

# MONTANA

## BOARD OF INVESTMENTS

### BOARD ADOPTED POLICY

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POLICY NUMBER: 40.203

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines  
International Equities Asset Class

SUPERSEDES: November 19, 2020

BOARD ADOPTION: November 30, 2021

REVIEWED:

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#### I. Appendix II: Investment Objectives and Guidelines

- A. Schedule II-B: Investment Objectives and Guidelines International Equities Asset Class
- B. Approved Date of Schedule: November 19, 2020.
- C. This Schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for International Equities.

#### II. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
  1. Establish the investment objectives and performance standards of the Asset Class.
  2. Provide diversified exposure to the Private Investments markets in a prudent and cost-effective manner.

#### III. Investment Objective

- A. Strategic
  1. The objective of the International Equities Asset Class is to attain the highest possible return within the parameters of the Investment Guidelines set forth below.
- B. Performance
  1. Success in achieving this objective will be measured by comparing the risk and after-fee return of the International Equities Asset Class to the MSCI All Country World ex-US Investable Market Index (the Benchmark). Performance results will be monitored and evaluated quarterly. However, the success in achieving the objective will be measured on a three (3) year, five (5) year, and ten (10) year annualized basis.
- C. Investment Guidelines
  1. Staff will have full discretion to manage the International Equities Asset Class consistent with the investment guidelines stated below. Compliance with the following guidelines for permitted investments and other restrictions is the sole responsibility of the Staff. Any exceptions or compliance violations are to be reported to the Board at the next scheduled quarterly Board meeting.
  2. Most of the International Equities Asset Class investments will be managed by external investment managers.
  3. The International Equities Asset Class may utilize public long-only and long/short strategies.
  4. It is expected that the International Equities Asset Class shall invest in public market investments that provide liquidity and meaningful transparency to portfolio characteristics and

risk exposures.

D. Permitted Investments

1. The International Equities Asset Class may invest only in the following:
  - a) International equity securities and derivatives held in separate accounts, commingled funds, limited partnerships, or limited liability companies managed by external investment managers and governed by their respective investment management contracts and investment guidelines.
  - b) ETFs based on an international equity index that is approved by the CIO and purchased and monitored by Staff.
  - c) Cash – either an investment in the Short-Term Investment Pool (STIP), a vehicle available through the Custodian, or an SEC registered money market fund that is considered a “US Treasury” or “US Government” money market fund per the SEC regulations.

E. Other Restrictions

1. The International Equities Asset Class percentage of Net Asset Value invested in “small-cap” equities shall not exceed ten percent (10%) above the Benchmark weight in “small cap”.
  2. The International Equities Asset Class percentage of Net Asset Value invested in passive/index strategies shall be greater than forty-two percent (42%).
  3. The International Equities Asset Class percentage of Net Asset Value invested in Emerging Market securities shall not exceed + or – ten percent (10%) above the Benchmark weight in Emerging Market securities.
- F. If at any time, due to market fluctuations or any other circumstances, any of the guidelines are not maintained, Staff will use its best efforts to conform to these limits in a timely manner, considering current market conditions and the associated costs of rebalancing. At the Board’s next regularly scheduled quarterly meeting, the CIO shall inform the Board of any cases that the International Equities Asset Class allocations were outside of the limits and either inform the Board of the actions that were taken to return the International Equities Asset Class back within guidelines or a plan to do so.