

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.208

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines
Non-Core Fixed Income Asset Class

SUPERSEDES: November 19, 2020

BOARD ADOPTION: November 30, 2021

REVIEWED:

I. Investment Objectives and Guidelines

A. Schedule II-G: Investment Objectives and Guidelines Non-Core Fixed Income.

B. Approved Date of Schedule: June 1, 2021.

C. This Schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for Non-Core Fixed Income.

II. Statement of Purpose

A. The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the Non-Core Fixed Income Asset Class.
2. Provide diversified exposure to Non-Core Fixed Income in a prudent and cost-effective manner.

III. Investment Objective

A. Strategic

1. The objective of the Non-Core Fixed Income 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 Non-Core Fixed Income Asset Class to the Bloomberg Barclays US High Yield – two percent (2%) Issuer Cap 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 Non-Core Fixed Income Asset Class consistent with the investment guidelines stated below. Non-Core Fixed Income is defined as strategies primarily invested in High Yield Corporate Debt, Emerging Market Debt, Convertible Debt and Preferred Securities. 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.

D. Permitted Investments

1. The Non-Core Fixed Income Asset Class may invest only in the following:
 - a) 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.

Adopted: November 30, 2021

Revised

Reviewed

- b) Cash – either an investment in 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. A maximum of ten percent (10%) of the Net Asset Value of the Non-Core Fixed Income Asset Class shall be held in non-U.S. securities if they are denominated in a foreign currency.
 2. The average duration of the Non-Core Fixed Income Asset Class will be maintained in a range of + or – twenty-five percent (25%) of the index duration.
 3. High Yield strategies will make up a minimum of twenty-five percent (25%) and a maximum of seventy-five percent (75%) of the Non-Core Fixed Income Asset Class.
 4. No strategy other than High Yield will make up more than fifty percent (50%) of the Non-Core Fixed Income Asset Class.
- 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, while considering current market conditions and the associated costs of rebalancing. At the Board’s next regularly scheduled quarterly meeting, the CIO shall inform the Board of any cases that the Non-Core Fixed Income Asset Class allocations were outside of the limits and either inform the Board of the actions that were taken to return the Non-Core Fixed Income Asset Class back within guidelines or a plan to do so.