Developed markets (equity)**

Countries having a long period of stable industrialization; or are the most economically developed.

**Discount (fixed income, generally)**

Used most often with respect to bonds, the price paid that is less than face (or 'par') value. A \$1 million face-value of a bond purchased for less than a million is bought at a 'discount.' Described as the difference between a bond's current market price and its face or redemption value.

**Diversification (standard investment concept)**

The concept of spreading risk by putting assets in several investment categories, each having different attributes with respect to type, expected return, risk, and correlation, to best protect against the risk of loss.

**Duration (bonds)**

Almost exclusively used when discussing fixed income bonds, a measurement of how sensitive a bonds' change in price is to a change in general market interest rates, expressed in years (specifically calculated as a weighted average term to maturity of the bond's cash flows). The greater the duration of a bond, the greater the volatility of price for changes in market interest rates.

**Efficiency (usually when discussing various stock markets)**

Used to describe markets where it is very difficult to achieve return in excess of that of the overall market from individual stock selection. When information is widely available on a company and its securities are traded regularly the market is considered 'efficient.'

**Emerging Markets (most often for public equities)**

Certain international securities markets that are typically small, new, have low turnover, and are located in countries where below-average income prevails and is developing in response to the spread of capitalism.

**Enhanced (pertaining to stocks)**

Generally linked with 'index' as in enhanced index, an indexed investment management style that has been modified to include the portfolio manager's idea of how to outperform the index by omitting some stocks in the index and overweighting others in a limited manner designed to enhance returns but at minimal risk.

**Enhancement (bond program)**

At BOI, the term generally refers to credit support or a bond or loan guarantee. For example the Board's INTERCAP bonds are 'enhanced' by the BOI's performance guarantee bringing down the yearly interest rate.

**Excess returns (standard investment concept)**

Returns are 'excess' if they are more than the market or more than the benchmark they are measured against.

**Exempt staff vs. classified staff (specific to Montana state government)**

"Exempt" refers to the Board's seven employees who, under state law, do not fall under the state's standard employment rules (the 'classified' staff).

**Fiduciary (from the Latin verb, fidere, to trust)**

The concept of trust and watchfulness; a fiduciary is charged with the responsibility of investing the money wisely for the beneficiary's benefit. Board members are the ultimate 'fiduciaries' for the Board's assets and are obligated to be a good agent.

**FTE (state government jargon)**

An acronym in state government: "full time equivalent" as in full time employee. The concept is a slot or position, not the actual individuals. The BOI is currently authorized for 32 FTE's.

**Fund of funds (private equity)**

A concept used in alternative investments referring to using an investment manager to invest in *other* managers or funds, as opposed to making direct investments in funds.

**GAAP/GASB (accounting terminology)**

GAAP...Generally Accepted Accounting Principles; Montana state law uses GAAP accounting principles unless specifically allowed otherwise. GASB...Government Accounting Standards Board, the board that sets GAAP

standards for U.S. governments (FASB...Financial Accounting Standards Board, the entity for commercial and business accounting standards).

### **General obligation (municipal finance term)**

Used to describe the promise that a government makes to bond holders, backed by taxing and further borrowing power, it is generally considered the highest level of commitment to bondholders. At the local government level, general obligation bonds typically require a vote of the residents.

### **General partner vs. limited partner (private equity)**

In private equity, the general partner is responsible for the operations of the partnership and makes the actual underlying investment decisions; the limited partner is the investor, and therefore has limited liability for investment decisions; the BOI is the 'limited' partner in its private equity fund investments (and real estate funds as well).

### **Growth (as to style public equities)**

An investment style that more heavily invests in companies whose earnings are expected to grow at an above average rate to the market. A growth stock usually does not pay a dividend, as the company would prefer to reinvest retained earnings in capital projects to grow the company (vs. 'value,' which considers buying established companies they feel are trading at bargain prices to the fundamental analysis of the company's financial statements and internal competitive factors).

### **Indenture (bond and loan programs)**

The central document describing the contract between investors and the borrower or user of the proceeds. The Board's INTERCAP program is structured around a bond indenture.

### **Hedge fund (as defined by Investopedia)**

An aggressively managed portfolio of investments that uses advanced investment strategies such as *leverage*, long, short and *derivative* positions in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market *benchmark*).

### **Hurdle Rate (private equity)**

a minimum return per annum that must be generated for limited partners of a private equity fund before the general partner can begin receiving a percentage of profits from investments.

### **Index (investment concept)**

Typically a single measure of a broadly-based group of investments that can be used to judge, or be compared to the return performance of an individual investment or manager.

### **Indexing (investment concept)**

Typically refers to investing in a portfolio to match a broad range of investments that are set within a pre-determined grouping, such as the S&P 500, so as to match its performance; such investing is generally labeled 'passive' or indexed investing; or buying shares in an Index Fund.

### **In-state loan program (Montana-specific)**

Programs that are funded by the state's coal severance tax monies.

### **Internal service vs. enterprise fund (state accounting concept)**

Within Montana state government: a program whose funding is dependent on *mandatory participation* by another state government program is labeled an 'internal' service fund; a program whose funding is dependent on voluntary participation is labeled an enterprise fund. At BOI, the investment program is an internal service fund because participation is not voluntary; the Board's bond and loan programs, because their use is voluntary, are accounted for as an enterprise.

**Investment grade (bonds)**

Bond ratings from Moody's, Standard and Poor's, and Fitch high enough to be considered secure enough for most investors (bonds rated AAA – BBB). Below investment-grade bonds (below BBB) are generally considered to have a more speculative outlook and carry more risk of default.

**IRR (private equity)**

A measure of investment performance, short for 'internal rate of return,' expressed as a percentage (the 'internal rate of return' number, or discount rate) that mathematically will equalize the total future cash flows of an investment to the initial cash outflow of the investment; the concept accounts for the time value of money.

**Leverage (investment concept)**

As an investment concept, a way to increase a return on an investment through a combination of one's own money and also by borrowing additional money to enhance such an investment; high 'leverage' is also associated with high risk.

**Mean Variance Optimization Model ('Modern Portfolio Theory')**

A theory that it is possible to construct a portfolio to maximize the return for the least amount of risk or volatility. This theory is based on various asset types and their level of expected return, risk (volatility) and their correlation with each other or how the asset values move with each other. The central idea of the model is to blend investments so that in total, they provide both the best expected return and optimal amount of diversification to minimize deep performance swings (volatility); a central tenant is that long term historical returns are indicative of future returns.

**Mezzanine finance (private equity)**

Subordinated debt with an equity 'kicker' or ability to share in the equity value of the company. It is typically lower quality because it is generally subordinated to debt provided by senior lenders such as banks, thus is considered higher risk.

**Multiple (as in "multiple" of invested capital, private equity)**

The ratio of total cash returned over the life of the investment plus the investment's residual value over the total cash expended in making the investment. A multiple of 2 means, regardless of the total investment time period, that total cash returned was twice the cash invested.

**130/30 Strategy (public equities)**

Also called 'partial long short,' this strategy involves the establishment of a short position in select stocks while taking the proceeds of those shorts and buying additional long positions in stocks. The net effect is an overall market position that is 100% long, but the active decisions on individual stock selections are amplified by this ability to short. If the stock selections are successful, the strategy enables the portfolio to profit more than if a stock had simply not been owned, as with traditional long-only portfolios.

**Opportunistic (real estate)**

In real estate, a euphemism for the most risky real estate investments, typically distressed, raw land, newly developed buildings or other high risk investments in the real estate sector, (versus, 'core,' which are the best quality fully leased commercial properties).

**Overweight or underweight (investment concept)**

Generally the level of holdings of a certain type of investment that is above or below either a benchmark's weight (portion of total investment), or the percentage held of a particular asset class compared to the Board's asset allocation policy weight. Also used to describe an external investment manager's decision to have more (or less) of a particular investment than the percentage or weighting found in the benchmark.

**Passive management or passive investment (most often in public equities, but not exclusively)**

An investment style where a fund's portfolio mirrors a market index, such as the S&P 500, with limited selection decisions by the manager, resulting in market returns. Passive management is the opposite of active management in which a fund's manager attempts to beat the market with various investment strategies and buy/sell decisions of a portfolio of securities to enhance returns.

**P/E ratio (equity)**

The price of a publically traded stock divided by its estimated or actual earnings is the price/earnings or P/E ratio. This can also be calculated for a stock index or portfolio of stocks. Over the last 100 years, the S&P 500 has had an overall P/E ratio of about 15, or a total index price of about 15 times the annual earnings of its underlying companies.

**Pacing study (private equity)**

An analysis of the likely timing and amount of the drawdown of committed but yet uninvested monies and the estimated distributions or returns from the funds held in an alternative investment portfolio, generally used to judge the future size of the portfolio and its potential liquidity needs, i.e., cash funding demands.

**Par (fixed income)**

The initial principal amount designated by the issuer of the bond, or face value of a bond.

**Passive**

For investments, generally not materially participating in an investment decision, meaning an investment portfolio whose returns follows that of a broad market index, such as an investable stock index, i.e. the S & P 500.

**Passive weight (generally equities)**

The percentage of a stock held in a particular index portfolio, or percentage of an overall asset class that is held in passive portfolios.

**Policy Portfolio**

A fixed-target asset allocation, as opposed to asset allocation ranges, which theoretically allows gauging whether deviations from the target portfolio had a positive or negative impact on overall performance.

**Portable alpha (public equities)**

An investment strategy which involves the active selection of securities while neutralizing overall beta or market risk. This often involves the use of derivative investments such as futures to replicate the market return, either taking a short or long position, while then selecting securities which are expected to add return in an absolute sense or in addition to the market return. As an example, this strategy can be found with certain hedge funds where a market exposure is shorted while individual securities such as specific stocks are purchased that are expected to outperform the general market. The concept of portable applies when the ability to generate positive alpha can be overlaid or ported onto a portfolio. This is not a strategy employed by any of MBOI's existing managers.

**Premium (fixed income)**

Most often the amount paid over the stated face amount (often called 'par') of a bond, but also used in other contexts, typically paying more (the premium) than a market price (as in a take-over bid for a company).

**Proxy (publically traded companies)**

An agent legally authorized to act on behalf of another party. Shareholders not attending a company's annual meeting may choose to vote their shares by proxy by allowing someone else to cast votes on their behalf, but the word 'proxy' is used more frequently colloquially as a 'close approximation.'

**Prudent expert, prudent person (a central fiduciary concept)**

These legal terms have long histories of court-determined standards of care, deriving originally under English common law. The BOI is empowered to operate under the 'prudent expert rule,' which states that the Board shall manage a portfolio:

*a) with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;*

*b) diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and*

*(c) discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.*

At an 'expert' level; there is more room for accepting risk under the prudent expert rule than the prudent person rule.

**Rebalancing (general investment term)**

The process of realigning the weightings of the portfolio of assets. Rebalancing involves periodically buying or selling assets in the portfolio to maintain the original desired level of asset allocation and/or to stay within predetermined asset category range; it is part of a disciplined investment approach within modern portfolio theory.

**Resolution (government term)**

Generally a formal and written action by a governmental (or corporate) body that has long term significance and requiring a vote of the governing body. BOI uses 'resolutions' generally only for its most significant and long term actions and/or policies.

**Securities lending (general investment)**

Investments that are temporally borrowed by other investors for a fee; the BOI allows most of its publically traded investments to be loaned for additional marginal income.

**Standard deviation (common statistical concept)**

A specific statistic that measures the dispersion of returns from the mean over a specific time period to determine the "historical volatility" of returns for a stock, or portfolio, or asset class; more specifically a single unit (i.e., one standard deviation) of dispersion that accounts for approximately 66% of all data around a mean using a 'normal' (or 'uniform' or 'bell-shaped' curve; as opposed to a skewed or asymmetrical) distribution. The standard deviation is used as a gauge for the amount of expected future volatility.

**SABHRS (accounting jargon)**

Montana state government's State Accounting, Budgeting and Human Resource System; the State's central information management system. BOI investment and other financial data must tie and be reported on this system, which is the official book of record and includes the state's financial statements.

**Style drift (often in reference to public equity managers, but applicable to other managers, too)**

As the name implies, a divergence from an investor's professed investment bias or style or objective.

**Tracking error (statistical concept in investments)**

A measurement of the standard deviation of a portfolio's return versus the return of the benchmark it was attempting to outperform. The concept is often used when discussing investment managers. For example some styles are expected to have high 'tracking errors,' (e.g., deep 'value' investors who buy companies that may be dogs for years), versus passive managers, whose stock volatility is expected to be very close to their benchmark. Tracking error can either be intentional or unintentional; it can also be regarded as an accepted deviation or contrary to the management agreement. High *unexpected* tracking error is generally a serious concern to be examined and understood.

**Underwriter (bond program)**

In investments, the agent who buys investments to be resold to the public; at BOI, the investment firms that buy the Board's bonds to be resold to the public.

**Unified Investment Program (Montana Constitution)**

The Program in the State's constitution requiring a central investment program which the legislature has assigned to the BOI.

**Value (as to style when discussing public equities)**

An investment style that focuses on buying established companies that investors believe are undervalued and trading at bargain prices to the fundamental analysis of the company's financial statements and internal competitive factors.

**Venture capital (private equity)**

A higher-risk/high-return type of investing in startup firms and small businesses with perceived long-term growth potential. Sometimes these are already existing business ventures with limited operating history that need additional management expertise and access to capital. (For start-ups, 'seed capital,' or 'angel investor' are terms differentiating this even higher risk type of investment.)

**Volatility (investment jargon)**

A statistical measure of the dispersion of returns for a given security or market index. Volatility is typically measured by using the standard deviation of returns from the security or market index. Commonly, the higher the volatility, the riskier the security.

**Yield (general investment, but most often within fixed income)**

The amount returned to the investor above the original investment generally expressed as a percentage. Yield can be thought of as the expected return from the combination of interest and price accrual or amortization to maturity (in the case of a bond trading at a discount or premium to par).

**Yield curve (fixed income)**

A line that plots the prevailing interest rates at a given time for bonds ranging in maturity from as short as three months out to 30 years. When plotted across these various maturities (typically 2, 5, 7, 10 and 30 years), the resultant line is shaped like a curve with generally low interest rates (the yield) for shorter maturities and gradually higher interest rates for longer maturities, because generally investors demand higher interest rates for longer term investments. The yield curve for U.S. Treasury debt is the most common when referring to the prevailing level of interest rates.

## **MONTANA BOARD OF INVESTMENTS PUBLIC MARKETS MANAGER EVALUATION POLICY**

### **INTRODUCTION**

The purpose of this policy is to broadly define the monitoring and evaluation of external public markets managers. This policy also provides a basis for the retention and/or termination of managers employed within the Montana Domestic Equity Pool (MDEP), the Montana International Equity Pool (MTIP), the Retirement Funds Bond Pool (RFBP), and the Trust Funds Investment Pool (TFIP).

The costs involved in transitioning assets between managed portfolios can be significant and have the potential to detract from returns. Therefore it is important that the decision process be based on a thorough assessment of relevant evaluation criteria prior to implementing any manager changes. Staff will consider such costs when deciding to add or subtract to manager weights within the pools as well as in deciding to retain or terminate managers.

### **MONITORING PROCESS**

**Periodic Reviews:** Staff will conduct periodic reviews of the external managers and will document such periodic reviews and subsequent conclusions. Periodic reviews may include quarterly conference calls on portfolio performance and organizational issues as well as reviews conducted in the offices of the Montana Board of Investments (MBOI) and on-site at the offices of the external managers. Reviews will cover the broad manager evaluation criteria indicated in this policy as well as further, more-detailed analysis related to the criteria as needed.

**Continual Assessment:** Staff will make a continual assessment of the external managers by establishing and maintaining manager profiles, monitoring company actions, and analyzing the performance of the portfolios managed with the use of in-house data bases and sophisticated analytical systems, including systems accessed through the Master Custodian and the Investment Consultant. This process culminates in a judgment which takes into account all aspects of the manager's working relationship with MBOI, including portfolio performance.

Staff will actively work with the Investment Consultant in the assessment of managers which will include use of database research, conference calls and discussions specific to each manager, and in any consideration of actions to be taken with respect to managers.

### **MANAGER EVALUATIONS**

The evaluation of managers includes the assessment of the managers with respect to the following qualitative and quantitative criteria.

#### **Qualitative Criteria:**

- Firm ownership and/or structure
- Stability of personnel
- Client base and/or assets under management
- Adherence to investment philosophy and style (style drift)
- Unique macroeconomic and capital market events that affect manager performance

## MONTANA BOARD OF INVESTMENTS PUBLIC MARKETS MANAGER EVALUATION POLICY

- Client service, reporting, and reconciliation issues
- Ethics and regulatory issues
- Compliance with respect to contract and investment guidelines
- Asset allocation strategy changes that affect manager funding levels

### **Quantitative Criteria:**

- Performance versus benchmark – Performance of managers is evaluated on a three-year rolling period after fees.
- Performance versus peer group – Performance of managers is evaluated on a three-year rolling period before fees.
- Performance attribution versus benchmark – Performance of managers is evaluated on a quarterly and annual basis.
- Other measures of performance, including the following statistical measures:
  - Tracking error
  - Information ratio
  - Sharpe ratio
  - Alpha and Beta

### **PERFORMANCE MEASUREMENT**

Performance calculations and relative performance measurement compared to the relevant benchmark(s) and peer groups are based on a daily time-weighted rate of return. The official book of record for performance measurement is the Master Custodian.

The performance periods relevant to the manager review process will depend in part on market conditions and whether any unique circumstances are apparent that may impact a manager's performance strength or weakness. Generally, however, a measurement period should be sufficiently long to enable observation across a variety of different market conditions. This would suggest a normal evaluation period of three to five years.

### **ACTIONS**

**Watch List Status:** Staff will maintain a "Watch List" of external managers that have been noted to have deficiencies in one or more evaluation criteria. An external manager may be put on the "Watch List" for deficiencies in any of the above mentioned criteria or for any other reason deemed necessary by the Chief Investment Officer (CIO). A manager may be removed from the "Watch List" if the CIO is satisfied that the concerns which led to such status have been remedied and/or no longer apply.

**Termination:** The CIO may terminate a manager at any time for any reason deemed to be prudent and necessary and consistent with the terms of the appropriate contract.

**MONTANA BOARD OF INVESTMENTS  
PUBLIC MARKETS MANAGER EVALUATION POLICY**

**ROLES AND RESPONSIBILITIES**

**CIO:** The CIO is responsible for the final decision regarding retention of managers, placement on and removal of “Watch List” status, and termination of managers.

**Staff:** Staff is responsible for monitoring external managers, portfolio allocations and recommending allocation changes to the CIO, and recommending retention or termination of external managers to the CIO.

**Investment Consultant:** The consultant is responsible for assisting staff in monitoring and evaluating managers and for reporting independently to the Board on a quarterly basis.

**External Managers:** The external managers are responsible for all aspects of portfolio management as set forth in their respective contracts and investment guidelines. Managers also must communicate with staff as needed regarding investment strategies and results in a consistent manner. Managers must cooperate fully with staff regarding administrative, accounting, and reconciliation issues as well as any requests from the Investment Consultant and the Custodian.

**RECOMMENDED EDUCATIONAL RESOURCES FOR  
MEMBERS OF THE MONTANA BOARD OF INVESTMENTS**

**May 2014**





RVK Resources			
Publication	Cost	Link	Description
<b>RVK Quarterly Commentary</b> <i>NEW</i>	Free	<a href="http://www.rvkuhns.com">www.rvkuhns.com</a>	Each quarter, RVK publishes a brief commentary that provides a high level overview of key macroeconomic events, as well as a performance summary for major asset classes. The commentary provides a quick reference for Board members, who wish to better understand the most important market events prior to each quarterly meeting.
<b>RVK Investment Perspectives</b> <i>NEW</i>	Free	<a href="http://www.rvkuhns.com">www.rvkuhns.com</a>	<p>Each quarter, RVK publishes a white paper covering topics of common concern for our clients. The first two papers in the series are described below.</p> <ol style="list-style-type: none"> <li>1. <b>Best Practices in Investment Governance</b>—This paper provides a framework for establishing key capabilities that are critical for the success of investment committees. It also serves as an introduction to a more comprehensive best practices research study that RVK will publish at the end of 2014.</li> <li>2. <b>Framework for Evaluating Fixed Income Portfolio Structures</b>—This paper provides tools and insights to help investors think through the structure of their fixed income portfolios. The demand for this paper stems from the current, low interest rate environment, coupled with recent actions by the Fed to taper quantitative easing.</li> </ol> <p>If Board members wish to receive future issues proactively, RVK can add their email addresses to a distribution list. Alternatively, the white papers can be downloaded from the RVK site.</p>

Periodicals			
Periodical	Cost	Link	Description
<b>Pensions &amp; Investments</b>	\$325/Year	<a href="http://www.pionline.com">www.pionline.com</a>	Pensions and Investments is a bi-weekly publication that covers current events impacting defined benefit plans. The PI Online web site also provides a variety of research reports and databases to support the decision-making of defined benefit plan staff and board members.
<b>The Economist</b>	\$134/Year	<a href="http://www.economist.com">www.economist.com</a>	The Economist is perhaps the most respected source of reporting and analysis on current events shaping the global economy. The Economist can help staff and board members stay familiar with the key factors and events that impact the performance of the portfolio.

RECOMMENDED EDUCATIONAL RESOURCES



<b>Institutional Investor</b>	\$575/Year	<a href="https://www.institutionalinvestor.com">https://www.institutionalinvestor.com</a>	Institutional Investor provides a monthly magazine that serves as both a source of news and proprietary research. A subscription also provides varying degrees of access to proprietary data and research online. Subscriptions range from \$575/year to \$1,680/year depending on the desired level of access to online resources. We believe that the online research capabilities are most relevant to staff, and therefore would only recommend the \$575 “silver” package for Board Members.
<b>FundFire <sup>NEW</sup></b>	N/A – MBOI already subscribed	<a href="http://www.fundfire.com/">http://www.fundfire.com/</a>	FundFire is a source of competitive intelligence for the separately managed account industry. A subscription provides access to original articles and summaries of industry news which helps investors, managers and consultants stay abreast of the changes in their industry. Investment managers read FundFire to find out what competitors and prospective clients are doing and thinking. Financial advisors, investment consultants, pension plans, endowments and foundations rely on FundFire to power their money management IQ.

<b>Books</b>			
<b>Book</b>	<b>Cost</b>	<b>Link</b>	<b>Description</b>
<b>Pioneering Portfolio Management</b>	\$24	<a href="http://tinyurl.com/3sa4c4u">http://tinyurl.com/3sa4c4u</a>	This book was written by David Swensen, the Chief Investment Officer of the Yale Endowment. The book provides a blue print for Mr. Swensen’s investing strategy, which has resulted in superior long term returns for decades. While the book is especially applicable to university endowments, many of the insights are relevant to public pension funds.
<b>The Little Book of Behavioral Investing</b>	\$16	<a href="http://tinyurl.com/3dva98f">http://tinyurl.com/3dva98f</a>	This book was written by a senior investment professional at GMO, a global asset management firm led by renowned investor Jeremy Grantham. The book provides a comprehensive overview of common behavioral biases that can negatively impact the investment decision-making process. The lessons are easily comprehensible to both expert and novice investors.
<b>Cambridge Handbook of Institutional Investment and Fiduciary Duty <sup>NEW</sup></b>	\$135	<a href="http://tinyurl.com/nwegkvq">http://tinyurl.com/nwegkvq</a>	This book provides commentary and guidance on the evolving standards governing institutional investment. It features a wide range of contributors who share their perspectives on the forces that drive the current emphasis on short-term investment returns. This book is not yet available, and appears to be more academic in focus. However, it covers fiduciary duty in great detail, and may be a great resource for new and existing board members.

<b>Electronic Newsletters</b>			
<b>Newsletter</b>	<b>Cost</b>	<b>Link</b>	<b>Description</b>
<b>CFA Financial Briefs</b>	Free	<a href="https://www.smartbrief.com/cfa/index.jsp">https://www.smartbrief.com/cfa/index.jsp</a>	Each day, this newsletter compiles the most notable headlines relating to economics, investment management, and major geopolitical events. Each headline has a link to the underlying article. This email serves as the daily newspaper for many in the investing community.
<b>Thoughts from the Frontline</b>	Free	<a href="https://www.mauldineconomics.com/subscribe">https://www.mauldineconomics.com/subscribe</a>	John Mauldin releases a daily newsletter that includes, as an attachment, his own analysis on major economic events and/or the analysis of other investment experts. The newsletter typically has a bearish bias, but provides invaluable perspective on macroeconomic events and emerging research in the investment profession.
<b>JPMorgan Eye on the Market</b>	Free	<b>Send Email Request to</b> <a href="mailto:Thomas.j.fisher@jpmorgan.com">Thomas.j.fisher@jpmorgan.com</a>	Eye on the Market is released 2-3 times per week and provides in depth analysis on events shaping the global economy. The content is typically more balanced than John Mauldin's letter, but should be viewed with some skepticism given the role of JPMorgan as an asset manager.