

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.707

EFFECTIVE DATE: June 4, 2025

TITLE: MSF Private Credit Asset Class
Investment Policy Statement

SUPERSEDES: NEW

BOARD ADOPTION: June 4, 2025

REVIEWED: June 4, 2025

I. Introduction

- A. The purpose of this policy is to provide a framework for the Private Credit Asset Class under the guidance of the Board.

II. Purpose

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

III. Investment Objective

- A. Strategic - The objective of the Private Credit Asset Class is to attain the highest possible return within the parameters of the Investment Objective and Guidelines set forth below.

B. Performance

1. There is no generally accepted benchmark index for Private Credit performance comparisons. Private Credit investments typically require a longer investment horizon due to their illiquid nature and multi-year lending agreements, with returns primarily driven by contractual interest and principal repayment.
2. The performance objective for the Private Credit Asset Class is the achievement of long-term net returns (after management fees and general partner's carried interest) above a benchmark reflecting public debt market returns.
3. Success in achieving this objective will be measured by comparing the net return of the Private Credit Asset Class to the S&P Leveraged Loan Index (the Benchmark) on an annualized basis. Performance results will be monitored quarterly. However, the success in achieving the objective will be measured on a five (5) year and ten (10) year annualized basis.

C. Investment Guidelines

1. Staff will have full discretion to manage the Private Credit Asset Class consistent with this policy. 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 Private Credit Asset Class investments will be managed by external investment managers via a partnership structure in which the Board will have a limited partnership interest.

D. Permitted Investments

1. The Private Credit Asset Class may invest only in the following:

- a) Private Credit partnership interests. These private partnerships may be direct limited partnerships, limited liability companies, or vehicles that primarily invest in partnerships, including Fund-of-Funds and Secondary Funds;
- b) Investments held in separate accounts or commingled funds managed by external investment managers and governed by their respective investment management contracts and investment guidelines;
- c) The Private Credit Asset Class may co-invest with Credit investment managers in transactions that are suitable for inclusion into a private credit partnership;
- d) Cash – either an investment in the 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 Montana State Funds Investment Pool assets as a percentage of Net Asset Value invested in a single Direct Limited Partnership shall be no greater than two percent (2%).
- 2. No more than twenty percent (20%) of the aggregate of the Private Credit Asset Class net asset value should be considered “Non-U.S.” exposure based on the primary objective of the Fund, Partnership, Separate Account, or Index.
- 3. Individual public securities received as distributions will be liquidated over a reasonable time period dependent on market conditions.

- 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 situations where the Private Credit Asset Class allocations were outside of the limits and either inform the Board of the actions that were taken to return the Private Credit Asset Class back within guidelines or a plan to do so.

Authority: Montana Constitution, Article VIII, Section 13
 Section 2-15-1808, MCA
 Section 17-6-201, MCA
 Sections 17-6-204 and -205, MCA
 Section 19-2-504, MCA