

**Investment Committee**  
**Friday, September 13, 2024, 9:00 a.m.**  
**Virtual Only**  
[Click here to join the meeting](#)

**AGENDA**

- I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA – (Committee Action)**
  - II. **ACCEPTANCE OF MINUTES (August 9, 2024) – (Committee Action)**
  - III. **STRATEGY REVIEW (90 minutes)**
    - A. Overall Investment Strategy – Mr. Anderson – (Information)
- (Break)
- IV. **MANAGER RECOMMENDATION<sup>1</sup> (30 minutes)**
    - A. Private Markets – Mr. Zietlow – (Committee Action)
  - V. **PUBLIC MARKETS GUIDELINES<sup>1</sup> (30 minutes) – Mr. Chin, Mr. Vaidya – (Committee Action)**
  - VI. **MANAGER UPDATE (10 minutes)**
    - A. Private Markets – Mr. Zietlow – (Information)
  - VII. **DISCUSSION**
  - VIII. **ADJOURNMENT**

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<sup>1</sup> Executive Session pursuant to N.D.C.C. 44-04-19.2, 44-04-18.4 (2)(a) and N.D.C.C. 44-04-18.4(2)(d) to review and discuss confidential commercial information and trade secrets.

**STATE INVESTMENT BOARD  
INVESTMENT COMMITTEE MEETING  
MINUTES OF THE  
AUGUST 9, 2024, MEETING**

**MEMBERS PRESENT:** Thomas Beadle, State Treasurer, Chair  
Joseph Heringer, Trust Lands Commissioner, Vice Chair  
Eric Chin, Deputy Chief Investment Officer  
Pete Jahner, External Representative  
Dr. Prodosh Simlai, External Representative

**MEMBERS ABSENT:** Scott Anderson, Chief Investment Officer

**STAFF PRESENT:** Derek Dukart, Senior Investment Analyst  
Jennifer Ferderer, Fiscal Investment Admin  
George Moss, Portfolio Manager  
Sarah Mudder, Communications & Outreach Director  
Janilyn Murtha, Executive Director  
Matt Posch, Portfolio Manager  
Emmalee Riegler, Procurement/Records Mgmt. Coordinator  
Michael Schmitcke, Senior Investment Accountant  
Nitin Vaidya, Chief Risk Officer  
Susan Walcker, Senior Financial Accountant  
Jason Yu, Risk Analyst  
Lance Zietlow, Portfolio Manager

**GUESTS:** Members of the public

**CALL TO ORDER:**

Treasurer Beadle called the State Investment Board (SIB) Investment Committee (IC) meeting to order at 9:02 a.m. on Friday, August 9, 2024. The meeting was held virtually.

The following Investment Committee members were present representing a quorum, Treasurer Beadle, Mr. Chin, Commissioner Heringer, Mr. Jahner, and Dr. Simlai.

**AGENDA:**

The agenda was considered for the August 9, 2024, meeting.

**IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY DR. SIMLAI AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE AUGUST 9, 2024, MEETING AS DISTRIBUTED.**

**AYES: MR. CHIN, COMMISSIONER HERINGER, MR. JAHNER, DR. SIMLAI, AND TREASURER BEADLE**

**NAYS: NONE**

**ABSENT: MR. ANDERSON**

**MOTION CARRIED**

## **MINUTES:**

The minutes were considered for the July 10, 2024, meeting.

**IT WAS MOVED BY MR. CHIN AND SECONDED BY DR. SIMLAI AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE JULY 10, 2024, MEETING AS DISTRIBUTED.**

**AYES: MR. CHIN, COMMISSIONER HERINGER, MR. JAHNER, DR. SIMLAI, AND TREASURER BEADLE**

**NAYS: NONE**

**ABSENT: MR. ANDERSON**

**MOTION CARRIED**

## **STRATEGY REVIEW**

Mr. Vaidya and Mr. Yu provided the Committee an update on Risk Allocation and Management. Mr. Vaidya presented measures to assess performance and risk, such as portfolio return, portfolio risk, and risk adjusted return. Mr. Yu's presentation focused on market risk monitoring, with four risk indicator details: Macro-economic, systemic financial risk, capital market dynamics, and sentiment. Mr. Vaidya then provided an update on the investment systems strategy update.

Committee discussion followed.

## **MANAGER RECOMMENDATION**

**IT WAS MOVED BY MR. JAHNER SECONDED BY MR. CHIN AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO N.D.C.C. 44-04-19.2, 44-04-18.4 (2)(A) AND N.D.C.C. 44-04-18.4(2)(D) TO REVIEW AND DISCUSS CONFIDENTIAL COMMERCIAL INFORMATION AND TRADE SECRETS.**

**AYES: MR. CHIN, COMMISSIONER HERINGER, MR. JAHNER, DR. SIMLAI, AND TREASURER BEADLE**

**NAYS: NONE**

**ABSENT: MR. ANDERSON**

**MOTION CARRIED**

The executive session began at 10:01 a.m. and ended at 10:43 a.m. The session was attended by Committee members, Mr. Dukart, Ms. Ferderer, Mr. Moss, Ms. Mudder, Ms. Murtha, Mr. Posch, Mr. Vaidya, Mr. Yu, and Mr. Zietlow.

**IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY DR. SIMLAI AND CARRIED BY A ROLL CALL VOTE APPROVE STAFF RECOMMENDATION TO THE ADJUSTMENTS OF THE PRIVATE MARKET MANAGERS PENDING LEGAL REVIEW AND DIRECT STAFF TO REPORT BACK AT A FUTURE COMMITTEE MEETING.**

**AYES: COMMISSIONER HERINGER, DR. SIMLAI, MR. CHIN, MR. JAHNER, AND TREASURER BEADLE**

**NAYS: NONE**

**ABSENT: MR. ANDERSON**

**MOTION CARRIED**

The Committee recessed at 10:45 a.m. and reconvened at 10:50 a.m.

### **POOL STRUCTURING**

Mr. Chin presented a plan to Implement a new fund structure by combining Legacy and Insurance assets. This would reduce complexity by reducing number of manager accounts and meet minimum AUM for separate accounts, which would benefit Insurance clients.

**IT WAS MOVED BY DR. SIMLAI AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO APPROVE STAFF MOVING FORWARD WITH THE PROPOSED PORTFOLIO CHANGES TO THE LEGACY FUND AND INSURANCE ASSETS STRUCTURE.**

**AYES: DR. SIMLAI, MR. CHIN, COMMISSIONER HERINGER, MR. JAHNER, AND TREASURER BEADLE**

**NAYS: NONE**

**ABSENT: MR. ANDERSON**

**MOTION CARRIED**

### **PUBLIC MARKETS TOOLS**

Mr. Posch reviewed the tools the public markets team utilizes, including eVestment, Venn, Aladdin, Bloomberg, and an internally developed tool. Mr. Posch presented an overview of each tool and finished his presentation with a demonstration of the internally developed tool.

### **MANAGER UPDATES**

Mr. Chin provided a public market update that Two Sigma was onboarded. The portfolio will be funded with \$75 million.

### **OPERATIONS UPDATE**

Mr. Chin informed the Committee of three planned transitions within the next two years and mentioned the benefits of having a transition manager, including a reduction in fees and cost, project management, and risk/exposure management.

**IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. JAHNER AND CARRIED BY A ROLL CALL VOTE TO APPROVE STAFF MOVING FORWARD WITH THE SELECTION OF APPROVED TRANSITION MANAGERS.**

**AYES: MR. JAHNER, MR. CHIN, COMMISSIONER HERINGER, DR. SIMLAI, AND TREASURER BEADLE**

**NAYS: NONE**

**ABSENT: MR. ANDERSON**

**MOTION CARRIED**

**ADJOURNMENT**

With no further business to come before the Investment Committee, Treasurer Beadle adjourned the meeting at 11:45 a.m.

Prepared by:

Jennifer Ferderer, Assistant to the Board

# INVESTMENT PERFORMANCE

Scott M Anderson, CFA – Chief Investment Officer

September 13, 2024

NORTH  
**Dakota**  
Be Legendary.

Retirement & Investment

# THE MARKET

NORTH  
**Dakota**  
Be Legendary.

Retirement & Investment

# PERFORMANCE – BENCHMARK INDICES

<b>Summary of Returns</b>					
<b>June 30, 2024</b>					
<b>Benchmark Indices</b> <b>(% change, annualized)</b>	<b>YTD</b>	<b>1 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>10 Yr</b> <b>Volatility</b>
Russell 1000	14.2%	23.8%	14.6%	12.5%	17.9%
Russell 2000	1.7%	10.0%	6.9%	7.0%	22.6%
S&P 500	15.3%	24.5%	15.0%	12.8%	17.7%
MSCI ACWI IMI Net	10.3%	18.3%	10.3%	8.2%	14.3%
MSCI World ex US	5.0%	11.2%	6.5%	4.3%	14.4%
MSCI Emerging Markets	7.5%	12.5%	3.1%	2.8%	15.7%
Bloomberg Aggregate	-0.7%	2.6%	-0.2%	1.3%	4.7%
Bloomberg Gov/Credit	-0.7%	2.7%	-0.1%	1.5%	5.0%
Bloomberg US High Yield	2.6%	10.4%	3.9%	4.3%	5.2%
NCREIF Property Index (06/30/2024)	-1.2%	-5.5%	3.4%	6.1%	4.1%

Source: Bloomberg



# PERFORMANCE – BENCHMARK INDICES

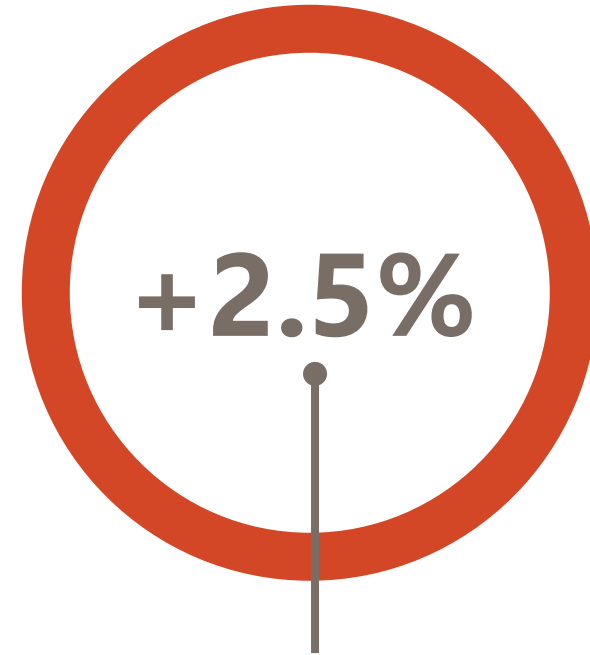
<b>Summary of Returns</b>					
<b>September 06, 2024</b>					
<b>Benchmark Indices</b> <b>(% change, annualized)</b>	<b>YTD</b>	<b>1 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>10 Yr</b> <b>Volatility</b>
Russell 1000	13.6%	22.2%	14.1%	12.1%	18.0%
Russell 2000	4.1%	13.2%	8.2%	7.4%	22.9%
S&P 500	14.5%	22.8%	14.5%	12.5%	17.9%
MSCI ACWI IMI Net	10.9%	19.1%	10.6%	8.1%	14.4%
MSCI World ex US	8.7%	17.5%	7.6%	4.8%	14.5%
MSCI Emerging Markets	7.1%	12.3%	3.8%	2.2%	15.8%
Bloomberg Aggregate	4.4%	9.9%	0.2%	1.8%	4.7%
Bloomberg Gov/Credit	4.3%	9.8%	0.3%	2.0%	5.0%
Bloomberg US High Yield	6.5%	13.3%	4.4%	4.7%	5.2%
NCREIF Property Index (06/30/2024)	-1.2%	-5.5%	3.4%	6.1%	4.1%

Source: Bloomberg

# HAS INFLATION PEAKED?<sup>1</sup>



**ANNUAL INFLATION RATE  
(June 2021 thru June 2022)**

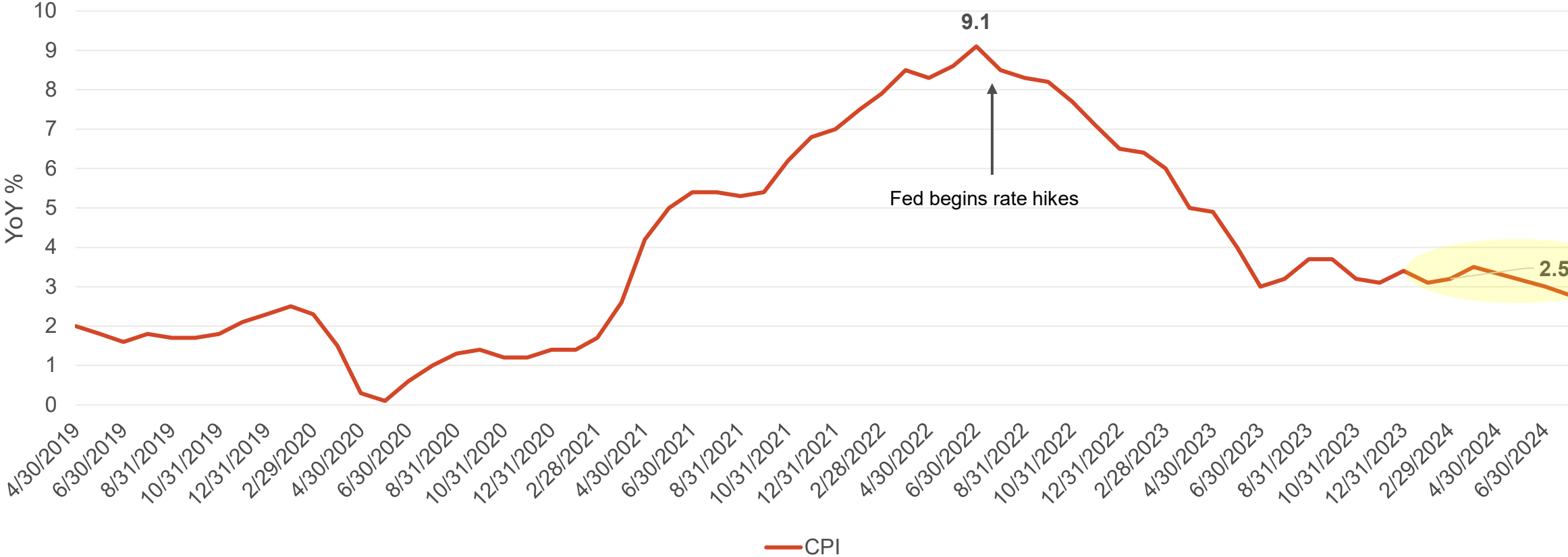


**ANNUAL INFLATION RATE  
(June 2023 thru June 2024)  
**3.2%** Ex Food & Energy**

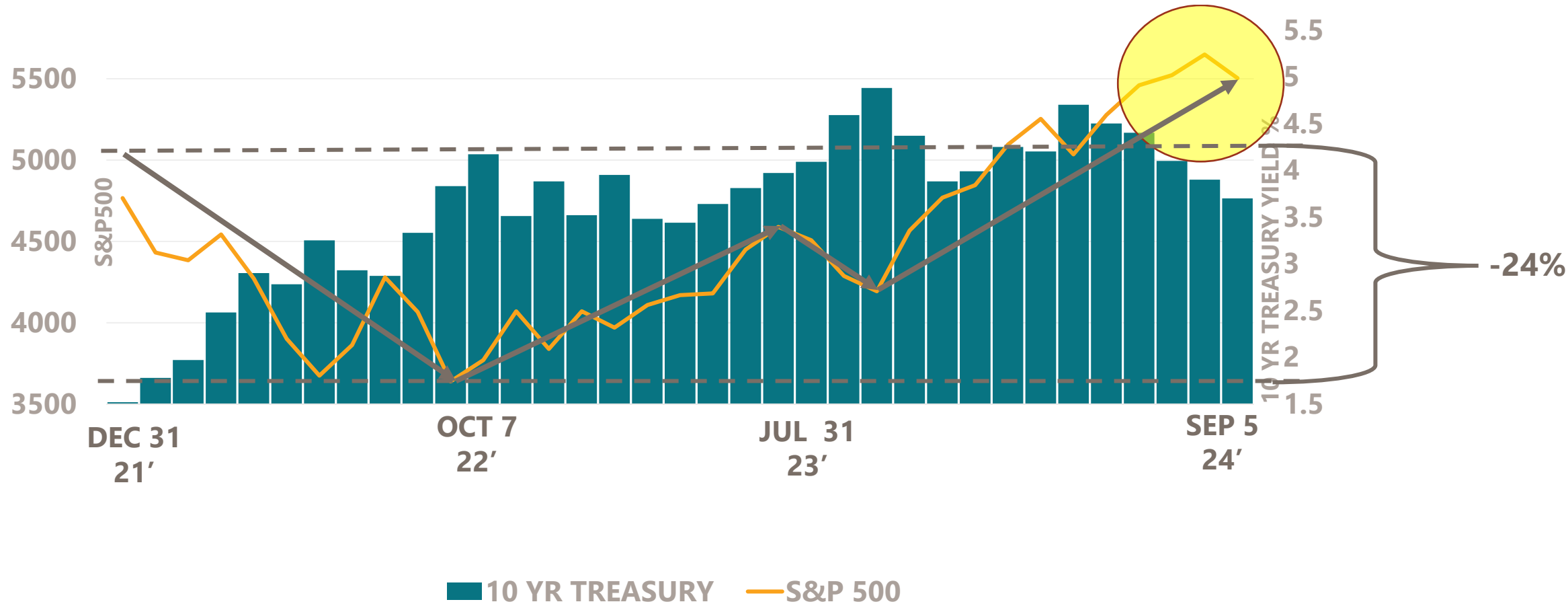
1. Bureau of Labor Statistics

# INFLATION PAST 5 YEARS

### Annual Inflation Rate

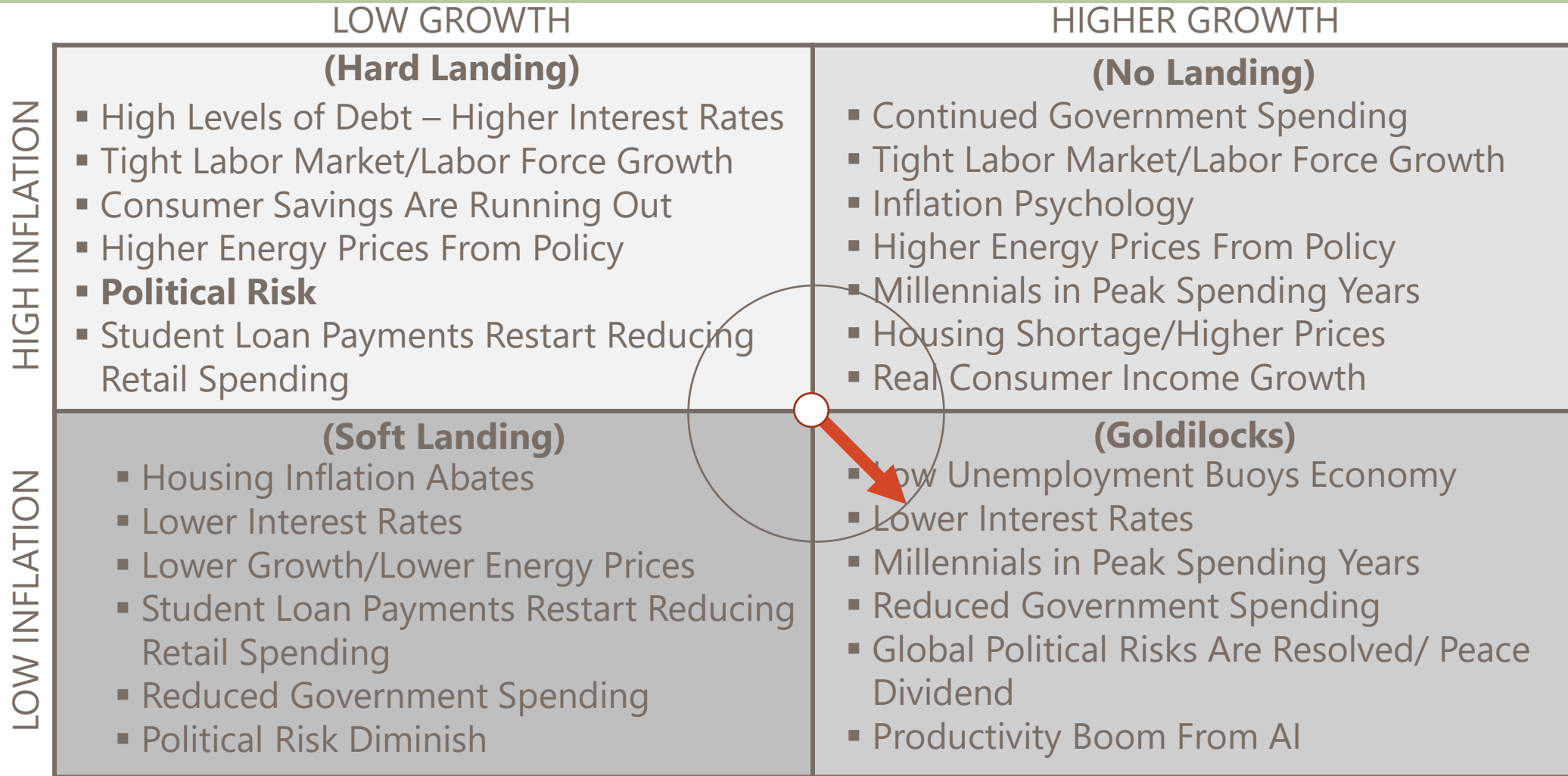


# THE S&P500 HAS TRACKED INFLATION EXPECTATIONS<sup>1</sup>



1. FRED

# COMPETING NARRATIVES



# GOOD NEWS <sup>1</sup>

BLOOMBERG AGG YIELD<sup>1</sup>: 4.21%



**BEST GUESS FOR  
FUTURE BOND  
RETURN!**

1. Fixed income benchmark; yields are the best estimate of future bond returns.

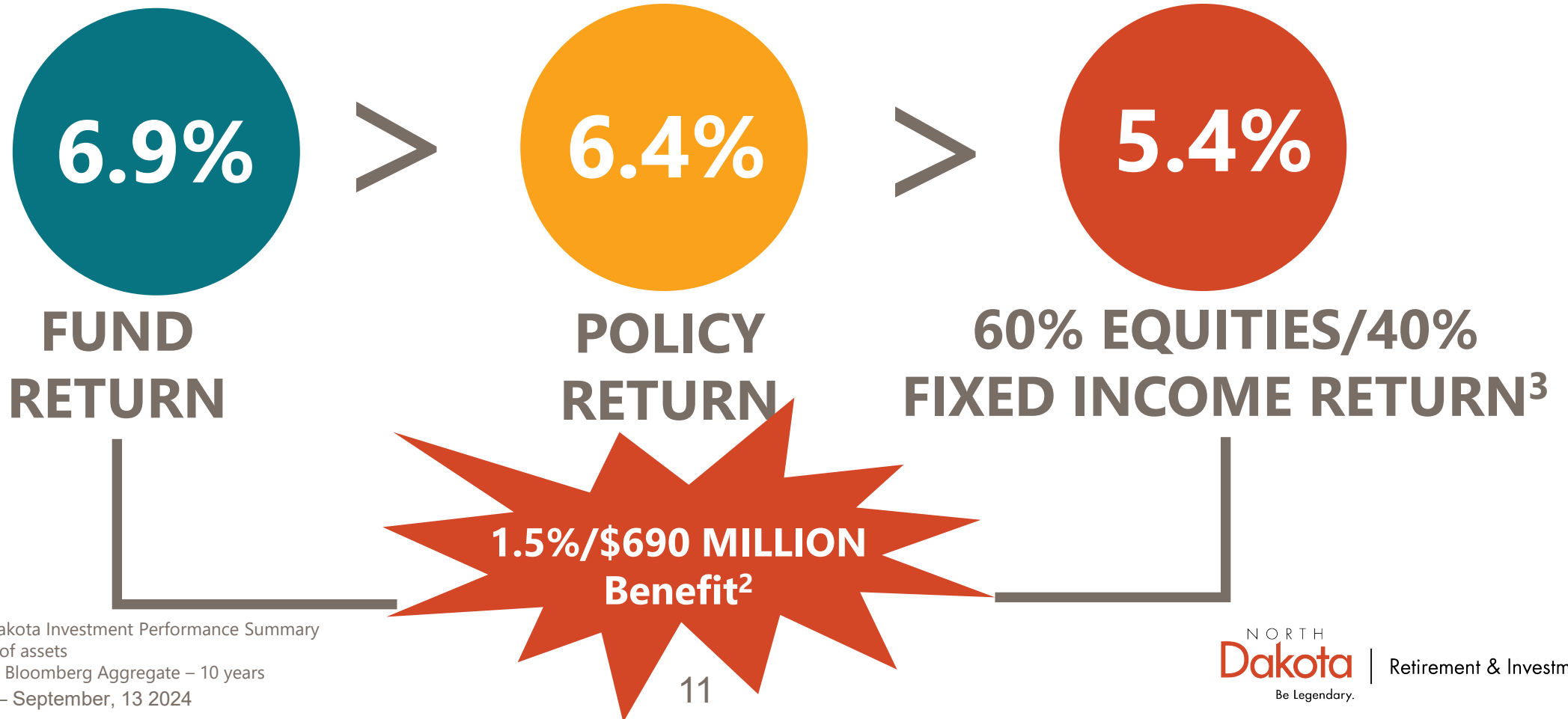
# PERFORMANCE

NORTH  
**Dakota**  
Be Legendary.

Retirement & Investment

# INVESTMENT MANAGEMENT BENEFITS

## PERS TEN YEAR AVERAGE RETURN<sup>1</sup>



1. Thru June 2024; North Dakota Investment Performance Summary

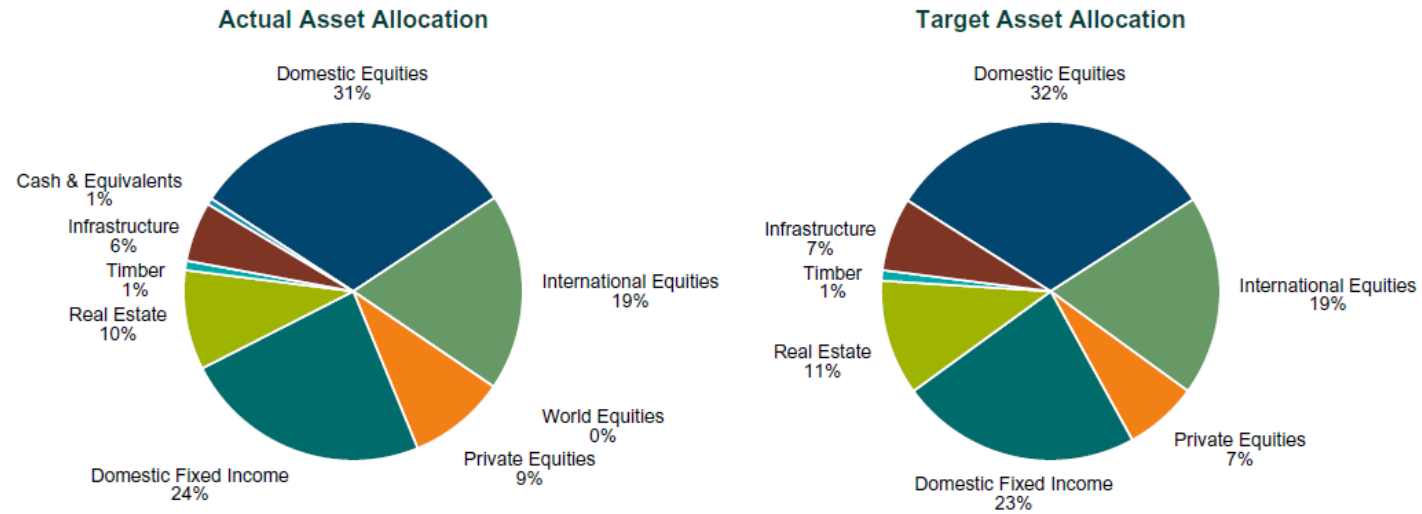
2. Starting with \$4.3 Billion of assets

3. 60% MSCI ACW IMI/40% Bloomberg Aggregate – 10 years

Scott M Anderson, CFA – September, 13 2024



# ASSET ALLOCATION



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equities	1,366,412	31.5%	31.9%	(0.4%)	(17,719)
International Equities	817,574	18.8%	19.1%	(0.3%)	(13,149)
World Equities	28	0.0%	0.0%	0.0%	28
Private Equities	402,684	9.3%	7.0%	2.3%	98,685
Domestic Fixed Income	1,028,962	23.7%	23.0%	0.7%	30,106
Real Estate	412,956	9.5%	11.0%	(1.5%)	(64,757)
Timber	37,381	0.9%	1.0%	(0.1%)	(5,992)
Infrastructure	249,053	5.7%	7.0%	(1.3%)	(55,003)
Cash & Equivalents	27,801	0.6%	0.0%	0.6%	27,801
<b>Total</b>	<b>4,342,851</b>	<b>100.0%</b>	<b>100.0%</b>		

1. June 2024 values – Callan

# PERS PERFORMANCE

**AS OF June 30, 2024**

**PERS \$4.3 Billion**

**Total Fund Return - Net**

**Policy Benchmark Return**

**Total Relative Return<sup>1</sup>**

<b>Year to Date</b>	<b>1 Year</b>	<b>3 year</b>	<b>5 Year<sup>1</sup></b>	<b>Risk (5 Year)</b>
<b>5.1%</b>	<b>8.9%</b>	<b>3.2%</b>	<b>7.6%</b>	<b>9.9%</b>
<b>5.3%</b>	<b>9.4%</b>	<b>3.0%</b>	<b>7.2%</b>	<b>10.2%</b>
<b>-0.2%</b>	<b>-0.5%</b>	<b>0.2%</b>	<b>0.4%</b>	

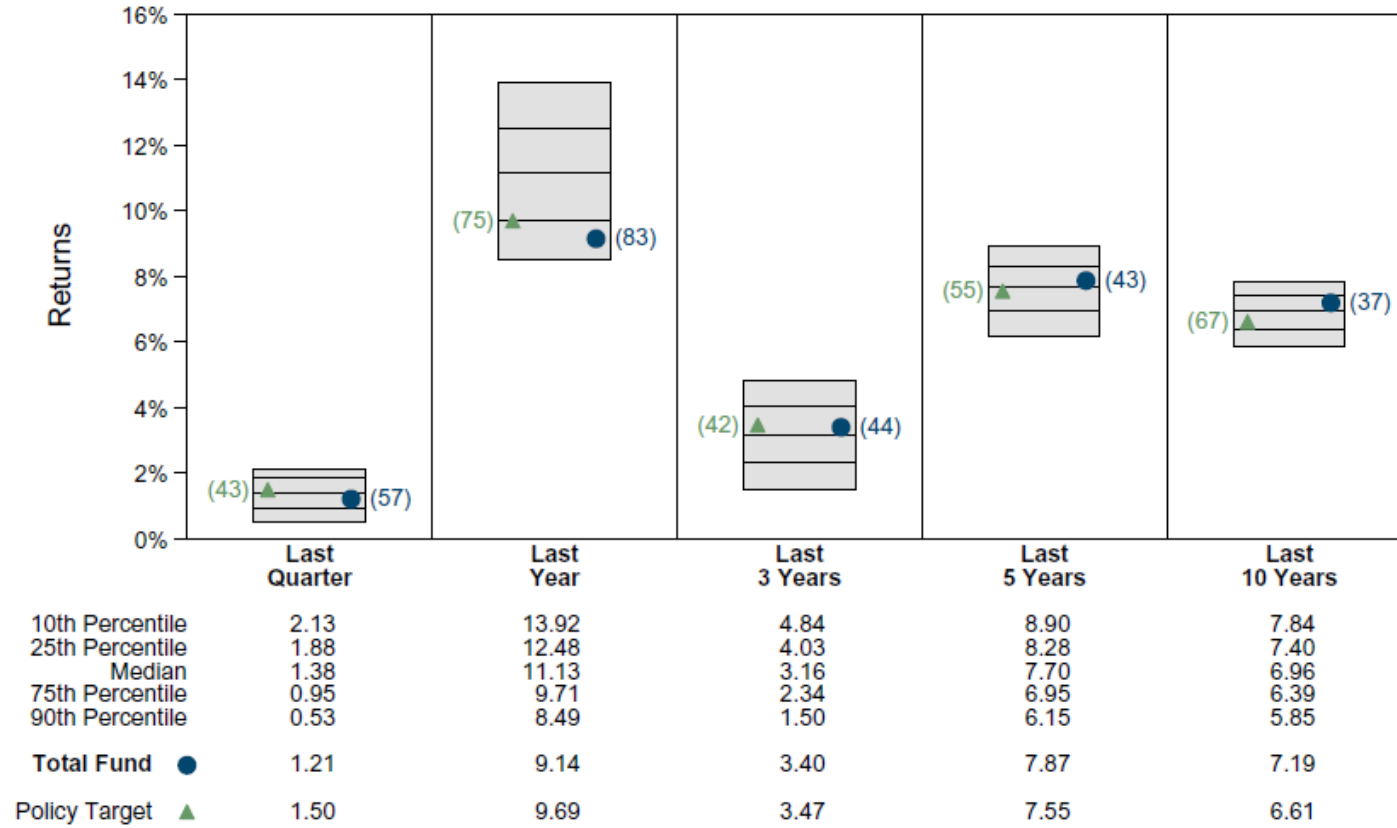
1. Corridor benchmark applied only in year-to-date numbers

# PERS BY YEAR PERFORMANCE

PERS \$4.3 Billion – June 30, 2024	Year to				
	Date	23'	22'	21'	20'
Total Fund Return - Net	5.1%	11.0%	-10.9%	16.7%	12.2%
Policy Benchmark Return	5.3%	10.9%	-11.2%	15.4%	11.7%
Total Relative Return <sup>1</sup>	-0.2%	0.1%	0.7%	1.3%	0.5%

# PERS PERFORMANCE

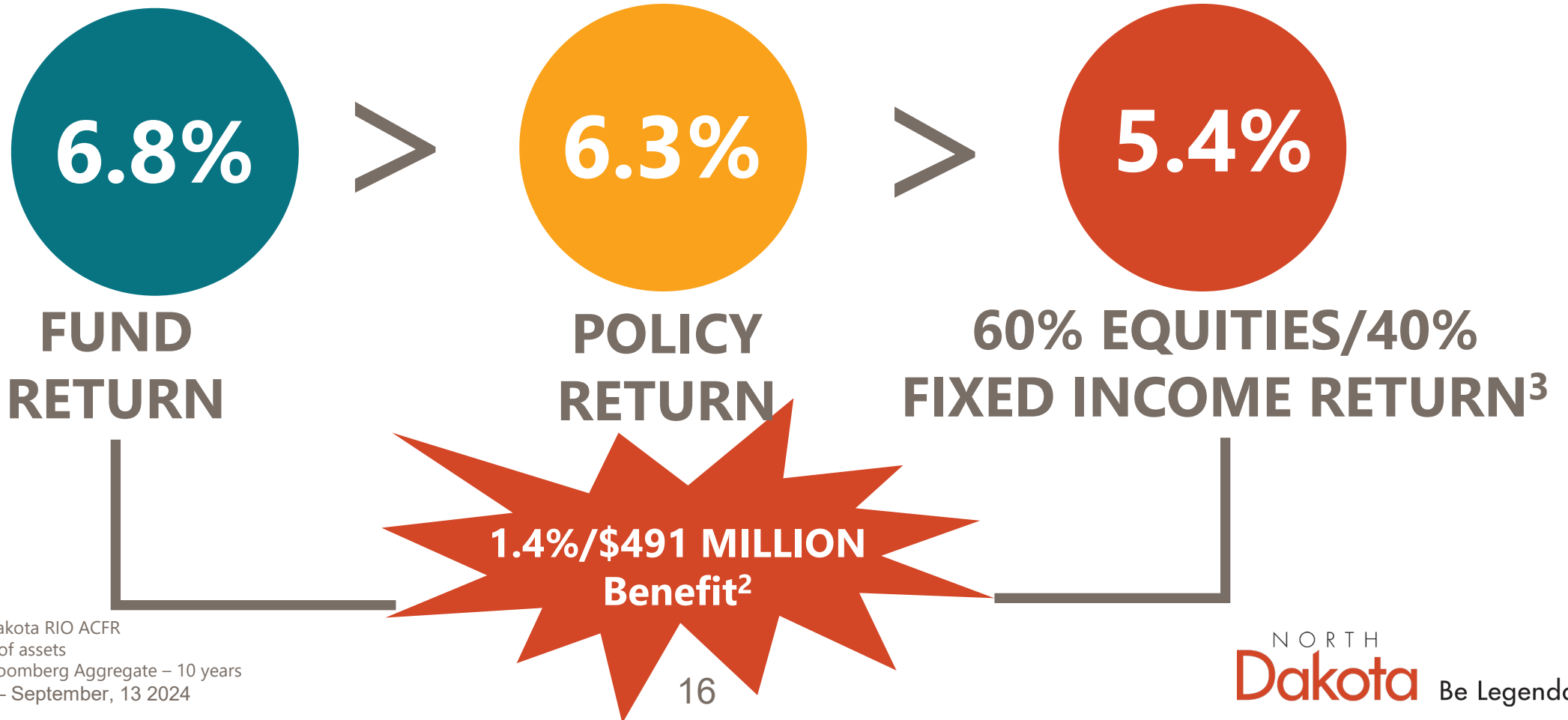
## Callan Public Fund Sponsor Database



1. June 2024 values – Callan

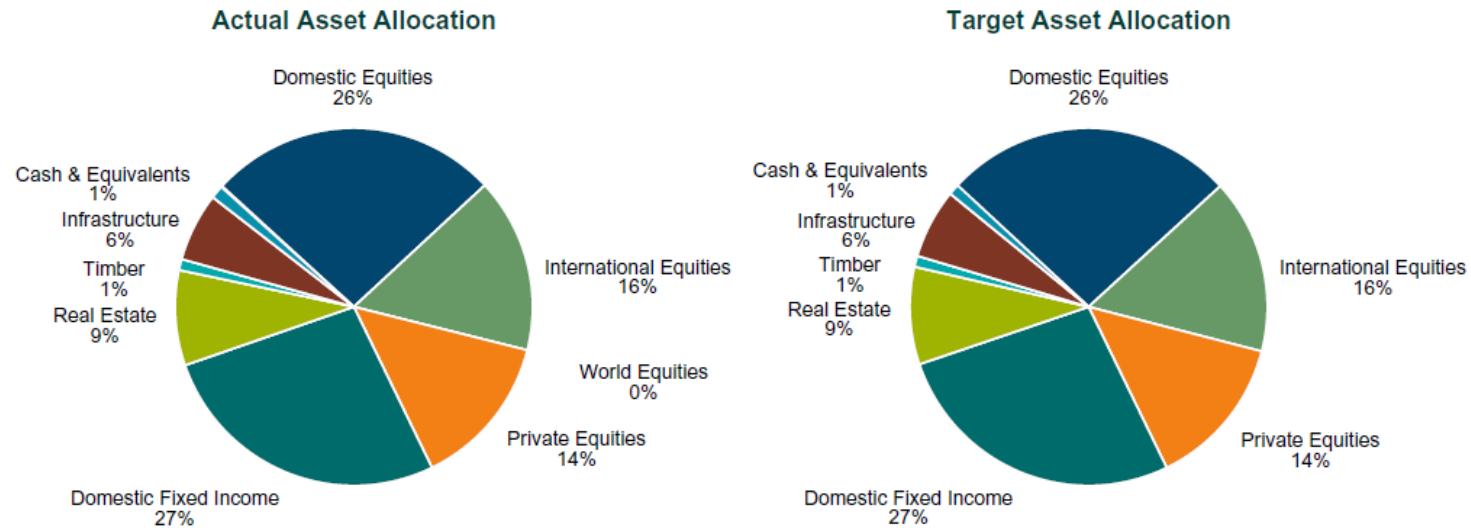
# INVESTMENT MANAGEMENT BENEFITS

## TFFR TEN YEAR AVERAGE RETURN<sup>1</sup>



1. Thru June 2024; North Dakota RIO ACFR  
2. Starting with \$3.3 Billion of assets  
3. 60% MSCI World/40% Bloomberg Aggregate – 10 years  
Scott M Anderson, CFA – September, 13 2024

# ASSET ALLOCATION



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equities	865,928	26.3%	26.4%	(0.1%)	(1,821)
International Equities	520,032	15.8%	15.8%	(0.0%)	(771)
World Equities	255	0.0%	0.0%	0.0%	255
Private Equities	456,805	13.9%	13.8%	0.1%	4,312
Domestic Fixed Income	885,992	26.9%	27.0%	(0.0%)	(1,079)
Real Estate	283,270	8.6%	8.8%	(0.1%)	(4,722)
Timber	33,367	1.0%	1.0%	(0.0%)	(243)
Infrastructure	204,024	6.2%	6.3%	(0.1%)	(2,929)
Cash & Equivalents	39,894	1.2%	1.0%	0.2%	6,999
<b>Total</b>	<b>3,289,567</b>	<b>100.0%</b>	<b>100.0%</b>		

1. June 2024 values – Callan

# TFFR PERFORMANCE

**AS OF June 30, 2024**

**TFFR \$3.3 Billion**

**Total Fund Return - Net**

**Policy Benchmark Return**

**Total Relative Return<sup>1</sup>**

<b>Year to Date</b>	<b>1 Year</b>	<b>3 year</b>	<b>5 Year<sup>1</sup></b>	<b>Risk (5 Year)</b>
<b>4.6%</b>	<b>8.1%</b>	<b>2.9%</b>	<b>7.4%</b>	<b>9.5%</b>
<b>4.8%</b>	<b>8.4%</b>	<b>2.8%</b>	<b>6.9%</b>	<b>9.9%</b>
<b>-0.2%</b>	<b>-0.3%</b>	<b>0.1%</b>	<b>0.5%</b>	

1. Corridor benchmark applied only in year-to-date numbers

# TFFR BY YEAR PERFORMANCE

TFFR \$3.3 Billion – June 30, 2024	Year to				
	Date	23'	22'	21'	20'
Total Fund Return - Net	4.6%	10.3%	-10.5%	16.2%	12.1%
Policy Benchmark Return	4.8%	10.0%	-10.6%	15.1%	11.4%
Total Relative Return <sup>1</sup>	-0.2%	0.3%	0.1%	1.1%	0.7%



# PENSION COMPOSITE PERFORMANCE

<b>PENSION COMPOSITE<sup>1</sup></b> <b>\$7.9 Billion – June 30, 2024</b>	Year to				
	Date	23'	22'	21'	20'
Total Fund Return - Net	5.0%	10.7%	<b>-10.7%</b>	16.4%	12.1%
Policy Benchmark Return	5.0%	10.6%	<b>-10.9%</b>	15.2%	11.6%
Total Relative Return <sup>1</sup>	0.0%	0.1%	0.2%	0.3%	0.5%

1. PERS, TFFR, Bismarck, Employees, Bismarck Police, Grand Forks, Grand Forks Parks, Job Service

# PERFORMANCE – TFFR

Callan Public Fund Sponsor Database



1. June 2024 values – Callan

# INVESTMENT MANAGEMENT BENEFITS

## LEGACY TEN YEAR AVERAGE RETURN<sup>1</sup>



**FUND  
RETURN**

>



**POLICY  
RETURN**

**0.7%/\$785 MILLION  
Benefit<sup>2</sup>**

1. Thru June 2024; North Dakota RIO ACFR  
2. Starting with \$10.8 Billion of assets

# ASSET ALLOCATION



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Large Cap	3,442,417	31.6%	23.4%	8.3%	899,497
Small Cap	179,553	1.7%	4.1%	(2.5%)	(269,198)
International Equity	2,518,018	23.1%	19.0%	4.1%	451,046
Transition Account	45	0.0%	0.0%	0.0%	45
Private Equity	44,294	0.4%	7.0%	(6.6%)	(717,222)
Global Fixed Income	3,280,187	30.2%	28.5%	1.7%	179,729
Diversified Real Assets	537,291	4.9%	5.0%	(0.1%)	(6,649)
Cash & Equivalents	48,440	0.4%	0.0%	0.4%	48,440
Real Estate	416,358	3.8%	5.0%	(1.2%)	(127,582)
Residual Holdings	1,743	0.0%	0.0%	0.0%	1,743
In-State Investments	410,455	3.8%	8.0%	(4.2%)	(459,849)
<b>Total</b>	<b>10,878,800</b>	<b>100.0%</b>	<b>100.0%</b>		

1. June 2024 values – Callan

# PERFORMANCE – LEGACY

**AS OF June 30, 2024**  
**LEGACY \$10.9 Billion**

	<b>Year to Date</b>	<b>1 Year</b>	<b>3 year</b>	<b>5 Year<sup>1</sup></b>	<b>Risk (5 Year)</b>
<b>Total Fund Return - Net</b>	<b>5.6%</b>	<b>10.9%</b>	<b>2.5%</b>	<b>6.6%</b>	<b>10.6%</b>
<b>Policy Benchmark Return</b>	<b>4.9%</b>	<b>9.8%</b>	<b>1.7%</b>	<b>5.8%</b>	<b>10.5%</b>
<b>Total Relative Return</b>	<b>0.7%</b>	<b>1.1%</b>	<b>0.8%</b>	<b>0.8%</b>	

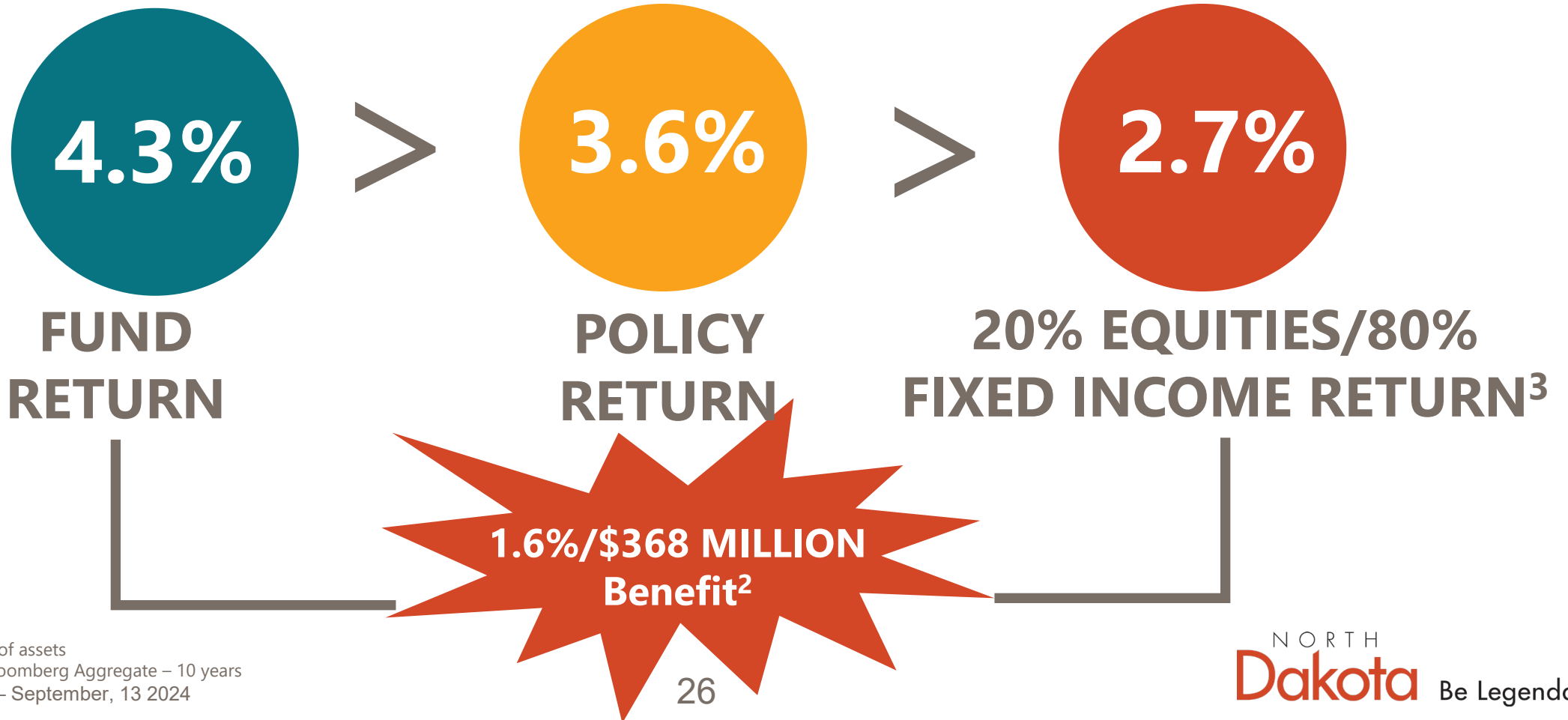
1. Corridor benchmark applied only in year-to-date numbers

# LEGACY BY YEAR PERFORMANCE

<b>LEGACY</b> <b>\$10.8 Billion – June 30, 2024</b>	<b>Year to Date</b>	<b>23'</b>	<b>22'</b>	<b>21'</b>	<b>20'</b>
<b>Total Fund Return - Net</b>	<b>5.6%</b>	<b>12.9%</b>	<b>-12.9%</b>	<b>11.3%</b>	<b>12.2%</b>
<b>Policy Benchmark Return</b>	<b>4.9%</b>	<b>11.7%</b>	<b>-13.4%</b>	<b>10.4%</b>	<b>12.1%</b>
<b>Total Relative Return<sup>1</sup></b>	<b>0.7%</b>	<b>1.2%</b>	<b>0.5%</b>	<b>0.9%</b>	<b>0.1%</b>

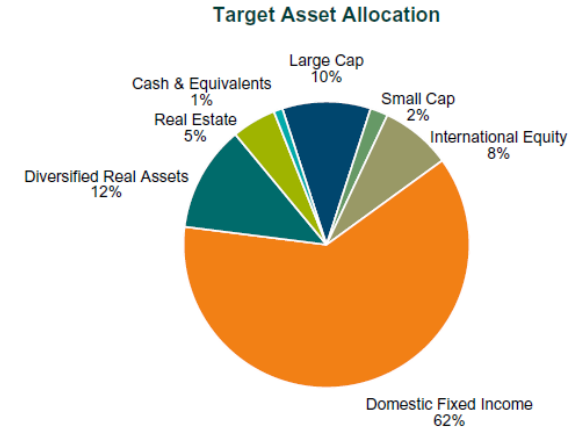
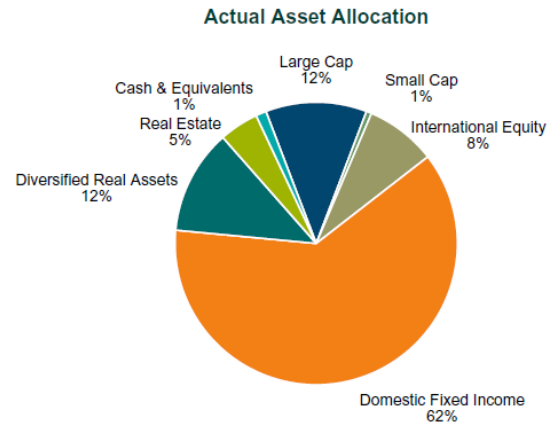
# INVESTMENT MANAGEMENT BENEFITS

## WSI TEN YEAR AVERAGE RETURN<sup>1</sup>



1. Thru June 2024  
2. Starting with \$2.1 Billion of assets  
3. 20% MSCI World/80% Bloomberg Aggregate – 10 years  
Scott M Anderson, CFA – September, 13 2024

# ASSET ALLOCATION



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Large Cap	246,788	11.6%	10.0%	1.6%	33,445
Small Cap	13,110	0.6%	2.0%	(1.4%)	(29,558)
International Equity	173,607	8.1%	8.0%	0.1%	2,932
Domestic Fixed Income	1,322,185	62.0%	62.0%	(0.0%)	(541)
Diversified Real Assets	255,426	12.0%	12.0%	(0.0%)	(585)
Real Estate	96,988	4.5%	5.0%	(0.5%)	(9,684)
Cash & Equivalents	25,325	1.2%	1.0%	0.2%	3,991
<b>Total</b>	<b>2,133,429</b>	<b>100.0%</b>	<b>100.0%</b>		

1. June 2024 values – Callan



# PERFORMANCE – WSI

<b>AS OF June 30, 2024</b> <b>WSI \$2.1 Billion</b>	<b>Year to Date</b>	<b>1 Year</b>	<b>3 year</b>	<b>5 Year<sup>1</sup></b>	<b>Risk (5 Year)</b>
<b>Total Fund Return - Net</b>	<b>1.8%</b>	<b>6.0%</b>	<b>-0.3%</b>	<b>3.2%</b>	<b>7.5%</b>
<b>Policy Benchmark Return</b>	<b>1.4%</b>	<b>5.0%</b>	<b>-0.7%</b>	<b>2.7%</b>	<b>7.0%</b>
<b>Total Relative Return</b>	<b>0.4%</b>	<b>1.0%</b>	<b>0.4%</b>	<b>0.6%</b>	

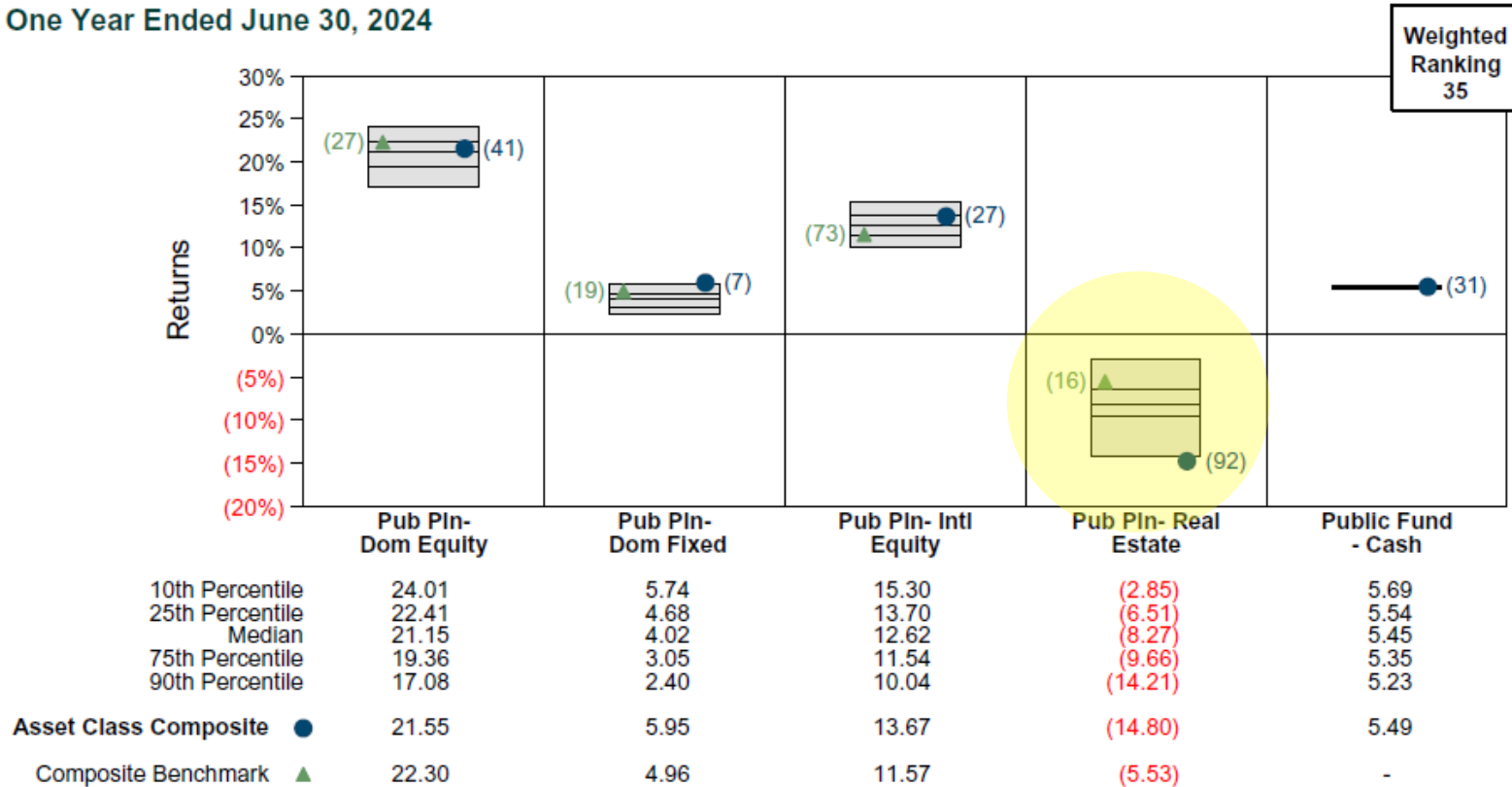
1. Corridor benchmark applied only in year-to-date numbers

# WSI BY YEAR PERFORMANCE

WSI \$2.1 Billion – June 30, 2024	Year to				
	Date	23'	22'	21'	20'
Total Fund Return - Net	1.8%	8.4%	<b>-12.3%</b>	5.6%	9.9%
Policy Benchmark Return	1.4%	7.3%	<b>-12.1%</b>	4.9%	9.5%
Total Relative Return <sup>1</sup>	0.4%	1.1%	0.2%	0.7%	0.4%

# ASSET CLASS PERFORMANCE

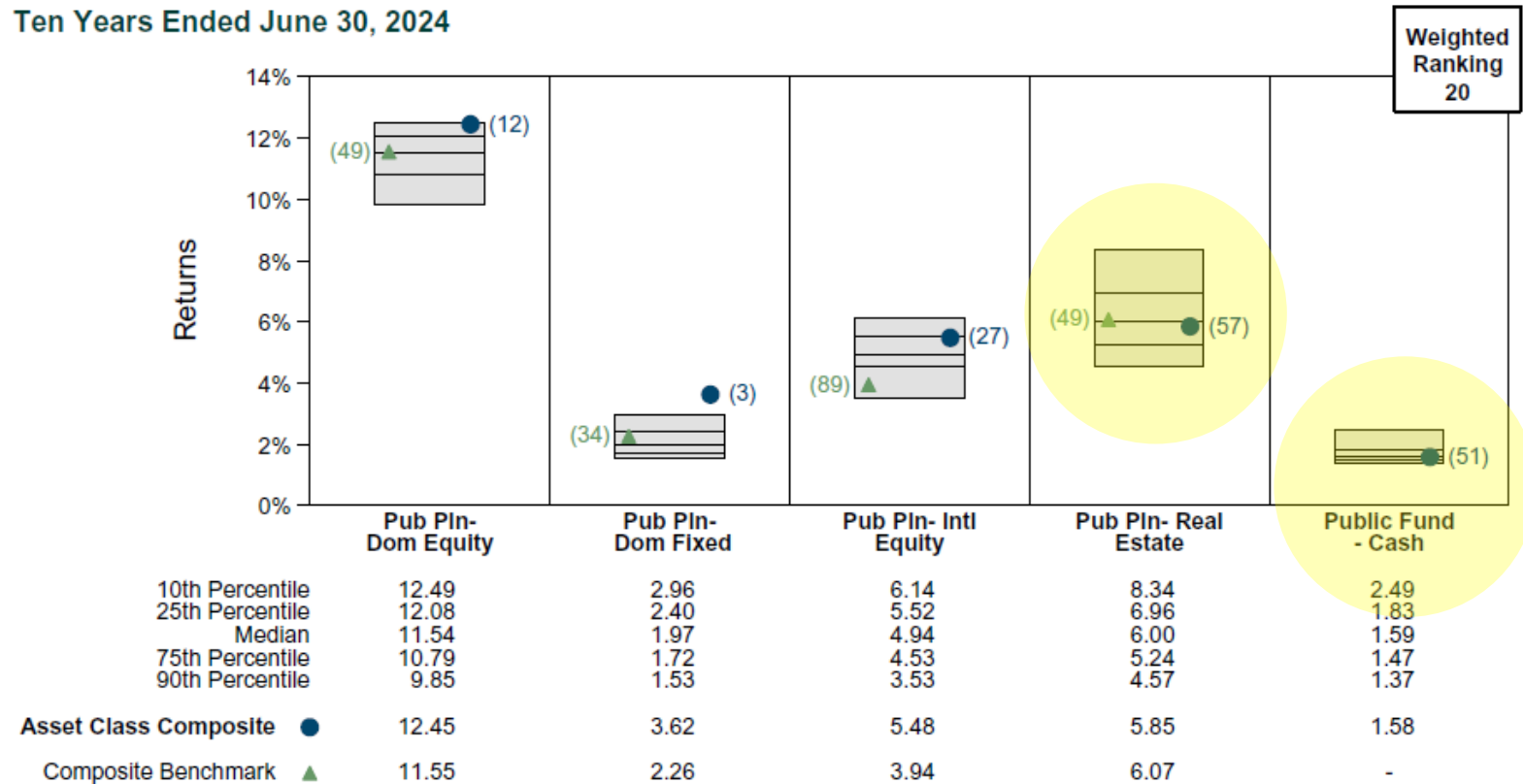
Total Asset Class Performance  
One Year Ended June 30, 2024



1. June 2024 values – Callan

# ASSET CLASS PERFORMANCE

**Total Asset Class Performance  
Ten Years Ended June 30, 2024**



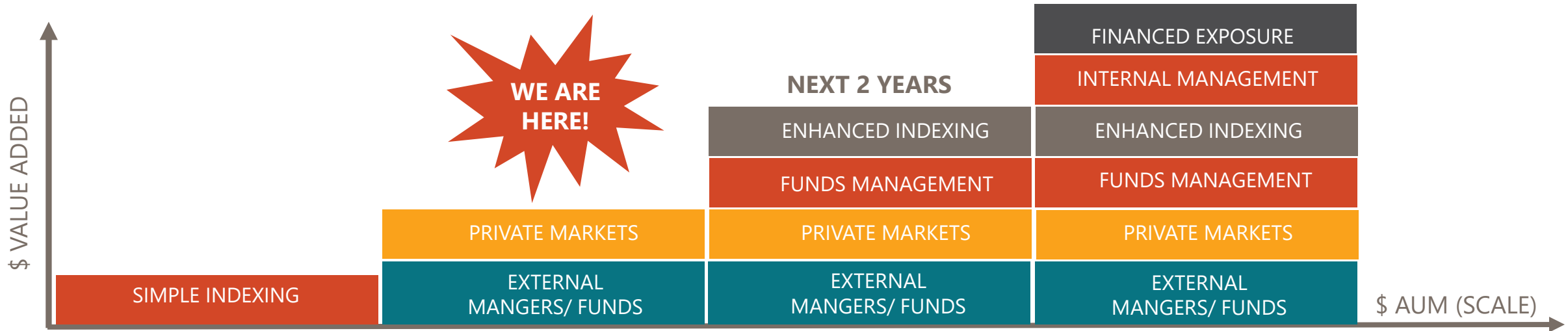
1. June 2024 values – Callan

# PATHWAY TO STRATEGY

Scott M Anderson, CFA

September 13, 2024

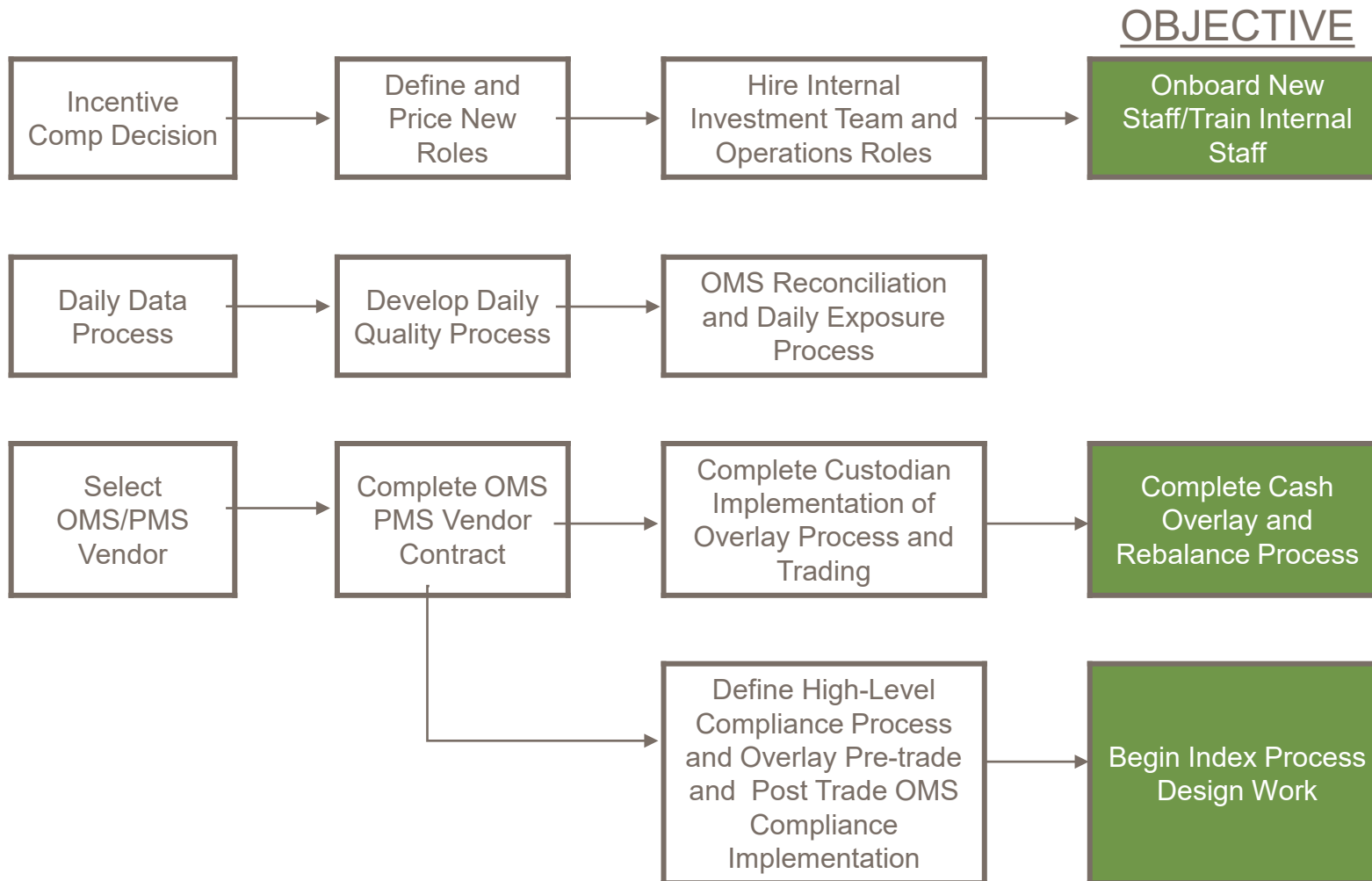
# ROADMAP FOR SUCCESS



## CAPABILITIES FOR SUCCESS

- DELEGATED AUTHORITY
- INCENTIVE COMP SYSTEM
- DIRECT INVESTMENT TEAM
- INDEPENDENT BENCHMARK CONSULTANT
- PRIVATE MARKETS BENCHMARK CORRIDOR
- FUND POOLING
- DAILY FUND VALUES AND RETURNS
- ADVANCED OPERATIONS
- AUDIT PROCESSES AND COMPLIANCE
- NEW INVESTMENT PROCESSES
- FUND AND LIQUIDITY MANAGEMENT
- DERIVATIVES OVERLAYS
- VALUATION AND EXPOSURE MANAGEMENT
- INVESTMENT DATA WAREHOUSE
- ORDER MANAGEMENT SYSTEM
- PORTFOLIO MANAGEMENT ANALYTICS
- INTEGRATED DATA AND MESSAGES
- KNOWLEDGE MANAGEMENT SYSTEM

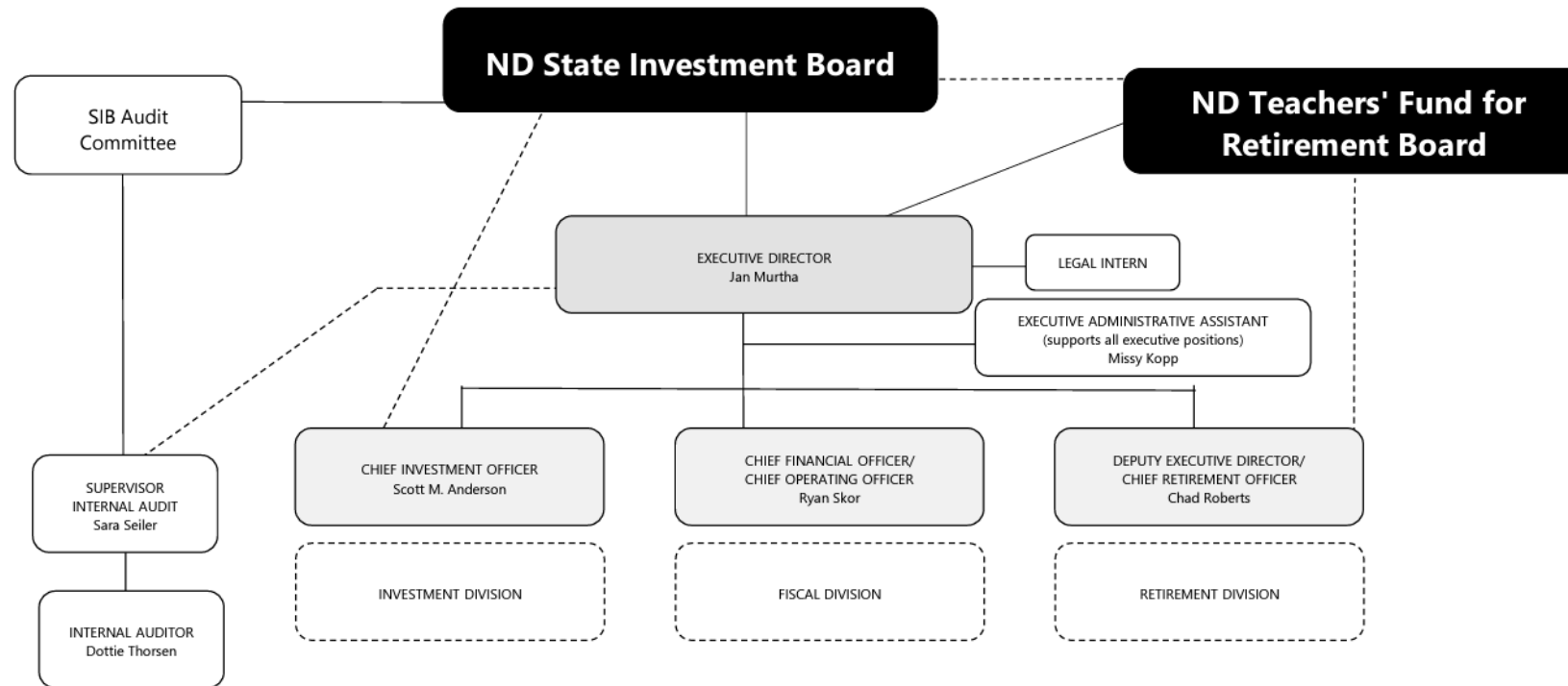
# CRITICAL PATHS OF SUCCESS



- Incentive Comp Approved
- Internal Investment portfolio managers and senior analyst
- Began discussions for broker/dealer arrangements
- Signed agreement for order management/portfolio management system
- Began program plan for investment IT infrastructure
- Began development of first internal investment strategies (cash overlay, liquidity indexes, efficient rebalance)

# THE RIO ORGANIZATION STRUCTURE

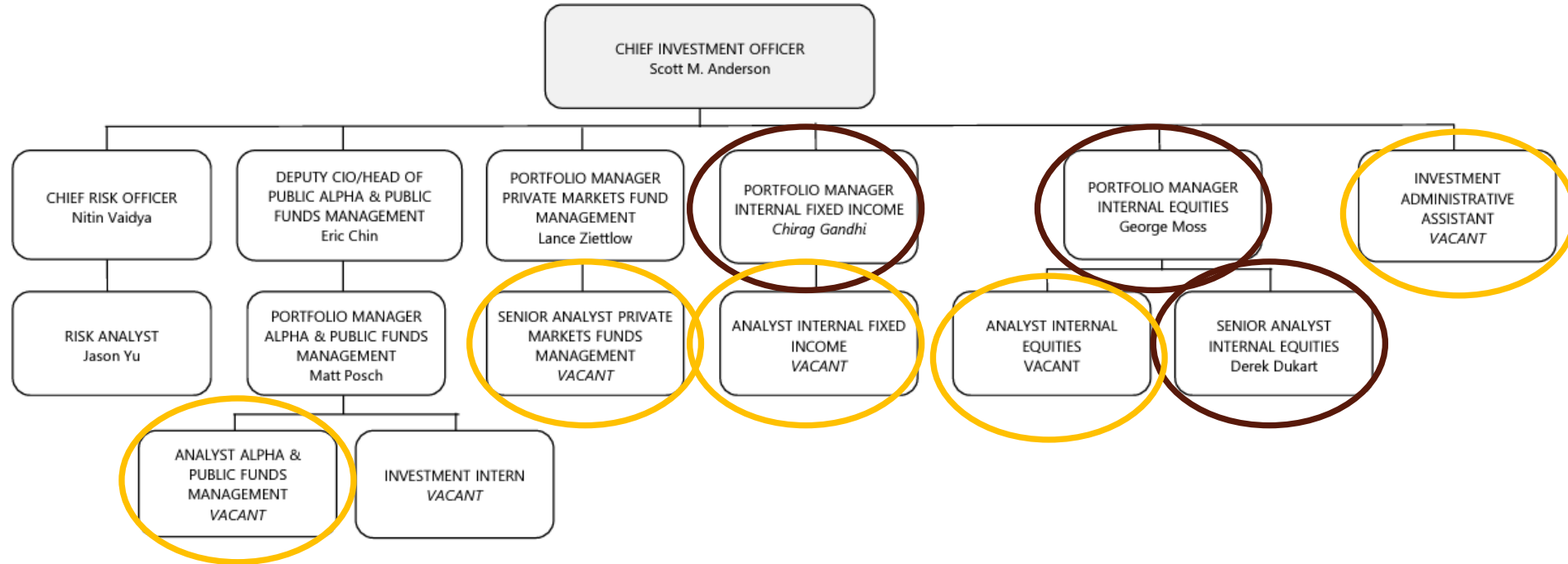
## RETIREMENT AND INVESTMENT OFFICE ORGANIZATIONAL CHART





# THE INVESTMENT TEAM

RETIREMENT AND INVESTMENT OFFICE ORGANIZATIONAL CHART - INVESTMENT



# INTERNAL INVESTMENT MANAGEMENT INITIATIVE

NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
<ul style="list-style-type: none"> <li>Begin Incentive And Unclassified Role Project</li> <li>Board Approves Benchmark Memo</li> <li>Coordinate Hurdle Rate Discussions With Incentive Comp And Unclassified Role Project</li> <li>Establish Executive Steering Committee For IT Project.</li> <li>Approve Alternative It Procurement</li> <li>Issue It Rfp</li> </ul>	<ul style="list-style-type: none"> <li>Identify Investment Role Titles And Benchmark</li> <li>Consultant Reviews Incentive Comp Prototype</li> <li>Complete Daily Allocation Process Design</li> </ul>	<ul style="list-style-type: none"> <li>Refine Incentive Comp Plan 1.0,</li> <li>Receive And Score MS/PMS RFP Responses</li> <li>Select OMS/PMS Vendors For Call Back</li> </ul>	<ul style="list-style-type: none"> <li>Issue Compliance Process RFP</li> <li>Issue Performance Consultant RFP</li> <li>Approve Incentive Comp 1.0 And Role Comp</li> <li>OMS/PMS Vendor Demonstrations</li> <li>Select OMS/PMS Vendor For Negotiation</li> <li>Complete Daily Allocation Process</li> </ul>	<ul style="list-style-type: none"> <li>Select Performance RFP Consultant Finalists</li> <li>Select Compliance Process Finalists</li> <li>Refine And Recruit Roles Recruit New Investment Roles</li> <li>New Role Long List Screening</li> <li>OMS/PMS Vendor Negotiation</li> <li>Launch Data Warehouse Project</li> <li>Begin To Develop Data Warehouse Strategy</li> <li>Complete Daily Data Quality Process</li> </ul>	<ul style="list-style-type: none"> <li>Begin Internal Direct Overlay And Rebalance Strategy</li> <li>Hire A Securities Lawyer And Begin FCM And ISDA Negotiations.</li> <li>Interview And Hire Performance Consultant</li> <li>Interview And Hire Compliance Consultant</li> <li>New Role Long List Screening</li> <li>Begin Compliance Process Design</li> <li>Sign OMS/PMS Contract</li> <li>Begin OMS/PMS Incremental Implementation</li> <li>Recruit Ops Roles</li> </ul>	<ul style="list-style-type: none"> <li>Approve Internal Direct Overlay And Rebalance Strategy</li> <li>Select And Call Back Candidates</li> <li>Interview Second Round Candidates**</li> <li>Implement Direct Overlay And Rebalance OMS/PMS Requirements</li> <li>Develop Large It Project Data Architecture</li> <li>Select Data Warehouse Solution</li> <li>Begin Compliance Process Design</li> <li>Complete Daily Reconciliation Design</li> </ul>	<ul style="list-style-type: none"> <li>Select And Call Back Final Round Candidates**</li> <li>Interview Final Round Candidates**</li> <li>Complete First FCM Agreement, Continue ISDA And Master Confirm Agreements</li> <li>Finalize Compliance Process Design</li> <li>Begin Design Custodian Feed To Data Warehouse</li> </ul>
<p>**Equity Portfolio Manager and Senior Analyst Overlays</p>							

# NEAR TERM TIMELINE OF ACTIVITIES - CONTINUED

JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB
<ul style="list-style-type: none"> <li>✓ Hire Initial Internal Direct Team**</li> <li>▪ Continue Recruitment</li> <li>✓ Onboard Initial Internal Direct Team</li> <li>▪ Incorporate Compliance Into OMS Implementation</li> <li>▪ Finalize OMS Integration With Custodian</li> <li>▪ Roll-out PMS Daily Reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pilot Internal Direct Cash Overlay And Rebalance</li> <li>▪ Test OMS And Integration With Custodian/External Traders On Internal Direct Overlay And Rebalance Pilot</li> <li>▪ Hire Initial Internal Direct Team</li> <li>▪ Continue Recruitment</li> <li>▪ Continue Data Warehouse Project</li> <li>▪ Begin Data Exchange Project</li> </ul>	<ul style="list-style-type: none"> <li>▪ Develop Legislative Strategy</li> <li>▪ Begin Legislative Outreach</li> <li>▪ Begin To Develop Index Strategy</li> <li>▪ Scale Up Overlay And Rebalance Strategy</li> <li>▪ Continue Recruitment</li> <li>▪ Continue Data Warehouse Project</li> <li>▪ Begin Data Exchange RFP</li> </ul>	<ul style="list-style-type: none"> <li>▪ Develop Tools And Data For Indexing</li> <li>▪ Continue Legislative Outreach</li> <li>▪ Complete Second FCM Agreement, Continue ISDA And Master Confirm Agreements</li> <li>▪ Continue Recruitment</li> <li>▪ Continue Data Warehouse Project</li> <li>▪ Select Data Exchange Vendor</li> </ul>	<ul style="list-style-type: none"> <li>▪ Develop Tools And Data For Indexing</li> <li>▪ Continue Legislative Outreach</li> <li>▪ Continue Recruitment</li> <li>▪ Continue Data Warehouse Project</li> <li>▪ Negotiate Data Exchange Contract</li> <li>▪ Update Compliance For Internal Indexing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Approve Indexing Policy</li> <li>▪ Continue Legislative Outreach</li> <li>▪ Continue Recruitment</li> <li>▪ Continue Data Warehouse Project</li> <li>▪ Launch Data Exchange Project</li> <li>▪ Incorporate Indexing Into OMS Implementation Including Compliance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue Legislative Outreach</li> <li>▪ Continue Recruitment</li> <li>▪ Continue Data Warehouse Project</li> <li>▪ Continue Data Exchange Project</li> <li>▪ Test OMS For Indexing With Custodian On A Small Pilot</li> </ul>	

Confidential materials will be sent to Committee members via secure link.

# PORTFOLIO GUIDELINES OVERVIEW

Investment & Risk Teams

September 13<sup>th</sup>, 2024

NORTH  
**Dakota** Be Legendary.

# PORTFOLIO GUIDELINES

1. Intended to mitigate the risk of undesired outcomes
2. These guidelines are followed by the manager when implementing their strategy
3. Guidelines act as guardrails which are based on past performance, the portfolio construction process, metrics and other qualitative criteria
4. Guideline creation is a collaborative process between the manager, the Investment Team, Risk Team and Legal Team to allow the manager to effectively implement their strategy in a risk-controlled fashion
5. Team implements two sets of guidelines:
  - a) *Soft guidelines*—upper and lower bands around a manager's strategy in normal conditions. Breaches are reviewed by Staff
  - b) *Hard guidelines*—significant deviation from the expected implementation. Breaches result in review by IC for further action, if needed

# PORTFOLIO GUIDELINES: SMA VS COMMINGLED

## GUIDELINE PROCESS IS DIFFERENT FOR SMAS VS. COMMINGLED FUNDS

### SMA GUIDELINES:

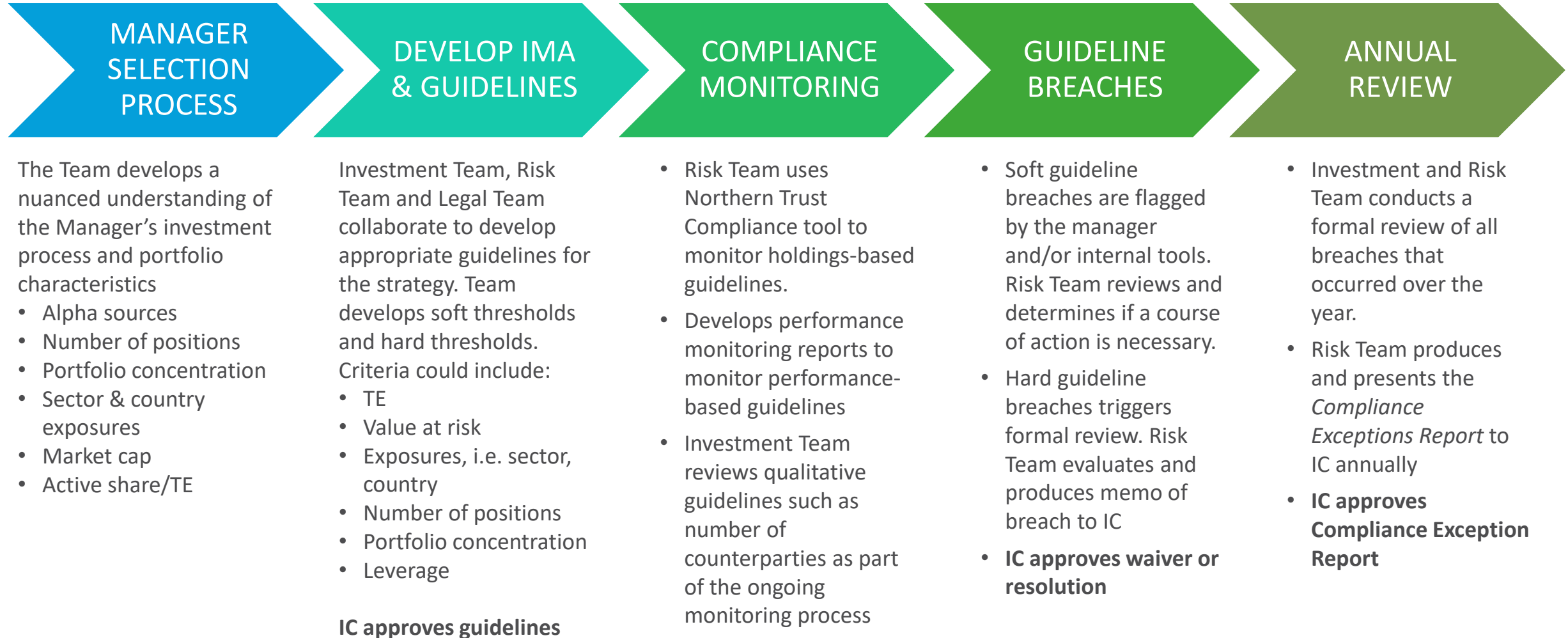
- Highly customizable, can set specific parameters for the SMA
- Guidelines are agreed upon by the manager and the Team—a key part of the IMA process
- Both the manager and Risk Team are responsible for flagging breaches
- Staff may implement additional internal monitoring guidelines when appropriate

### COMMINGLED:

- Difficult to implement customized guidelines for commingled products—may have to invest as is
- Team evaluates the products existing guidelines and determines if they are acceptable given the strategy of the product
- Team also develops an internal set of soft and hard guidelines (not part of IMA) for monitoring by Staff
- Staff will engage with the manager when breaches of internal guidelines occur

**Investment Committee approves and reviews actions in the event of a hard guideline breach**

# PORTFOLIO GUIDELINES: PROCESS





# MANAGER UPDATES

## Private Markets

- **Horsley Bridge Growth 14, L.P.**
  - Growth Equity Fund-of-Funds
  - \$60 million commitment (\$20 Pension, \$40 Legacy)
- **Peak Rock Capital Fund IV, L.P.**
  - Lower Middle Market Buyout
  - \$50 million commitment (\$15 Pension, \$35 Legacy)