

MONTANA

BOARD OF INVESTMENTS

REGULAR BOARD MEETING
OCTOBER 14, 2025

COMMITTEE MEETINGS

- A. **Audit Committee – Mark Barry, Chair**

Committee Members – Iverson, Younkin

9:00 AM

1. Public Comment – *Public Comment on issues with Committee Jurisdiction*

2. Approval of June 4, 2025, Committee Minutes

3. Executive Director Comments

4. Audit Checklist

5. Internal Controls Review

6. SOC 1, Type 2 Report – **Decision**

7. Board/Staff Disclosure Reporting – **Decision**
- B. **Loan Committee – Tim Kober, Chair**

Committee Members – Bennett, Milanovich

9:45 AM

1. Public Comment – *Public Comment on issues with Committee Jurisdiction*

2. Approval of August 20, 2025, Committee Meeting Minutes

3. Executive Director Comments

4. INTERCAP Loan Request - **Decision**
- C. **Human Resource Committee – Maggie Peterson, Chair**

Committee Members – Trost, Younkin

10:00 AM

1. Public Comment – *Public Comment on issues with Committee Jurisdiction*

2. Approval of June 4, 2025, Committee Meeting Minutes

3. Executive Director Comments

4. Exempt Staff Performance Review – **CLOSED SESSION – Decision**

* **CLOSED SESSION** – This portion of the meeting relates to matters of individual privacy. The Committee Chair may determine that the demand for individual privacy clearly exceeds the merit of public disclosure. As such, this portion of the meeting may be closed. No Board action may be taken in closed session.

BREAK

11:00 AM

- Tab 1 **CALL TO ORDER – Jeff Meredith, Chairman**

11:15 AM

A. Notice of Video Recording of Meeting

B. Roll Call

C. Public Comment – *Public Comment on issues with Board Jurisdiction*

D. Approval of the August 20, 2025, Meeting Minutes

E. Administrative Business

1. Audit Committee Report – **Decisions**

2. Loan Committee Report

3. Human Resource Committee Report – **Decision**

F. Comments from TRS and PERS Board Members

G. Comments from Board Legislative Liaisons

Tab 2 EXECUTIVE DIRECTOR REPORTS – Dan Villa	11:30 AM
A. Member Requests from Prior Meeting	
B. Monthly Snapshot	
C. Securities Lending	
D. Policy 10.700 Revision – Decision	
E. 2026 & 2027 Board Meeting Calendars/Work Plans – Decisions	
BREAK FOR LUNCH	12:00 PM
Tab 3 FIRST READING - ASSET ALLOCATION – Jon Putnam, CFA, FRM, CAIA - Potential Decision	1:00 PM
BREAK	2:00 PM
Tab 4 PRIVATE INVESTMENTS ASSET CLASS REVIEW	2:15 PM
RECAP OF STAFF TO DO LIST AND ADJOURNMENT – Jeff Meredith, Chairman	

MONTANA

BOARD OF INVESTMENTS

REGULAR BOARD MEETING MINUTES

AUGUST 20, 2025

Official meeting minutes are the recordings posted at <https://leg.mt.gov/lspd/>
(timestamps may differ)

Call to Order

Board Chair Jeff Meredith called the Board of Investments meeting to order at 9:50 a.m. on Wednesday, August 20, 2025.

Attendance

Board Members Present: Jeff Meredith, Maggie Peterson, Tim Kober, Mark Barry, Cindy Younkin, Dwaine Iverson, Dan Trost, Porter Bennett, John Milanovich

Board Members Absent: None

Legislative Liaisons Present: Representative Larry Brewster, Senator Shane Morigeau

Legislative Liaisons Absent: None

Board Staff Present: Cort Jensen, Dan Villa, Doug Hill, Eron Krpan, Ethan Hurley, Ethan Kittle, James Lang, Jason Brent, Jessilynn Salois, John Carpenter, John Romasko, Jon Putnam, Julie Feldman, Kirsten Haswell, Louise Welsh, Mark Lodman, Matt Hoffman, Peggy MacEwen, Peggy Saarela, Roberta Diaz, Rob Samson, Sam Holman, Savannah Morgan, Sheli Jacoby, Steve Strong, Thomas Winkler, Tim House, Willie Gross

Interested Parties Present: Becky Gratsinger – RVK; Paige Blaser – RVK; Jim Voytko – RVK; John Kevin Baload – With Intelligence; Seaborn Larson – State News Bureau; Emily Gallagher – Mandate Wire; Ben Sheng – Fund Fire; Greg Tuttle – KTVQ; Dr. Mark Nicholson – general public; Cody Weis – KTVQ; Justin Dubail – NonStop Local KULR8; Brett Johnson – PEI Group

Tab 1 CALL TO ORDER (00:13 – First Recording)

A. Notice of Video Recording (00:18)

Chair Meredith advised that the meeting would be audio and video recorded.

B. Roll Call (00:25)

The roll was taken. Nine Board members were present, forming a quorum.

C. Public Comment (01:12)

Chair Meredith asked for public comment. None was given.

D. Approval of Minutes (01:32)

June 4, 2025, Regular Board Meeting Minutes and June 26, 2025, Special Board Meeting Minutes

Member Younkin moved to approve both meeting minutes. Member Milanovich seconded the motion, which passed unanimously.

E. Administrative Business**1. Loan Committee Report (02:02)**

Committee Chair Kober briefed the Board.

After discussion, Chair Meredith asked for a motion to approve and adopt Resolution 250-A for the Northern Montana Health Care, Inc. Bond Guarantee Request. Member Younkin moved for approval. Member Milanovich seconded the motion, which passed unanimously.

F. Comments from Pension Board Members (03:50)

Member Peterson and Member Trost briefed the Board.

G. Comments from Legislative Liaisons (06:44)

Representative Larry Brewster noted that he appreciated the recent site visit in Billings for the potential state hospital build, which will be discussed later in the meeting. Senator Shane Morigeau joined the meeting at 11:20 a.m.

Tab 2 EXECUTIVE DIRECTOR REPORTS (07:26)**A. Member Requests from Prior Meeting**

Executive Director Villa briefed the Board.

B. Monthly Snapshot

Executive Director Villa briefed the Board.

C. Budget Status Prior FY

Executive Director Villa briefed the Board and answered questions.

D. Draft 2026-2027 Calendars and Work/Education Plan

Executive Director Villa briefed the Board. Board members requested time to review the dates for a decision at the next meeting.

E. HB5 Behavioral Health Facility (28:40)

Executive Director Villa read a complete statement for the Board and audience members.

Tab 3 MONTANA LOAN PROGRAM (01:07:32)**A. Commercial and Residential Portfolios Report**

Doug Hill briefed the Board and answered questions.

Tab 3 MUNICIPAL LOAN PROGRAM (01:13:04)**A. INTERCAP**

Louise Welsh briefed the Board and answered questions.

B. Montana Housing Infrastructure Revolving (MHIR) Bond Program Portfolio Report

Louise Welsh briefed the Board and answered questions.

Tab 5 TRUST FUNDS INVESTMENT REVIEW (01:19:36)

John Romasko, Kirsten Haswell, Sam Holman, and Ethan Kittle briefed the Board and answered questions.

Tab 6 NON-CORE FIXED INCOME ASSET CLASS REVIEW (00:18 Second Recording)

Jason Brent briefed the Board and answered questions.

Tab 7 RVK (43:09)

Becky Gratsinger and Jim Voytko briefed the Board and answered questions.

Tab 8 INVESTMENT UPDATE (01:46:09)**CIO Update (01:46:25)**

Jon Putnam briefed the Board.

Macro Attribution (02:15:29)

Eron Krpan briefed the Board.

Domestic Equity, International Equity, and Non-Core Fixed Income (02:19:58)

Jason Brent briefed the Board.

Real Estate and Real Assets (02:30:11)

Ethan Hurley and Rob Samson briefed the Board.

Private Investments (02:54:13)

Thomas Winkler briefed the Board.

Core Fixed Income (02:59:11)

John Romasko briefed the Board.

RECAP OF STAFF TO-DO LIST AND ADJOURNMENT (03:04:19)

Chair Meredith adjourned the meeting at 3:57 p.m.

MONTANA BOARD OF INVESTMENTS

APPROVE: _____
Jeff Meredith, Board Chair

ATTEST: _____
Dan Villa, Executive Director

DATE: _____

MONTANA

BOARD OF INVESTMENTS

TO: Members of the Board
FROM: Dan Villa, Executive Director
DATE: October 14, 2025
RE: Executive Director Reports

- A. Member Requests from Prior Meeting
- B. Monthly Snapshot – *Attached*
- C. Securities Lending Memo – *Attached*
- D. Policy 10.700 – ***Decision***

90-7-320, MCA gives the Board of Investments the option to both A) loan money for deposit in the capital reserve account, and B) purchase bonds or notes issued by the Montana Facility Finance Authority. The Board, through MFFA's Master Loan Program, pledges assets of the Coal Trust Permanent Fund, the Treasurer's Fund, and the Short Term Investment Pool to fund loans to the capital reserve account of individual hospital bonds in the event of non-payment. Given the uncertainty in the healthcare market, including with Medicaid and Medicare enrollment and rates, impacts on private or self-funded insurance premiums, and uncompensated care, as well as general consolidation within the healthcare marketplace since the program's inception in 1994, Board staff recommends amending Policy 10.700. If passed, the Board may choose to revisit this decision once there is greater certainty in the healthcare market.

- E. 2026 & 2027 Board Meeting Calendars/Work Plans - ***Decisions***

MBOI Snapshot																						
Asset Management View																						
8/31/2025 Unaudited																						
Assets Under Management \$29,788,988,508																						
Pensions			NAV		%		TFIP		NAV		%		State Fund		NAV		%		Other Fixed Income & Pending		\$ 54,784,365	
DOMESTIC EQUITY			\$ 4,359,886,058		27.0%		Fixed Income		\$ 2,531,623,436		69.53%		Fixed Income		\$ 1,133,765,655		73.62%					
PRIVATE INVESTMENTS			\$ 2,734,167,346		16.9%		Real Estate		\$ 747,250,368		20.52%		Equity		\$ 182,976,629		11.88%		STIP*			
INTERNATIONAL EQUITY			\$ 2,482,466,368		15.4%		Non-Core Fixed Income		\$ 205,352,246		5.64%		Real Estate		\$ 95,426,338		6.20%		Sum of NAV			
CORE FIXED INCOME			\$ 2,135,409,095		13.2%		Real Asset		\$ 114,535,721		3.15%		High Yield		\$ 49,912,322		3.24%		Sum of %			
REAL ESTATE			\$ 1,891,344,010		11.7%		STIP		\$ 40,263,207		1.11%		STIP		\$ 47,683,497		3.10%		ASSET BACKED COMMERCIAL PAPER			
NON-CORE FIXED INCOME			\$ 1,131,109,268		7.0%		Private Debt		\$ 1,891,624		0.05%		Real Asset		\$ 29,413,568		1.91%		\$2,694,598,660 32.1%			
REAL ASSETS PAC			\$ 966,165,537		6.0%		TFIP Total		\$ 3,640,916,602		100.00%		Private Debt		\$ 810,695		0.05%		\$1,769,137,980 21.1%			
CASH EQUIVALENTS			\$ 284,850,668		1.8%								State Fund Total		\$ 1,539,988,704		100.00%		\$1,261,098,394 15.0%			
SHORT TERM INVESTMENT POOL			\$ 171,939,776		1.1%														\$1,076,806,656 12.8%			
Pensions Total			\$ 16,157,338,125		100.0%														\$970,411,491 11.6%			
																			\$324,299,529 3.9%			
																			\$299,608,000 3.6%			
																			STIP Total			
																			\$8,395,960,711 100.0%			

Definition of NAV: Net Asset Value is the total value of the account including assets held, adjusted for payables, receivables and liabilities

(1) Other Holdings column on page two represents the value of securities, receivables, payables and liabilities that comprise the Net Asset Value for the asset owner.

*Difference of \$397,184,707 is attributable the portion of STIP held within CAPP \$281,636,517 and TFIP \$40,061,414 as a cash investment and distributions held over month end \$75,486,776. Such value is represented in the NAV for the CAPP and STIP columns.

MBOI Snapshot Asset Ownership View 8/31/2025 Unaudited										
										Total Net
		CAPP Holdings	CAPP %	STIP Holdings*	STIP %	TFIP Holdings	TFIP%	Other Holdings ¹	Other %	Asset Value
Total Funds \$(000)		\$15,985,398	53.66%	\$7,998,776	26.85%	\$3,640,935	12.22%	\$2,163,879	7.26%	\$29,788,989
Pensions		CAPP	%	STIP	%	TFIP	%	Other	%	Total
FIREFIGHTERS RETIREMENT	\$	766,271	98.99%	\$ 7,840	1.01%	\$ -	0.00%	\$ -	0.00%	\$ 774,111
GAME WARDENS RETIREMENT	\$	387,060	98.86%	\$ 4,482	1.14%	\$ -	0.00%	\$ -	0.00%	\$ 391,542
HIGHWAY PATROL RETIREMENT	\$	239,785	98.78%	\$ 2,973	1.22%	\$ -	0.00%	\$ -	0.00%	\$ 242,758
JUDGES RETIREMENT	\$	148,148	98.98%	\$ 1,523	1.02%	\$ -	0.00%	\$ -	0.00%	\$ 149,671
POLICE OFFICERS RETIREMENT	\$	671,462	98.99%	\$ 6,859	1.01%	\$ -	0.00%	\$ -	0.00%	\$ 678,321
PUBLIC EMPLOYEES RETIREMENT	\$	7,661,502	98.92%	\$ 83,548	1.08%	\$ -	0.00%	\$ -	0.00%	\$ 7,745,051
SHERIFFS RETIREMENT	\$	616,386	98.86%	\$ 7,084	1.14%	\$ -	0.00%	\$ -	0.00%	\$ 623,470
TEACHERS RETIREMENT	\$	5,434,312	98.96%	\$ 57,020	1.04%	\$ -	0.00%	\$ -	0.00%	\$ 5,491,332
VOL FIREFIGHTERS RETIREMENT	\$	60,472	99.00%	\$ 611	1.00%	\$ -	0.00%	\$ -	0.00%	\$ 61,082
Total	\$	15,985,398	98.94%	\$ 171,940	1.06%	\$ -	0.00%	\$ -	0.00%	\$ 16,157,338
Trust Funds		CAPP	%	STIP	%	TFIP	%	Other	%	Total
ABANDONED MINE RECLAMATION	\$	-	0.00%	\$ 9,386	99.62%	\$ -	0.00%	\$ 36	0.38%	\$ 9,421
BARKER HUGHESVILLE ST RESPONSE	\$	-	0.00%	\$ 2,073	21.03%	\$ 7,751	78.64%	\$ 32	0.33%	\$ 9,857
BELT WATER TREATMENT PLANT	\$	-	0.00%	\$ 7,254	24.44%	\$ 22,327	75.23%	\$ 98	0.33%	\$ 29,679
BUTTE AREA ONE REST	\$	-	0.00%	\$ 1,129	18.90%	\$ 4,827	80.78%	\$ 20	0.33%	\$ 5,975
BUTTE AREA REDEVELOP AUTHORITY	\$	-	0.00%	\$ 2,073	14.99%	\$ 11,706	84.68%	\$ 45	0.33%	\$ 13,824
CLARK FORK REST	\$	-	0.00%	\$ 5,492	21.51%	\$ 19,957	78.16%	\$ 84	0.33%	\$ 25,533
CLARK FORK SITE RESP ACTION	\$	-	0.00%	\$ 4,919	9.53%	\$ 46,530	90.15%	\$ 166	0.32%	\$ 51,615
COAL TAX PARK TRUST FUND	\$	-	0.00%	\$ 2,752	8.75%	\$ 28,595	90.93%	\$ 101	0.32%	\$ 31,447
CULTURAL TRUST FUND	\$	-	0.00%	\$ 843	4.79%	\$ 16,709	94.89%	\$ 56	0.32%	\$ 17,607
DEBT AND LIABILITY FREE ACCOUNT	\$	-	0.00%	\$ 209,655	93.67%	\$ -	0.00%	\$ 14,163	6.33%	\$ 223,818
E HELENA GREENWAY TRAIL MAINT	\$	-	0.00%	\$ 202	22.68%	\$ 687	76.99%	\$ 3	0.33%	\$ 892
EAST HELENA COMPENSATION FUND	\$	-	0.00%	\$ 1,496	98.91%	\$ 11	0.71%	\$ 6	0.38%	\$ 1,513
ENDOWMENT FOR CHILDREN	\$	-	0.00%	\$ 82	5.34%	\$ 1,440	94.34%	\$ 5	0.32%	\$ 1,526
FLYING J CECRA FACILITIES FUND	\$	-	0.00%	\$ 611	21.35%	\$ 2,241	78.32%	\$ 9	0.33%	\$ 2,861
FWP MITIGATION TRUST	\$	-	0.00%	\$ 2,784	27.99%	\$ 6,883	69.18%	\$ 282	2.83%	\$ 9,948
GO DISTRIBUTION FUND	\$	-	0.00%	\$ 53,231	21.08%	\$ 25,155	9.96%	\$ 174,116	68.96%	\$ 252,502
GO PENSION FUND	\$	-	0.00%	\$ 62,259	22.33%	\$ 25,155	9.02%	\$ 191,452	68.65%	\$ 278,866
HAROLD HAMM ENDOWMENT	\$	-	0.00%	\$ 11	19.97%	\$ 43	79.70%	\$ 0	0.33%	\$ 55
INVASIVE SPECIES TRUST FUND	\$	-	0.00%	\$ 1,161	34.24%	\$ 2,220	65.45%	\$ 11	0.31%	\$ 3,392
KIYIYI POW WOW	\$	-	0.00%	\$ 50	15.70%	\$ 120	37.44%	\$ 151	46.86%	\$ 322
LIBBY ASBESTOS SITE STATE COST	\$	-	0.00%	\$ 1,412	25.62%	\$ 4,080	74.05%	\$ 18	0.33%	\$ 5,510
LUBRECHT FRST CRBN OFSET CREDIT	\$	-	0.00%	\$ 438	16.35%	\$ 983	36.68%	\$ 1,259	46.97%	\$ 2,680
LUTTRELL PIT - OPER & MAINT	\$	-	0.00%	\$ 460	21.17%	\$ 1,705	78.51%	\$ 7	0.33%	\$ 2,172
MONTANA HIST AND CIVICS ENDOW	\$	-	0.00%	\$ 828	37.83%	\$ 1,353	61.83%	\$ 7	0.34%	\$ 2,188
MONTANA HISTORICAL SOCIETY	\$	-	0.00%	\$ 1,421	30.84%	\$ 3,171	68.82%	\$ 15	0.33%	\$ 4,607
MONTANA STATE LIBRARY TRUST	\$	-	0.00%	\$ 223	15.18%	\$ 1,239	84.49%	\$ 5	0.33%	\$ 1,466
MT POLE SUPERFUND SETTLEMENT	\$	-	0.00%	\$ 4,864	25.22%	\$ 14,357	74.45%	\$ 64	0.33%	\$ 19,285
NOXIOUS WEED MGMT TRUST FUND	\$	-	0.00%	\$ -	0.00%	\$ 10,313	99.68%	\$ 33	0.32%	\$ 10,346
NRDP LIBBY SETTLEMENT	\$	-	0.00%	\$ 5,076	71.31%	\$ 2,017	28.33%	\$ 26	0.36%	\$ 7,118
OLDER MONTANANS TRUST FUND	\$	-	0.00%	\$ 18	5.30%	\$ 327	94.38%	\$ 1	0.32%	\$ 347
POTTER TRUST FUND	\$	-	0.00%	\$ 53	19.75%	\$ 215	79.92%	\$ 1	0.33%	\$ 269
PUBLIC SCHOOL TRUST	\$	-	0.00%	\$ 19,253	1.98%	\$ 948,420	97.70%	\$ 3,069	0.32%	\$ 970,742
REAL PROPERTY TRUST FUND	\$	-	0.00%	\$ 301	4.22%	\$ 6,819	95.46%	\$ 23	0.32%	\$ 7,143
RESOURCE INDEMNITY TRUST FUND	\$	-	0.00%	\$ 23	0.02%	\$ 105,868	99.66%	\$ 336	0.32%	\$ 106,227
SMELTER HILL UPLANDS REST FUND	\$	-	0.00%	\$ 1,298	15.12%	\$ 7,255	84.55%	\$ 28	0.33%	\$ 8,580
STREAMSIDE TAILINGS OU FUND	\$	-	0.00%	\$ 2,213	13.21%	\$ 14,489	86.47%	\$ 55	0.33%	\$ 16,757
TOBACCO TRUST FUND	\$	-	0.00%	\$ 9,432	2.94%	\$ 310,261	96.74%	\$ 1,020	0.32%	\$ 320,714
UPPER BLACKFT RESP ACT & REST	\$	-	0.00%	\$ 714	89.14%	\$ 84	10.49%	\$ 3	0.37%	\$ 801
UPPER CLRK FK RIVER BASIN RES	\$	-	0.00%	\$ 1,589	6.89%	\$ 21,390	92.79%	\$ 74	0.32%	\$ 23,053
UPPER CLRK FK RIVER BASIN REST	\$	-	0.00%	\$ 3,392	5.04%	\$ 63,702	94.64%	\$ 215	0.32%	\$ 67,309
WILDLIFE HABITAT TRUST FUND	\$	-	0.00%	\$ 1,311	7.94%	\$ 15,150	91.74%	\$ 53	0.32%	\$ 16,513
YELLOWSTONE PIPELINE CLEANUPFD	\$	-	0.00%	\$ 2,069	33.53%	\$ 4,080	66.13%	\$ 21	0.34%	\$ 6,169
ZORTMAN/LANDUSKY LT WATER	\$	-	0.00%	\$ 18,071	99.62%	\$ -	0.00%	\$ 69	0.38%	\$ 18,140
ZORTMANLANDUSKY LT WATER TRUST	\$	-	0.00%	\$ 23,503	99.62%	\$ -	0.00%	\$ 89	0.38%	\$ 23,592
Total	\$	-	0.00%	\$ 465,421	17.82%	\$ 1,759,632	67.36%	\$ 387,326	14.83%	\$ 2,612,379
Coal Severance		CAPP	%	STIP	%	TFIP	%	Other	%	Total
BIG SKY ECONOMIC DEV FUND	\$	-	0.00%	\$ 4,906	3.12%	\$ 152,088	96.57%	\$ 495	0.31%	\$ 157,489
COAL SEVERANCE TAX PERM FUND	\$	-	0.00%	\$ 22,051	3.99%	\$ 404,089	73.04%	\$ 127,142	22.98%	\$ 553,282
CONSERVATION DISTRICT FUND	\$	-	0.00%	\$ 5,512	11.30%	\$ 43,117	88.41%	\$ 142	0.29%	\$ 48,771
MONTANA COAL ENDOWMENT FUND	\$	-	0.00%	\$ 3,069	1.13%	\$ 267,705	98.55%	\$ 861	0.32%	\$ 271,635
MT COAL ENDOWMENT REGIONAL WAT	\$	-	0.00%	\$ 1,192	1.27%	\$ 92,655	98.42%	\$ 299	0.32%	\$ 94,145
SCHOOL FACILITIES FUND	\$	-	0.00%	\$ 65,713	23.71%	\$ 210,672	76.01%	\$ 779	0.28%	\$ 277,164
Total	\$	-	0.00%	\$ 102,443	7.30%	\$ 1,170,325	83.45%	\$ 129,718	9.25%	\$ 1,402,487
Operating Funds		CAPP	%	STIP	%	TFIP	%	Other	%	Total
FWP GENERAL LICENSE ACCOUNT	\$	-	0.00%	\$ 48,510	60.55%	\$ 29,828	37.23%	\$ 1,775	2.22%	\$ 80,113
MONTANA LOCAL GOVERNMENTS	\$	-	0.00%	\$ 1,825,973	99.62%	\$ -	0.00%	\$ 7,015	0.38%	\$ 1,832,988
MONTANA STATE AGENCIES	\$	-	0.00%	\$ 2,222,330	99.63%	\$ -	0.00%	\$ 8,343	0.37%	\$ 2,230,673
MONTANA STATE UNIVERSITY	\$	-	0.00%	\$ 305,375	83.98%	\$ 57,078	15.70%	\$ 1,156	0.32%	\$ 363,609
MONTANA TECH	\$	-	0.00%	\$ 7,759	94.16%	\$ 450	5.46%	\$ 31	0.38%	\$ 8,240
MT HOUSING INFRASTRUCTURE	\$	-	0.00%	\$ 58,126	35.33%	\$ -	0.00%	\$ 106,376	64.67%	\$ 164,503
REPAYMENT ACCOUNT	\$	-	0.00%	\$ 5,262	99.70%	\$ -	0.00%	\$ 16	0.30%	\$ 5,277
STATE TREASURER'S FUND	\$	-	0.00%	\$ 2,439,780	81.52%	\$ 541,361	18.09%	\$ 11,665	0.39%	\$ 2,992,806
UNIVERSITY OF MONTANA	\$	-	0.00%	\$ 54,432	64.96%	\$ 29,078	34.70%	\$ 289	0.34%	\$ 83,800
Total	\$	-	0.00%	\$ 6,967,547	89.76%	\$ 657,796	8.47%	\$ 136,666	1.76%	\$ 7,762,008
Insurance Reserves		CAPP	%	STIP	%	TFIP	%	Other	%	Total
MONTANA STATE FUND	\$	-	0.00%	\$ 47,489	3.08%	\$ -	0.00%	\$ 1,492,500	96.92%	\$ 1,539,989
MUS GROUP INSURANCE	\$	-	0.00%	\$ 69,801	82.40%	\$ 12,613	14.89%	\$ 2,300	2.71%	\$ 84,714
MUS WORKERS COMPENSATION	\$	-	0.00%	\$ 11,438	74.06%	\$ 3,950	25.58%	\$ 56	0.36%	\$ 15,444
OLD FUND LIABILITY DEFEASANCE	\$	-	0.00%	\$ 43,366	99.62%	\$ -	0.00%	\$ 165	0.38%	\$ 43,532
PERS-DCRP LT DISABILITY PLAN	\$	-	0.00%	\$ 860	6.64%	\$ -	0.00%	\$ 12,100	93.36%	\$ 12,961
STATE EMPLOYEE GROUP BENEFITS	\$	-	0.00%	\$ 116,067	74.53%	\$ 36,619	23.51%	\$ 3,039	1.95%	\$ 155,725
SUBSEQUENT INJURY TRUST FUND	\$	-	0.00%	\$ 2,404	99.61%	\$ -	0.00%	\$ 9	0.39%	\$ 2,413
Total	\$	-	0.00%	\$ 291,425	15.71%	\$ 53,182	2.87%	\$ 1,510,170	81.42%	\$ 1,854,777

Short Term Investment Pool			
Account	# Accounts	Total Market Value	%
Total State	378	6,474,733,762	78.0%
Total Local	207	1,830,291,488	22.0%
Total STIP	585	\$ 8,305,025,250	100.0%
STIP Reserve		\$ 108,770,060	
Prior month average STIP Yield		4.4741%	

Intercap Statistics	
Loans Outstanding	\$ 63,010,640
Bonds Outstanding	\$ 65,000,000
Number of Borrowers	123
Loan Rate	5.00%

MONTANA
BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 10.700	EFFECTIVE DATE: IBD September 23, 2022
TITLE: Credit Enhancement	SUPERSEDES: <u>September 23, 2022</u> November 30, 2021
BOARD ADOPTION: November 30, 2021	REVIEWED: <u>October 14, 2025 July 20, 2022</u>

I. Credit Enhancement

- A. The Board has the primary authority to invest state funds and to determine the types of investments to be made, subject to the restrictions of the Montana Constitution and the Unified Investment Program Act.
- B. The Board adopts this Policy to codify and clarify the circumstances under which the Board provides Credit Enhancement and to authorize the Executive Director to honor and fulfill the Board's obligations under the bond documents and Capital Reserve Account Agreement.
- C. The Board may approve Credit Enhancement for the Municipal Finance Consolidation Act (MFCA) ~~and the Montana Health Facility Finance Authority (MFFA) Bonds.~~
- D. The decision to provide Credit Enhancement is specific to each series of Bonds to be issued.
- E. The Board provides Credit Enhancement when it is prudent to do so and, in the Board's judgment, would result in a lower interest rate to the borrowers under the MFCA ~~and MFFA~~ than could be otherwise obtained.
- F. The funds in the Unified Investment Program from which the Board's Credit Enhancement obligations could be satisfied include, but are not limited to:
 - 1. The Coal Severance Tax Permanent Fund,
 - 2. The Short-Term Investment Pool, or
 - 3. The Treasurer's Fund.
- G. Authorization
 - ~~1. Each series of the MFFA Bonds for which Credit Enhancement is provided, requires a resolution from the Board. The resolution authorizes the Board to enter into an agreement with the MFFA whereby the Board agrees to make an interest bearing loan to the Capital Reserve Account to restore any deficiency.~~
 - 2.1. The Board may provide Credit Enhancements, including purchase of defaulting bonds issued or funds to the MFCA.
- H. Duties of the Executive Director
 - 1. The Executive Director is authorized to take all necessary actions to implement Credit Enhancement activity authorized by the Board.
 - 2. If the Executive Director makes a loan or purchases bonds pursuant to the bond documents, he/she shall:
 - a) Notify Board members via e-mail within three (3) business days of such action, and
 - b) Provide a full report to the Board at its next regularly scheduled meeting, specifying:

Adopted: November 30, 2021
Revised: ~~IBD September 23, 2022~~
Reviewed: October 14, 2025 July 20, 2022

- (1) The reasons for such action,
- (2) The dollar amount, and
- (3) The terms and the funding source for the loan or bond purchase.

Authority: Montana Constitution, Article VIII, Section 13
Montana Constitution, Article IX, Section 5
Section 2-15-1808, MCA
Section 17-1-113, MCA
Section 17-5-703 and -704, MCA
Section 17-6-201 through 17-6-205, MCA
Title 17, chapter 6, part 3, MCA

2026 Board of Investments Calendar

JANUARY						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
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FEBRUARY						
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MARCH						
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APRIL						
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MAY						
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JUNE						
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JULY						
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AUGUST						
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SEPTEMBER						
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OCTOBER						
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NOVEMBER						
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DECEMBER						
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2027 Board of Investments Calendar

JANUARY						
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FEBRUARY						
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MARCH						
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APRIL						
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MAY						
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30	31					

JUNE						
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JULY						
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AUGUST						
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SEPTEMBER						
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OCTOBER						
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NOVEMBER						
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DECEMBER						
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BOI WORK AND EDUCATION PLAN	
2026	2027
Wednesday, February 25, 2026	Tuesday, February 23, 2027
Education: Short Term Investment Pool	Education: Board Control Environments
Reports: Outreach Efforts for the Board - In-State Loan and INTERCAP Programs Ethics Policy Disaster Recovery and Emergency Preparedness Budget Status FYTD Quarterly Reports In-State Loan Reports INTERCAP Reports	Reports: Custodial Banking Relationship and Continuity Ethics Policy and Training Disaster Recovery and Emergency Preparedness Budget Status FYTD Quarterly Reports In-State Loan Reports INTERCAP Reports
Committee Meetings: Audit: Financial Audit Reports	Committee Meetings: Audit: Financial Compliance Audit Reports
Wednesday, April 22, 2026 - REMOTE MEETING	Wednesday, April 7, 2027 - REMOTE MEETING
Education: Domestic Equity Asset Class Review RVK Annual Capital Market Assumptions	Education: International Equities Asset Class Review RVK Annual Capital Market Assumptions
Reports: Benchmarks Used by the Board	Reports: Benchmarks Used by the Board
Wednesday, May 20, 2026	Wednesday, June 2, 2027
Education: Investment Policy Statement Review Budget Proposal FY27 Real Estate Asset Class Review	Education: Investment Policy Statement Review Budget Proposal FY28 Real Assets Asset Class Review
Reports: MT Buildings (Board as Landlord/Tenant Holdings) Budget Status FYTD Quarterly Reports In-State Loan Reports INTERCAP Reports	Reports: State Government Customer Relationships Budget Status FYTD Quarterly Reports In-State Loan Reports INTERCAP Reports
Committee Meetings: HR: Staffing Level Review HR: Exempt Staff Compensation Review	Committee Meetings: HR: Staffing Level Review HR: Exempt Staff Performance and Compensation Review
Wednesday, August 26, 2026	Wednesday, August 25, 2027
Education: Core Fixed Income Asset Class Review Budget Proposal for FY 28-29 INTERCAP Annual Detail Report	Education: Trust Funds and Separate Accounts Investment Reviews Non-Core Fixed Income Asset Class Review INTERCAP Annual Detail Report
Reports: Proxy Voting Budget Status Prior FY Quarterly Reports In-State Loan Reports INTERCAP Reports	Reports: Budget Status Prior FY Quarterly Reports In-State Loan Reports INTERCAP Reports
Wednesday, October 21, 2026 - REMOTE MEETING	Wednesday, October 13, 2027 - REMOTE MEETING
Education: Municipal and Commercial Loans Review First Reading - Asset Allocation Range Recommendation	Education: Private Investments Asset Class Review First Reading - Asset Allocation Range Recommendation
Reports: CEM, Inc Cost Reporting Analysis	Reports: Securities Lending
Committee Meetings: HR: Exempt Staff Performance Review Audit: SOC I, Type 2 Report	Committee Meetings: HR: Exempt Staff Performance Review Audit: SOC I, Type 2 Report
Wednesday, December 16, 2026	Wednesday, December 15, 2027
Education: MPERA and TRS Relationship 2027 Legislative Session Adoption - Asset Allocation Range Approval	Education: MPERA and TRS Relationship Adoption - Asset Allocation Range Approval
Reports: Budget Status FYTD Securities Litigation Policy 217 LPAC Quarterly Reports In-State Loan Reports INTERCAP Reports	Reports: Budget Status FYTD Securities Litigation Policy 217 LPAC Quarterly Reports In-State Loan Reports INTERCAP Reports
Committee Meetings: Audit: Annual Report and Financial Statements	Committee Meetings: Audit: Annual Report and Financial Statements

MONTANA

BOARD OF INVESTMENTS

TO: Members of the Board

FROM: Jon Putnam, Chief Investment Officer

DATE: October 14, 2025

RE: Proposed Asset Allocation – *First Reading*

After discussing this with staff and RVK, I propose no changes to the asset allocation ranges for the CAPP, TFIP, and SFIP portfolios.

Given the uncertain economic and policy environment, I believe it is appropriate to maintain the current ranges. The existing ranges provide sufficient flexibility to adjust the portfolios if needed.

Over the past several years, allocations to illiquid asset classes have been increased across all three portfolios. CAPP has approximately 35% of its assets allocated to various alternative investments. Considering the pension plan's liquidity needs, this level is adequate for the foreseeable future.

Consolidated Asset Pension Pool (CAPP)

Asset Class	Current Range	Current Midpoint
Domestic Equity	22 - 34%	28%
International Equity	10 - 20%	15%
Private Investments	13 - 21%	17%
Real Assets	3 - 9%	6%
Real Estate	7 - 15%	11%
Core Fixed Income	9 - 19%	14%
Non-Core Fixed Income	5 - 9%	7%
Cash Equivalents *	0 - 5%	2% *

* Target of 2% for Cash Equivalents is lower than the midpoint of the proposed range.

The introduction of alternative asset classes into TFIP and SFIP has been beneficial. However, we are still implementing prior changes, and there is no need to revise the current ranges.

Trust Funds Investment Pool (TFIP)

<i>Asset Class</i>	<i>Current Range</i>
Investment Grade Fixed Income & Cash	60 - 100%
Real Estate	0 - 30%
Non-Core Fixed Income	0 - 6%
Private Credit	0 - 4%
Real Assets	0 - 6%

State Fund Investment Portfolio (SFIP)

<i>Asset Class</i>	<i>Current Range</i>
Investment Grade Fixed Income	70 - 100%
Public Equity (Max 4% in Intl)	0 - 15%
Real Estate	0 - 8%
Non-Core Fixed Income	0 - 6%
Private Credit	0 - 4%
Real Assets	0 - 6%

The asset allocation studies for each of the portfolios are provided behind this memo. I am happy to answer any questions.

Asset Allocation

Jon Putnam CFA, FRM, CAIA – Chief Investment Officer

Date: October 14, 2025

Key Considerations

- Asset Allocation is critical to the long-term success of the portfolios managed by BOI. Annual approval of the asset allocation is an essential task of the Board.
- Diversification of the portfolio protects against extreme outcomes. Investing is about taking risks but managing those risks.
- There is no asset allocation that is “right” for every plan. The expected return and potential risk changes over time.
- The recommended asset allocation should consider the funding objectives, the characteristics of the plan/account, and the opportunity set of investments.
- Actual results measured over shorter time frames will deviate from the long-term assumptions. This does not mean the long-term assumptions are wrong.

Asset Allocation Process

- Determine if there have been any changes in client objectives and constraints.
- Evaluate any long-term shifts in the global economic environment.
 - Review Capital Market Assumptions produced by RVK and other market participants.
- All senior investment staff submit proposed asset allocations.
- RVK calculates multiple scenarios using the Mean Variance Optimization (MVO) model.
 - Process of weighing risk versus return to determine the most efficient portfolio.
 - Limitations of MVO include:
 - Sensitive to changes in expected return, variance, and correlation of assets.
 - Constraints must be applied to avoid concentrated portfolios.
 - Assumes an efficient market with rational participants; tends to underestimate large, negative events.
- Qualitative judgment must be applied to the process.
- Asset allocation meeting with RVK to discuss views.

Net Cash Need

- Consideration of liquidity needs is a critical component of asset allocation. Avoid being a forced seller.

Public Employees' Retirement System (PERS)					
Year End	Market Value of Assets (MVA)	Contributions	Benefit Payments	Net Cash Flow	Net Cash Flow as a Percent of MVA
6/30/2016	\$5,032,807	\$230,471	\$359,842	-\$129,371	-2.57%
6/30/2017	\$5,472,519	\$233,063	\$384,700	-\$151,637	-2.77%
6/30/2018	\$5,779,994	\$243,385	\$415,158	-\$171,773	-2.97%
6/30/2019	\$5,903,306	\$243,613	\$441,225	-\$197,612	-3.35%
6/30/2020	\$5,845,474	\$252,009	\$468,018	-\$216,009	-3.70%
6/30/2021	\$7,210,027	\$267,771	\$496,392	-\$228,621	-3.17%
6/30/2022	\$6,648,899	\$266,891	\$532,117	-\$265,226	-3.99%
6/30/2023	\$6,920,862	\$287,257	\$559,434	-\$272,177	-3.93%
6/30/2024	\$7,249,786	\$304,249	\$581,725	-\$277,476	-3.83%
6/30/2025	\$7,619,400	\$323,200	\$615,300	-\$292,100	-3.83%
* PERS 2025 Actuarial Valuation Study					
Teachers' Retirement System (TRS)					
Year End	Market Value of Assets (MVA)	Contributions	Benefit Payments	Net Cash Flow	Net Cash Flow as a Percent of MVA
6/30/2016	\$3,656,831	\$205,287	\$328,216	-\$122,929	-3.36%
6/30/2017	\$3,950,705	\$210,521	\$343,449	-\$132,928	-3.36%
6/30/2018	\$4,148,324	\$214,833	\$361,026	-\$146,193	-3.52%
6/30/2019	\$4,220,286	\$220,949	\$376,738	-\$155,789	-3.69%
6/30/2020	\$4,167,840	\$228,563	\$393,336	-\$164,773	-3.95%
6/30/2021	\$5,116,849	\$231,360	\$412,724	-\$181,364	-3.54%
6/30/2022	\$4,724,449	\$243,409	\$428,240	-\$184,831	-3.91%
6/30/2023	\$4,920,843	\$248,904	\$436,952	-\$188,048	-3.82%
6/30/2024	\$5,151,868	\$255,387	\$453,013	-\$197,626	-3.84%
6/30/2025	\$5,416,893	\$261,206	\$469,016	-\$207,810	-3.84%
* TRS 2025 Actuarial Valuation Study					

Asset Allocation History

(Pension)

	2024 Asset Allocation	2023 Asset Allocation	2022 Asset Allocation	2021 Asset Allocation	2020 Asset Allocation	2019 Asset Allocation
Asset Classes						
Domestic Equity Range	(22% - 34%)	(23% - 35%)	(23% - 35%)	(24% - 36%)	(24% - 36%)	(24% - 36%)
Approved Midpoint	28.0%	29.0%	29.0%	30.0%	30.0%	30.0%
International Equity Range	(10% - 20%)	(10% - 20%)	(10% - 20%)	(12% - 22%)	(12% - 22%)	(11% - 21%)
Approved Midpoint	15.0%	15.0%	15.0%	17.0%	17.0%	16.0%
Private Investments Range	(13% - 21%)	(12% - 20%)	(12% - 20%)	(11% - 19%)	(11% - 19%)	(11% - 17%)
Approved Midpoint	17.0%	16.0%	16.0%	15.0%	15.0%	14.0%
Real Estate Range	(7% - 15%)	(7% - 15%)	(7% - 15%)	(6% - 14%)	(5% - 13%)	(5% - 13%)
Approved Midpoint	11.0%	11.0%	11.0%	10.0%	9.0%	9.0%
Real Assets Range	(3% - 9%)	(3% - 9%)	(3% - 9%)	(2% - 8%)	(2% - 8%)	(1% - 7%)
Approved Midpoint	6.0%	6.0%	6.0%	5.0%	5.0%	4.0%
Core Fixed Income Range	(9% - 19%)	(9% - 19%)	(9% - 19%)	(9% - 19%)	(10% - 20%)	(15% - 25%)
Approved Midpoint	14.0%	14.0%	14.0%	14.0%	15.0%	20.0%
Non-Core Fixed Income Range	(5% - 9%)	(5% - 9%)	(5% - 9%)	(5% - 9%)	(4% - 8%)	(3% - 7%)
Approved Midpoint	7.0%	7.0%	7.0%	7.0%	6.0%	5.0%
Cash Equivalents Range	(0% - 5%)	(0% - 5%)	(0% - 5%)	(0% - 5%)	(0% - 6%)	(0% - 4%)
Approved Midpoint	2.0%	2.0%	2.0%	2.0%	3.0%	2.0%
Total of Midpoints	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* In 2019, combined Fixed Income sub-asset classes into Core Fixed Income, Non-Core Fixed Income added EMD, Preferred, and Convertible strategies, Diversifying Strategies was eliminated, and the Cash Asset Class range was applied to total pension AUM.

* In 2020, renamed the Natural Resources Asset Class to Real Assets (Commodities, Infrastructure, TIPS)

Asset Allocation History

(TFIP and SFIP)

Trust Funds Investment Pool (TFIP)

Trust Funds Investment Pool (TFIP)	2024 Asset Allocation Range	2019 Asset Allocation Range
Asset Classes		
Real Estate	(0% - 30%)	(0% - 8%)
Non-Core Fixed Income	(0% - 10%)	(0% - 10%)
Real Assets	(0% - 6%)	N/A
Private Credit	(0% - 4%)	N/A
Investment Grade Fixed Income	(60% - 100%)	(0% - 100%)

- Increased the Real Estate Range in February 2020. Added Real Assets in May 2022. Added Private Credit in October 2024.

State Fund Investment Pool (SFIP)

State Fund Investment Pool (SFIP)	2024 Asset Allocation Range	2019 Asset Allocation Range
Asset Classes		
Public Equity	(0% - 15%)	(0% - 15%)
Real Estate	(0% - 8%)	(0% - 8%)
Non-Core Fixed Income	(0% - 6%)	N/A
Real Assets	(0% - 6%)	N/A
Private Credit	(0% - 4%)	N/A
Investment Grade Fixed Income	(70% - 100%)	(75% - 100%)

- Added Non-Core Fixed Income in February 2020. Added Real Assets in April 2023. Added Private Credit in October 2024.
- Changed the Investment Grade Fixed Income Benchmark from the Barclays Intermediate Aggregate to the Barclays Aggregate in April 2023.

Summary

- Review and approval of the asset allocation is a critical task for the Board.
- Selection of an asset allocation is an imperfect process but is a valuable exercise.
- Consideration of liquidity is important to meet participant needs and avoid forced selling.
- Staff constantly evaluates and adjusts portfolios within the approved asset allocation ranges.

MONTANA
BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.201

EFFECTIVE DATE: October 9, 2024

TITLE: Montana Public Retirement Plans
Asset Allocation Ranges

SUPERSEDES: December 6, 2022

BOARD ADOPTION: November 30, 2021

REVIEWED: October ~~14, 2025~~, 2024

I. Introduction

A. Permitted Ranges

Asset Class Allocations		
Asset Class	Range Low	Range High
Domestic Equities	22	34
International Equities	10	20
Private Investments	13	21
Real Assets	3	9
Real Estate	7	15
Core Fixed Income	9	19
Non-Core Fixed Income	5	9
Cash ¹	0	5
Total		
<p>¹ The combined cash at the plan level and the CAPP level is subject to the range.</p> <p>² Montana Public Retirement Plans shall have no greater than 5% of the Net Asset Value managed by any one external manager using an active investment strategy.</p>		

Authority: Montana Constitution, Article VIII, Section 13
Section 2-15-1808, MCA
Sections 17-6-201 through 17-6-205, MCA
Section 19-2-504, MCA

MONTANA
BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.501

EFFECTIVE DATE: October 9, 2024

TITLE: Trust Funds Investment Pool
Allocation Ranges

SUPERSEDES: May 26, 2022

BOARD ADOPTION: November 30, 2021

REVIEWED: October ~~14, 2025~~ 9, 2024

- I. Trust Funds Investment Pool Allocation Ranges
 - A. Permitted Ranges:

Trust Funds Investment Pool Asset Class Allocations		
Asset Class	Range Low	Range High
Real Estate	0	30
Non-Core Fixed Income	0	6
Private Credit	0	4
Real Assets	0	6
Investment Grade Fixed Income & Cash	60	100

Authority: Montana Constitution, Article VIII, Section 13
Section 2-15-1808, MCA
Section 17-6-201, MCA
Section 17-6-205, MCA

Adopted: November 30, 2021
Revised: October 9, 2024
Reviewed: October 14, 2025 ~~9, 2024~~

MONTANA
BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.701

EFFECTIVE DATE: October 9, 2024

TITLE: State Fund Investment Pool
Allocation Ranges

SUPERSEDES: February 22, 2023

BOARD ADOPTION: November 30, 2021

REVIEWED: October ~~14, 2025~~ 9, 2024

- I. State Fund Investment Pool Allocation Ranges
- A. Permitted Ranges:

State Fund Investment Pool Asset Class Allocations		
Asset Class	Range Low	Range High
Public Equity	0	15
Real Estate	0	8
Non-Core Fixed Income	0	6
Private Credit	0	4
Real Assets	0	6
Investment Grade Fixed Income	70	100

Authority:

Montana Constitution, Article VIII, Section 13
Section 2-15-1808, MCA
Section 17-1-113, MCA
Sections 17-6-201 and -202, MCA
Section 33-1-115, MCA
Section 39-71-2320, MCA

Adopted: November 30, 2021

Revised: October 9, 2024

Reviewed: October ~~14, 2025~~ 9, 2024

PRIVATE INVESTMENTS ASSET CLASS REVIEW

Presented by:
Thomas Winkler, CAIA – Director of Private Investments
William Gross, CFA – Investment Analyst

Date: October 14, 2025

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Private Investments – Role, Allocation and Constraints

- Provide the portfolio with exposure to a spectrum of private investment opportunities across different industries and sub-asset classes, both within and outside the United States.
 - Including an allocation to private credit in State Fund and Trust Fund Investment Pool.
- Diversify across several funds, vintage years, investment opportunities, and geographies.
- Benchmark
 - Portfolio weighted index comprised of the MSCI USA Small Cap Index and the S&P LSTA US Leverage Loan 100 Index (since January 2021).
- Approved Allocation Range - 13% to 21% of CAPP
 - 17.4% as of 6/30/25 ✓
- Investment Policy Statement Constraints
 - No single Direct Limited Partnership > 2% of CAPP (Deerpath Fund VI; <1%) ✓
 - No more than 40% of the Asset Class can be Non-U.S. Limited Partnerships (16%) ✓
 - No more than 35% of the Asset Class can be invested in direct co-investments. (3%) ✓
 - Cash held at asset class level is < 5% of Asset Class market value. (<1% as of 6/30/25) ✓

Strategies of Private Investments

Buyout

- Large-Size Buyout
- Mid-Size Buyout
- Small-Size Buyout
- Growth Equity
- Distressed for Control
- Co-Investments

Private Credit

- Direct Lending
- Distressed for Non-Control
- Mezzanine

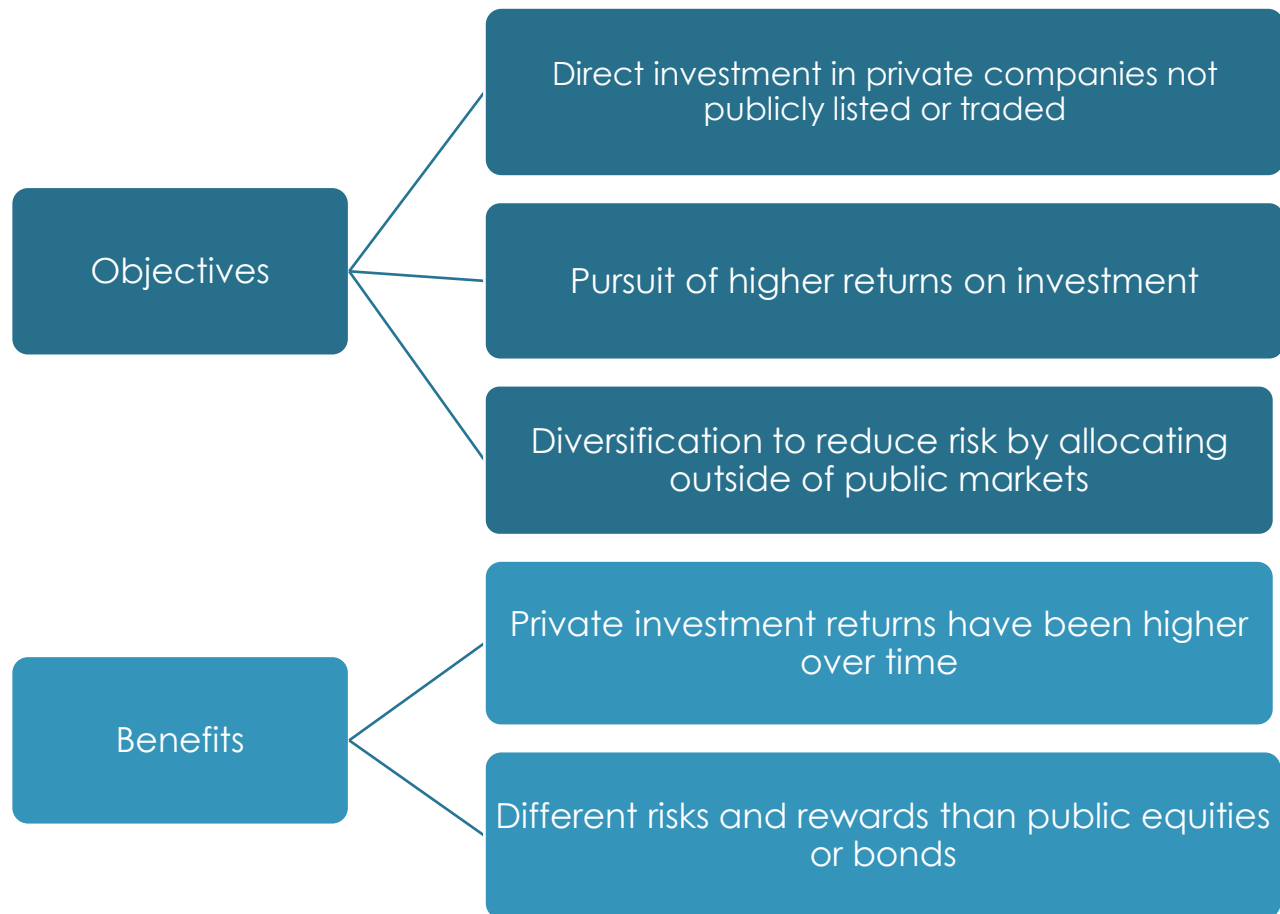
Venture Capital

- Early Stage
- Late Stage
- All Stage

Opportunistic

- Insurance Related

Objectives and Benefits

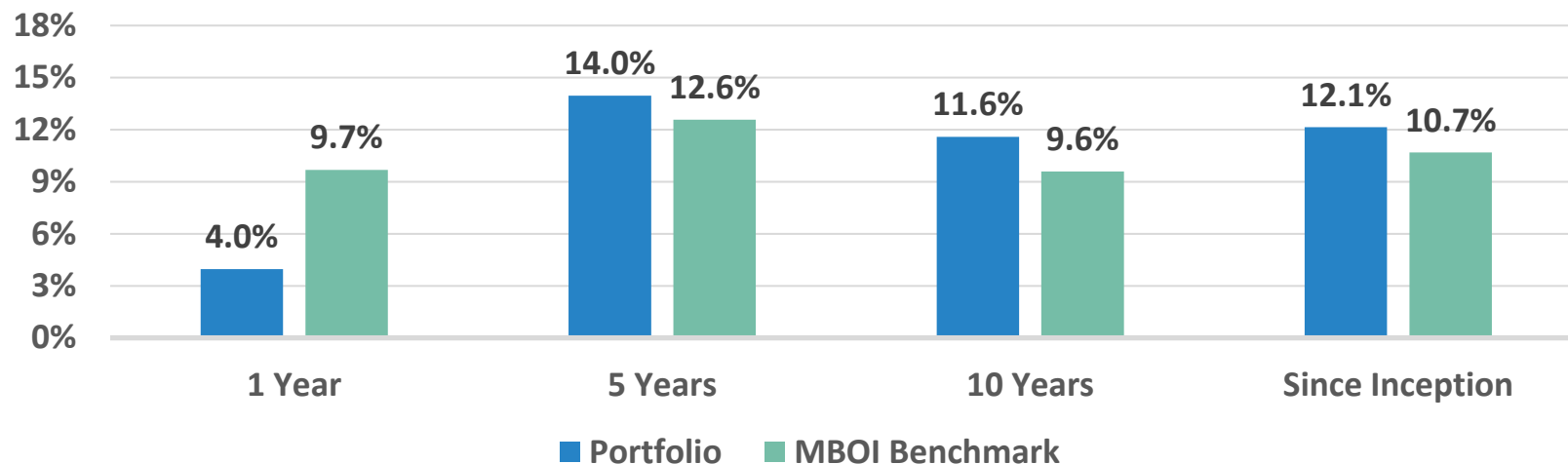


Portfolio Overview

Net Asset Value as of 6/30/25

- \$2.7 billion
- 17.4% of CAPP

Time-Weighted Return (TWR) Performance net of fees



As of 6/30/25. Performance is based on prior quarter's fair market value adjusted for cash flows during the most recent quarterly period. Time weighted rate of return net of all manager fees and expenses. Source: RVK

Performance – Horizon IRR

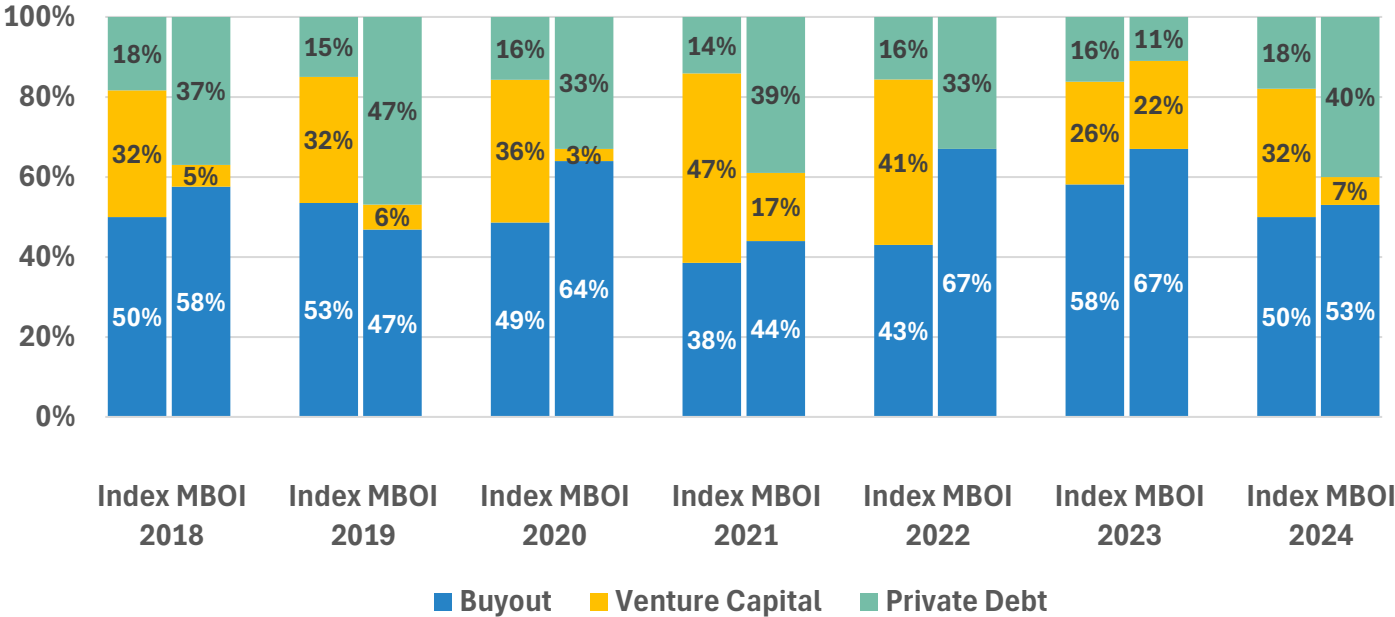
- The private investment portfolio performance relative to private equity benchmarks is in line with expectations.



As of 3/31/25. Horizon IRR. Source: State Street, Solovis.

Index & Portfolio Composition

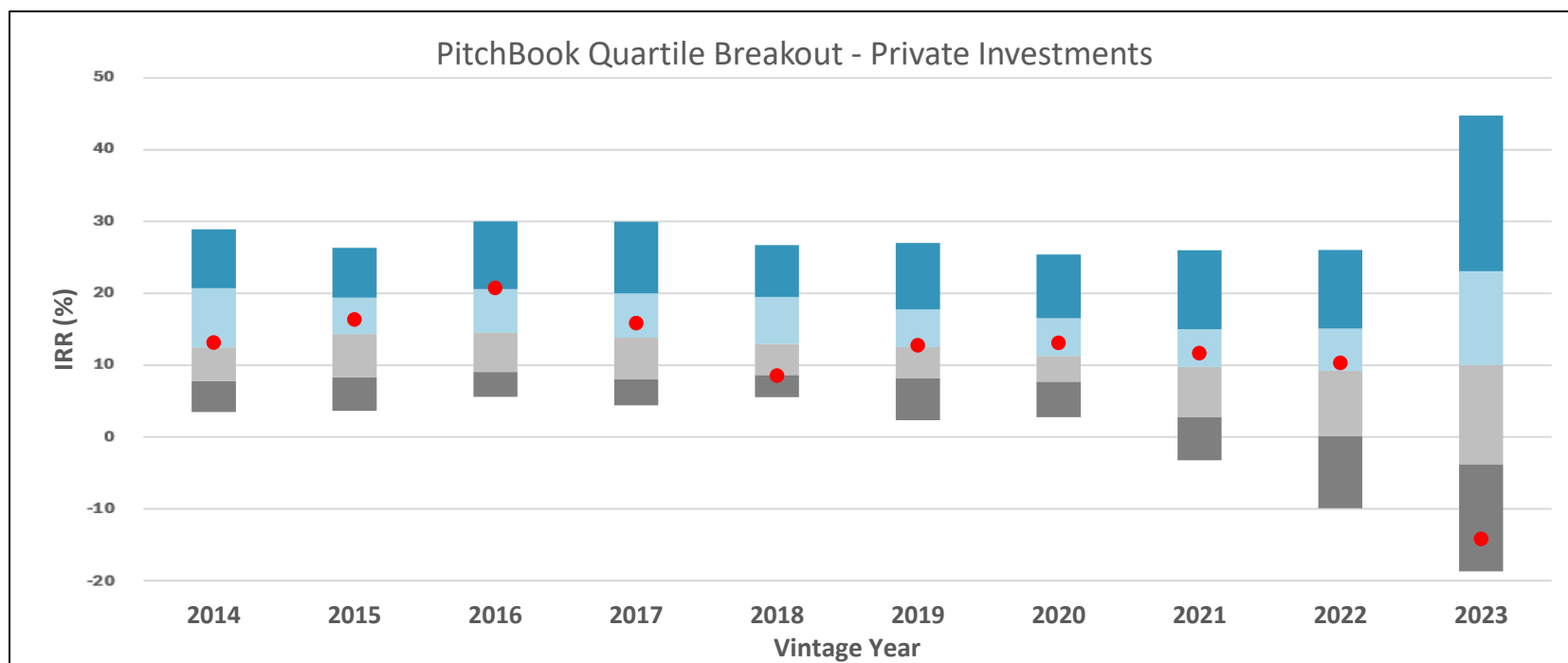
- Staff allocates to three main sub-asset classes within guidelines around pacing and portfolio construction.
- Allocations may fluctuate year over year for several reasons; however, they tend to average out to our long-term expectations: 65% buyout, 25% private credit, and ~10% venture capital.
- As a reference, commitments for FY 24/25 were 60% buyout, 30% private credit, and 10% venture capital.



As of 3/31/25. Source: State Street. Based on commitments in a given calendar year.

Performance – Quartile Ranking

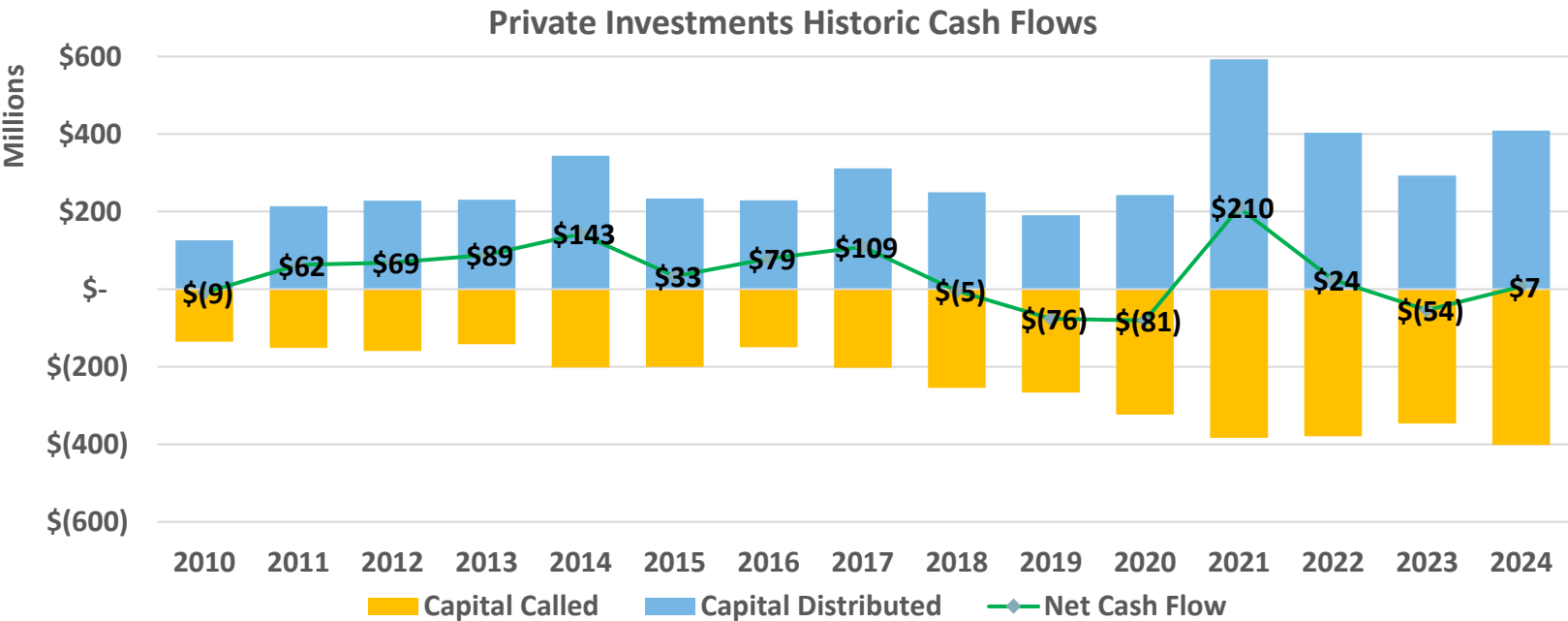
- Over the past decade, staff committed to eight private investments each year on average.
- 80% of vintage year portfolios rank above median relative to the PitchBook benchmark.



As of 3/31/25. Source Pitchbook, State Street. Vintage years 2024 and 2025 are not meaningful due to lagging valuations and J-Curve effect.

Portfolio Level Cash Flows

- Over the past 15 years, the Private Investments portfolio has grown from just under \$1 billion to \$2.6 billion at the end of 2024.
- Over the same time frame, the portfolio has generated an average positive net cash flow of \$40M/year.



As of 12/31/24. Source: State, Solovis.

Private Investments - Risks

What?

- Strategy, Sector, and Country exposure
- Vintage Year
- Manager, Operations, Business
- Cash flows, liquidity, & timing

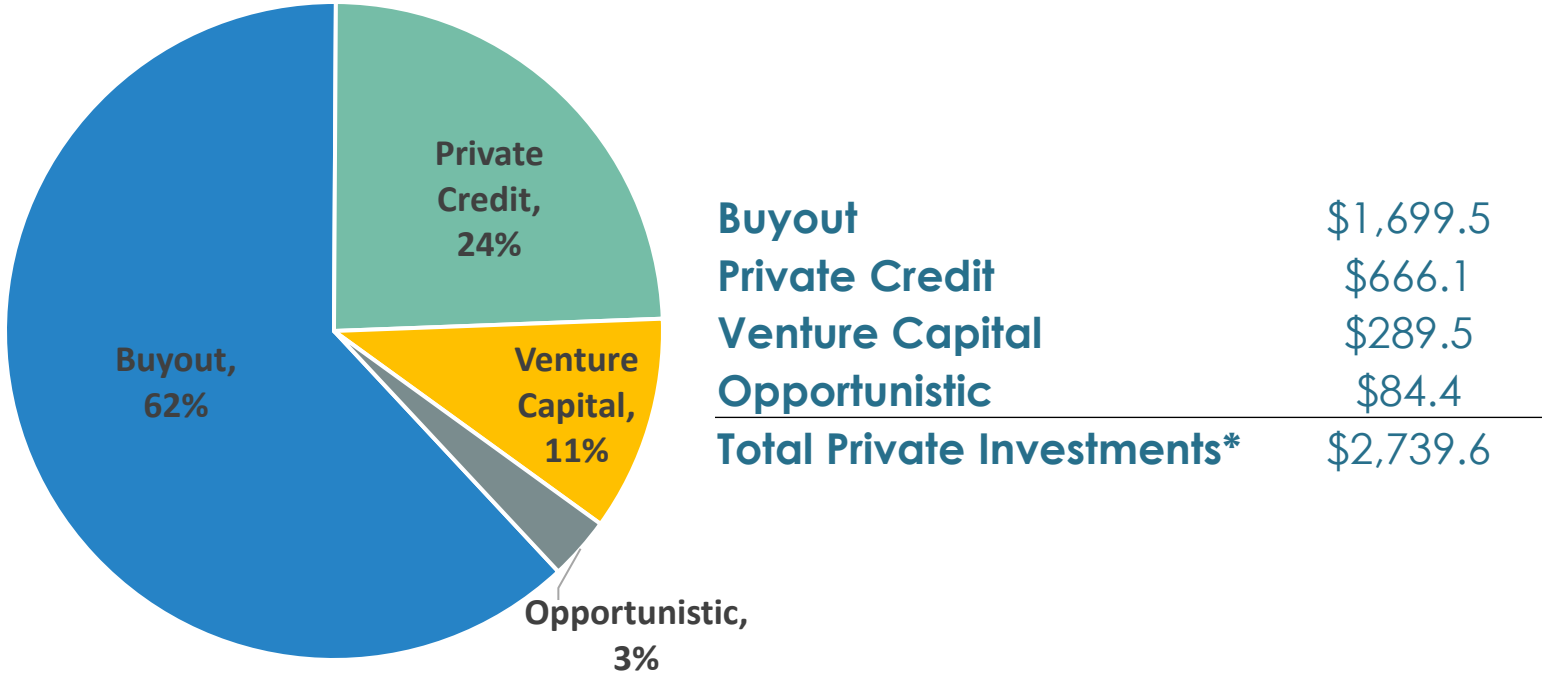


How managed?

- Monitor concentration (p. 12-15)
- Serial commitments & diversification (p. 16)
- Due diligence, on-site visits, & monitor concentration (p. 12-15 & Appendix)
- Monitor approved IPS range (p. 3), Pacing study (p. 19 - 25)

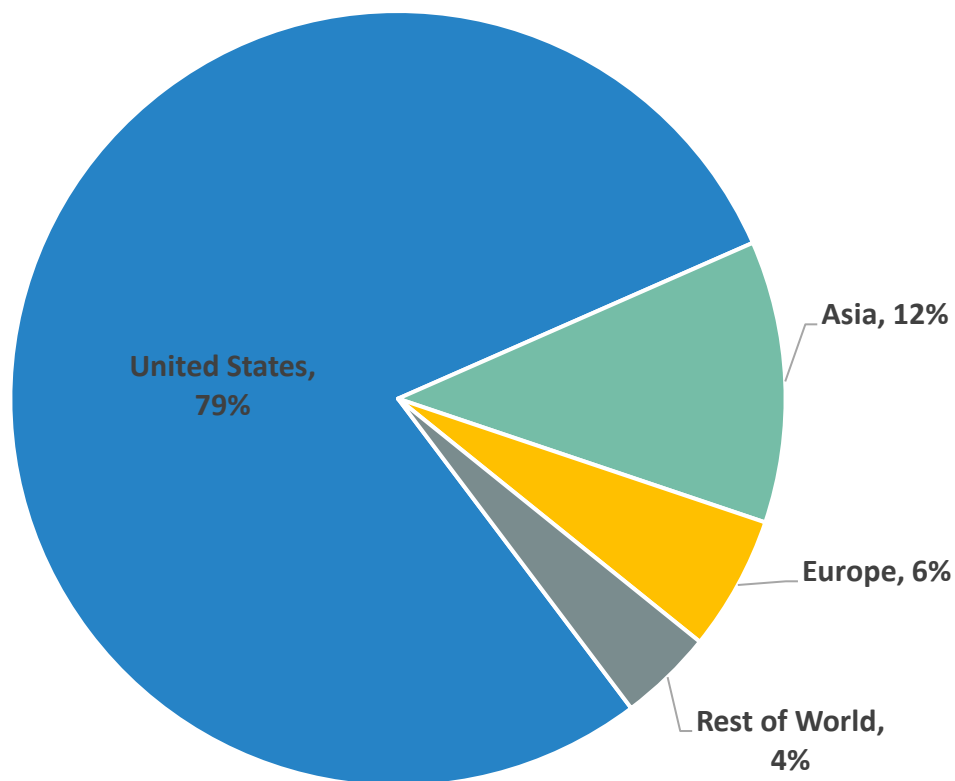


Composition by Strategy



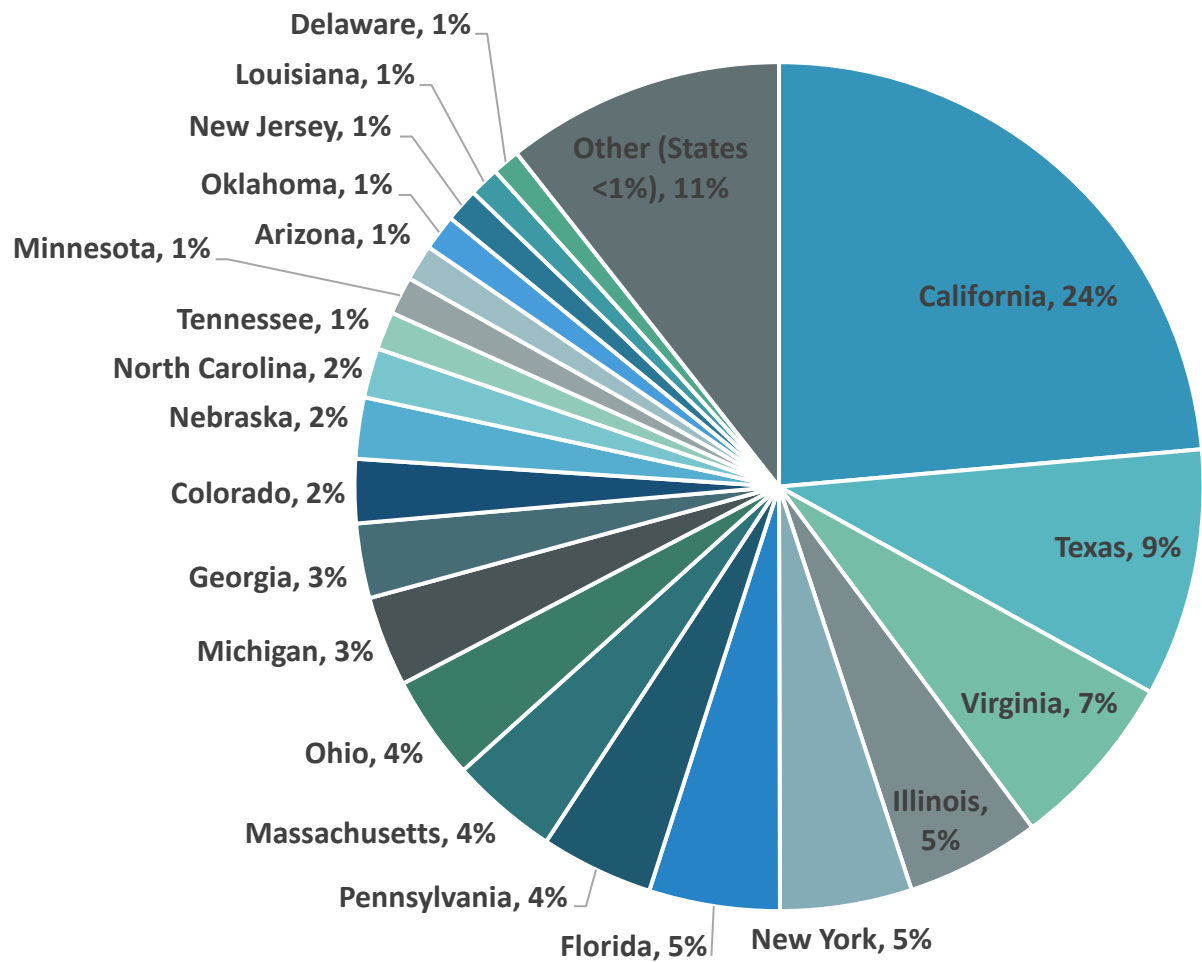
Source: State Street/Solovis. As of 6/30/25
*Does not include cash held at the asset class level or any public equity (~\$20M).

Composition by Geography - Global



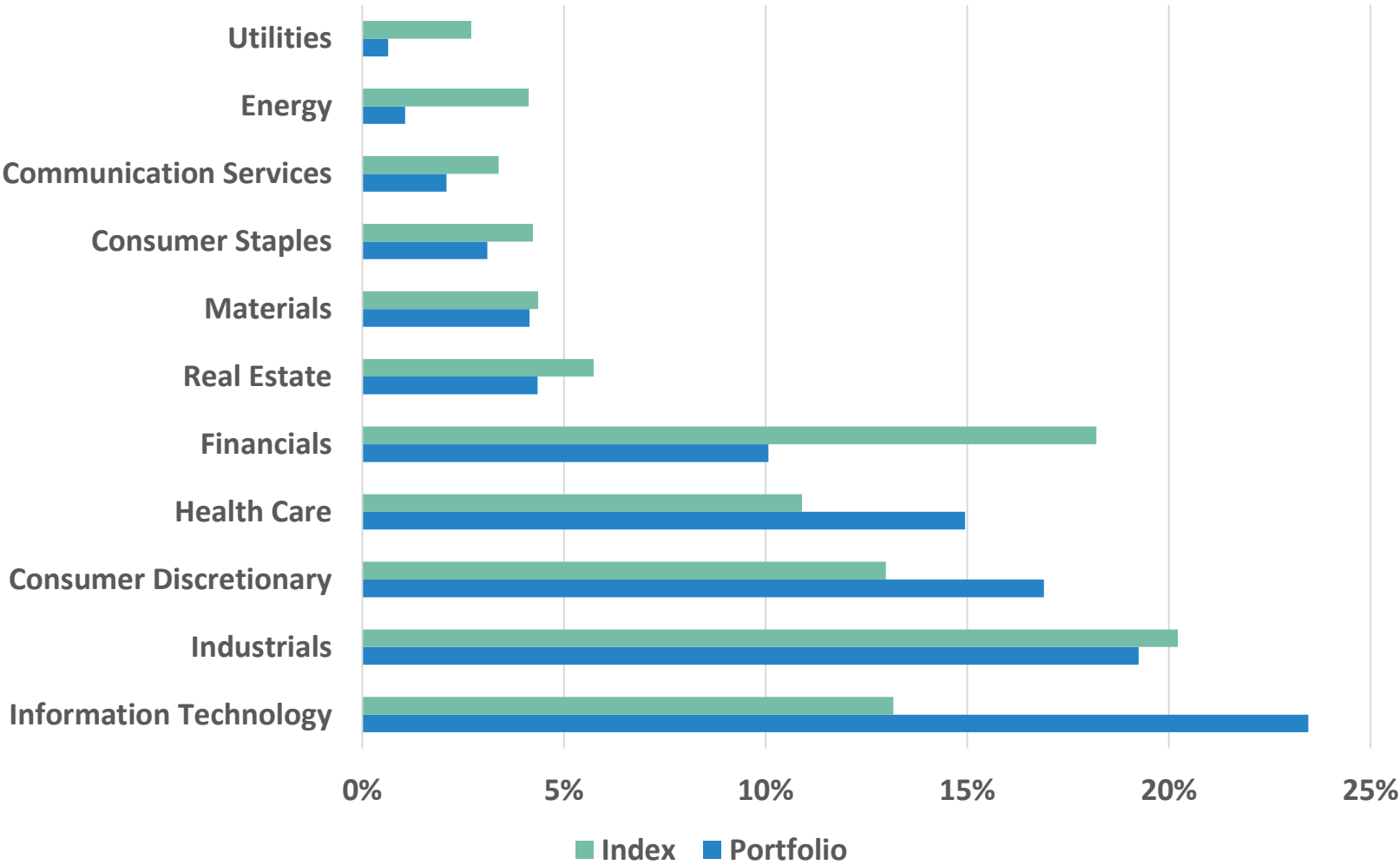
Source: State Street/Solovis. As of 6/30/25

Composition by Geography – U.S.



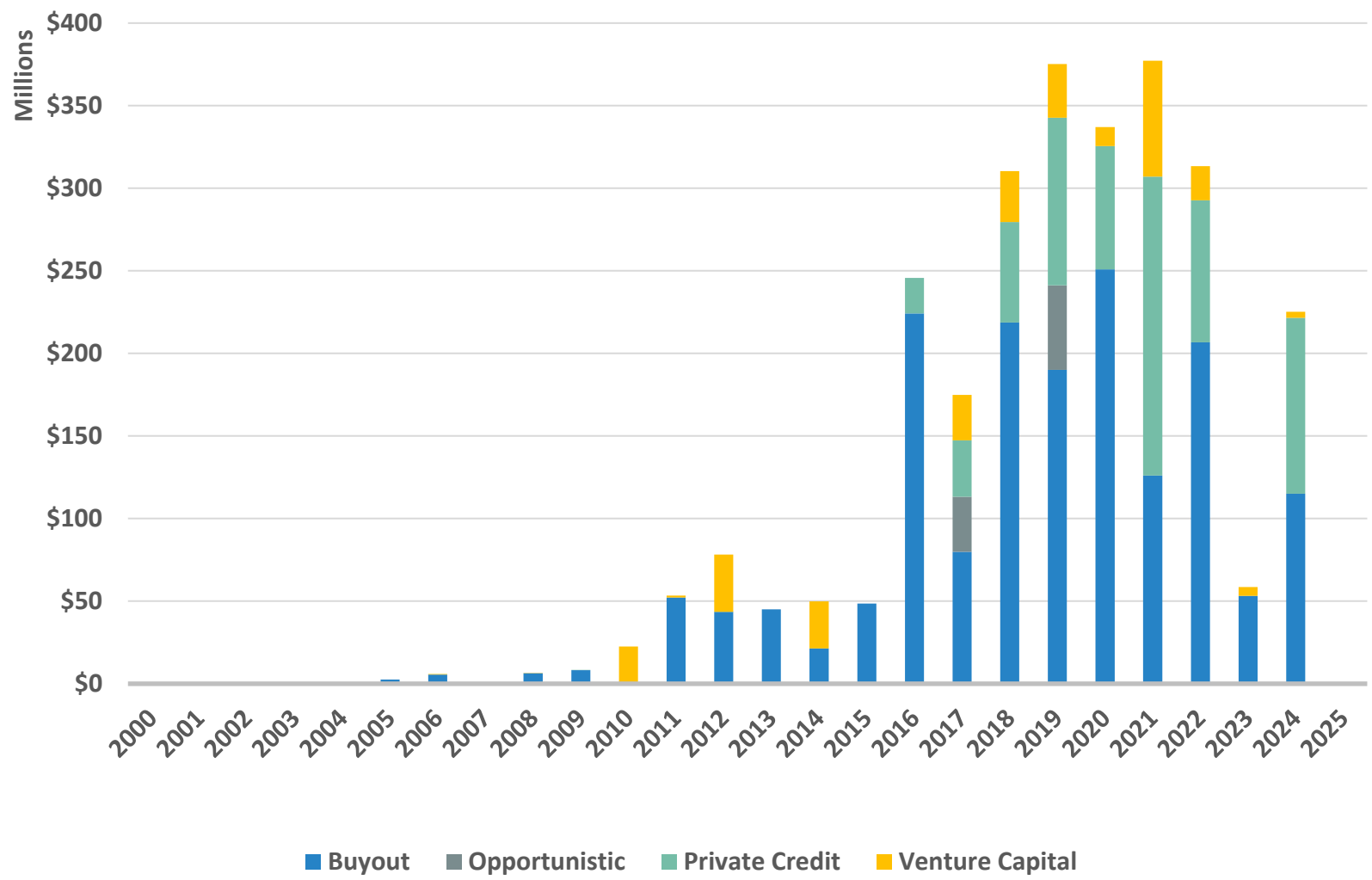
Source: State Street/Solovis. As of 6/30/25

Composition by Sector



Source: State Street/Solovis. As of 6/30/25. MSCI US Small Cap Index

Composition by Vintage Year



Source: State Street/Solovis. As of 6/30/25

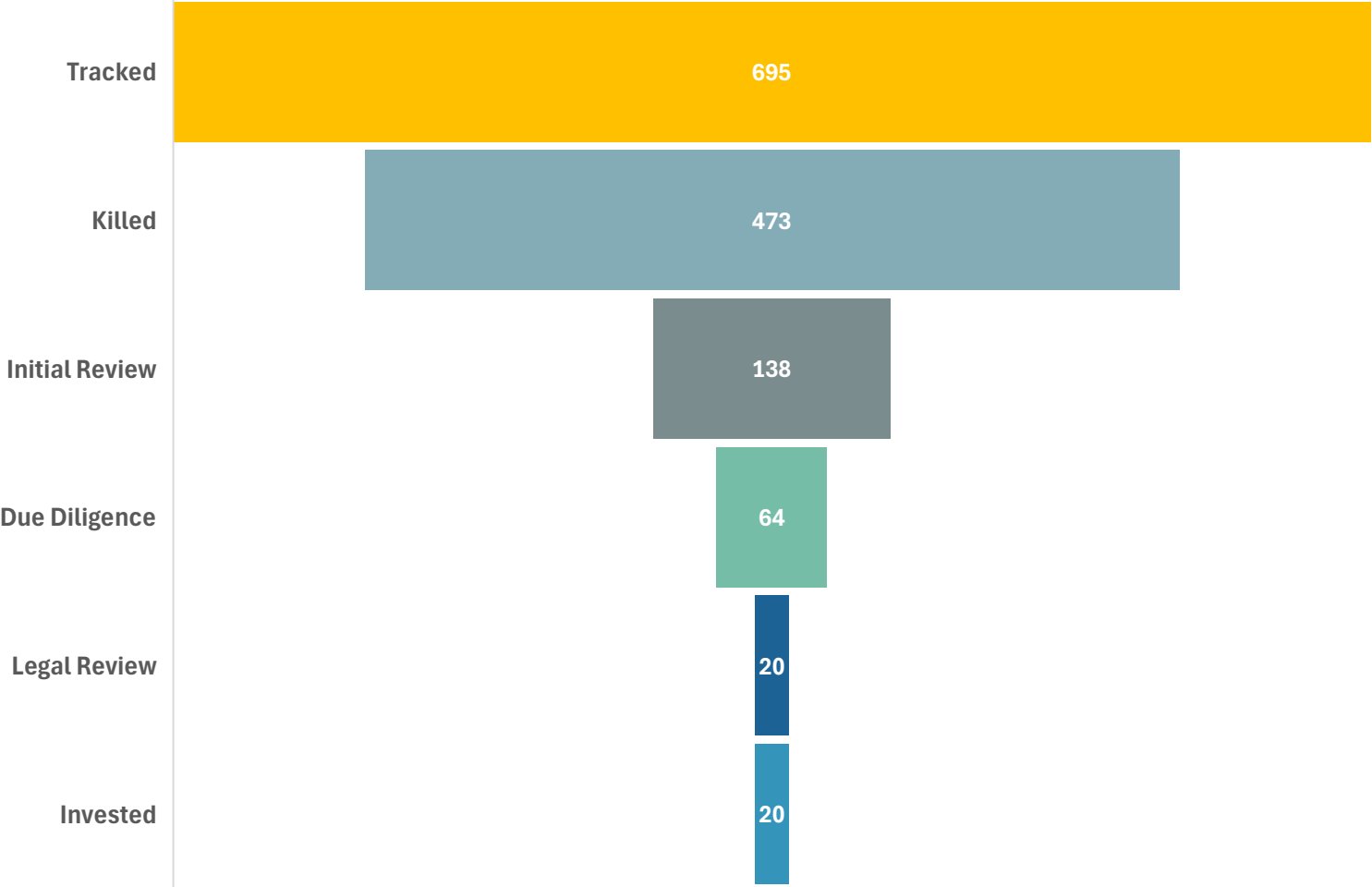
Co-Investment Program Update

- Staff launched the Big Horn Investment Fund managed by Fisher Lynch Capital (FLC) in July 2024 with an initial commitment of \$100 million.
- The team sourced and reviewed over 30 co-investments and invested in eight deals to date, allocating ~\$83 million.
- In July, BOI approved an additional \$100 million in the second tranche.



Source: FLC. As of 8/30/25

Deal Flow – 2023 & 2024

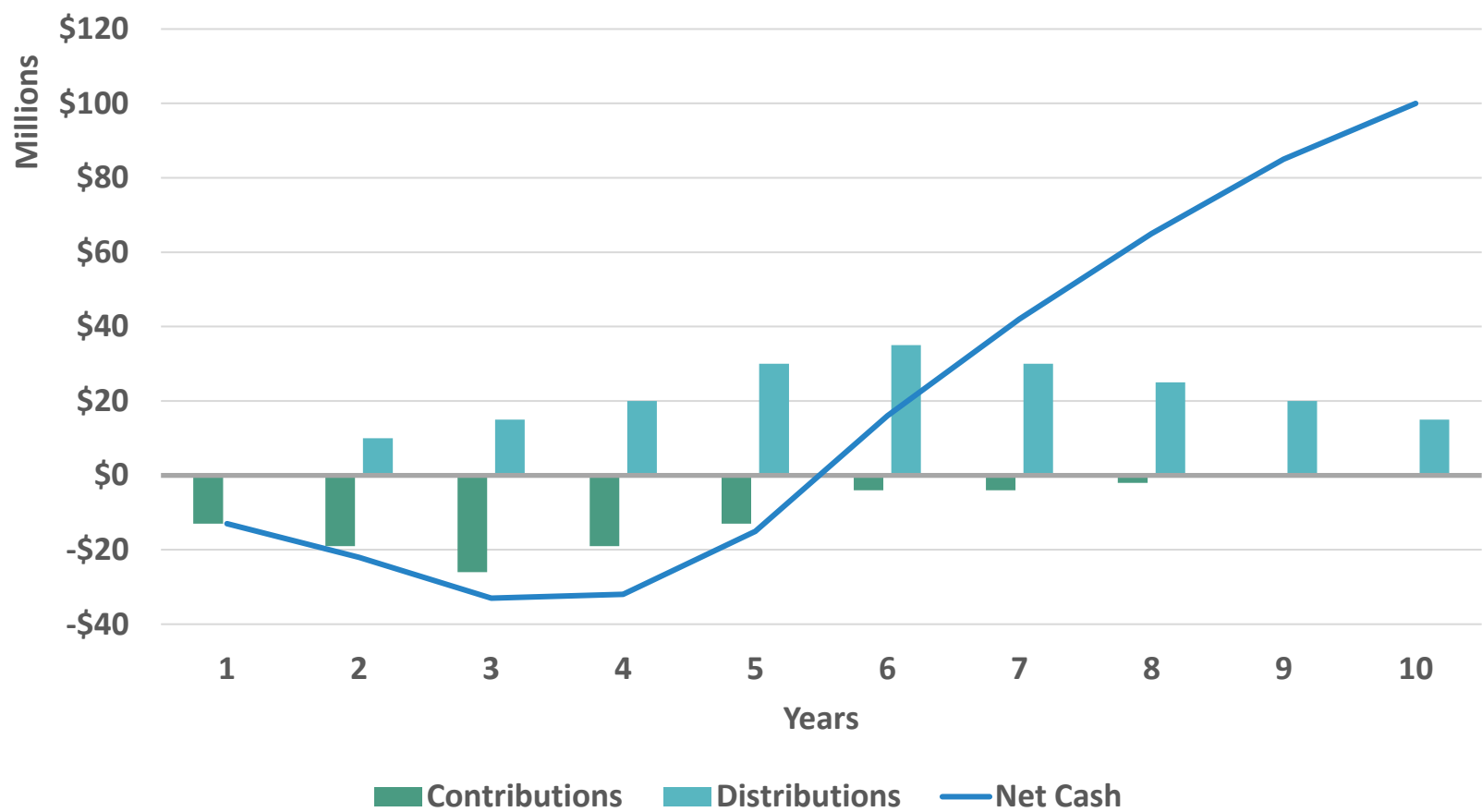


Source: Backstop. Based on calendar years 2023 and 2024. 2023: 6 re-ups + 4 new. 2024: 5 re-ups + 3 new + 2 co-invest.

Pacing

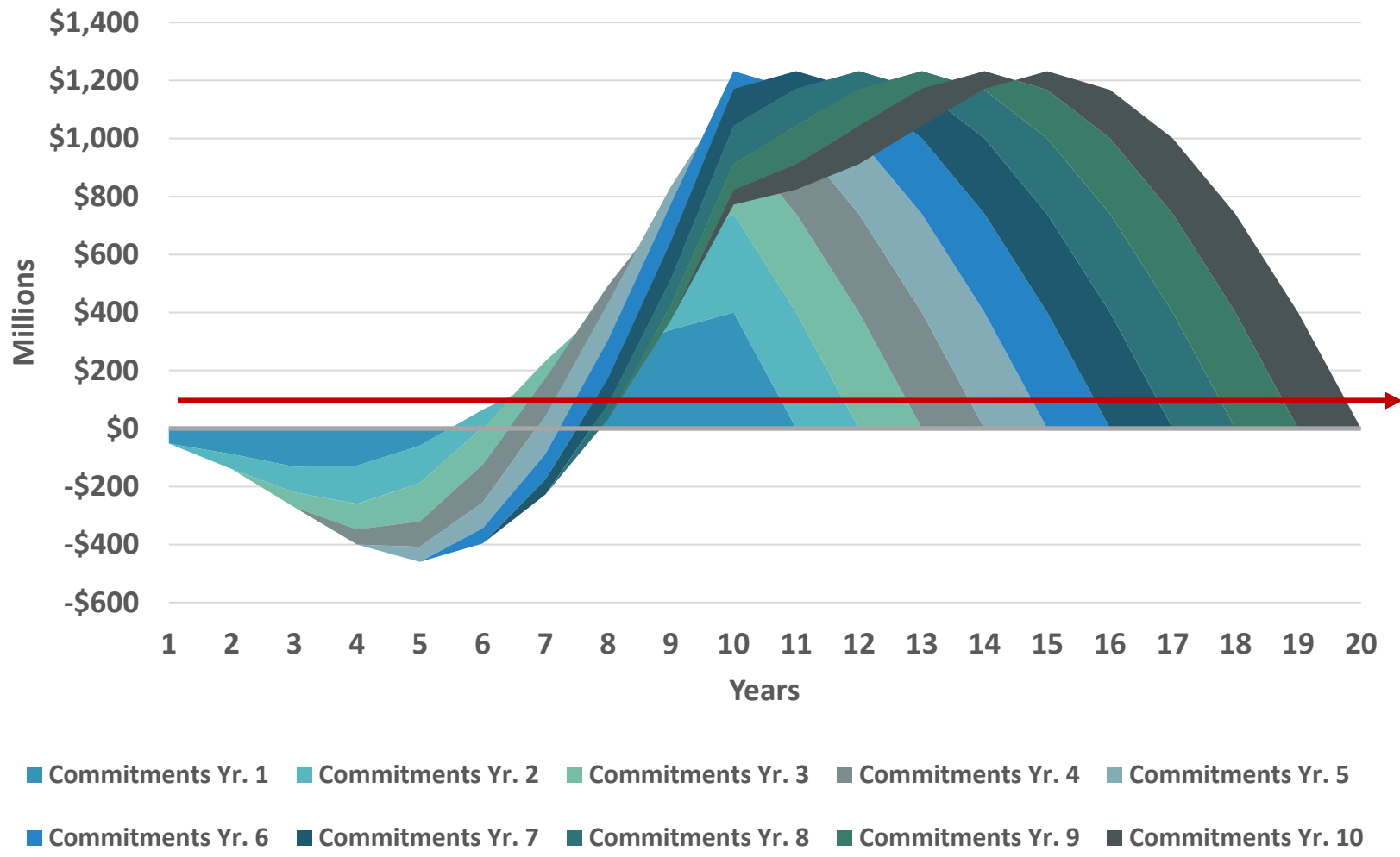
- Evaluates current private equity exposure and commitment plan relative to total plan assets.
- Considers the following factors:
 - Paid in Capital (Contributed Funds/Cash In)
 - Distributed Capital (Distributed Funds/Cash Out)
 - Valuations
 - Allocation within the range
- Considers the annualized growth rate for the total plan assets.
- Provides flexibility to explore various scenarios.
- Expected long-term average annual allocation of ~\$400-\$600 million through six to ten commitments.

Life Cycle of a Private Equity Fund



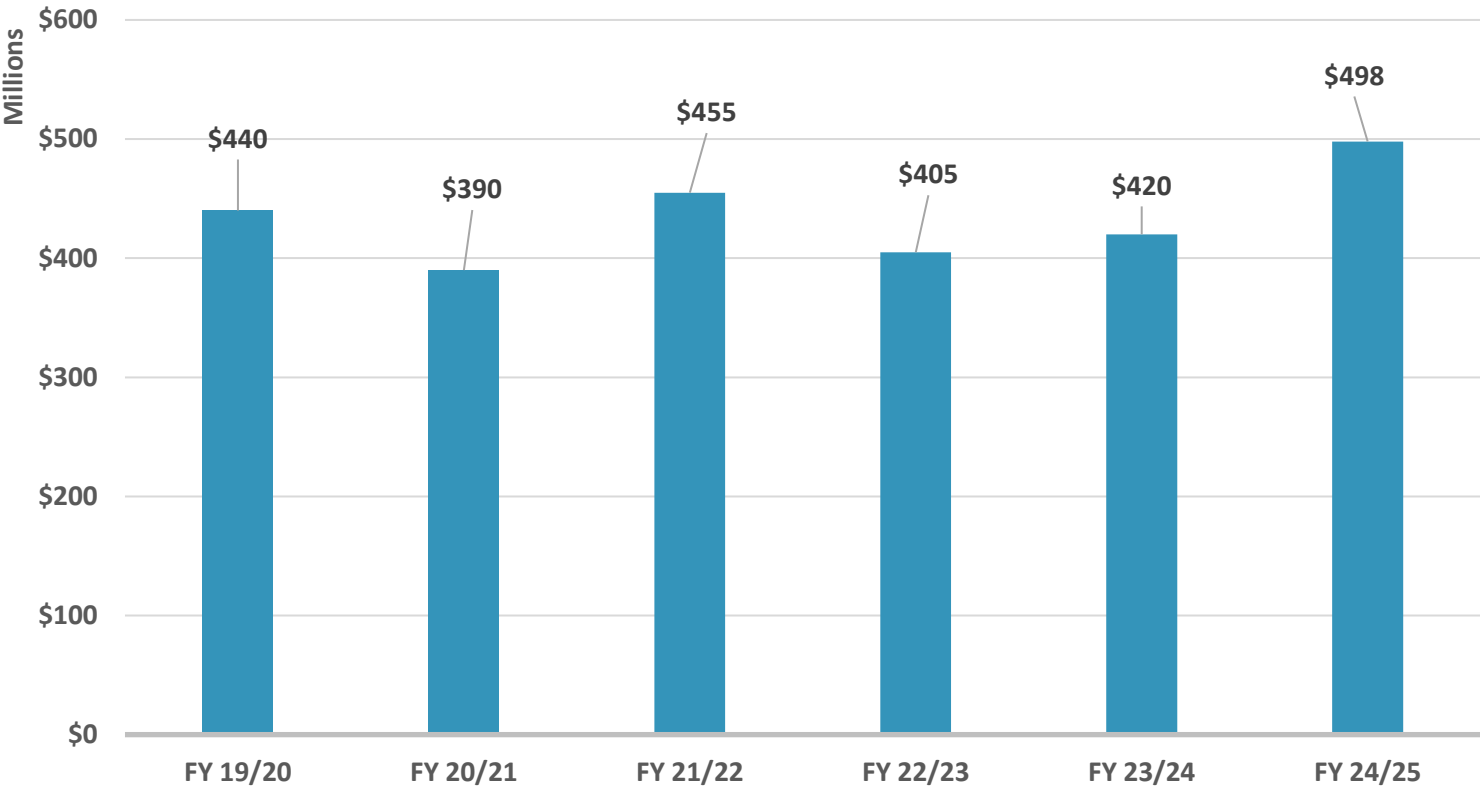
Source: Montana BOI

Life Cycle of Private Equity Portfolio



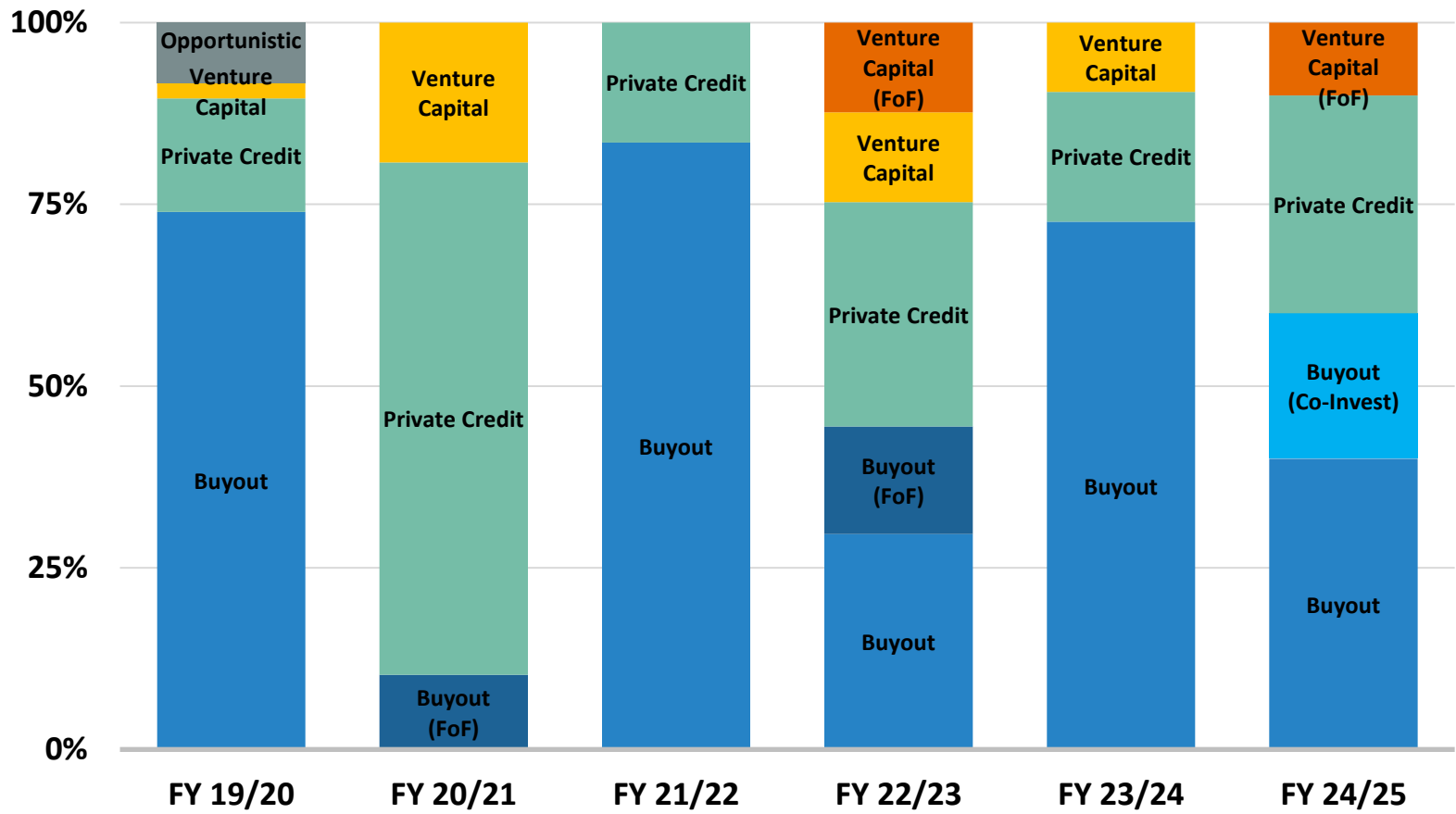
Source: Montana BOI

Actual Pacing Commitments Past 6 Fiscal Years



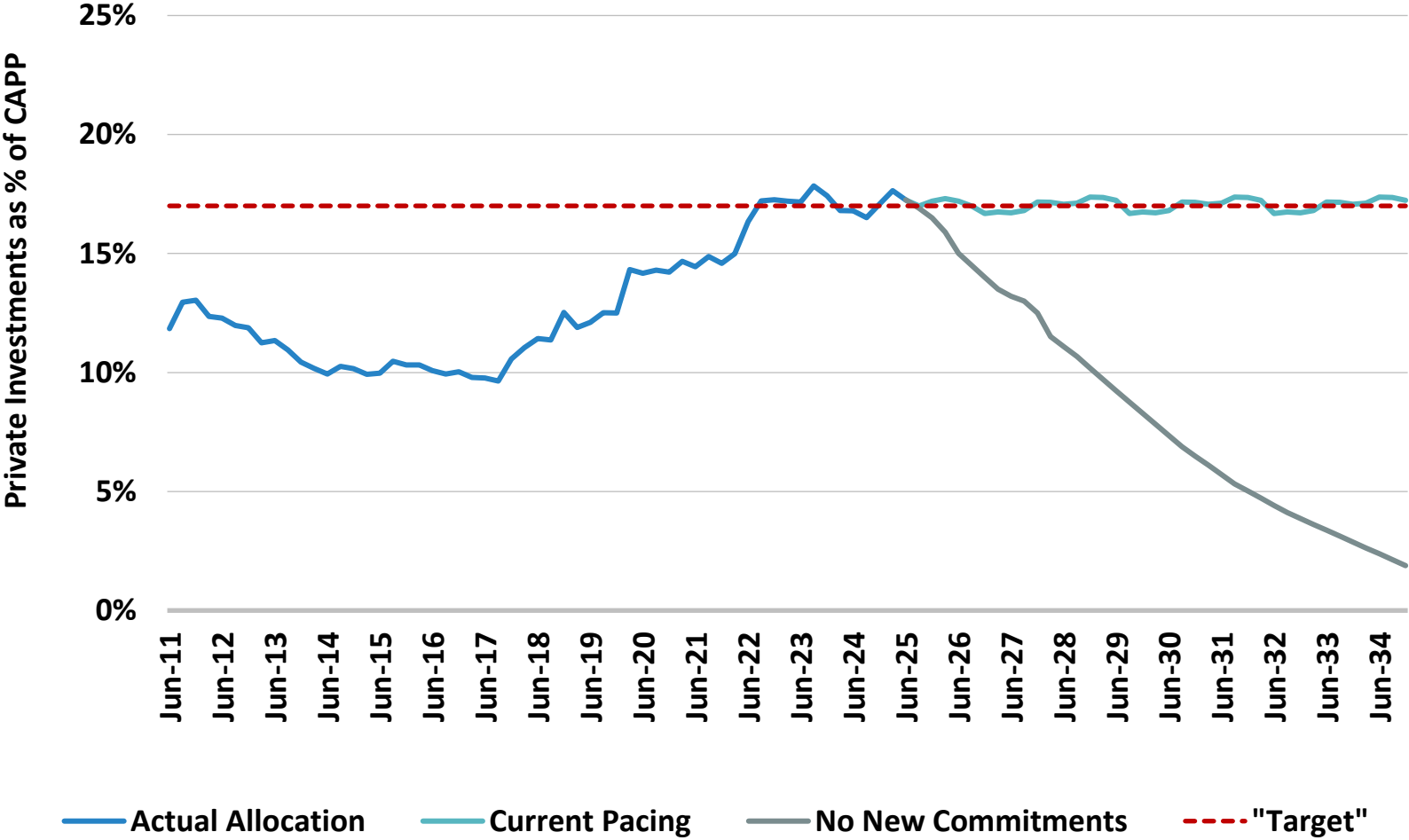
Source: State Street/Solovis. As of 6/30/25

Actual Pacing Commitments Past 6 Years by Strategy



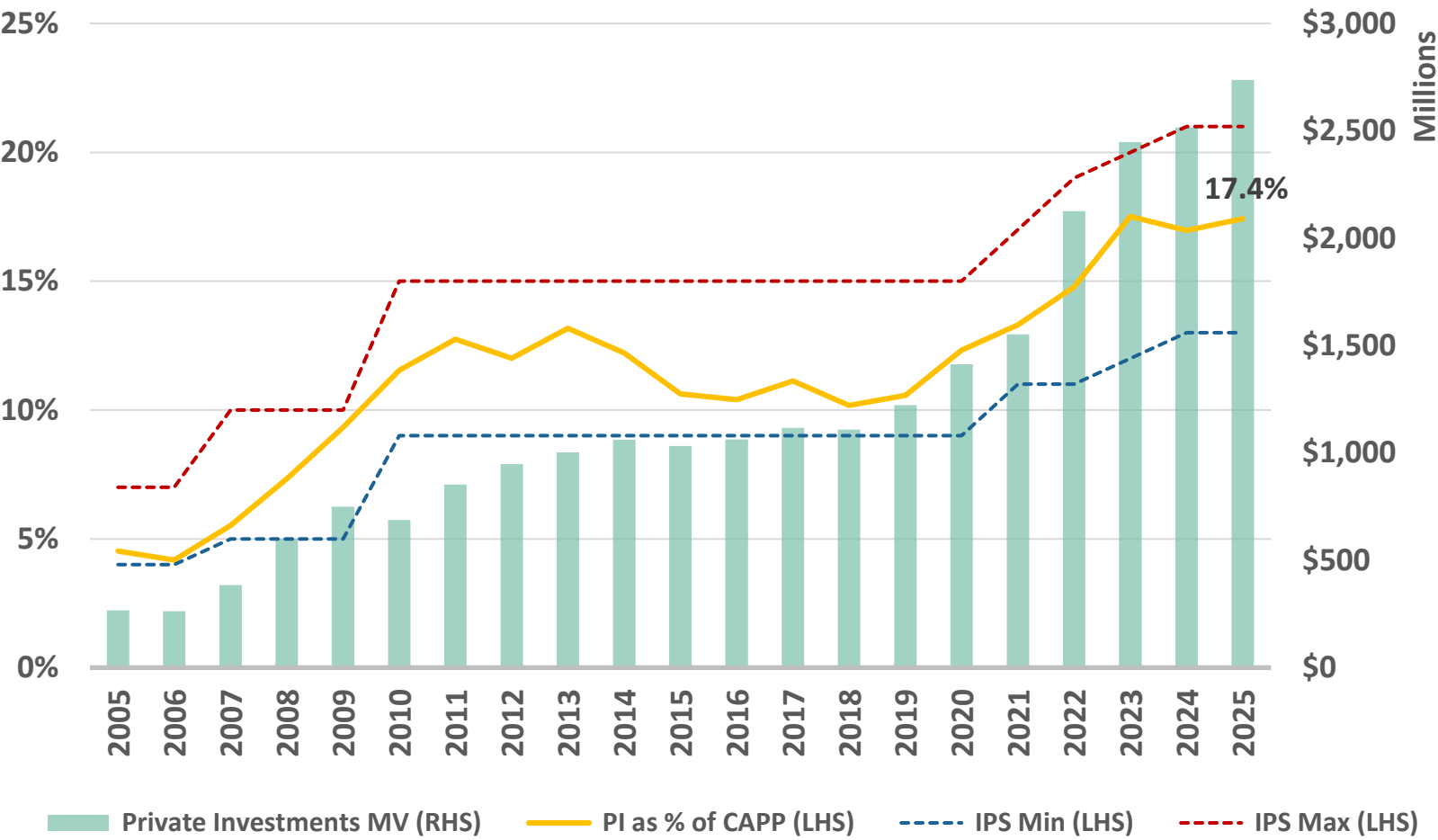
Source: Backstop, State Street/Solovis. As of 6/30/25. FoF – Fund of Funds

Pacing – 10 Year Actual/Forecast



Source: RVK. Actual allocation: Private Investments as % of CAPP. Current Pacing assumption average \$400M-\$600M/Year. Target of 17%, focus on approved range of 13-21% per IPS.

History of Montana BOI Private Investments Program



Source: RVK. Values as of 6/30/2025. RHS – Right Hand Scale, LHS – Left Hand Scale

Current Strategy and Rationale

What

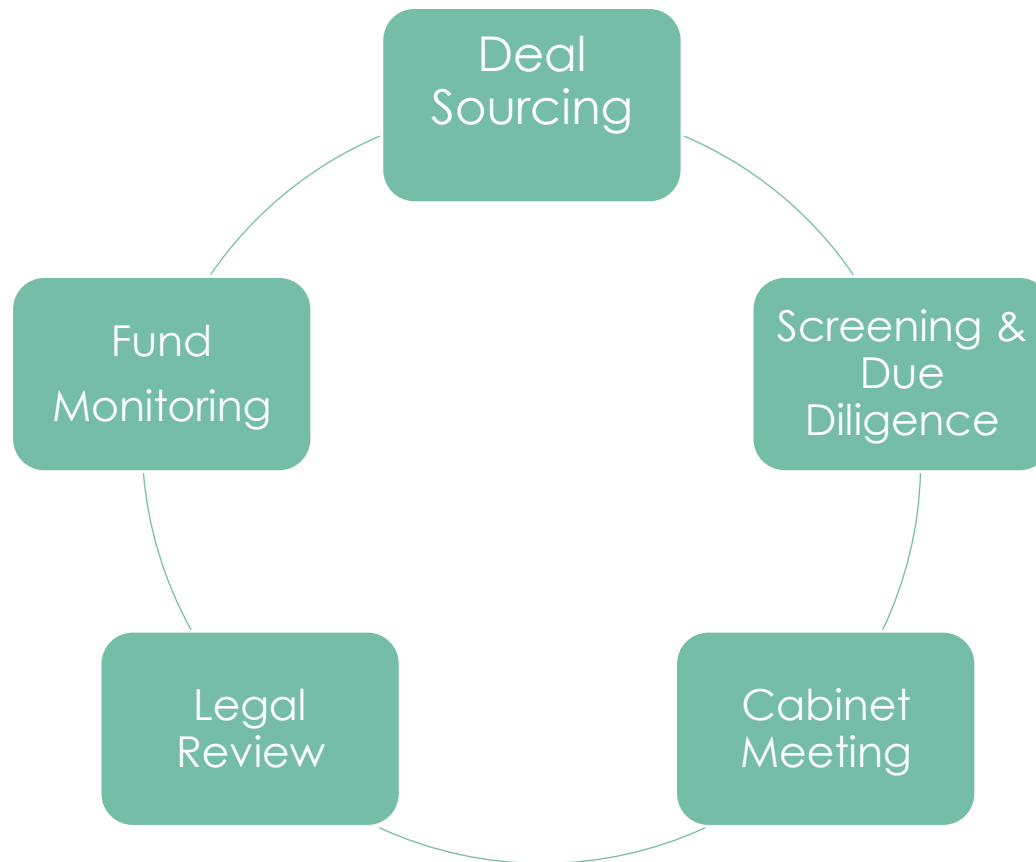
- Continued focus on North America
- Selectively add international and emerging market managers, focus on Europe
- Focus on sector specialists
- Build out a strategic Co-Investment Program
- Private Credit
- May opportunistically evaluate secondary market transactions



Why

- Well understood, resource constraints, deepest, most liquid, “rules of the game”
- Augment asset class exposure, allocate to best in class managers
- Deep expertise, focus on strategy, competitive advantage
- Reduce fees, deepen relationships with high conviction managers
- Focus on small to medium size enterprises with limited capital solutions, special situations, no access to high yield, adds diversification and current yield
- Active portfolio management, divest of non-strategic relationships

Investment Process



2025 Board of Investments Calendar

JANUARY						
S	M	T	W	T	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	

FEBRUARY						
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MARCH						
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30	31					

APRIL						
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MAY						
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JUNE						
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JULY						
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AUGUST						
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31						

SEPTEMBER						
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28	29	30				

OCTOBER						
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NOVEMBER						
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30						

DECEMBER						
S	M	T	W	T	F	S
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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

BOI WORK AND EDUCATION PLAN	
2024	2025
February 28-29	Feb 26
Education: Outreach Efforts for the Board - In-State Loan and INTERCAP Programs Short Term Investment Pool	Education: Cash Management of State Monies Custodial Banking Relationship and Continuity
Reports: Ethics Policy Disaster Recovery and Emergency Preparedness Quarterly Reports In-State Loan Reports INTERCAP Reports	Reports: Ethics Policy Disaster Recovery and Emergency Preparedness Quarterly Reports In-State Loan Reports INTERCAP Reports
Committee Meetings: Audit: Financial Audit Report	Committee Meetings: Audit: Financial Compliance Audit Report
April 10	April 23
Education: Domestic Equity Asset Class Review RVK Annual Capital Market Assumptions	Education: International Equities Asset Class Review RVK Annual Capital Market Assumptions
Reports: Benchmarks Used by the Board	Reports: Benchmarks Used by the Board
May 22-23	June 4
Education: MT Buildings (Board as Landlord/Tenant Holdings) Investment Policy Statement Review Real Estate Asset Class Review	Education: State Government Customer Relationships Investment Policy Statement Review Real Assets Asset Class Review
Reports: Budget Status FYTD Quarterly Reports In-State Loan Reports INTERCAP Reports	Reports: Budget Status FYTD Quarterly Reports In-State Loan Reports INTERCAP Reports
Committee Meetings: HR: Staffing Level Review HR: Exempt Staff Compensation Review	Committee Meetings: HR: Staffing Level Review HR: Exempt Staff Performance and Compensation Review
August-24	August 20
Education: Core Fixed Income Asset Class Review Budget Proposal for FY24-25 INTERCAP Annual Detail Report	Education: Trust Funds Investment Review Non-Core Fixed Income Asset Class Review INTERCAP Annual Detail Report
Reports: Proxy Voting Budget Status Prior FY Quarterly Reports In-State Loan Reports INTERCAP Reports	Reports: Budget Status Prior FY Quarterly Reports In-State Loan Reports INTERCAP Reports
October 9	October 14
Education: Separate Accounts Investment Review First Reading - Asset Allocation Range Recommendation	Education: Private Investments Asset Class Review First Reading - Asset Allocation Range Recommendation
Reports: CEM, Inc Cost Reporting Analysis	Reports: Securities Lending
Committee Meetings: HR: Exempt Staff Performance Review Audit: SOC I, Type 2 Report	Committee Meetings: HR: Exempt Staff Performance Review Audit: SOC I, Type 2 Report
November 20-21	December 10
Education: 2025 Legislative Session Adoption - Asset Allocation Range Approval	Education: MPERA and TRS Relationship Adoption - Asset Allocation Range Approval
Reports: Securities Litigation Policy 217 LPAC Quarterly Reports In-State Loan Reports INTERCAP Reports	Reports: Securities Litigation Policy 217 LPAC Quarterly Reports In-State Loan Reports INTERCAP Reports
Committee Meetings: Audit: Annual Report and Financial Statements	Committee Meetings: Audit: Annual Report and Financial Statements



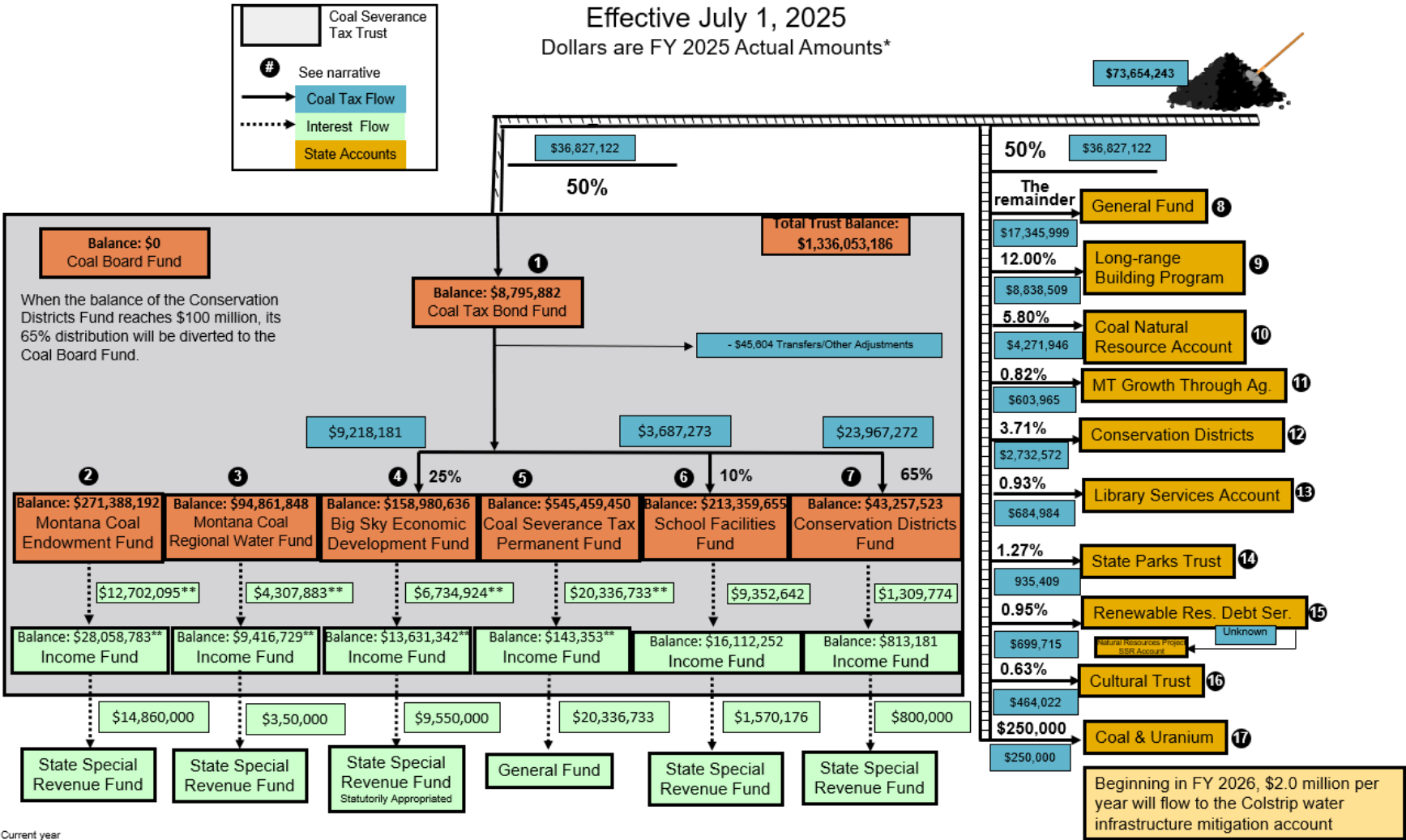
MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

COAL SEVERANCE TAX TRUST FUND



BOI TERMINOLOGY

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 publicly 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.

ASSET-BACKED SECURITY

Bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit. Not mortgages.

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.

BANKER'S ACCEPTANCE

A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank. Often used in importing and exporting, and as a discount money market fund investment.

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 1/100th 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, e.g., public equities)

'Cap' is short for capitalization, as a reference to the market value of a publicly-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.

CERTIFICATE OF DEPOSIT (CD):

A short-or medium-term, interest-bearing deposit obligation offered by banks and savings and loans. These may include "Yankee CDs" which are CDs issued by foreign banks or their U.S. affiliates in the U.S. which are denominated in U.S. dollars

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.

COMMERCIAL PAPER

An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory. Maturities typically range from two (2) to two hundred seventy (270) days. Commercial paper is available in a wide range of denominations, can be either discounted or interest-bearing, and usually a limited or nonexistent secondary market. Commercial paper is usually issued by companies with high credit ratings, meaning that the investment is almost always relatively low risk.

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.

CORPORATE NOTE

A type of unsecured debt issued by a corporation that may be longer-term than Commercial Paper, but shorter-term than a typical Corporate Bond.

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.

CREDIT 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.

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.'

EFT (Exchange Traded Fund) - a type of investment fund that trades on a stock exchange like an individual stock. ETFs represent a basket of individual securities that often track the performance of an index. A majority are passively managed and typically have lower management fees and operating expenses compared to mutual funds. However, actively managed ETFs have been a growing product line for investment managers.

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.

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 eleven 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 by borrowing additional money to enhance such an investment; high 'leverage' is also associated with high risk.

LINK DEPOSIT

The Link Deposit program can provide a financial institution a long-term fixed rate funding source "linked" to a specific loan. The State of Montana provides the financial institution funding in the form of a deposit through the Montana Board of Investments using coal tax funds.

MASTER LIMITED PARTNERSHIP

An investment structure that combines the tax benefits of a limited partnership with the liquidity of a common stock. While an MLP has a partnership structure, it issues shares that trade on an exchange like common stock. MLPs are often broadly associated with energy companies operating in midstream services.

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.

P/E RATIO (equity)

The price of a publicly 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 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.

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).

PRIVATE ANNUAL WAGE

The private annual wage is determined annually by the Montana Department of Labor & Industry using the average annual employment divided by the total wages.

PROXY (publicly 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.

REPURCHASE AGREEMENT

A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price. May also be called "Repo" or "Buyback." Typically used as a short-term form of collateralized borrowing by a bank or securities dealer.

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.

REVERSE REPURCHASE AGREEMENT

A purchase of securities with an agreement to resell them at a higher price at a specific future date. The investor essentially borrows money and allows its securities to be held as collateral. Reverse Repurchase Agreements occur most often in government securities or other securities that are highly valued and thus considered a good form of collateral.

SECURITIES LENDING (general investment)

Investments that are temporally borrowed by other investors for a fee; the BOI allows most of its publicly 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.

TRANCHE

A division or portion of a pool or whole; specifically: an issue of bonds derived from a pooling of like obligations (such as securitized mortgage debt) that is differentiated from other issues especially by maturity or rate of return.

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
ACRONYM INDEX

ACH.....	Automated Clearing House
ADV.....	Uniform Application for Investment Adviser Registration and Report by Exempt Reporting Advisor
AUM.....	Assets Under Management
ADR.....	American Depository Receipts
AOF	All Other Funds
ARC	Actuarially Required Contribution
BOI	Board of Investments
CAPP	Consolidated Asset Pension Pool
CFA	Chartered Financial Analyst
EM	Emerging Market
FOIA	Freedom of Information Act
FWP.....	Fish Wildlife and Parks
FX.....	Foreign Exchange
IPS.....	Investment Policy Statement
IRP.....	Intermediary Relending Program
LDI.....	Liability-Driven Investing
MBOH.....	Montana Board of Housing
MBOI	Montana Board of Investments
MDEP	Montana Domestic Equity Pool
MLP	Master Limited Partnership
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
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
SOC1	Service Organization Controls 1 (Audit)
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
UIP	Unified Investment Program
VIX	Volatility Index

ASSET CLASS ACRONYMS

DEPAC	Domestic Equity Pension Asset Class
IEPAC	International Equity Pension Asset Class
PEPAC	Private Equity Pension Asset Class
NRPAC	National Resources Pension Asset Class
REPAC	Real Estate Pension Asset Class
TIPAC	TIPS Pension Asset Class
BFPAC.....	Broad Fixed Income Pension Asset Class
USPAC	UST/AGY Pension Asset Class
IGPAC	Investment Grade Corp Pension Asset Class
MBPAC.....	MBS Pension Asset Class
HYPAC	High Yield Pension Asset Class
DSPAC	Diversified Strategies Pension Asset Class
CPAC.....	Cash Pension Asset Class

Montana Operation Manual

MOM-SFSD-POL-SAB-316-Expense Account Categories

Operating Expenses

Includes the costs of consumable commodities or services relating to the operating needs of the various functions of state government. It does not include the purchase of assets intended for long-continued use or possession.

A. Other Services (62100–62199)

Includes both professional and nonprofessional services such as audit fees, printing, insurance, and all other services that are not specifically required to be classified under another category. The services received may involve the receipt of either a product or a process. Includes all the service provider's costs incurred during the performance of the service if those costs are passed on to the State, such as travel expenses and supplies and materials. The services charged to this category may be performed by another state agency, another department/division within the receiving agency, or by the private sector.

B. Supplies and Materials (62200–62299)

Includes consumable commodities purchased for inventory or immediate consumption. Includes articles and commodities that are consumed or materially altered when used. The principal types of supplies include operating supplies, office supplies, and small tools.

C. Communications (62300–62399)

Includes the cost of communication, such as charges for telephone, facsimile, radio services, and advertisements. Postage, rental of post office boxes, messenger services, telephone installation, and the cost of outgoing freight charges are also included. Incoming freight charges are to be charged to the expense category to which the applicable goods are charged.

D. Travel (62400–62499)

Includes the cost of transportation (for state employees and appointed members of state boards, commissions, and councils) on public conveyances, such as airplanes, railroads, buses, and taxicabs. It also includes meals, lodging, per diem, and mileage allowances when privately owned vehicles are used for transportation or charges paid to the State Motor Pool. This category also includes non-employee travel not associated with the 621XX–Other services expense account category.

The cost of operating state-owned vehicles or the repair and maintenance of transportation vehicles are not included in this category (see expense account category 627XX–Repair & maintenance). It does not include vehicle and related expenses involved in routine patrol activities.

In order to comply with MCA 15-65-131, all in-state travel paid by the State, including reimbursements to contractors, should be coded to an In-State Lodging account (62408, 62428, 62438, and 62497). This will identify the expenditures as eligible for partial tax reimbursement, to be distributed by the Department of Revenue. State agencies are required to pay all taxes associated with lodging regardless of the source of an agency's funding. If lodging expenses are paid, and tax has not been assessed, such expenditures should be coded to an account other than an In-State Lodging account.

E. Rent (62500–62599)

Charges paid for the use of equipment, land, or buildings.

F. Utilities (62600–62699)

Charges paid for utility services such as the following:

1. Electric power, including standby services
2. Gases or fuels for heating, lighting, cooking, or laboratory use
3. Water or water services
4. Remove and/or treat sewage
5. Remove and/or dispose of garbage or trash

G. Repair & maintenance (62700–62799)

Includes all labor, materials and overhead, of maintaining state property, facilities, or equipment in working order (including the cost of repair and maintenance contracts). If an agency maintains its own repair and maintenance work force, labor charges will be classified under 61xxx - Personal services. The costs of any activity that results in substantial improvement or increase in the life of a capital asset should not be recorded in this category. These costs are properly treated as capital outlay.

H. Other expenses (62800–62899)

Includes expenditures not more specifically classified in other categories, including such items as the following:

1. Dues for membership in state, county and other organizations that State officials and employees are required to join;
2. Subscriptions to newspapers, magazines, and other periodicals, including continuous tax, rate, legal and other technical service subscriptions;
3. Taxes, assessments, etc. including filing fees, etc. on state-used or owned properties;
4. Registration fees for training conferences; and
5. Interest excluding debt services, interest on long-term debt should be recorded in 69XXX-Debt services.