

MONTANA

BOARD OF INVESTMENTS

REGULAR BOARD MEETING
Zoom Conference
October 19-20, 2021

COMMITTEE MEETINGS

- A. Audit Committee – Maggie Peterson, Chair** **9:30 AM**
1. Public Comment – *Public Comment on issues with Committee Jurisdiction*
 2. Approval of August 10-11, 2021 Committee Minutes
 3. Executive Director Comments
 4. Audit Checklist
 5. FY 2021 – Financial Audit – Status
 6. BOI Internal Controls Compliance Program
 7. Wipfli SOC I Type II Draft Report - **Decision**
- B. Loan Committee – Jack Prothero, Chair** **10:00 AM**
1. Public Comment – *Public Comment on issues with Committee Jurisdiction*
 2. Approval of August 10-11, 2021 Committee Meeting Minutes
 3. Executive Director Comments
 4. In-State Loan Request – **Decision**
 5. INTERCAP Update
- C. Human Resource Committee – Terry Cohea, Chair** **10:30 AM**
1. Public Comment – *Public Comment on issues with Committee Jurisdiction*
 2. Executive Director Comments
 3. Exempt Staff Review – **CLOSED**
 4. Exempt Staff Compensation - **Decisions**

BREAK FOR LUNCH WITH STATE GOVERNMENT CLIENTS **12:00 PM**

- Tab 1 CALL TO ORDER – Karl Englund, Chairman** **1:30 PM**
- 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 10-11, 2021 Meeting Minutes
 - E. Administrative Business
 1. Audit Committee Report – **Decision**
 2. Loan Committee Report– **Decision**
 3. Human Resource Committee Report - **Decisions**
 - F. Comments from TRS and PERS Board Members
 - G. Comments from Board Legislative Liaisons
- Tab 2 EXECUTIVE DIRECTOR REPORTS – Dan Villa** **1:45 PM**
- A. Member Requests from Prior Meeting
 - B. Monthly Snapshot
 - C. Securities Lending
 - D. Board Policy Manual - **Decision**
 - E. 2022 – 2023 Work Plan - **Decision**

Tab 3	MONTANA LOAN PROGRAM – Doug Hill	2:15 PM
	A. Commercial and Residential Portfolios Report	
Tab 4	BOND PROGRAM – Louise Welsh	2:30 PM
	A. INTERCAP	
	1. Activity Report	
	2. Staff Approved Loans Report	
Tab 5	INVESTMENTS – NEW COMMITMENTS	2:45 PM
	Private Investments – Thomas Winkler, CAIA	
BREAK		3:15 PM
Tab 6	PRIVATE EQUITY ASSET CLASS REVIEW –	3:30 PM
	Michael Nguyen & Thomas Winkler, CAIA	
ADJOURN		
RECONVENE AND CALL TO ORDER – Karl Englund, Chairman		9:30 AM
	A. Roll Call	
	B. Notice of Video Recording and Meeting	
	C. Public Comment – <i>Public Comment on issues within Board Jurisdiction</i>	
Tab 7	Investment Policy Statement Revisions	9:45 AM
	A. Treasurer’s Fund – John Romasko, CFA	
	B. Montana State University – John Romasko, CFA	
Tab 8	FIRST READING – Asset Allocation Recommendations –	10:30 AM
	Jon Putnam, CFA, CAIA, FRM	
RECAP OF STAFF TO DO LIST AND ADJOURNMENT – Karl Englund, Chairman		11:30 AM
Appendix		
	A. Annual Board Meeting Schedule	
	B. 2020/2021 Work Plan	
	C. Acronym Index	
	D. Terminology List	

MONTANA

BOARD OF INVESTMENTS

REGULAR BOARD MEETING MINUTES

August 10-11, 2021

Meeting recordings are posted at: <https://leg.mt.gov/lspd/>

Call to Order

The Board of Investment's meeting was called to order by Chairman Karl Englund at 11:00 a.m. on Tuesday, August 10, 2021.

Attendance

Board Members Present: Chairman Karl Englund, Jack Prothero, Jeff Greenfield, Bruce Nelson, Diane Fladmo, Maggie Peterson, Mark Barry, Jeff Meredith

Board Members Absent: None

Legislative Liaisons Present: Rep. Ken Walsh

Board Staff Present: April Madden, Dan Villa, Dan Whyte, Dan Zarling, Daric Thompson, Doug Hill, Eron Krpan, Ethan Hurley, Jason Brent, John Carpenter, John Romasko, Jon Putnam, Julie Feldman, Kelsey Gauthier, Kirsten Haswell, Lindsay Ford, Louise Welsh, Mark Lodman, Michael Nguyen, Oliver Moon, Peggy MacEwen, Peggy Saarela, Rande Muffick, Roberta Diaz, Sam Holman, Savannah Morgan, Sheli Jacoby, Steve Strong, Teri Kolnik, Thomas Winkler, Tim House

Interested Parties Present: Mark Higgins, Becky Gratsinger, Jim Voytko – RVK; Joseph Schulman, Deasee Phillips – JP Morgan; Cyril Espanol – Pageant Media; Cliff Sheets – Member of the Public

August 10, 2021

Tab 1 CALL TO ORDER (08:00:07)

A. Notice of Video Recording (08:00:17)

Chairman Englund advised of audio and video recording of the meeting.

B. Roll Call (08:00:25)

Roll was taken: eight Board members were present, forming a quorum.

C. Public Comment (08:01:09)

Chairman Englund asked for public comment. None was given.

D. Approval of Minutes (08:01:30)

June 1-2, 2021, Regular Board Meeting

Member Fladmo moved to approve. Member Peterson seconded the motion which passed unanimously.

E. Administrative Business

1. Audit Committee Report (08:01:53)

Chair Peterson briefed the Board.

2. Loan Committee Report (08:04:09)

Chair Prothero briefed the Board.

Chair Prothero moved to approve the authorization of staff to work with the Board's bond counsel, Dorsey & Whitney, to prepare the necessary documents for Board adoption at the October meeting for the INTERCAP modernization. Member Greenfield seconded the motion which passed unanimously.

F. Comments from TRS and PERS Board Members (08:06:53)

Member Greenfield and Member Peterson briefed the Board.

G. Comments from Board Legislative Liaisons (08:12:54)

Rep. Walsh briefed the Board.

Tab 2 EXECUTIVE DIRECTOR REPORTS (08:14:17)

A. Member Requests or Follow up from Prior Meeting

Executive Director Villa briefed the Board.

B. Monthly Snapshot

Executive Director Villa briefed the Board.

C. Monthly Web Traffic

Executive Director Villa briefed the Board.

D. Benchmarks Used by the Board

Executive Director Villa and Chief Investment Officer, Jon Putnam, briefed the Board and answered questions.

E. Budget Status Prior Fiscal Year

Executive Director Villa briefed the Board.

F. Resolution 217 Annual Affirmation

Executive Director Villa briefed the Board.

G. FY22 Budget

Executive Director Villa briefed the Board and answered questions.

Member Barry moved to approve the FY22 Budget as submitted. Member Peterson seconded the motion which passed unanimously.

H. Custodial Bank RFP Results

Executive Director Villa briefed the Board and answered questions.

Member Prothero moved to proceed with State Street Bank. Member Peterson seconded the motion which passed unanimously.

Executive Director Villa briefed the Board on the potential of the MPERA Board requesting BOI assistance in managing the investment menu of the Defined Contribution and Deferred Compensation Funds.

Tab 3 MONTANA LOAN PROGRAM (09:19:30)

A. Commercial and Residential Portfolios Report

Doug Hill briefed the Board and answered questions.

Tab 4 BOND PROGRAM (09:23:48)

A. INTERCAP

Executive Director Villa briefed the Board and answered questions.

1. Activity Summary
2. Staff Approved Loans Report
3. Annual Detail Report

Tab 5 STIP Investment Policy Statement Revision (09:28:12)

John Romasko and Executive Director Villa briefed the Board and answered questions. Member Barry moved to approve the revisions as submitted. Member Prothero seconded the motion which passed unanimously.

Tab 6 WORK PLAN (09:36:35)

A. Coal Severance Tax Trust Review

John Romasko, Executive Director Villa, and Jon Putnam briefed the Board and answered questions.

Tab 7 WORK PLAN (10:23:10)

A. Real Asset Class Review

Ethan Hurley briefed the Board and answered questions.

Tab 8 RVK (10:56:55)

Jim Voytko, Mark Higgins, Becky Gratsinger, Jon Putnam, and Dan Villa briefed the Board and answered questions.

Tab 9 INVESTMENTS – NEW COMMITMENTS

A. Real Estate/Real Assets (09:55:20)

Ethan Hurley and Jon Putnam briefed the Board and answered questions.

B. Private Investments (10:09:08)

Thomas Winkler briefed the Board and answered questions.

August 11, 2021

CALL TO ORDER (08:00:01)

- A. Notice of Video Recording (08:00:15)**
Chairman Englund advised of audio and video recording of the meeting.
- B. Roll Call (08:00:24)**
Roll was taken: seven Board members were present, forming a quorum.
- C. Public Comment (08:01:17)**
Chairman Englund welcomed former Board CIO Cliff Sheets to the meeting.

Tab 10 INVESTMENT UPDATE

- A. CIO Update – Jon Putnam, CFA, FRM, CAIA (08:03:12)**
Jon Putnam and Executive Director Villa briefed the Board and answered questions.
- B. Macro Attribution – Eron Krpan, CFA, CIPM (08:36:52)**
Eron Krpan briefed the Board and answered questions.
- C. Private Equity – Michael Nguyen (08:41:19)**
Michael Nguyen briefed the Board and answered questions.
- D. Real Estate – Ethan Hurley, CAIA (08:46:52)**
Ethan Hurley briefed the Board and answered questions.
- E. Real Assets – Ethan Hurley, CAIA (08:55:30)**
Ethan Hurley briefed the Board and answered questions.
- F. Core Fixed Income – John Romasko, CFA (09:00:25)**
John Romasko briefed the Board.
- G. Non-Core Fixed Income – Jason Brent, CFA, CAIA (09:03:10)**
Jason Brent briefed the Board and answered questions.
- H. Domestic Equity – Rande Muffick, CFA (09:09:24)**
Rande Muffick briefed the Board and answered questions.
- I. International Equity – Rande Muffick, CFA (09:13:35)**
Rande Muffick briefed the Board and answered questions.
- J. STIP – Kirsten Haswell (09:17:00)**
Kirsten Haswell briefed the Board.
- K. State Fund – John Romasko, CFA (09:22:14)**
John Romasko briefed the Board and answered questions.
- L. Trust Funds Investment Pool – John Romasko, CFA (09:23:58)**
John Romasko briefed the Board and answered questions.

RECAP OF STAFF TO DO LIST AND ADJOURNMENT

Chairman Englund and Executive Director Villa listed items to recap.
Chairman Englund adjourned the meeting at 2:55 pm.

MONTANA BOARD OF INVESTMENTS

APPROVE: _____
Karl J. Englund, Chairman

ATTEST: _____
Dan Villa, Executive Director

DATE: _____

MONTANA

BOARD OF INVESTMENTS

TO: Members of the Board
FROM: Dan Villa, Executive Director
DATE: 10/19/2021
RE: October Executive Director Report

- A. Member Requests from Prior Meeting
- B. Monthly Snapshot – *attached*
- C. Securities Lending - *attached*
- D. Board Policy Manual (excluding Title 30 – Staff and Title 40 – Investment Policy Statements) - **Decision**

Attached for your approval is the final draft of the Board Policy Manual. This codifies existing Board policies and permanent resolutions into one place and in one format. We have excluded the staff and investment policy sections for your review at the November/December meeting. Staff proposes that this new format and any changes (which are explained below) take place January 1, 2022.

Staff sent a draft version to you all in late Spring but since then have had a technical writer adjust formatting, and in limited cases, readability. The only substantive changes are as follows:

1. Addition to the Board's ethics policies to add "Confidentiality and Use of Position" standards. This policy is based on best practices from the Washington State Investment Board and CalSTRS.
2. Resolutions, including 217 (Authorization of Investment Managers), 218 (Continuity of ED), 219 (Credit Enhancement), and 234 (Continuity of CIO) are now codified.
3. Appendices have been codified as Policy.
4. In-State Loan Program Policies are incorporated into the Policy Manual as opposed to separate from it.

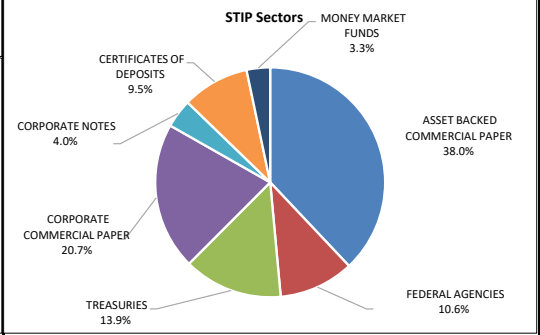
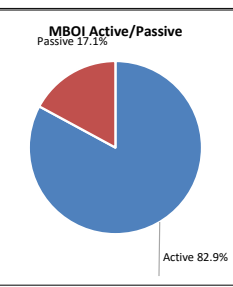
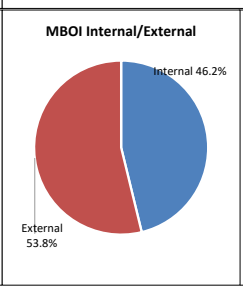
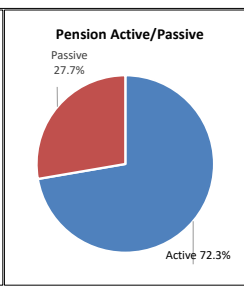
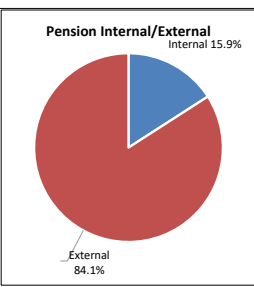
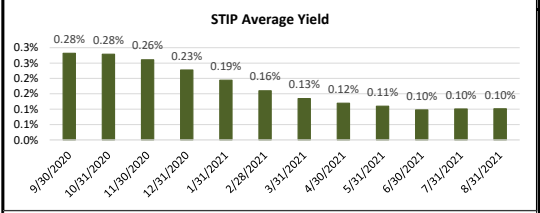
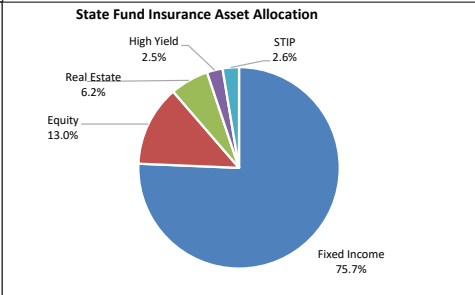
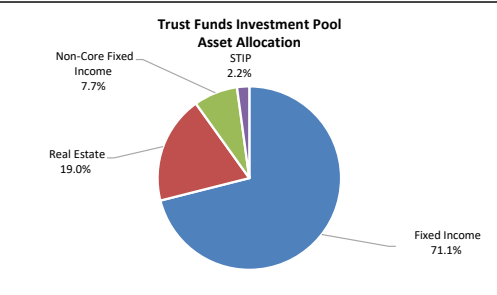
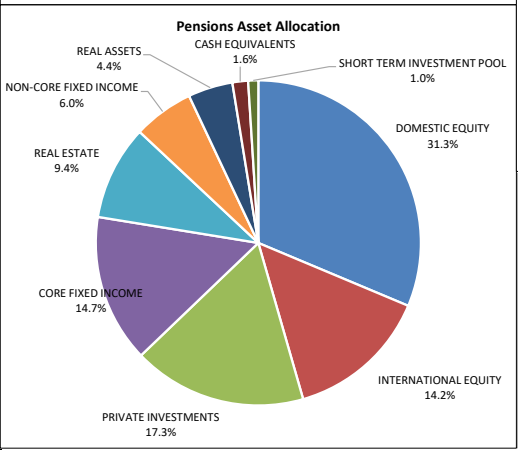
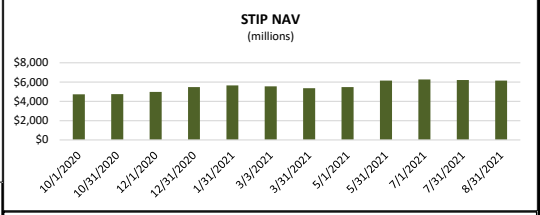
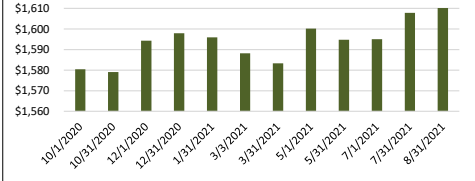
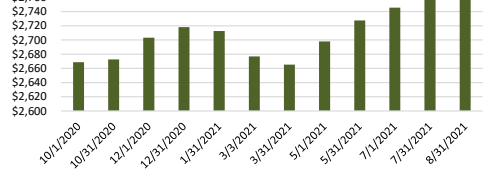
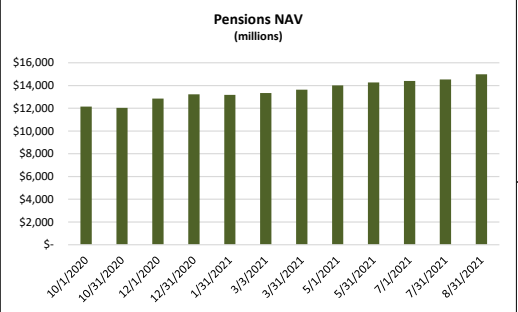
- E. 2022-2023 Work Plan - **Decision**

Attached is a work plan for the 2022-2023 for your consideration.



MBOI Snapshot
Asset Management View
8/31/2021 Unaudited
Assets Under Management \$25,311,540,829,370

Pensions	NAV	%	TFIP	NAV	%	State Fund	NAV	%	Other Fixed Income & Pending	\$	
DOMESTIC EQUITY	\$ 4,696,089,114	31.3%	Fixed Income	\$ 1,980,731,693	71.06%	Fixed Income	\$ 1,218,248,828	75.66%		(237,505,392)	
INTERNATIONAL EQUITY	\$ 2,591,414,203	17.3%	Real Estate	\$ 530,733,365	19.04%	Equity	\$ 209,293,273	13.00%	STIP*		NAV
PRIVATE INVESTMENTS	\$ 2,207,723,077	14.7%	Non-Core Fixed Income	\$ 215,942,238	7.75%	Real Estate	\$ 99,777,814	6.20%	ASSET BACKED COMMERCIAL PAPER	\$2,338,197,399	37.97%
CORE FIXED INCOME	\$ 2,133,213,882	14.2%	STIP	\$ 60,056,593	2.15%	STIP	\$ 42,234,895	2.62%	CORPORATE COMMERCIAL PAPER	\$1,277,462,800	20.74%
REAL ESTATE	\$ 1,411,426,540	9.4%	Total	\$ 2,787,463,889	100.00%	State Fund Total	\$ 1,610,177,395	100.00%	TREASURIES	\$858,704,351	13.94%
NON-CORE FIXED INCOME	\$ 902,464,440	6.0%						FEDERAL AGENCIES	\$651,047,916	10.57%	
REAL ASSETS	\$ 666,509,878	4.4%						CERTIFICATES OF DEPOSITS	\$582,508,449	9.46%	
CASH EQUIVALENTS	\$ 233,730,335	1.6%						CORPORATE NOTES	\$247,300,295	4.02%	
SHORT TERM INVESTMENT POOL	\$ 150,132,245	1.0%						MONEY MARKET FUNDS	\$203,480,013	3.30%	
Pensions Total	\$ 14,992,703,715	100.0%						STIP Total	\$6,158,701,223	100.00%	



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 \$292,782,322 is attributable the portion of STIP held within CAPP (\$232,730,331) and TFIP (\$60,051,979) as a cash investment. Such value is represented in the NAV for the CAPP and STIP columns.

MBOI Snapshot
Asset Ownership View
8/31/2021 Unaudited



	CAPP Holdings	CAPP %	STIP Holdings*	STIP %	TFIP Holdings	TFIP %	Other Holdings ¹	Other %	Asset Value	Total Net
Total Fund <small>\$(000)</small>	\$ 14,842,571	58.64%	\$ 5,865,919	23.17%	\$ 2,787,464	11.01%	\$ 1,815,587	7.17%	\$ 25,311,541	
Pensions	CAPP	%	STIP	%	TFIP	%	Other	%	Total	
FIREFIGHTER'S RETIREMENT	\$ 620,817	99.00%	\$ 6,300	1.00%	\$ -	0.00%	\$ -	0.00%	\$ 627,118	
GAME WARDEN'S RETIREMENT	\$ 278,346	99.01%	\$ 2,776	0.99%	\$ -	0.00%	\$ -	0.00%	\$ 281,122	
HIGHWAY PATROL RETIREMENT	\$ 191,918	99.01%	\$ 1,922	0.99%	\$ -	0.00%	\$ -	0.00%	\$ 193,840	
JUDGE'S RETIREMENT	\$ 135,640	99.01%	\$ 1,358	0.99%	\$ -	0.00%	\$ -	0.00%	\$ 136,998	
PUBLIC EMPLOYEES' RETIREMENT	\$ 7,311,695	99.00%	\$ 73,508	1.00%	\$ -	0.00%	\$ -	0.00%	\$ 7,385,203	
SHERRIF'S RETIREMENT	\$ 493,351	98.95%	\$ 5,226	1.05%	\$ -	0.00%	\$ -	0.00%	\$ 498,577	
POLICE RETIREMENT	\$ 575,731	99.00%	\$ 5,804	1.00%	\$ -	0.00%	\$ -	0.00%	\$ 581,534	
TEACHER'S RETIREMENT	\$ 5,185,146	98.99%	\$ 52,739	1.01%	\$ -	0.00%	\$ -	0.00%	\$ 5,237,885	
VOL. FIREMANS' RETIREMENT	\$ 49,927	99.01%	\$ 500	0.99%	\$ -	0.00%	\$ -	0.00%	\$ 50,427	
Total	\$ 14,842,571	99.00%	\$ 150,132	1.00%	\$ -	0.00%	\$ -	0.00%	\$ 14,992,704	
Trust Funds <small>\$(000)</small>	CAPP	%	STIP	%	TFIP	%	Other	%	Total	
ABANDONED MINE TRUST	\$ -	0.00%	\$ 6,657	99.99%	\$ -	0.00%	\$ 1	0.01%	\$ 6,657	
BARKER HUGHESVILLE ST RESPONSE	\$ -	0.00%	\$ 687	7.35%	\$ 8,640	92.47%	\$ 17	0.18%	\$ 9,344	
BELT WATER TREATMENT PLANT	\$ -	0.00%	\$ 2,550	9.28%	\$ 24,888	90.54%	\$ 49	0.18%	\$ 27,488	
BPA MITIGATION TRUST FUND	\$ -	0.00%	\$ 3,463	30.38%	\$ 7,672	67.30%	\$ 265	2.32%	\$ 11,400	
BUTTE AREA ONE RESTORATION	\$ -	0.00%	\$ 1,094	15.16%	\$ 6,111	84.67%	\$ 12	0.17%	\$ 7,217	
BUTTE SILVER BOW	\$ -	0.00%	\$ 1,259	8.78%	\$ 13,049	91.04%	\$ 26	0.18%	\$ 14,334	
CLARK FORK RIVER RESTORATION	\$ -	0.00%	\$ 6,685	21.72%	\$ 24,046	78.13%	\$ 48	0.16%	\$ 30,779	
CLARK FORK SITE RAA	\$ -	0.00%	\$ 3,625	5.12%	\$ 66,988	94.69%	\$ 133	0.19%	\$ 70,746	
COAL TAX CULTURAL TRUST FUND	\$ -	0.00%	\$ 602	3.58%	\$ 16,183	96.23%	\$ 32	0.19%	\$ 16,818	
COAL TAX PARK ACQUISITION	\$ -	0.00%	\$ 2,556	8.13%	\$ 28,835	91.69%	\$ 57	0.18%	\$ 31,448	
E HELENA GREENWAY TRAIL MAINT	\$ -	0.00%	\$ 258	25.17%	\$ 765	74.69%	\$ 2	0.15%	\$ 1,025	
EAST HELENA COMPENSATION	\$ -	0.00%	\$ 3,949	81.31%	\$ 905	18.64%	\$ 2	0.04%	\$ 4,857	
ENDOWMENT FOR CHILDREN	\$ -	0.00%	\$ 64	4.39%	\$ 1,390	95.42%	\$ 3	0.19%	\$ 1,456	
FLYING J CECRA FACILITIES FUND	\$ -	0.00%	\$ 208	7.69%	\$ 2,498	92.13%	\$ 5	0.18%	\$ 2,711	
FWP REAL PROPERTY TRUST	\$ -	0.00%	\$ 595	7.81%	\$ 7,007	92.01%	\$ 14	0.18%	\$ 7,616	
HAROLD HAMM ENDOWMENT	\$ -	0.00%	\$ 3	6.19%	\$ 48	93.62%	\$ 0	0.19%	\$ 52	
INVASIVE SPECIES TRUST FUND	\$ -	0.00%	\$ 553	19.45%	\$ 2,286	80.39%	\$ 5	0.16%	\$ 2,844	
LIBBY ASBESTOS SITE STATE COST	\$ -	0.00%	\$ 575	11.20%	\$ 4,548	88.62%	\$ 9	0.18%	\$ 5,132	
LUTTRELL PIT - OPER & MAINT	\$ -	0.00%	\$ 185	7.72%	\$ 2,212	92.09%	\$ 4	0.18%	\$ 2,402	
MONTANA HISTORICAL SOCIETY	\$ -	0.00%	\$ 681	16.19%	\$ 3,518	83.64%	\$ 7	0.17%	\$ 4,206	
MONTANA POLE	\$ -	0.00%	\$ 7,550	26.04%	\$ 21,406	73.82%	\$ 43	0.15%	\$ 28,999	
OLDER MONTANANS TRUST	\$ -	0.00%	\$ 14	4.26%	\$ 316	95.55%	\$ 1	0.19%	\$ 331	
POTTER TRUST FUND	\$ -	0.00%	\$ 15	5.98%	\$ 240	93.84%	\$ 0	0.19%	\$ 256	
RESOURCE INDEMNITY TRUST	\$ -	0.00%	\$ 23	0.02%	\$ 118,013	99.78%	\$ 233	0.20%	\$ 118,269	
SMELTER HILL UP RESTORATIVE	\$ -	0.00%	\$ 1,448	15.16%	\$ 8,087	84.67%	\$ 16	0.17%	\$ 9,551	
STREAMSIDE TAILINGS OPERABLE UNIT	\$ -	0.00%	\$ 3,000	15.64%	\$ 16,151	84.19%	\$ 32	0.17%	\$ 19,183	
TOBACCO TRUST FUND	\$ -	0.00%	\$ 1,834	0.61%	\$ 299,041	99.20%	\$ 591	0.20%	\$ 301,466	
TRUST AND LEGACY ACCOUNT	\$ -	0.00%	\$ 11,490	1.34%	\$ 843,064	98.46%	\$ 1,666	0.19%	\$ 856,220	
UCFRB ASSESS/LITIG COST REC.	\$ -	0.00%	\$ 461	2.04%	\$ 22,046	97.76%	\$ 44	0.19%	\$ 22,550	
UCFRB RESTORATION FUND	\$ -	0.00%	\$ 4,378	5.54%	\$ 74,501	94.27%	\$ 148	0.19%	\$ 79,027	
UPPER BLACKFOOT RESPONSE	\$ -	0.00%	\$ 1,083	88.26%	\$ 144	11.71%	\$ 0	0.03%	\$ 1,227	
WEED CONTROL TRUST	\$ -	0.00%	\$ 0	0.00%	\$ 11,497	99.80%	\$ 23	0.20%	\$ 11,519	
WILDLIFE HABITAT TRUST	\$ -	0.00%	\$ 1,451	8.75%	\$ 15,095	91.07%	\$ 30	0.18%	\$ 16,576	
YELLOWSTONE PIPELINE CLEANUPFD	\$ -	0.00%	\$ 3,503	50.19%	\$ 3,469	49.71%	\$ 7	0.10%	\$ 6,979	
Z/L LT H2O TRUST FD	\$ -	0.00%	\$ 20,336	99.99%	\$ -	0.00%	\$ 2	0.01%	\$ 20,338	
ZORTMAN/LANDUSKY LT H2O	\$ -	0.00%	\$ 15,636	99.99%	\$ -	0.00%	\$ 1	0.01%	\$ 15,638	
Total	\$ -	0.00%	\$ 108,471	6.14%	\$ 1,654,659	93.66%	\$ 3,527	0.20%	\$ 1,766,657	
Coal Severance <small>\$(000)</small>	CAPP	%	STIP	%	TFIP	%	Other	%	Total	
BIG SKY ECON DEV FD	\$ -	0.00%	\$ 3,674	2.75%	\$ 129,625	97.06%	\$ 256	0.19%	\$ 133,555	
PERMANENT COAL TRUST FUND	\$ -	0.00%	\$ 15,675	2.65%	\$ 383,063	64.65%	\$ 193,742	32.70%	\$ 592,480	
SCHOOL FACILITIES FUND	\$ -	0.00%	\$ 5,744	7.08%	\$ 75,292	92.74%	\$ 149	0.18%	\$ 81,186	
TREASURE ST. REG. WATER SYSTEM	\$ -	0.00%	\$ 1,192	1.14%	\$ 103,284	98.67%	\$ 204	0.19%	\$ 104,679	
TREASURE STATE ENDOWMENT	\$ -	0.00%	\$ 3,340	1.11%	\$ 298,162	98.70%	\$ 594	0.20%	\$ 302,097	
Total	\$ -	0.00%	\$ 29,625	2.44%	\$ 989,426	81.50%	\$ 194,946	16.06%	\$ 1,213,997	
Operating Funds <small>\$(000)</small>	CAPP	%	STIP	%	TFIP	%	Other	%	Total	
FWP LICENSE ACCOUNT	\$ -	0.00%	\$ 50,245	62.78%	\$ 28,239	35.28%	\$ 1,555	1.94%	\$ 80,039	
LOCAL AGENCIES	\$ -	0.00%	\$ 1,682,330	99.99%	\$ -	0.00%	\$ 148	0.01%	\$ 1,682,478	
MONTANA STATE UNIVERSITY	\$ -	0.00%	\$ 254,396	91.70%	\$ 22,966	8.28%	\$ 62	0.02%	\$ 277,424	
MT TECH-UM AGENCY FUNDS	\$ -	0.00%	\$ 9,777	95.10%	\$ 502	4.88%	\$ 2	0.02%	\$ 10,280	
STATE AGENCIES	\$ -	0.00%	\$ 673,993	99.99%	\$ -	0.00%	\$ 55	0.01%	\$ 674,048	
TREASURER'S FUND	\$ -	0.00%	\$ 2,595,683	98.66%	\$ -	0.00%	\$ 35,217	1.34%	\$ 2,630,900	
UNIV OF MONTANA	\$ -	0.00%	\$ 63,614	66.21%	\$ 32,390	33.71%	\$ 69	0.07%	\$ 96,073	
Total	\$ -	0.00%	\$ 5,330,039	97.78%	\$ 84,096	1.54%	\$ 37,108	0.68%	\$ 5,451,242	
Insurance Reserves <small>\$(000)</small>	CAPP	%	STIP	%	TFIP	%	Other	%	Total	
MUS WORKERS COMPENSATION	\$ -	0.00%	\$ 12,338	73.65%	\$ 4,403	26.29%	\$ 10	0.06%	\$ 16,751	
PERS DEFINED CONT DISABILITY	\$ -	0.00%	\$ 598	7.44%	\$ -	0.00%	\$ 7,440	92.56%	\$ 8,038	
STATE FUND INSURANCE	\$ -	0.00%	\$ 42,231	2.62%	\$ -	0.00%	\$ 1,567,946	97.38%	\$ 1,610,177	
SUBSEQUENT INJURY FUND	\$ -	0.00%	\$ 237	99.99%	\$ -	0.00%	\$ 0	0.01%	\$ 237	
GROUP BENEFITS	\$ -	0.00%	\$ 104,915	70.74%	\$ 40,819	27.52%	\$ 2,582	1.74%	\$ 148,316	
MUS GROUP INSURANCE	\$ -	0.00%	\$ 87,332	84.44%	\$ 14,060	13.60%	\$ 2,029	1.96%	\$ 103,421	
Total	\$ -	0.00%	\$ 247,651	13.12%	\$ 59,283	3.14%	\$ 1,580,006	83.73%	\$ 1,886,940	

Short Term Investment Pool

Account	# Accounts	Total Market Value	%
Total State	329	4,476,371,317	72.7%
Total Local	178	1,682,329,907	27.3%
Total STIP	507	\$ 6,158,701,223	100.0%
STIP Reserve		\$ 54,565,338	
Prior month average STIP Yield		0.1012%	

Intercap Statistics

Loans Outstanding	\$ 64,784,220
Bonds Outstanding	\$ 90,600,000
Number of Borrowers	145
Loan Rate	1.65%

MONTANA

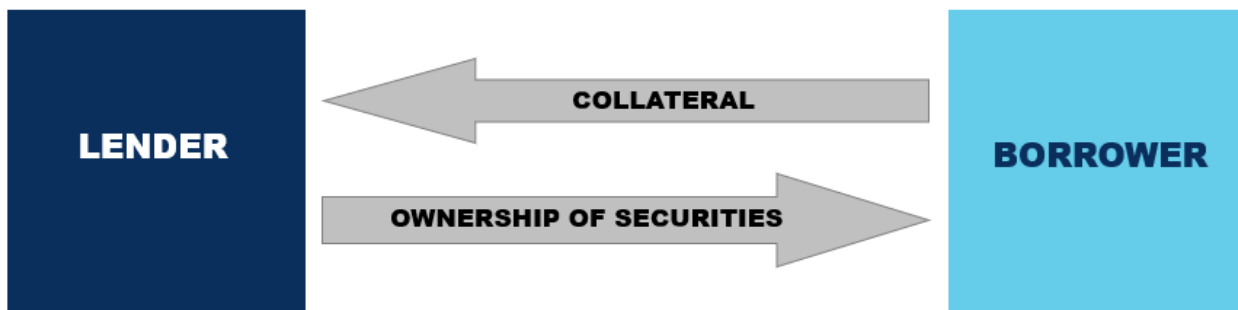
BOARD OF INVESTMENTS

TO: Members of the Board
FROM: Eron Krpan, Director of Investment Operations
DATE: October 19, 2021
RE: Securities Lending Update

The securities lending program employed by the Board generates additional income by temporarily transferring idle securities, in a collateralized transaction, to a borrower. The securities lending relationship we have with State Street Bank has generated a gross revenue of \$62.8 million from 2001 – August 2021 across pension and non-pension related funds.

Sec Lending Defined

The borrower becomes the legal owner of securities while the lender retains rights of beneficial ownership entitling it to all distributions and corporate actions. The borrower is contractually obligated to return the securities upon recall by the lender. The lender can manage the collateral portfolios without limitation.



Collateral

Cash: Navigator Securities Lending Government Money Market Portfolio

Non – Cash: US Treasuries and Agencies, G10 Sovereign Debt, and Collateral permissible under SEC Rule 15c3-3 of the Securities Exchange Act of 1934.

*Borrower default indemnification provided by State Street.

Fee Split

80% Revenue MBOI / 20% Revenue – State Street

Securities Finance – Major Risks and Mitigating Factors

Credit Risk: Borrower defaults on loan.

Mitigated by: Borrower indemnification provided by State Street Bank. Borrowers are continually reviewed by both Enterprise Risk Management (ERM) and Securities Finance Credit Risk for credit worthiness.

Market Risk: Collateral falls in value.

Mitigated by: Borrower indemnification provided by State Street Bank. Daily mark to market on all loans and collateralized between 102% (domestic securities) and 105% (foreign equities).

Legal Risk: The Securities Lending Authorization Agreement (SLAA) should properly reflect MBOI's risk/reward appetite.

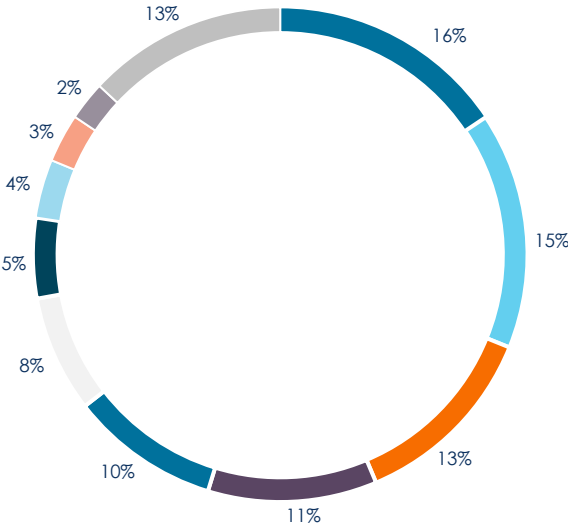
Mitigated by: Regularly reviewed by MBOI to ensure that terms are amended as MBOI's risk/reward appetite evolves.

Reinvestment Risk: Cash collateral is not covered by State Street's optional borrower default indemnity.

Mitigated by: Regularly reviewed reinvestment policy.

Borrower Diversification

Borrower Name	Average Loan Balance Jan-Aug 2021	% of Loan Balance
THE MONTANA BOARD OF INVESTMENTS GROUP	129,012,255	16%
THE J.P. MORGAN CHASE GROUP	128,053,226	15%
THE BARCLAYS GROUP	103,640,528	13%
THE CREDIT SUISSE GROUP	91,375,071	11%
THE BANK OF AMERICA GROUP	80,840,717	10%
THE NOMURA GROUP	63,142,244	8%
THE BNP PARIBAS GROUP	43,416,078	5%
THE MORGAN STANLEY GROUP	31,640,834	4%
THE TORONTO DOMINION GROUP	26,230,094	3%
THE UBS GROUP	21,017,983	2%
All Others	107,774,391	13%
Summary	826,143,421	100%



Sec Lending Performance

	2017	2018	2019	2020	Jan-Aug 2021
Average Lendable Assets (\$)	7,232,645,853	7,797,960,298	9,023,361,970	10,374,860,098	11,879,423,560
Average On Loan (\$)	901,663,243	1,023,653,614	739,344,395	752,797,501	826,143,421
Utilization (%)	12%	13%	8%	7%	7%
Earnings by Program (\$)					
US Equity	391,619	375,126	183,779	238,622	219,628
US Corporate Bond	271,391	243,904	142,726	108,665	123,361
US Government	923,770	1,213,657	755,079	537,032	277,458
Non-US Equity	318,338	365,787	210,206	212,661	165,682
Non-US Fixed Income	0	0	0	0	87
Total Earnings (\$)	1,905,117	2,198,474	1,291,789	1,096,979	786,216
Components of Spread (bps)					
Demand Spread	57.5	85.5	58.3	41.5	33.4
Collateral Spread	8.7	-5.2	-4.7	-10.9	-4.2
Total Spread	66.2	80.3	53.6	30.6	35.4
Non-Cash Spread (bps)					
	14.9	19.1	16.8	14.6	12.8
Return to Lendable Assets (bps)					
	2.6	2.8	1.4	1.0	1.0

Notes:

1. Risk-Free rate for spread calculations is the Overnight Bank Funding Rate (OBFR)
2. Components of Spread encompass only "cash collateral" backed loans
3. Data represents past performance and is not a guarantee of future results
4. Data Source: Securities Finance Business Intelligence

BOI WORK AND EDUCATION PLAN

2022

February 16-17 (2Day)

Education:

Outreach Efforts for the Board - In-State Loan and INTERCAP Programs
Short Term Investment Pool

Reports:

Ethics Policy
Disaster Recovery and Emergency Preparedness
Quarterly Reports
In-State Loan Reports
INTERCAP Reports

Committee Meetings:

Audit: Financial Audit Report

April 13 (1Day)

Education:

Domestic Equity Asset Class Review
RVK Annual Capital Market Assumptions

Reports:

Benchmarks Used by the Board

May 25-26 (2Day)

Education:

MT Buildings (Board as Landlord/Tenant Holdings)
Investment Policy Statement Review
Real Estate Asset Class Review

Reports:

Budget Status FYTD
Quarterly Reports
In-State Loan Reports
INTERCAP Reports

Committee Meetings:

Audit: Accounting Staff Review
HR: Staffing Level Review
HR: Exempt Staff Compensation Review

August 17-18 (2Day)

Education:

Core Fixed Income Asset Class Review
Budget Proposal for FY24-25

Reports:

CEM, Inc Cost Reporting Analysis
Budget Status Prior FY
Quarterly Reports
In-State Loan Reports
INTERCAP Reports

Committee Meetings:

Audit: SOC I, Type 2 Report

October 26-27 (2 Day)

Education:

Separate Accounts Investment Review
First Reading - Asset Allocation Range Recommendation

Reports:

Proxy Voting

Committee Meetings:

HR: Exempt Staff Performance Review

December 7-8 (2Day)

Education:

2023 Legislative Session
Policy 217 - Reauthorization of Investment Vendors
Adoption - Asset Allocation Range Approval

Reports:

Quarterly Reports
In-State Loan Reports
INTERCAP Reports

Committee Meetings:

Audit: Annual Report and Financial Statements

2023

February TBD (2Day)

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

Committee Meetings:

Audit: Financial Compliance Audit Report

April TBD (1Day)

Education:

International Equities Asset Class Review
RVK Annual Capital Market Assumptions

Reports:

Benchmarks Used by the Board

May TBD (2Day)

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

Committee Meetings:

Audit: Accounting Staff Review
HR: Staffing Level Review
HR: Exempt Staff Performance and Compensation Review

August TBD (2Day)

Education:

Trust Funds Investment Review
Non-Core Fixed Income Asset Class Review

Reports:

Budget Status Prior FY
Quarterly Reports
In-State Loan Reports
INTERCAP Reports

Committee Meetings:

Audit: SOC I, Type 2 Report

October TBD (1Day)

Education:

Private Investments Asset Class Review
First Reading - Asset Allocation Range Recommendation

Reports:

Securities Lending

Committee Meetings:

HR: Exempt Staff Performance Review

November TBD (2Day)

Education:

MPERA and TRS Relationship
Policy 217 - Reauthorization of Investment Vendors
Adoption - Asset Allocation Range Approval

Reports:

Quarterly Reports
In-State Loan Reports
INTERCAP Reports

Committee Meetings:

Audit: Annual Report and Financial Statements

MONTANA

BOARD OF INVESTMENTS

TO: Board of Directors
FROM: Doug Hill-Director In-State Loan Programs
DATE: October 19, 2021
RE: Commercial and Residential Loan Portfolios

As of August 31, 2021, the Commercial loan portfolio balance was \$192,143,817 and represents 108 loans. There are currently six loan reservations that total \$19,001,513 and eight loans committed that total \$16,932,750. The commercial loan portfolio, excluding the Veterans Home Loan Program, Multifamily Coal Trust Homes Program, and Intermediary Relending Program has a yield of 2.62%. There are no loans past due over 30 days.

The Residential loan portfolio reflected an outstanding balance, as of September 30, 2021, of \$2,083,123 and represents 60 loans with a yield of 6.26%. There are no outstanding reservations. There are two loans, with an FHA guaranty, over 90 days past due totaling \$122,271 or 5.87% of the portfolio.

The Veterans Home Loan Mortgage portfolio reflected an outstanding balance, as of September 27, 2021, of \$47,995,674 and represents 275 loans with a yield of 1.69%. There are three reservations totaling \$797,500 with a projected yield of 0.86%. There are seven loans over 90 days past due totaling \$1,176,824, or 2.45% of the portfolio.

The Multifamily Coal Trust Homes Program reflected an outstanding balance, as of September 24, 2021, of \$5,122,969 and represents four loans with a yield of 2.65%. There are three reservations totaling \$9,293,995 with a projected yield of 2.53%. The remaining available funds is \$583,036. There are no past due loans.

The Intermediary Relending Program reflected an outstanding balance, as of August 31, 2021, of \$4,787,745 and represents 37 loans with a yield of 2.00%. There is \$625,754 available to advance. There are two loans committed that totals \$750,000. There are no past due loans.

MONTANA

BOARD OF INVESTMENTS

I N T E R C A P

Activity Summary

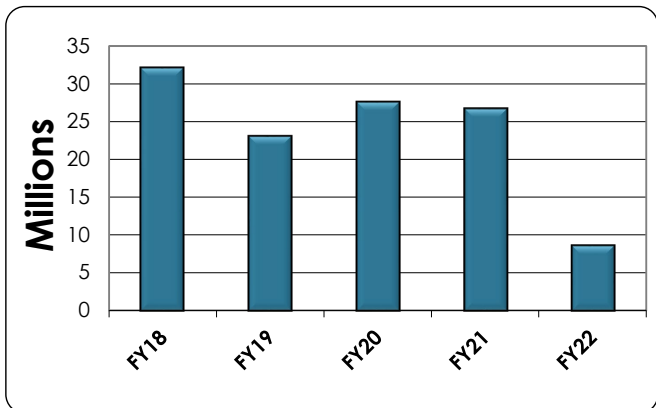
As of September 30, 2021

Since Inception 1987 - September 2021

Total Bonds Issued	168,000,000
Total Loan Commitments	667,187,352
Total Loans Funded	638,546,498
Total Bonds Outstanding	90,600,000
Total Loans Outstanding	65,011,324
Loan Commitments Pending	28,640,854

FY2022		
Month	Commitments	Fundings
July-21	\$ 33,390	\$ 1,815,374
August	8,116,340	300,927
September	480,000	861,242
October		
November		
December		
January		
February		
March		
April		
May		
June-22		
To Date	\$ 8,629,730	\$ 2,977,543

Commitments FY18-FY22



Fundings FY18-FY22



Note: Commitments include withdrawn and expired loans.

Variable Loan Rate History February 16, 2014 - February 15, 2022

February 16, 2014 - February 15, 2015	<u>1.00%</u>	February 16, 2018 - February 15, 2019	<u>3.15%</u>
February 16, 2015 - February 15, 2016	<u>1.25%</u>	February 16, 2019 - February 15, 2020	<u>3.37%</u>
February 16, 2016 - February 15, 2017	<u>1.55%</u>	February 16, 2020 - February 15, 2021	<u>2.50%*</u>
February 16, 2017 - February 15, 2018	<u>2.50%</u>	February 16, 2021 - February 15, 2022	<u>1.65%</u>

*BOI decreased interest rates for INTERCAP loans to 1.00% until August 15, 2020 in response to the COVID-19 pandemic

MONTANA

BOARD OF INVESTMENTS

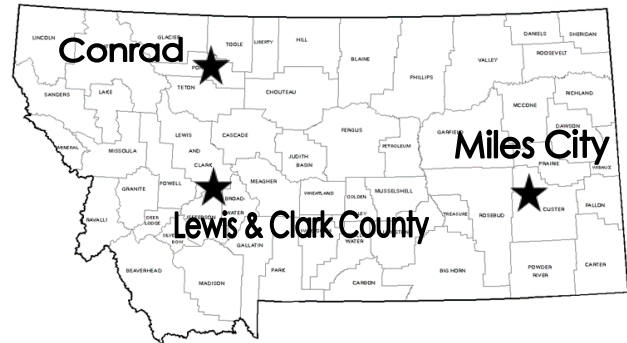
I N T E R C A P

TO: Members of the Board

FROM: Louise Welsh,
Senior Bond Program
Officer

DATE: October 19, 2021

RE: INTERCAP Staff Approved Loans Committed – Staff approved the following loans from July 1, 2021 to September 30, 2021.



Borrower:	Lewis & Clark County
Purpose:	Wild Wind Road & Half Fast Drive Rural Improvement District road improvements
Staff Approval Date:	July 9, 2021
Board Loan Amount:	\$33,390
Other Funding Sources:	\$ 0
Total Project Cost:	\$33,390
Term:	15 years

Borrower:	City of Conrad
Purpose:	Construct a splash pad/park
Staff Approval Date:	August 3, 2021
Board Loan Amount:	\$416,340
Other Funding Sources:	\$ 83,660
Total Project Cost:	\$500,000
Term:	15 years

Borrower:	City of Miles City
Purpose:	Police building remodel
Staff Approval Date:	September 2, 2021
Board Loan Amount:	\$ 480,000
Other Funding Sources:	\$1,111,932
Total Project Cost:	\$1,591,932
Term:	15 years

PRIVATE INVESTMENTS ASSET CLASS REVIEW

Presented by:
Michael Nguyen – Director of Private Investments
Thomas Winkler – Investment Officer

Date: October 19, 2021

Table of Contents

Private Investments – Role, Allocation and Constraints	3
Strategies of Private Investing	4
Objectives, Benefits, and Risks	6
Private Investments Portfolio Overview	8
Investment Pacing & Implementation	14
Market Environment, Strategy & Rationale	21
Private Investment Process	25
Appendix	26
Private Investments – Schedule of Investments	27
Top 10 Investments	33
Private Investment Process – Detail	35

Private Investments – Role, Allocation and Constraints

- Provide the Consolidated Asset Pension Plan (CAPP) with exposure to a spectrum of private investment opportunities across different industries and sub asset classes, both within and outside the United States.
- Diversify across several funds, vintage years, investment opportunities, and geographies.
- Benchmark
 - MSCI USA Small Cap Index (since April 2017)
- Approved Allocation Range - 11% to 19% of CAPP
 - 14.8% as of 6/30/21 ✓
- Investment Policy Statement Constraints
 - No single Direct Limited Partnership > 2% of CAPP (OCP Asia III; <1%) ✓
 - No more than 30% of the Private Investments Asset Class can be Non-U.S. (28%) ✓
 - No more than 10% of the Private Investments Asset Class can be invested in direct co-investments. (None) ✓
 - Cash held at asset class level is < 5% of the Private Investments Asset Class market value. (1.2% as of 6/30/21) ✓

Strategies of Private Investments

Buyout

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

Private Credit

- Direct Lending
- Distressed for Non-Control
- Mezzanine

Venture Capital

- Early Stage
- Late Stage
- All Stage

Opportunistic

- Insurance Related

Opportunity Set and Investment Approach

Public

Publicly listed
and traded frequently

Private

Privately held
and infrequently traded

	Public	Private
Equity	A	B
Debt	C	D

Equity

Owns a residual interest in the
asset/project/company

Debt

Lends funds to an owner of an
asset/project/company or
purchase of real asset-backed
bonds

(A) Public Equity

- Separately Managed Account holds common stock of publicly traded companies(active)

(B) Private Equity

- Limited Partnerships - Open or Closed-End Funds (active)

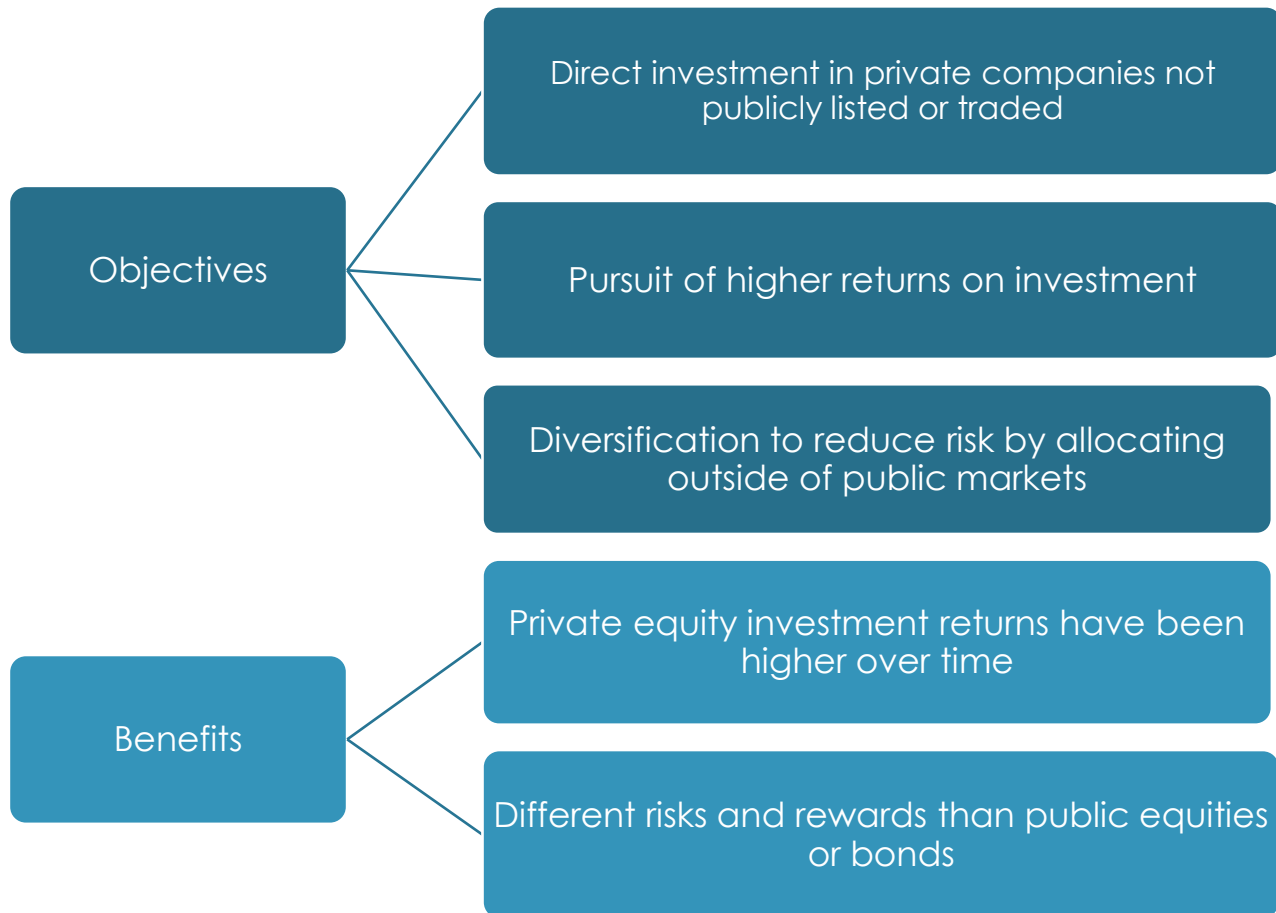
(C) Public Debt

- Open or Closed-End Funds, Mutual Funds (active)

(D) Private Debt

- Limited Partnerships - Open or Closed-End Funds (active)

Objectives and Benefits



Private Investments - Risks

What?

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



How managed?

- Monitor concentration (p. 9-13)
- Serial commitments & diversification (p. 13)
- Due diligence, onsite visits, monitor concentration (p. 9-13 & Appendix)
- Monitor approved IPS range (p. 3), Pacing study (p. 14-20)



Portfolio Overview

Time-Weighted Return (TWR) Performance net of fees

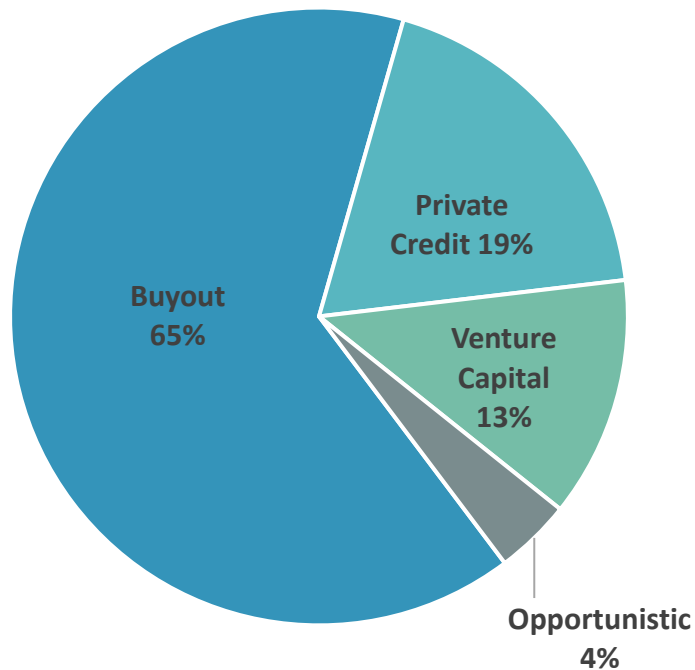
- 1 year 41.6%
- 5 year 15.8%
- 10 year 13.3%
- Since inception 13.0%

Net Asset Value as of 6/30/21

- \$2.1 billion
- 14.8% of CAPP

As of 6/30/21. 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.

Composition by Strategy

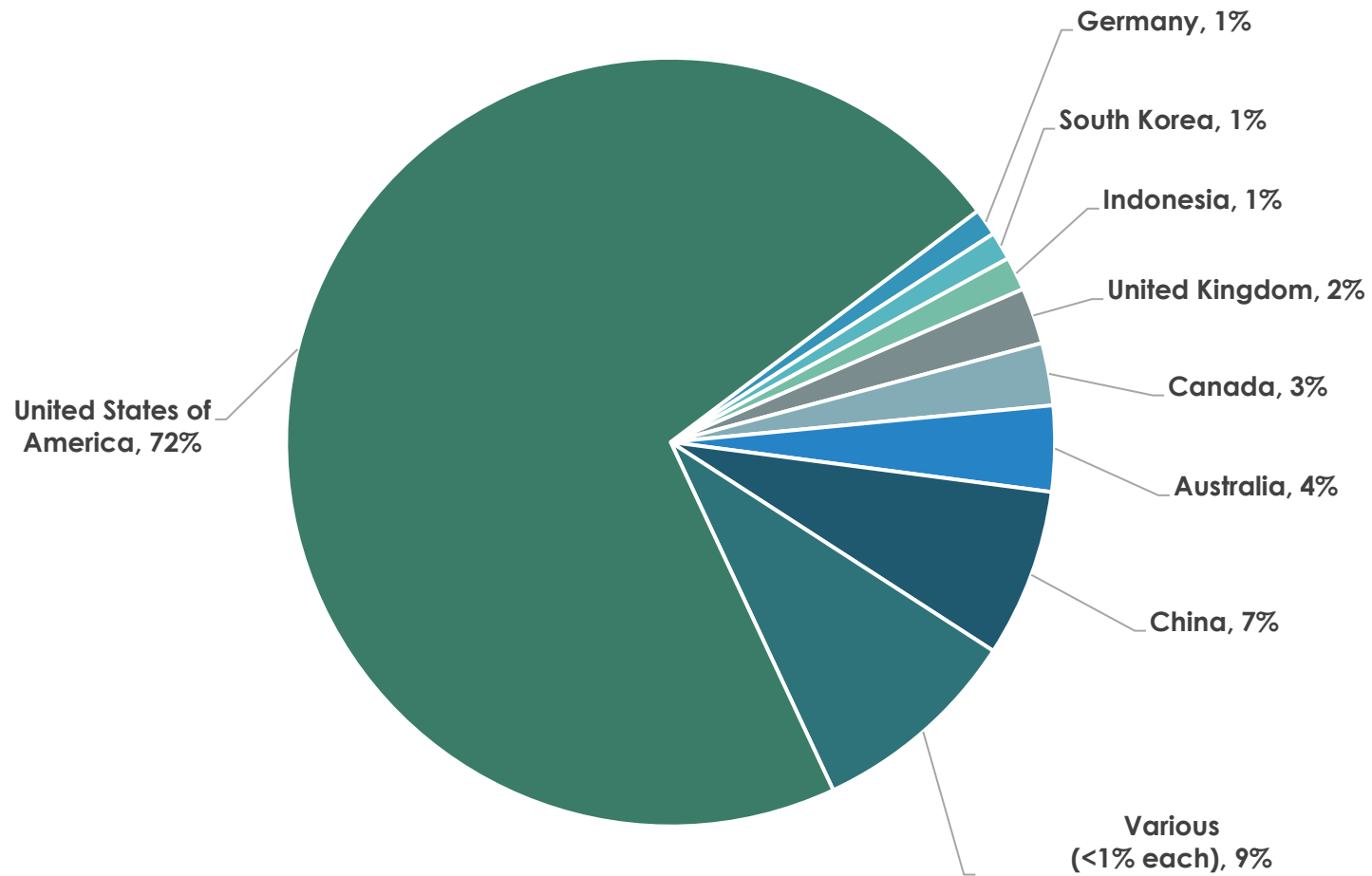


Buyout	\$1,329.1
Venture Capital	\$259.1
Private Credit	\$384.0
Opportunistic	\$82.1
Total Private Investments*	\$2,054.3

Source: State Street. As of 6/30/21

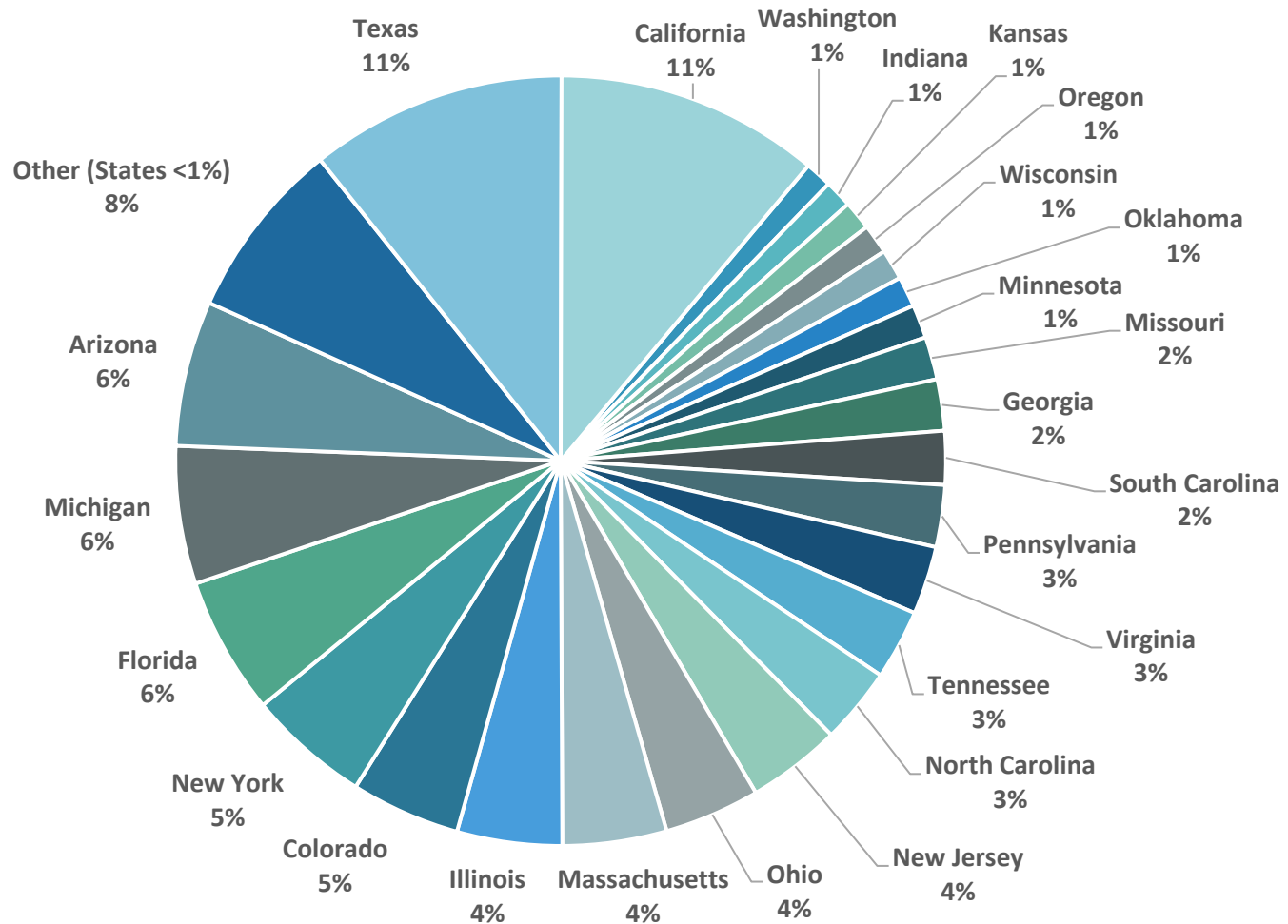
*Does not include cash held at the asset class level or any public equity.

Composition by Geography - Global



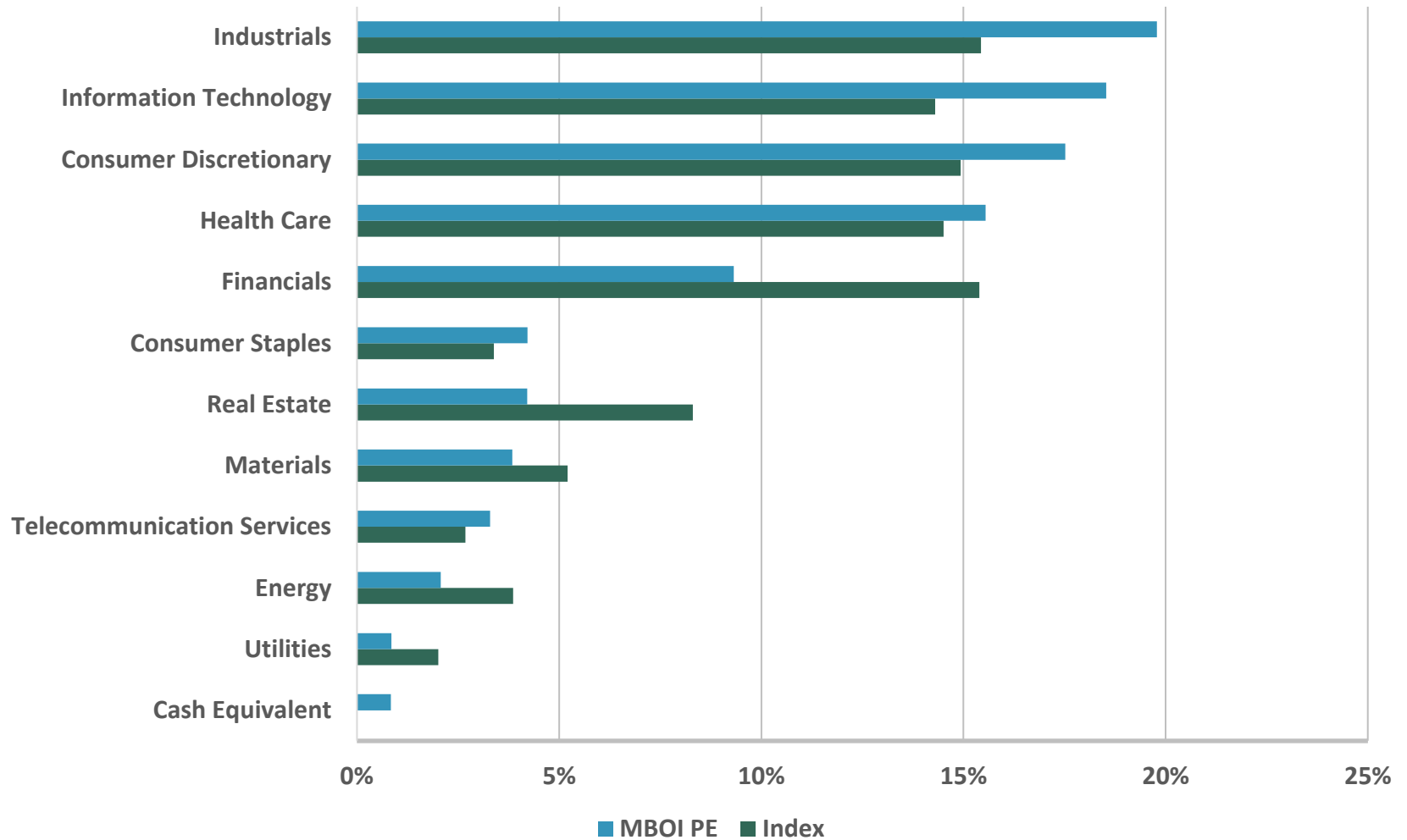
Source: State Street. As of 6/30/21

Composition by Geography – U.S.



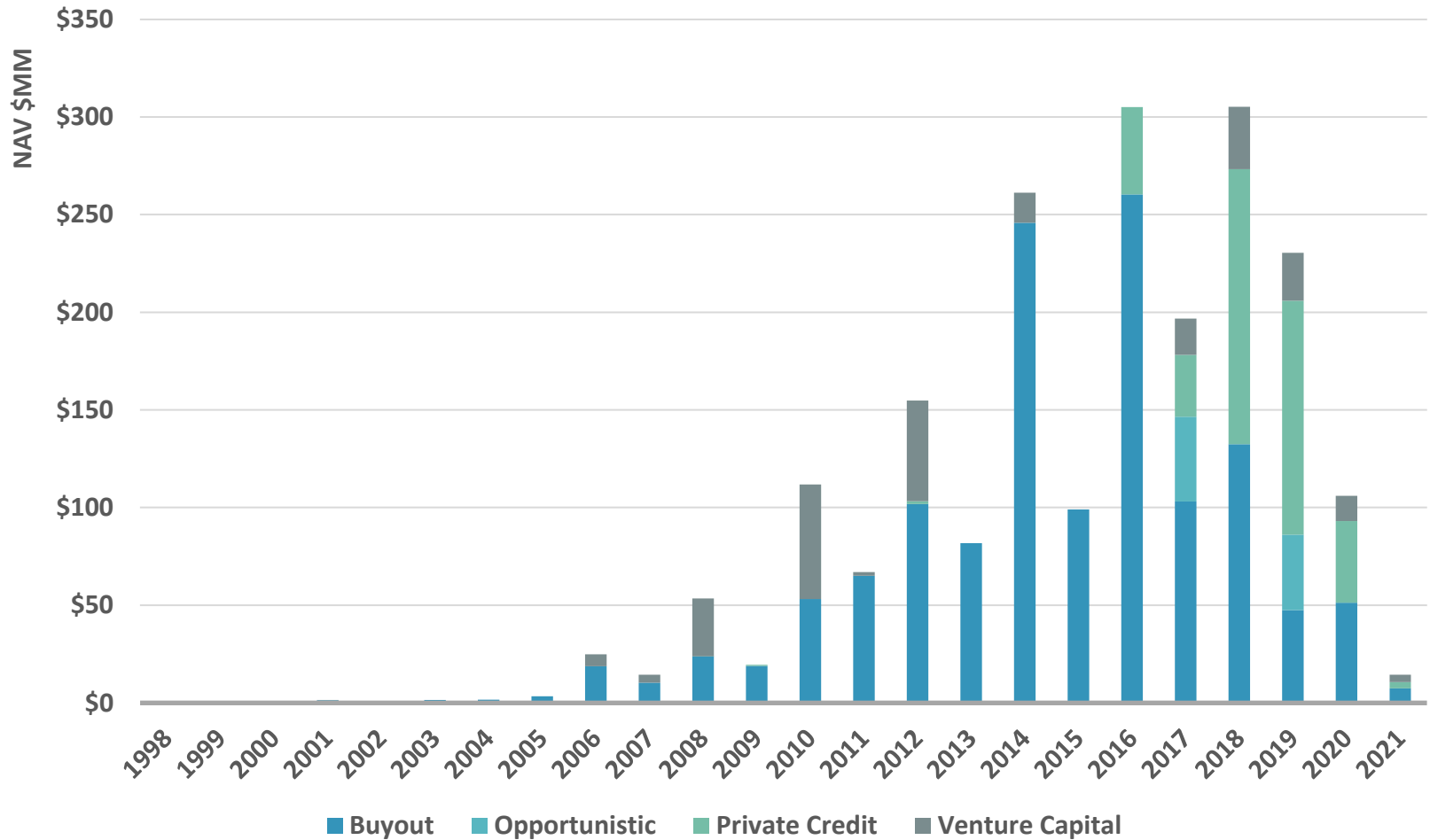
Source: State Street. As of 6/30/21

Composition by Sector



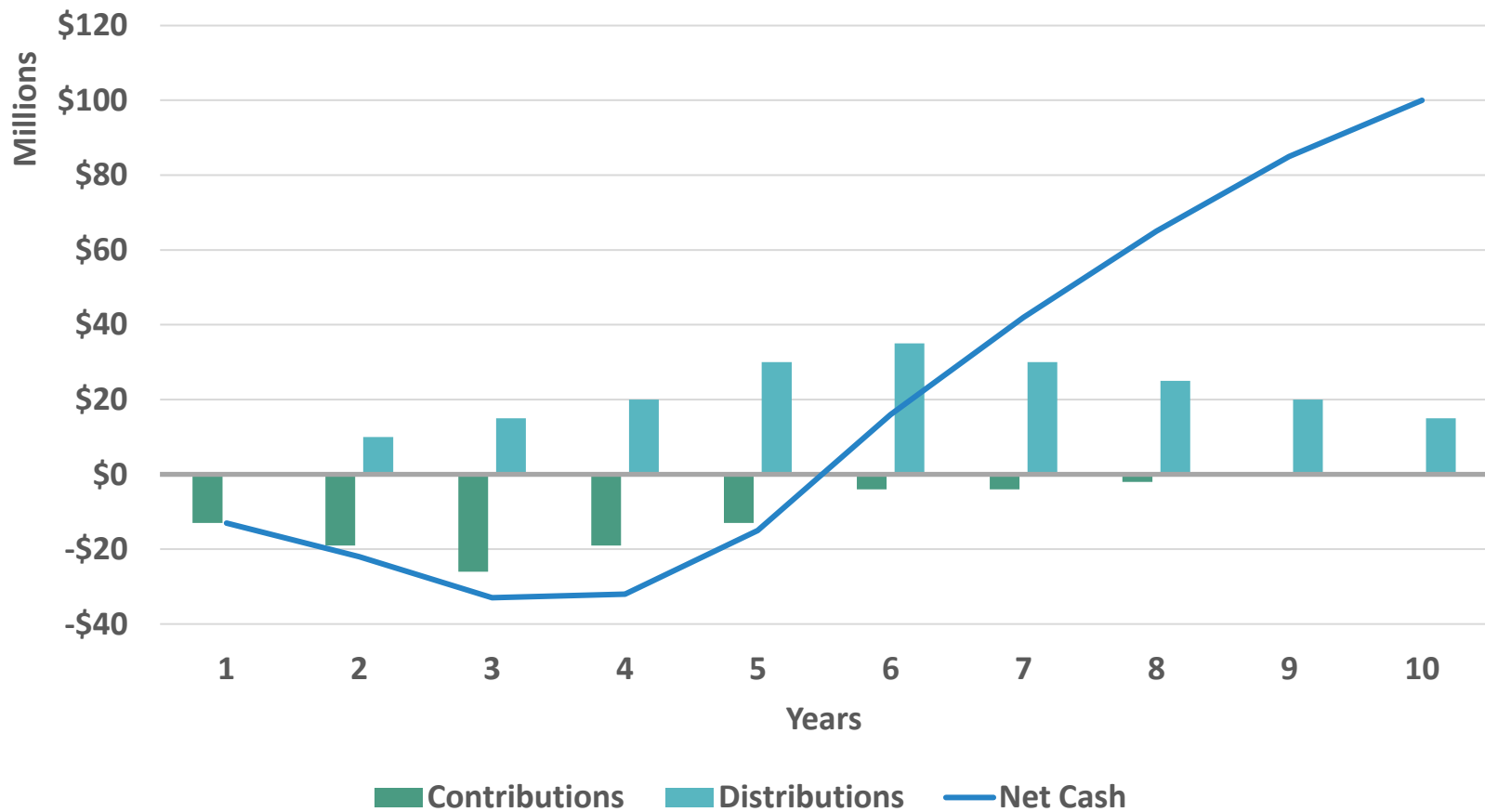
Source: State Street. As of 6/30/21. MSCI US Small Cap Index

Composition by Vintage Year



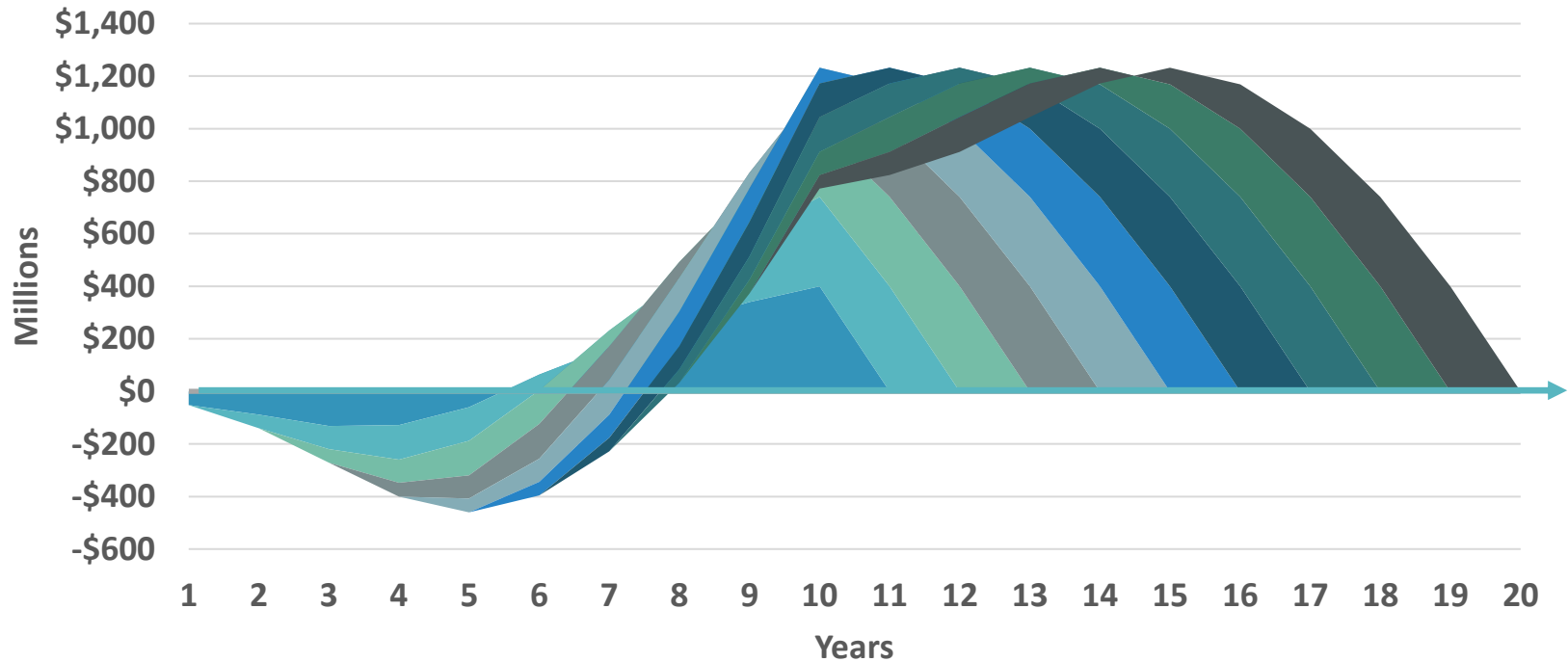
Source: State Street. As of 6/30/21

Life Cycle of a Private Equity Fund



Source: MBOI

Life Cycle of Private Equity Funds



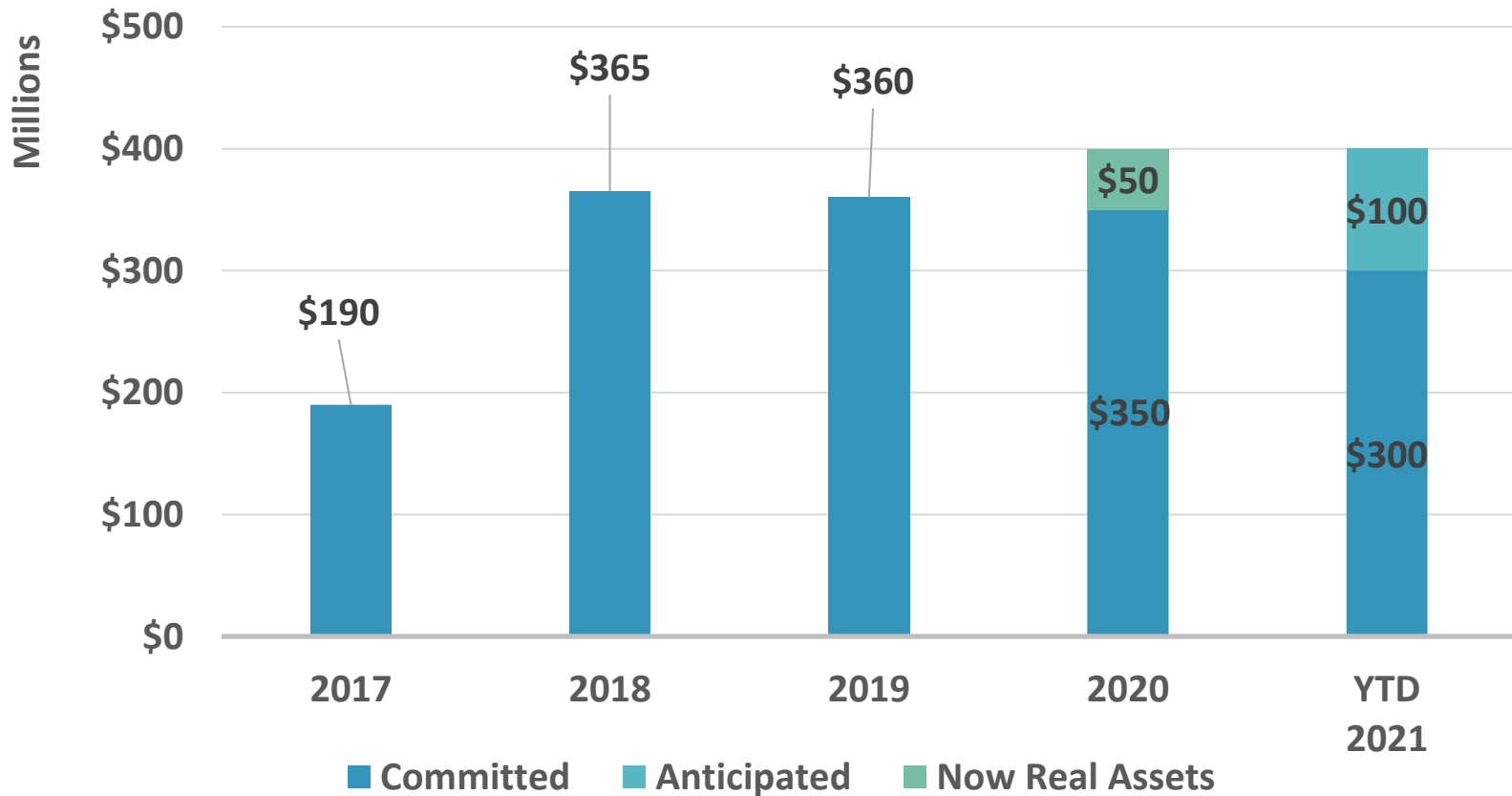
- Commitments Yr. 1
- Commitments Yr. 2
- Commitments Yr. 3
- Commitments Yr. 4
- Commitments Yr. 5
- Commitments Yr. 6
- Commitments Yr. 7
- Commitments Yr. 8
- Commitments Yr. 9
- Commitments Yr. 10

Source: MBOI

Pacing

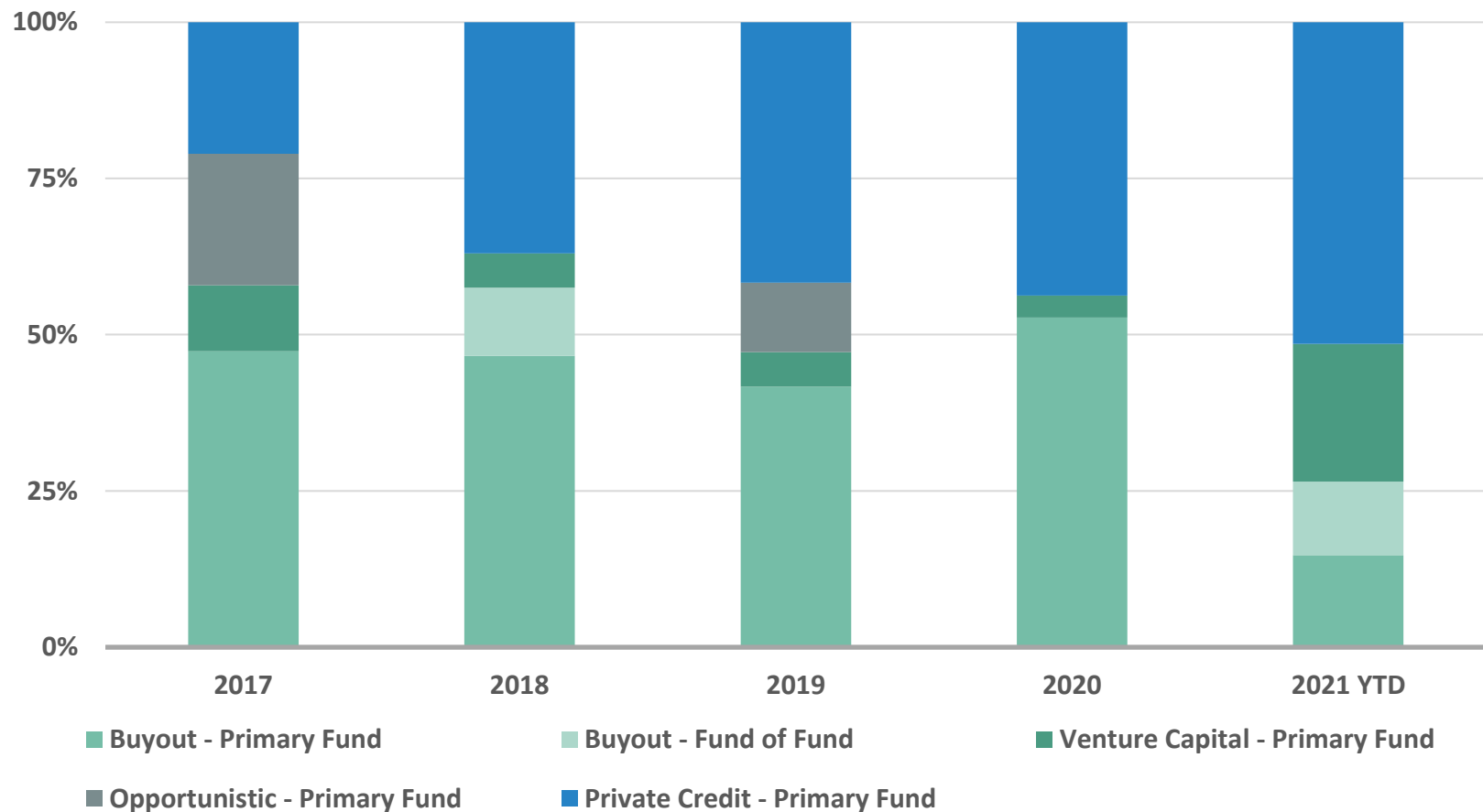
- Evaluates current private equity exposure and commitment plan relative to total plan assets
- Considers the following factors:
 - Paid in Capital (Contributed Funds/Cash In)
 - Distributed Capital (Distributed Funds/Cash Out)
 - Valuations
 - Allocation within the range
- Considers the annualized growth rate for the total plan assets
- Provides flexibility to explore various scenarios
- Expected long-term average annual allocation of ~\$400-\$450 million through six to ten commitments.

Actual Pacing Commitments Past 5 Years



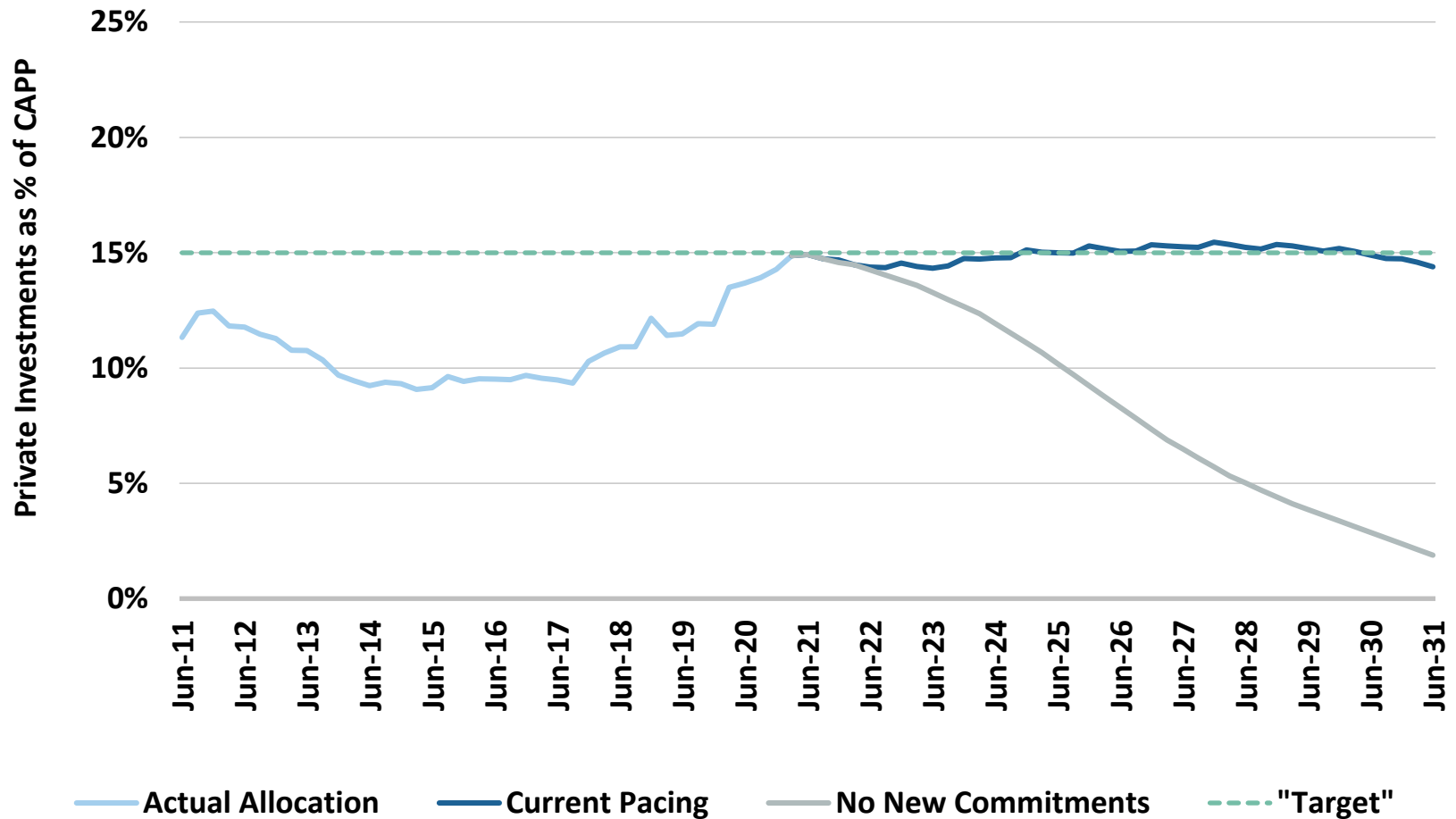
Source: MBOI. As of 6/30/21

Actual Pacing Commitments Past 5 Years by Strategy



Source: State Street. As of 6/30/21

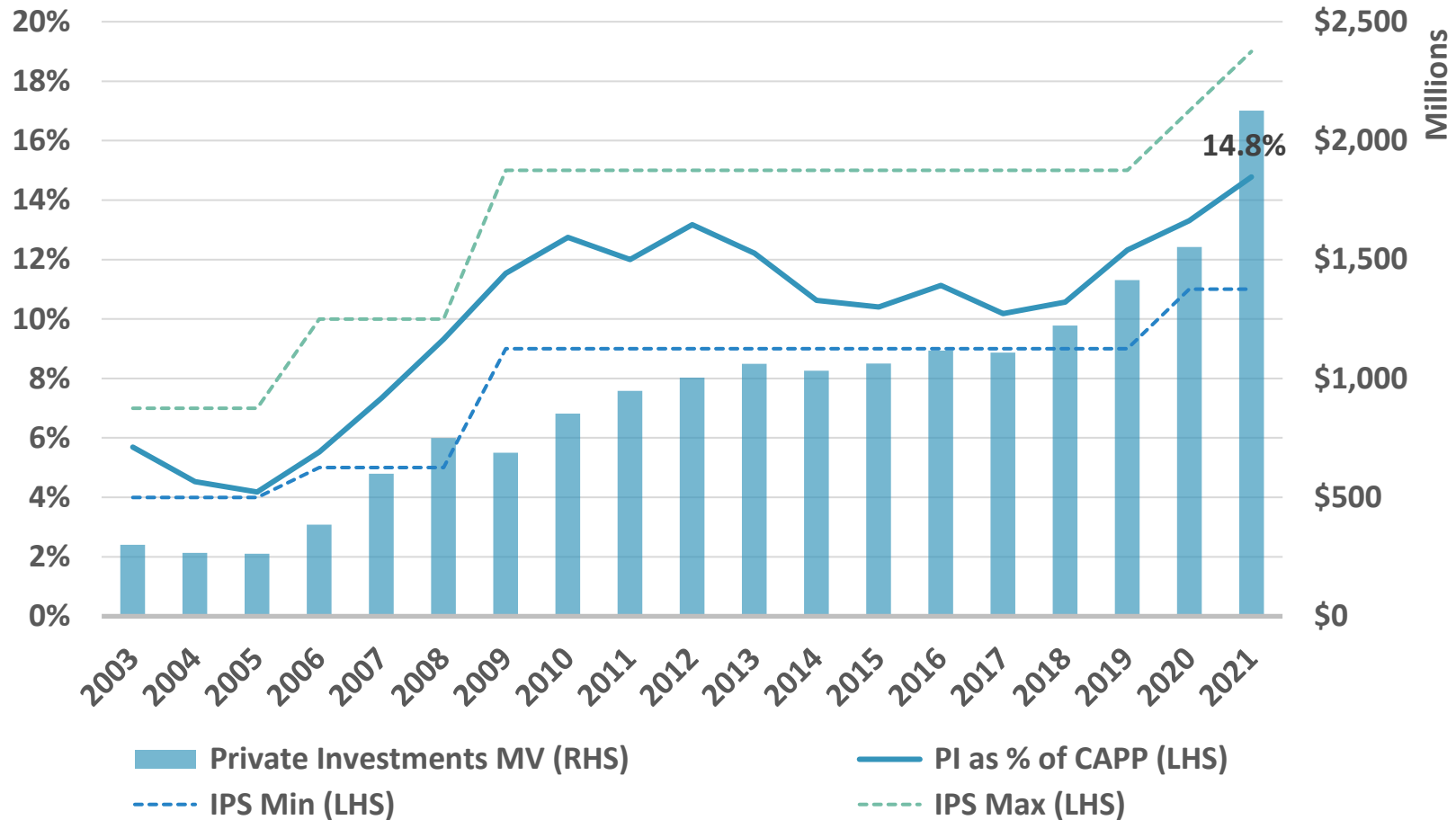
Pacing – 10 year actual/forecast



Source: RVK

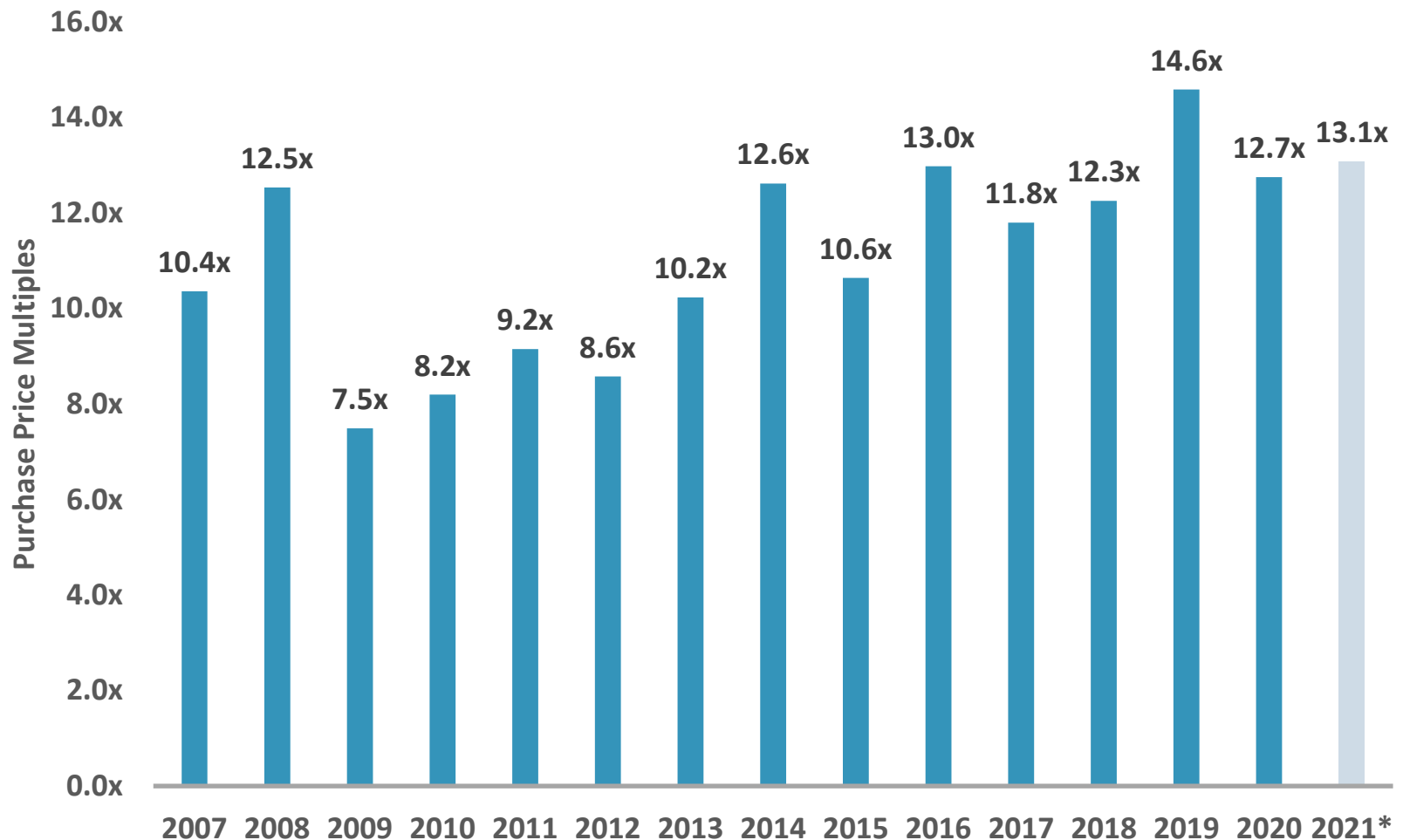
Actual allocation: MBOI Private Investments as % of CAPP. Current Pacing assumption average \$450M/Year. Target of 15%, focus on approved range of 11-19% per IPS.

History of MBOI Private Investments Program



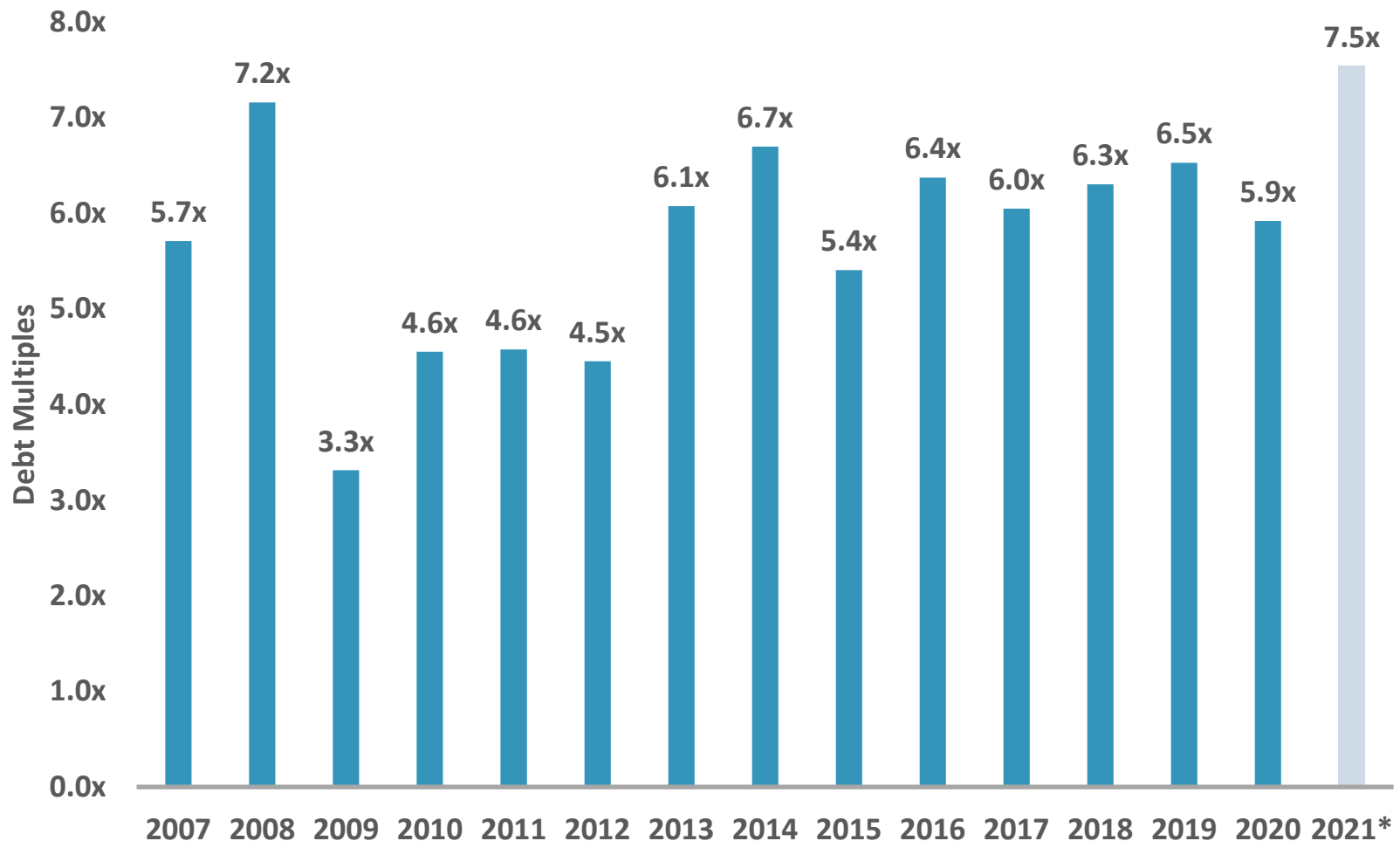
Source: MBOI, RVK. Values as of 6/30/2021. RHS – Right Hand Scale, LHS – Left Hand Scale

Purchase Price Multiples Leveraged Buyout



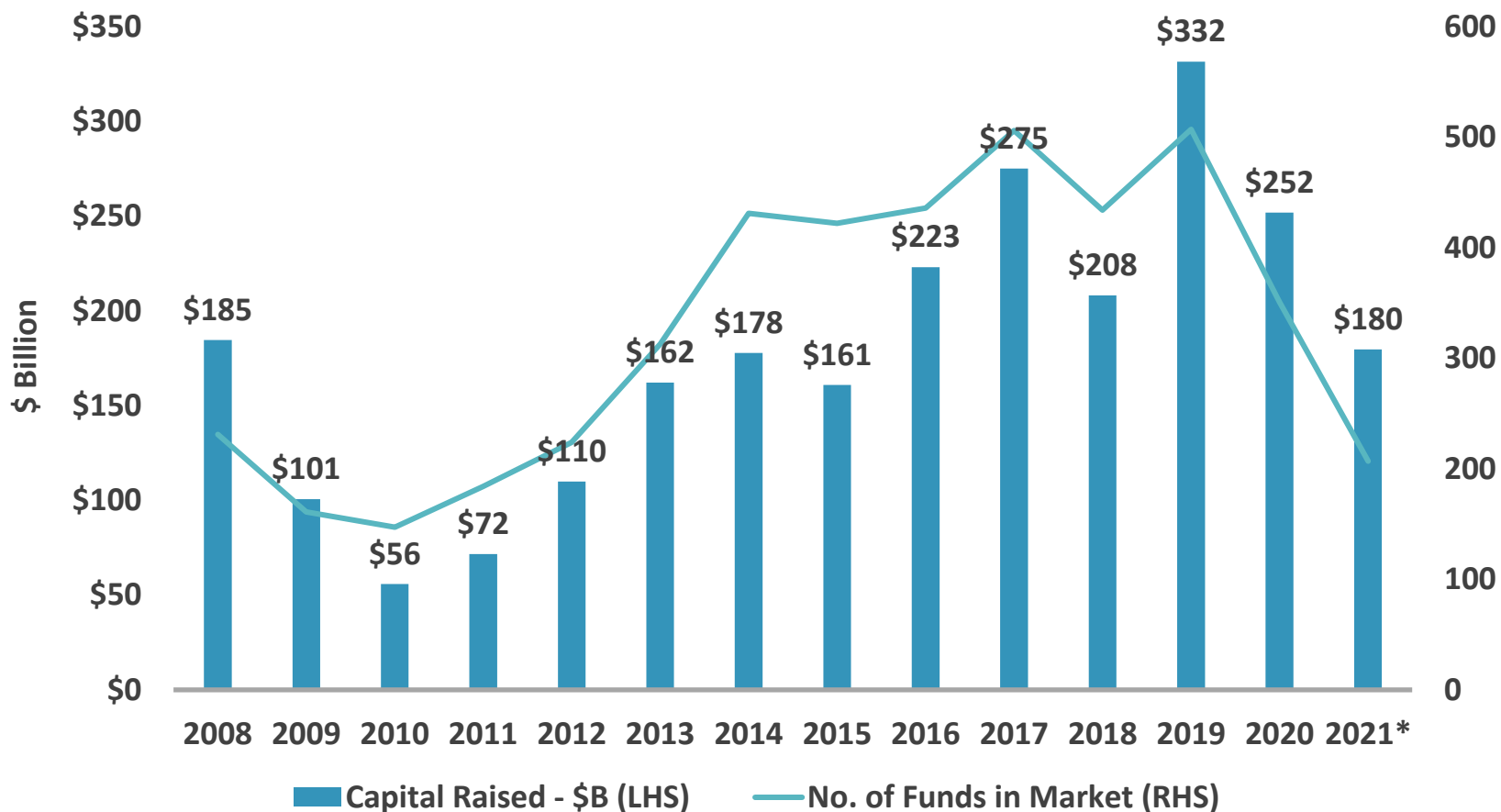
Source: Pitchbook. *As of 6/30/21. Median US PE buyout EV/EBITDA multiples

Debt Multiples Leveraged Buyout



Source: Pitchbook. *As of 6/30/21. Median US PE buyout Debt/EBITDA multiples

Private Capital Funds in the Market



Current Strategy and Rationale

What

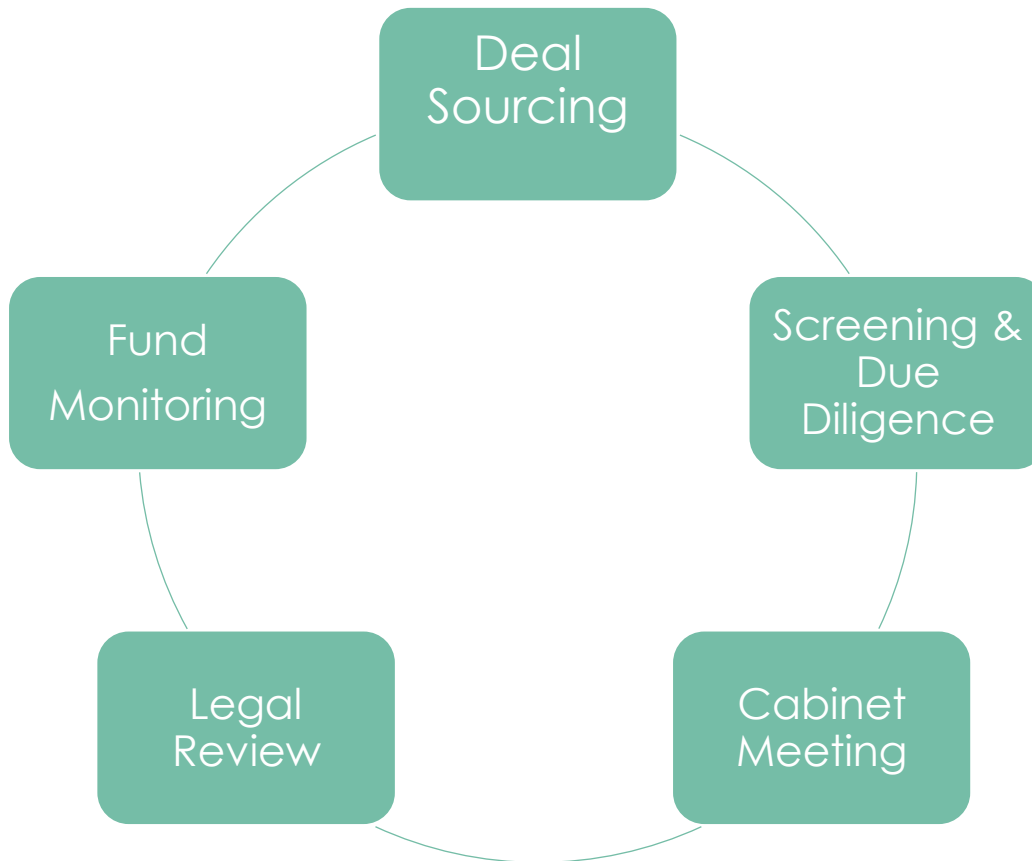
- Continued focus on North America
- Selectively add international and emerging market managers, focus on Asia
- Focus on sector specialists
- Increase emphasis on non-correlated strategies
- Private Credit
- Opportunistically sell in the secondaries market



Why

- Well understood, resource constraints, deepest, most liquid, “rules of the game”
- Growth story, augment asset class exposure
- Deep expertise, focus on strategy, competitive advantage
- Diversification, downside protection, durability and predictability of returns
- Focus on small to medium size enterprises with limited capital solutions, special situations, no access to high yield, adds diversification, current yield
- Active portfolio management, divest of non-strategic relationships

Investment Process



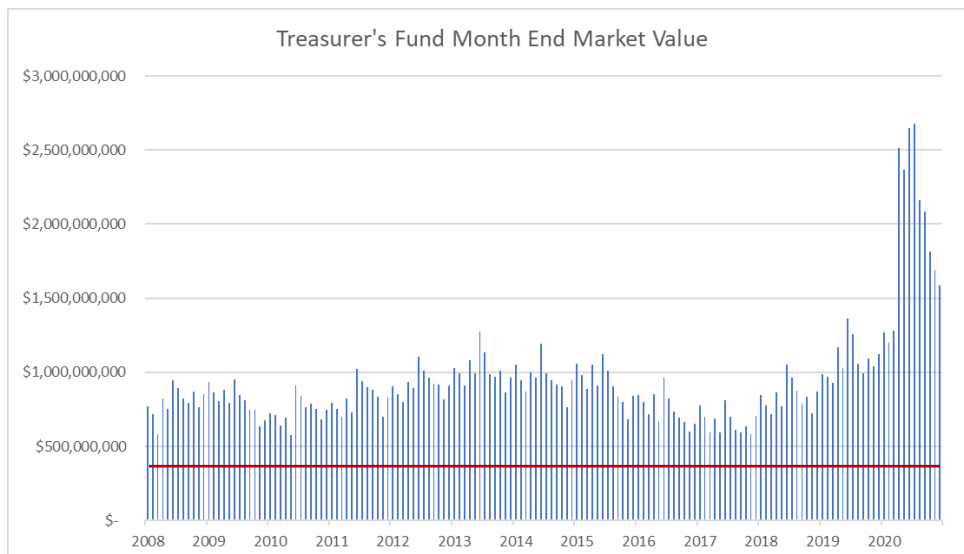
MONTANA

BOARD OF INVESTMENTS

TO: Members of the Board
FROM: John Romasko, CFA Director of Fixed Income
DATE: 10/20/2021
RE: Treasurer's Fund Investment Policy Statement

Staff is requesting to add Trust Funds Investment Pool (TFIP) to the schedule of allowable assets for the Treasurer's Fund.

The market value of the Treasurer's Fund fluctuates significantly but has remained reliably in excess of \$500,000,000 for over 12 years, going back to the Great Financial Crisis in 2008.



Currently, Treasurer's Fund assets can be invested in the Short-Term Investment Pool (STIP) or partially in Government/Agency securities with maturities of three years or less. Recently, there has been little opportunity for additional yield by purchasing three-year Government/Agencies. Federal Reserve actions have suppressed the yields of short-term securities. STIP yields have been reduced to around 0.10%. There is little ability to safely increase STIP yields.

Staff proposes Treasurer's Fund be permitted to invest in TFIP and Treasury/Agency securities up to a maximum amount of one half the minimum ten-year historic balance based on fair market value. The ten-year historic balance would be calculated using a trailing twelve-month average to eliminate seasonal and temporary effects.

The ten-year historical minimum average balance was \$661,728,709, resulting in a maximum allocation to TFIP of \$330,864,354. It is assumed the actual allocation will be close to the maximum but with some room for fluctuation. A prudent operating maximum allocation would be 48% of the historical, low average balance or as close to \$317,629,780 as is practical. Given a rise in yield of about 2.25%, the increase in annual income to the Treasurer's fund would be \$7,146,670.

Staff from the Governor's Office of Budget and Program Planning (OBPP) and State Financial Services Division of the Department of Administration concur with the recommendation.

**Schedule III-D
Investment Objectives and Guidelines
State Treasurer's Fund**

Effective Date of Schedule: ~~April 2, 2019~~

This schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of this policy statement is to provide a framework for the State Treasurer's Fund investments under the guidance of the Board.

The State Treasurer's Fund consists of both assets of the general fund and all other surplus funds of the state not otherwise expressly segregated and invested separately.

Per Section 17-1-111, MCA, "the state treasurer is the custodian of all money and securities of the state unless otherwise expressly provided by law." Per Section 17-6-101, MCA, "Under the direction of the board of investments, the state treasurer shall deposit public money in the treasurer's possession and under the treasurer's control..."

Statement of Purpose:

The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the State Treasurer's Fund account; and
2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

Investment Objective:

Strategic:

The objective of the State Treasurer's Fund portfolio is to attain above benchmark total return within the parameters of the Investment Guidelines set forth below with an emphasis on investment income and preservation of principal.

Performance:

Success in achieving this objective will be measured by comparing the risk and return of the account to the **Short-Term Investment Pool benchmark**.

Time Horizon:

The State Treasurer's Fund is a permanent account. The Board expects to meet or exceed all objectives over a long-term investment horizon. Over shorter periods, the anticipated market volatility and specific actions, including risk mitigation efforts of the Board may lead to unfavorable, but expected, deviation from these objectives.

Investment Guidelines:

The Board will have full discretion to manage the State Treasurer's Fund portfolio 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.

Permitted Investments:

State Treasurer's Fund may only invest in the following:

1. STIP or any cash vehicle at the Custodial Bank.
2. Deposits held at the state's depository bank.
3. U.S. Treasury obligations.
4. Direct obligations of the U.S. mortgage agencies Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation). These obligations shall consist of only the discount notes, notes and debentures of these two agencies and does not include mortgage pass-through obligations. Coupons may be fixed or floating rate.
5. Direct obligations of the Federal Farm Credit Bank and the Federal Home Loan Bank. These obligations shall consist of discount notes, notes and debentures with either fixed or floating rate coupons.
6. Short-term tri-party repurchase obligations (repo) with an approved primary dealer, the Custodial Bank, or the depository bank that are collateralized at 102% of value with U.S. Treasury and U.S. Agency securities. Approved primary dealers will be the same as those dealers approved for repo investments made in STIP.
7. Fixed income obligations of other U.S. agencies or corporate entities that are directly guaranteed as to both principal and interest by the full faith and credit of the U.S. Treasury.
8. Any obligation purchased pursuant to the bond credit enhancement program of the MBOI as authorized pursuant to Resolution 219 of the Board of Investments.
9. State general fund warrants per Section 17-6-212, MCA.

9-10. Investment in the MBOI Trust Funds Investment Pool (TFIP)

Other Restrictions:

1. Securities and TFIP purchases are permitted only up to an amount that is equal to one-half the projected fiscal year-end balance of the general fund equal to 50% of the lowest twelve month average account balance over the past 10 year periods.
 - a. This component of the State Treasurer's Fund is subject to the uncertainty of state receipts and expenditures and may fluctuate significantly depending on economic conditions. Thus, in order to avoid a potential liquidity event, the purchase of securities is to be constrained based on the most current forecast of general fund balances by the budget office within the Department of Administration. In the event the amount of securities and TFIP held were to exceed this threshold, sales are not required however

additional purchases are prohibited until the test can again be met. Prudent sales are required should the amount of securities and TFIP exceed 60%.

- b. U.S. Treasuries held at the state's depository bank are not subject to the projected general fund balance restriction. These securities are held at the depository bank to provide emergency liquidity.
 - c. In addition, any obligations purchased pursuant to the bond credit enhancement program of the MBOI as authorized pursuant to Resolution 219 of the Board are not subject to the projected general fund balance restriction.
2. Securities purchased for investment are intended to enhance book income and shall normally be held until maturity unless a severe liquidity need were to arise in which case a realized loss may be incurred if necessary in the sale of securities to meet immediate liquidity needs. Realized gains may be incurred if the sale of a security prior to maturity is necessary to meet liquidity needs or otherwise is advisable in order to enhance book income by reinvesting the proceeds of such sale.
 3. Securities are limited to three years to final maturity.
 4. Repurchase agreements are limited to seven days to maturity.
 5. Holdings of any one U.S. agency that is not directly or indirectly guaranteed by the U.S. Treasury shall be limited to a maximum \$100 million at book value.
 6. Repurchase obligations shall be limited to \$20 million face amount with any one primary dealer. Repos held at the depository bank or the Custodial Bank are not constrained by this limit given the potential for extenuating market conditions that may require unusually high cash balances to be retained at either bank.

6.7. Securities restrictions do not apply to holdings in TFIP.

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 allocations were outside the limits and either inform the Board of the actions that were taken to return the portfolio back within guidelines or a plan to do so.

MONTANA

BOARD OF INVESTMENTS

TO: Members of the Board
FROM: John Romasko, CFA Director of Fixed Income
Kirsten Haswell, Investment Analyst
DATE: 10/6/2021
RE: Montana State University- Bozeman IPS

Proposed Changes:

The Montana State University-Bozeman separate account consists of operating funds from a variety of campus activities. The fund has always had the opportunity to invest a portion of the portfolio in the Trust Funds Investment Pool (TFIP).

The change we are requesting to the maximum TFIP allocation is to align the goals of an operating fund with possible large variations in the account balance.

We are also requesting to add individual U.S. government and agency securities to the approved investments. The fixed income team may use individual securities for intermediate-term, known spending needs of the university.

Schedule III-A Investment Objectives and Guidelines Montana State University - Bozeman

Effective Date of Schedule: ~~April 2, 2019~~ October 19, 2021

This schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

Introduction:

The purpose of this policy statement is to provide a framework for Montana State University - Bozeman investments under the guidance of the Board.

The Montana State University - Bozeman account consists of operating funds from a variety of campus activities. A portion of the portfolio is unlikely to be needed for liquidity purposes and may seek higher returns as deemed appropriate.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the Montana State University - Bozeman account; and
2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

Investment Objective:

Strategic:

The objective of the Montana State University - Bozeman portfolio is to attain above benchmark total return within the parameters of the Investment Guidelines set forth below with an emphasis on investment income and preservation of principal.

Performance:

Success in achieving this objective will be measured by comparing the risk and return of the account to the **Trust Funds Investment Pool benchmark and the Short-Term Investment Pool benchmark**, each weighted proportionately to the portfolio's holdings, over a five-year moving average.

Time Horizon:

Montana State University - Bozeman is an operating account. The Board expects to meet or exceed all objectives over a long-term investment horizon. Over shorter periods, the anticipated market volatility, and specific actions, including risk mitigation efforts of the Board may lead to unfavorable, but expected, deviation from these objectives.

Investment Guidelines:

The Board will have full discretion to manage the Montana State University - Bozeman portfolio 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.

Permitted Investments:

Montana State University - Bozeman may only invest in the following:

1. Trust Funds Investment Pool (TFIP)
2. Short-Term Investment Pool (STIP) or any cash vehicle at the Custodial Bank
- ~~2. Individual U.S. Government securities~~

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Other Restrictions:

1. A maximum of ~~34~~40% of the market value of the portfolio will be invested in the TFIP based on annual average market value.
2. A maximum of 45% in individual U.S. Government securities based on annual average market value.
3. A maximum maturity of 5 years for individual U.S. Government securities.
- ~~4.~~ A minimum of 15% or \$10 million in the STIP, whichever is greater, based on annual average market value.

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 allocations were outside the limits and either inform the Board of the actions that were taken to return the portfolio back within guidelines or a plan to do so.

MONTANA

BOARD OF INVESTMENTS

TO: Members of the Board
FROM: Jon Putnam, Chief Investment Officer
DATE: October 20, 2021
RE: Proposed Asset Allocation – November Vote

After discussion with staff and RVK, I am proposing changes to MBOI's asset allocation as shown in the table below. The redline of the proposed Montana Public Retirement Plans Investment Policy follows this memo.

Asset Class	Current Range	Proposed Range	Current Midpoint	Proposed Midpoint	Midpoint Difference
Domestic Equity	24 - 36%	24 - 36%	30%	30%	0
International Equity	12 - 22%	12 - 22%	17%	17%	0
Private Investments	11 - 19%	11 - 19%	15%	15%	0
Real Assets	2 - 8%	2 - 8%	5%	5%	0
Real Estate	5 - 13%	6 - 14%	9%	10%	+1
Core Fixed Income	10 - 20%	9 - 19%	15%	14%	-1
Non-Core Fixed Income	4 - 8%	5 - 9%	6%	7%	+1
Cash Equivalents *	0 - 6%	0 - 5%	3%	2% *	-1

* Proposing a target of 2% for Cash Equivalents which is lower than the midpoint of the proposed range

Asset Allocation Changes

The rationale for each of the asset allocation changes are discussed below:

1. Reduce the midpoint of Core Fixed Income from 15% to 14%

We have enjoyed a multi-decade decline in interest rates which has been a tail wind to bond returns. However, an investment in the Bloomberg Aggregate Bond Index currently indicates an annual return of approximately 1.5%, assuming no change in interest rates or credit spreads.

At this time, the real rate of return is negative resulting in a loss of purchasing power for money invested in Core Fixed Income.

2. Increase the midpoint of Real Estate from 9% to 10%

Real Estate typically offers steady cash flows and is expected to generate a higher rate of return than Core Fixed Income. Similar to Core Fixed Income, Real Estate is less correlated with the equity asset classes.

3. Increase the midpoint of Non-Core Fixed Income from 6% to 7%

Non-Core Fixed Income is expected to have a higher return than Core Fixed Income over the long term. Staff has been reviewing additional strategies which will likely move our allocation to approximately 7% over the next year.

4. Decrease the target for Cash from 3% to 2%

Reduce the target for Cash to 2% given the extremely low rates available in STIP. Cash is closely monitored and a 0-5% range is adequate to meet our liquidity needs.

Additional Investment Policy Changes

1. Change to the Investment Objectives and Guidelines for the Real Estate Asset Class

Combine Core and Core plus strategies for the Policy Range. The risk/return profile for Core plus is closer to Core strategies than Non-Core strategies.

In addition, we are clarifying the language around leverage. This aligns with staff's ability to monitor leverage within our real estate investment holdings.

2. Change to the Investment Objectives and Guidelines for the Real Assets Asset Class

Change the leverage language in Timber to be consistent with Real Estate.

Additional Questions

1. What is the difference between Core and Core plus strategies in Real Estate?

Core Real Estate strategies invest in class A real estate located in high-quality, primary/gateway markets. Properties are fully leased with strong tenants. Properties are generally purchased with less than 50% debt. Steady cash flow from rents/leases is the primary source of return.

Core plus Real Estate strategies also invest in class A real estate positioned in high-quality markets with strong tenants and steady cash flows. The primary differences with Core are:

- a) the ability to use slightly higher debt (generally less than 60%)*
- b) the ability to accept development risk by building Core assets from the ground up (generally 10-20% of the fund)*
- c) the ability to invest in high quality secondary markets (Nashville vs. New York)*

2. Does the proposed asset allocation have sufficient liquidity?

We believe the portfolio has enough liquidity to meet all capital calls and to fund benefit payments. The portfolio is designed to have cash and liquid securities in addition to steady cash flow from owned assets.

3. When would these changes take effect?

The board will vote on the proposal at the November board meeting.

If the board approves the proposal at the November meeting, the asset allocation changes would take effect at that time.

MONTANA PUBLIC RETIREMENT PLANS INVESTMENT POLICY

Approved April 5, 2017

Last Revised November ~~19, 2020~~30, 2021

Appendix I: Montana Public Retirement Plans Asset Allocation Ranges

Permitted Ranges:

Approved November 19, 2020

Asset Class Allocations		
Asset Class	Range Low	Range High
Domestic Equities	24	36
International Equities	12	22
Private Investments	11	19
Real Assets	2	8
Real Estate	56	1314
Core Fixed Income	109	2019
Non-Core Fixed Income	45	89
Cash ¹	0	65
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>		

**Schedule II-D:
Investment Objectives and Guidelines
Real Assets Asset Class**

Effective Date of Schedule: November 19, 2020

This Schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for Real Assets.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the Real Assets Asset Class; and
2. Provide diversified exposure to the Real Assets markets in a prudent and cost-effective manner.

Investment Objective:

Strategic:

The objective of the Real Assets Asset Class is to attain the highest possible return within the parameters of the Investment Guidelines set forth below.

Performance:

There is no generally accepted performance comparisons benchmark index for private partnership investments in Real Assets. Characteristically, private partnership investments are impacted by the “j-curve” effect, in which fees and transaction costs create negative returns during the initial investment years before distributions are realized. Private partnership investments usually require a long-time horizon to realize the value provided by the creation or enhancement of private companies.

The long-term performance objective for the Real Assets Asset Class is the achievement of net returns (after management fees and general partner’s carried interest) above a benchmark reflecting public equity Real Assets market returns.

Success in achieving this objective will be measured by comparing the long-term net return of the Real Assets Asset Class to **1/3 MSCI ACWI Commodity Producers Index, 1/3 US TIPS Index, 1/3 MSCI ACWI Infrastructure 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-year and ten-year annualized basis.

Investment Guidelines:

Staff will have full discretion to manage the Real Assets 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.

Most of the Real Assets Asset Class investments will be managed by external investment managers via private investment partnerships in which the MBOI will have a limited partnership interest; however, the Real Assets Asset Class may also utilize public long-only and long/short strategies.

Permitted Investments:

The Real Assets Asset Class (for the purpose of these guidelines, “Real Assets” includes investments in inflation linked bonds, infrastructure, timber, energy, agriculture, and other commodities) may invest only in the following:

1. Private investment partnership interests in Real Assets. These private investment partnerships may be direct limited partnerships, limited liability companies, or vehicles that primarily invest in partnerships, including fund-of-funds and secondary funds;
2. The Real Assets Asset Class may co-invest with private investment managers in transactions that are suitable for inclusion into a Real Assets private investment partnership;
3. Individual public or private securities received as distributions from funds;
4. Separately managed accounts, open-ended funds, closed-ended funds, or exchange-traded funds (ETFs), managing publicly traded Real Assets related investments, where the investments are approved by the CIO and purchased and monitored by Staff;
5. Inflation Linked Bonds; and
6. 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.

Other Restrictions

1. The Montana Public Retirement Plan assets as a percentage of Net Asset Value invested in a single investment within Real Assets Asset Class shall be no greater than 2.0%;
2. No more than 30% of the aggregate of the Real Assets Asset Class Net Asset Value plus uncalled committed capital should be considered “Non-U.S.” exposure based on the primary objective of the fund, partnership, separately managed account, or index;
3. No more than 10% of the aggregate of the Real Assets Asset Class Net Asset Value shall be invested in direct co-investments; and
4. Individual public securities received as distributions will be liquidated over a reasonable time- period dependent on market conditions.

The following table provides a guideline range with respect to the Real Assets Asset Class strategy diversification. It is important to note that these ranges reference the sum of the Real Assets Asset Class Net Asset Value and uncalled commitments.

<u>Strategy</u>	<u>Policy Range</u>
Commodities Related	25% - 75%
Infrastructure Related	0% - 50%
Inflation Linked Bonds	0% - 50%

For funds with exposure across categories, the fund will be classified in the category that is most reflective of the underlying investments in the funds.

Timber Fund Leverage

Leverage is a significant risk factor. On an individual fund basis, the leverage level can range up to 30.0%. Individual fund leverage may occasionally exceed 30% and will be monitored by staff to determine the cause and whether it is a temporary or persistent issue. It is important to note; however, that in aggregate, leverage consists of the combined borrowing at the property level and the fund level. On a select basis, the leverage may exceed 30.0% at the combined property and fund investment level, if it is determined to be reasonable to do so, particularly in the early stages of the fund investment cycle when a fund level credit facility is utilized to finance early fund investments on a short term basis prior to committed capital being drawn. While Staff will monitor leverage on this combined basis, the leverage statistic Staff will focus on most for purposes of compliance with this policy is the stabilized long term leverage at the overall fund investment level once it has completed its acquisition phase, paid down outstanding short term credit facility balances used to fund capital calls and the investment period has ended. Leverage shall be monitored on an individual fund level and nNew investments shall be made with the intention that the total timber fund investment leverage shall not exceed 30%.

<u>Strategy</u>	<u>Leverage Policy Range</u>
Timber	0% - 30%

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 when the Real Assets allocations were outside of the limits and either inform the Board of the actions that were taken to return the Real Assets Asset Class back within guidelines or a plan to do so.

**Schedule II-E:
Investment Objectives and Guidelines
Real Estate Asset Class**

Effective Date of Schedule: June 9, 2020

This Schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for Real Estate.

Statement of Purpose:

The purpose of these objectives and guidelines is to:

1. Establish the investment objectives and performance standards of the Real Estate Asset Class;
and
2. Provide diversified exposure to Real Estate in a prudent and cost-effective manner.

Investment Objective:

Strategic:

The objective of the Real Estate Asset Class is to attain the highest possible return within the parameters of the Investment Guidelines set forth below.

Performance:

Success in achieving this objective will be measured by comparing the risk and after-fee return of the Real Estate Asset Class to the **1 QTR LAGGED NCREIF Fund Index – Open End Diversified Core Equity (NFI-ODCE)** (the “Benchmark”). Performance results will be monitored and evaluated quarterly. However, the success in achieving the objective will be measured on a five-year, and ten-year annualized basis.

Investment Guidelines:

Staff will have full discretion to manage the Real Estate 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.

Most of the Real Estate Asset Class investments will be managed by external investment managers via private investment partnerships in which the MBOI will have a limited partnership interest; however, the Real Estate Asset Class may also utilize public long-only and long/short strategies.

Permitted Investments:

The Real Estate Asset Class may invest only in the following:

1. Separate accounts, open-ended funds, closed-ended funds, exchange-traded funds (ETFs), or real Estate investment trusts (REITs) managing publicly traded real estate, where the investments are approved by the CIO and purchased and monitored by Staff;

2. Private investment 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;
3. The Real Estate Asset Class may co-invest with private investment managers in transactions that are suitable for inclusion into a private real estate investment partnership;
4. Separate accounts investing in private real estate direct investments;
5. Individual public or private securities received as distributions from funds are also permitted to be held in the Real Estate Asset Class; and
6. 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.

Other Restrictions

1. The Montana Public Retirement Plan assets as a percentage of Net Asset Value invested in a single investment within the Real Estate Asset Class shall be no greater than 2.0%;
2. No more than 30% of the aggregate of the Real Estate Asset Class Net Asset Value plus uncalled committed capital should be considered “Non-U.S.” exposure based on the dominant geographic exposure of the Fund, Partnership, Separate Account, or Index;
3. No more than 10% of the aggregate of the Real Estate Asset Class Net Asset Value shall be invested in direct co-investments; and
4. Individual public securities received as distributions will be liquidated over a reasonable time-period dependent on market conditions.

The following table provides a guideline range with respect to the Real Estate Asset Class strategy diversification. It is important to note that these ranges reference the sum of the Real Estate Asset Class Net Asset Value and uncalled commitments.

<u>Strategy</u>	<u>Policy Range</u>
Core and Core plus Real Estate	20% - 50%
Core plus /Non-Core Real Estate	25% - 65%
Real Estate Debt	10% - 40%
Public Real Estate Securities	0% - 40%

For funds with exposure across these categories, the fund will be classified in the category that is most reflective of the underlying investments in the funds.

Leverage

Leverage is a significant risk factor. On an individual fund basis, the leverage level can range up to 75.0%. ~~Individual fund leverage may occasionally exceed 75% and will be monitored by staff to determine the cause and whether it is a temporary or persistent issue. It is important to note; however, that in aggregate, leverage consists of the combined borrowing at the property level and the fund level. Leverage for Core, Core plus and Non-Core Real Estate consists of the combined borrowing at the property level and the fund level. Leverage for Real Estate Debt is only measured at the fund level. On a select basis, the leverage may exceed 75.0% at the combined property and fund investment level, if it is determined to be reasonable to do so, particularly in the early stages of the~~

~~fund investment cycle when a fund level credit facility is utilized to finance early fund investments on a short term basis prior to committed capital being drawn. While Staff will monitor leverage on this combined basis at the fund investment level, the leverage statistic Staff will focus on most for purposes of compliance with this policy is the stabilized long term leverage at the overall fund investment level once it has completed its acquisition phase, paid down outstanding short term credit facility balances used to fund capital calls and the investment period has ended. Leverage shall be monitored on an individual fund level and n~~New investments shall be made with the intention that the total Real Estate Asset Class leverage shall not exceed 60%.

<u>Strategy</u>	<u>Leverage Policy</u>
Core Real Estate Investments	0% - 50%
Core-plus/Non-Core Real Estate	0% - 75%
Real Estate Debt	0% – 75%

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 Real Estate Asset Class allocations were outside of the limits and either inform the Board of the actions that were taken to return the Real Estate Asset Class back within guidelines or a plan to do so.

While no formal diversification ranges are set forth for property type diversification or regional diversification within the United States, it is expected that the Real Estate Asset Class shall remain diversified across these factors. These and other factors shall be monitored and reported to the Board at least annually.