MONTANA
BOARD OF INVESTMENTS

SHORT-TERM INVESTMENT POOL FINANCIAL STATEMENTS

(UNAUDITED)
FOR THE FISCAL YEAR ENDING JUNE 30, 2024

PREPARED BY THE STAFF AND MANAGEMENT OF
THE MONTANA BOARD OF INVESTMENTS

BLANK PAGE

SHORT-TERM INVESTMENT POOL
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2024
(amounts in thousands)

Assets		
Investments		
Cash and Cash Equivalents	$	3,450,461
Investments at Cost		75,207
Investments at Fair Value		5,315,139
Total Investments		8,840,807
Securities Lending Cash Collateral		306,165
Dividend / Interest Receivable		54,510
Capital Assets, Net		97
Total Assets		9,201,579
Liabilities		
Income Due Participants		39,435
Securities Lending Obligations		306,165
Subscription Liabilities		89
Total Liabilities		345,689
Net Position Held in Trust	$	8,855,890

The accompanying notes are an integral part of these financial statements.

SHORT-TERM INVESTMENT POOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR YEAR ENDING JUNE 30, 2024
(amounts in thousands)

Additions	
Purchases by Participants	$ 14,334,014
Net Investment Earnings	
Investment Earnings	
Net Increase / (Decrease) on Fair Value of Investments	237,229
Dividend / Interest Income	230,059
Other Investment Income	437
Investment Earnings	467,725
Investment Costs	(928)
Other Investment Expenses	(309)
Net Investment Income (Loss)	466,488
Securities Lending Income	4,661
Securities Lending Expense	(4,197)
Net Securities Lending Income	464
Total Additions	14,800,966
Deductions	
Sales by Participants	14,120,891
Income Distributions to Participants	447,231
Total Deductions	14,568,122
Change in Net Position	232,844
Net Position Held in Trust - Beginning of Year	8,623,046
Net Position Held in Trust - End of Year	$ 8,855,890

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

These financial statements present only the activity of the Short-Term Investment Pool (STIP) as managed by the Board of Investments (the Board). STIP financial statements are included in the Board's Unified Investment Program (UIP) financial statements, which are audited by the Montana Legislative Auditor. These stand-alone STIP financial statements are for informational purposes only and are not separately audited. The Board's audited annual financial information is available from the Board at 2401 Colonial Drive 3rd Floor, PO Box 200126, Helena, MT 59620-0126 or by calling 406-444-0001. The Board's information can also be found on the Board's website at www.investmentmt.com.

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUNDS

The Board created STIP to allow qualifying funds, per sections 17-6-201, 202 and 204, MCA to participate in a diversified pool. By statute, local governments entities can voluntarily participate in the STIP.

BASIS OF ACCOUNTING

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB).

CASH AND CASH EQUIVALENTS HELD WITHIN POOLS

Cash and cash equivalents generally are short-term, highly liquid investments with maturities of three months or less at time of purchase. STIP holds cash and cash equivalents measured at cost.

VALUATION OF INVESTMENTS

Investments reported at fair value are on a trade date basis. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. Fair value measurements are reviewed monthly, and third-party valuations are reviewed for reasonableness and compliance with approved price source authorization policy. Refer to Note 5 - Fair Value Measurement for further detail.

As disclosed in Note 5 – Fair Value Measurement, $75.2 million of investments are reported at cost. These include bonds authorized in the Municipal Finance Consolidation Act of 1983 (INTERCAP Bonds).

CAPITAL AND RIGHT-TO-USE ASSETS

Capital and right-to-use asset contracts which meet certain conditions and are considered noncancelable with an amortized cost greater than $100 thousand and greater than one year in term are included on the Statement of Fiduciary Net Position as Capital Assets, Net. Such assets are amortized on a straight-line basis over the shorter of the life of the contract or the useful life of the underlying asset(s). The assets are reported net of accumulated amortization. The related subscription liabilities are included within Subscription Liabilities on the Statement of Fiduciary Net Position and are measured at the present value of expected payments over the contract terms. The amortization expense is a component of investment costs. See Note 8 – Capital and Right-to-Use Assets for more information.

REVENUE RECOGNITION

Unrealized gains and losses are included as a component of investment income in the Statement of Changes in Fiduciary Net Position. Unrealized gains and losses are computed based on changes in the fair value of investments held from the beginning of the year, but unsold at the fiscal year-end. The net change in fair value of investments also consists of the realized gains or losses. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

INVESTMENT COSTS

The State Legislature sets management fees the Board charges. The maximum fee is set at the aggregate level at the beginning of each fiscal year. During the fiscal year, STIP was allocated $928 thousand in Board fees. The STIP investment fee ratio was 0.01%.

SECURITIES LENDING

The collateral received under securities lending agreements where STIP can spend, pledge, or sell collateral without borrower default is included in the Statement of Fiduciary Net Position. Liabilities resulting from these transactions are also included in the Statement of Fiduciary Net Position. Costs associated with the securities lending transactions, including broker commissions, and lending fees paid to custodians are reported as components of investment expenses in the Statement of Changes in Fiduciary Net Position. Securities lending income reported for the fiscal year was $4.7 million, and expenses associated with securities lending were $4.2 million. For further detail, see Note 4 - Securities Lending

PURCHASES AND SALES BY PARTICIPANTS AND INCOME DISTRIBUTIONS

Purchases and sales by participants are recorded when received or paid. STIP participants receive monthly income distributions. STIP distributable income is total net investment earnings less the net increase (decrease) on the fair value of investments not attributable to amortization.

REGULATORY OVERSIGHT

The Board was created by the State Legislature to manage the UIP established by the State Constitution. The Board is not registered with the U.S. Securities and Exchange Commission as an investment company.

POOL PARTICIPANT UNITS

Pool units are purchased and sold in the same manner as individuals investing in mutual funds. The STIP participants purchase and sell units at $1 per unit, at the participant's discretion. Individual investments in the pools are not specifically identified to the respective participants. Refer to Note 7 – STIP Reserve for further detail.

ADJUSTMENTS AND RESTATEMENTS OF BEGINNING BALANCES

For fiscal year 2024, the STIP pool recognized Subscription-Based Information Technology Arrangements (SBITAs). SBITA assets and liabilities are now recorded in the statements to match the reporting of investment expenditures.

If SBITA assets were reported as part of the June 30th, 2023, financial statements, capital assets, net of depreciation/amortization, would have increased by $290 thousand. Related liabilities for the SBITA agreements would have increased $290 thousand. The effect of the accounting change had no impact to beginning fund net position for STIP.

2. INVESTMENT RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, the Board's custodial bank must be rated at least at the sixth highest investment grade rating by at least two Nationally Recognized Statistical Rating Organizations (NRSRO) annually.

As of June 30th, all the public securities were registered in the nominee's name for the Montana Board of Investments and held in the possession of the Board's custodial bank. Demand deposit accounts held at non-custodial banks were purchased and recorded in the Board's name. Commingled fund investments are registered in the name of the Montana Board of Investments. Therefore, the Board is not subject to custodial credit risk.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the U.S. Government are excluded from the concentration of credit risk requirement. The concentration of credit risk is addressed within the

Investment Policy Statements (IPSs) as set by the Board. Refer to Note 3 – Summary of Investment Policy – Legal and Contractual Provisions for further detail.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Except for U.S. Government securities, income instruments have credit risk as measured by NRSRO ratings. Credit risk is contemplated for each individual portfolio in the IPS. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate. The U.S. Government guarantees its securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit risk. Refer to Note 3 – Summary of Investment Policy – Legal and Contractual Provisions for further detail.

As a matter of STIP investment policy, the Board's fixed income investment staff can only purchase securities from a pre-approved "Approved Issuer" list. By STIP policy, permitted money market investments include only SEC registered 2a-7 Institutional Money Market Funds that are considered "US Treasury" or "US Government" money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30th, all the STIP money market investments were in US Governmental Money Markets and $160.5 million was held on deposit in short-term investment vehicles. NRSRO provides the credit ratings presented in the following table as of June 30th with all amounts in thousands:

STIP CASH EQUIVALENT CREDIT QUALITY RATINGS

Cash Equivalent Investment Type	Total Cash Equivalents	Credit Quality Rating
Agency or Government Related	$ 89,794	A-1+
Asset Backed Commercial Paper	2,572,914	A-1+
Corporate:		
Commercial Paper	527,229	A-1+
Cetificates of Deposit	100,000	A-1
Interest Bearing Demand Deposit Accounts	160,524	A-1+
Total Cash Equivalents	$ 3,450,461	

INTEREST RATE RISK

STIP investments at fair value are categorized by investment type to disclose interest rate and credit risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The Board uses effective duration as a measure of interest rate risk for all fixed income portfolios. Refer to Note 3 – Summary of Investment Policy – Legal and

Contractual Provisions for further detail.

STIP interest rate risk is determined using the WAM method. The WAM measure expresses investment time horizons – the time when investments are due or reset and payable in days, months, or years – weighted to reflect the dollar size of the individual investments within an investment type. Inclusive of cash and cash equivalents, the WAM averages 54 days for the portfolio.

Credit risk reflects the weighted security quality rating by investment type as of the report date. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. STIP has $75.2 million in investments reported at cost that are not rated. STIP investments at fair value as of June 30th are categorized on the following table with amounts in thousands except for days:

STIP CREDIT QUALITY RATINGS AND WEIGHTED AVERAGE MATURITY

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	$ 1,200,441	A-1+	75
Agency or Government Related	1,254,907	A-1+	67
Asset Backed Commercial Paper	151,592	A-1+	4
Corporate:			
Commercial Paper	495,575	A-1+	39
Notes	727,551	A-1+	27
Certificates of Deposit	1,485,073	A-1+	112
Total STIP Fixed Income Investments at Fair Value	$ 5,315,139		

Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value as of June 30th, the Board deemed the cash equivalents to have little discernible interest rate risk.

3. SUMMARY OF INVESTMENT POLICY – LEGAL AND CONTRACTUAL PROVISIONS

The Board manages the Investment Program pursuant to the "Prudent Expert Principle" mandated by state law, which requires an investment manager to:

> "(a) Discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims,
> (b) Diversify the holdings of each fund within the UIP 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 UIP."

ALLOWED INVESTMENTS

The Board approves all IPSs. The IPSs also reflects the Board approved asset allocation ranges.

The STIP IPS limits concentration of credit risk exposure by limiting exposure to individual issuers by asset class as follows (as a percentage of STIP Units Value at purchase):

- 3% to in any issuer for any permitted investments excluding U.S. Treasury and U.S. agency securities and repurchase agreements with a financial institution,
- 30% to any single issuer for U.S. agency securities,
- 5% to any single SEC registered 2a-7 fund for money market funds or FDIC-insured deposits,
- 5% to any single primary dealer or financial institution for repurchase agreements,
- 3% to any Montana domiciled bank for collateralized demand deposit accounts,
- 5% to the custodial bank for interest-bearing demand deposit accounts.

STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable rate securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 120 days or less. STIP is managed to preserve principal while providing daily liquidity for state agency and local government participants.

Per the STIP IPS, "The STIP portfolio will minimize interest rate risk by:

1) Structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity,
2) Maintaining a WAM of 120 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities), and
3) STIP will maintain a reserve account."

4. SECURITIES LENDING

The Board is authorized by law to lend its securities and has contracted with the custodial bank to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. On any day, including June 30th, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. The Board and the custodial bank split the earnings 85% and 15%, respectively, on securities lending activities. The Board retains all rights and risks of ownership during the loan period. The custodial bank indemnifies the Board's credit risk exposure to the borrowers. The custodial bank cannot sell collateral securities unless the borrower defaults.

During the fiscal year, the custodial bank loaned the Board's public securities and received as collateral the following instruments:

- Cash (U.S. and foreign currency),
- Securities issued or guaranteed by the United States government or its agencies or Instrumentalities,
- Canadian provincial debt,
- All other sovereign debt,
- Convertible bonds,
- U.S. and non-U.S. equities (which shall include (i) equity securities in the form of exchange-traded funds ("ETFs") and, for the avoidance of doubt, shall include, but not be limited to, ETFs of the custodial bank or other custodial bank affiliates and (ii) American Depositary Receipts and Global Depositary Receipts),
- Covered bonds,
- Preferred securities,
- Certificates of Deposit,
- Money market instruments,
- Asset-backed securities,
- Asset-backed commercial paper,
- Commercial paper,
- Collateralized mortgage obligations,
- Mortgage-backed securities,
- Supra-nationals,
- Irrevocable bank letters of credit issued by a person other than the borrower, or an affiliate of the borrower may be accepted as collateral, if the custodial bank has determined that it is appropriate to accept such letters of credit as collateral under the securities lending programs it administers,
- Assets permissible under Rule 15c3-3 under the Exchange Act of 1934, and
- Such other collateral as the parties may agree to in writing.

The Board has an established schedule with the custodial bank that identifies the minimum credit rating and margin requirements for each instrument:

COLLATERAL TYPE	MINIMUM CREDIT RATING	MARGIN REQUIREMENT
US Treasuries, including Treasury Inflation Priced Securities		102%
US Federal Agency Debt, including agency mortgage-backed securities		102%
Municipal Bonds	A-/A3	105%
Canadian Provincial & Australian Semi-Regional Debt	A-/A3	105%
Asset-Backed Securities	AA-Aa3	110-115%
Collateralized Mortgage-Backed Securities	AA-Aa3	110-115%
Commercial Mortgage-Backed Securities	AA-Aa3	110-115%
Supranational Debt	AAA/Aaa	102%
Sovereign Debt	AA-/Aa3	102%
Sovereign Debt	A-/A3	105%
Commercial Paper, Certificates of Deposit, Banker's Acceptances and Time Deposits	A1/P1	105%
Corporate Debt	AA-/Aa3	102-115%
Corporate Debt	BBB-/Baa3	102-115%
Convertible Bonds (convertible on call against loans of underlying stock, only) Matched/Hedged	No Floor	105%
Convertible Bonds (US issuers only) Outright	No Floor	110-115%
Equities (generally traded on well-established exchanges)		108%-110%

The cash collateral received for each loan was invested in a highly-liquid, separately managed portfolio. The Board and the borrowers maintain the right to terminate all securities lending transactions on notice. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. The portfolio had a weighted average duration of 24 days and a weighted average final maturity of 91 days.

The security on loan and pledged collateral is disclosed in the following table as of June 30th, with amounts in thousands except for percentages.

SECURITIES ON LOAN AND PLEDGED COLLATERAL

	Fair Value On Loan	Collateral Cash	Collateral Securities	Collateral Total	% of Fair Value
Short-Term Investment Pool (STIP)	$ 919,582	$ 306,165	$ 664,759	$ 970,924	106%

For the year ended June 30th, STIP had net securities lending income of $464 thousand, with gross securities lending income of $4.7 million and associated expenses of $4.2 million.

5. FAIR VALUE MEASUREMENT

The Board categorizes its fair value measurements within the fair value hierarchy established by GAAP as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets that the Board can access as of June 30th.

Level 2 - Prices are determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.

Level 3 - Prices are determined using unobservable inputs, which generally results in the Board using the best information available and may include the Board's own data.

FAIR VALUE LEVEL

Fixed income investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments measured at cost are included to account for all investments. These assets represent cash equivalents and INTERCAP bonds.

STIP has the following value measurements as of June 30th, with amounts in thousands:

INVESTMENTS MEASURED AT FAIR VALUE

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Investments by Fair Value Level				
Fixed Income Investments:				
Treasuries	$ 1,200,441	$ 1,200,441	$ -	$ -
Agency or Government Related	1,254,907	-	1,254,907	-
Asset Backed Securities	151,592	-	151,592	-
Corporate:				
Commercial Paper	495,575	-	495,575	-
Notes	727,551	-	727,551	-
Certificates of Deposit	1,485,073	-	1,485,073	-
Investment Derivative Instruments	-	-		-
Total Investments by Fair Value Level	5,315,139	$ 1,200,441	$ 4,114,698	$ -
Investments at Cost				
Cash and Cash Equivalents	3,450,461			
INTERCAP Bonds	75,207			
Total Investments not Categorized	3,525,668			
Total Investments	$ 8,840,807			

6. BOND AND LOAN GUARANTEES

As of June 30th, the Board had provided loan guarantees from Trust Fund Investment Pool (TFIP), the Coal Severance Tax Trust Fund, and the Treasurer's Cash Fund to the Enterprise Fund for exposure to INTERCAP bond issues amounting to $75.2 million and from STIP, TFIP, the Coal Severance Tax Trust Fund to the Montana Facility Finance Authority (MFFA) amounting to $104.0 million. The amounts represent the potential liability of the Fund and guarantees are in effect for one year.

MFFA is a discretely presented component unit of the State of Montana. MFFA guarantee requests are submitted to the Board for review and approval. The Board's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into MFFA's statutorily allowed capital reserve account is explicitly limited by statute which requires the Board to act prudently. The bond and loan guarantee requests from MFFA pertain to bonds issued by MFFA with a term of up to 40 years. The Board receives a credit enhancement fee at MFFA bond closing based on the term of the financing, the type of bond, the rating of the borrower, and the type of reserve fund. The Board and MFFA have entered into an agreement detailing repayment to the Board.

The following schedule summarizes the bond and loan guarantee activity during the fiscal year with amounts in thousands:

BOND AND LOAN GUARANTEE ACTIVITY

	Beginning Balance	Additions	Reductions	Ending Balance
INTERCAP	$ 68,707	$ 75,207	$ (68,707)	$ 75,207
MFFA	$ 109,133	$ -	$ 5,170	$ 103,963

7. STIP RESERVE

The reserve account may be used to offset losses within the STIP portfolio. The following table details STIP Reserve activity for the fiscal year ended June 30th, with amounts in thousands:

STIP RESERVE ACTIVITY		
Beginning STIP Reserve	$	68,634
Additions		
Investment Earnings:		
Net Increase (Decrease) on Fair Value of Investments		4,016
Interest Income		63
Transfer of STIP Income		13,739
Total Investment Earnings		17,818
Investment costs:		
Transfers to STIP		(27)
Total costs		(27)
Total STIP Reserve Activity		17,791
Ending STIP Reserve	$	86,425

8. CAPITAL AND RIGHT-TO-USE ASSETS

Capital and right-to-use assets include subscription-based information technology arrangements (SBITA) assets. SBITAs consist of agreements that grant the Board use of property in exchange for payments over a specified period. The Board's SBITA payables are associated with the subscriptions of underlying IT assets provided by the SBITA vendors. All expenses related to SBITA agreements are allocated to individual pools based on proportionate use. Amortization expense is included as Investment Costs on the Statement of Changes in Fiduciary Net Position.

SBITA contracts are recorded as right-to-use assets and amortized using the effective interest rate method (amortizes at the same rate as the liability reduction). Interest expense is recognized ratably over the contract term. Capitalized implementation costs associated with right-to-use assets are recorded at cost and amortized using the straight-line method over the contract term or estimated useful life of the asset. Capital Asset account balances table are below with amounts in thousands:

CAPITAL AND RIGHT-TO-USE ASSET ACCOUNT BALANCES	Beginning Balances	Increases	Decreases	Ending Balance
Cost:				
Capital Assets Being Depreciated and Amortized:				
Right-To-Use Subscriptions	$ 387	$ -	$ -	$ 387
Total Capital Assets Being Depreciated	387	-	-	387
Less Accumulated Depreciation and Amortization For:				
Right-To-Use Subscriptions	(97)	(193)	-	(290)
Total Accumulated Depreciation and Amortization	(97)	(193)	-	(290)
Capital Assets, Net	$ 290	$ (193)	$ -	$ 97

Principal and interest requirements to maturity for SBITAs on June 30th were as follows with amounts in thousands:

SBITA PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY		
Year Ended	Principal	Interest
2025	$ 89	$ -
Total	$ 89	$ -

This document is electronically available to the public. No expense was incurred for printing or distribution.