

Investment Committee
Friday, February 10, 2023, 9:00 a.m.

Virtual Only

[Click here to join the meeting](#)

AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA
- II. ACCEPTANCE OF MINUTES (JANUARY 2022)
- III. LEGACY FUND OVERVIEW - MR. ANDERSON
- IV. NORTH DAKOTA GROWTH FUND – KODEE FURST & TREY HART OF 50 SOUTH
- V. COUNTRY RISK – MR. ANDERSON, MR. CHIN, MR. POSCH
- VI. LEGISLATIVE BILLS – MR. ANDERSON
- VII. DISCUSSION
- VIII. ADJOURNMENT

**STATE INVESTMENT BOARD
INVESTMENT COMMITTEE MEETING
MINUTES OF THE
JANUARY 13, 2023, MEETING**

MEMBERS PRESENT: Thomas Beadle, State Treasurer, Chair
Joseph Heringer, Trust Lands Commissioner, Vice Chair
Scott Anderson, CIO
Eric Chin, Deputy CIO
Dr. Prodosh Simlai, External Representative

MEMBER ABSENT: Dr. Ruilin Tian, External Representative

STAFF PRESENT: Derek Dukart, Investment Officer
Jecca Geffre, Communications & Outreach Dir.
Rachel Kmetz, Accounting Mgr.
Missy Kopp, Exec. Assistant
George Moss, Sr. Investment Officer
Jan Murtha, Exec. Director
Matt Posch, Sr. Investment Officer
Sara Seiler, Suprv. of Internal Audit
Ryan Skor, CFO/COO
Jason Yu, Risk Officer

GUESTS: Alex Browning, Callan
Craig Chaikin, Callan
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, January 13, 2023, at the Retirement and Investment Office (virtual host), 1600 E Century Ave., Bismarck, ND.

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

AGENDA:

The agenda was considered for the January 13, 2023, meeting.

IT WAS MOVED BY MR. CHIN AND SECONDED BY DR. SIMLAI AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE JANUARY 13, 2023, MEETING AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: DR. TIAN

MOTION CARRIED

MINUTES:

The minutes were considered for the December 9, 2022, meeting.

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. CHIN AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE DECEMBER 9, 2022, MEETING AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: DR. TIAN

MOTION CARRIED

PRIVATE MARKET PORTFOLIO REVIEW:

Mr. Moss discussed the three-phase approach to optimize the design of the private markets portfolio. Staff is working on improvements to data gathering and analysis including a technology platform for aggregating and analyzing the assets, benchmarking, and pacing models for each strategy and pool. In phase 2 staff will work to move away from external fund-of-funds which would take away added layers of fees, and work to address concerns in the sub-asset classes.

PRIVATE MARKETS UPDATE:

IT WAS MOVED BY COMMISSIONER HERINGER AND SECONDED BY MR. ANDERSON AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-18.4(1), 44-04-19.1(9), AND 44-04-19.2 TO DISCUSS CONFIDENTIAL COMMERCIAL INFORMATION AND CONTRACT NEGOTIATING STRATEGY.

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

NAYS: NONE

ABSENT: DR. TIAN

MOTION CARRIED

The executive session began at 10:06 a.m. and ended at 10:27 a.m. In attendance were Committee members, staff, Mr. Browning, and Mr. Chaikin.

ANNUAL COMPLIANCE REVIEW:

Mr. Posch provided an update on compliance monitoring. Staff are working with Northern Trust who has provided access to a compliance monitoring system which allows staff to monitor daily positions of public market portfolios. The tool will notify staff daily if one of the positions has breached any of the implemented rules. Staff are reviewing the rules to ensure they are accurately coded. Investment managers are required to notify staff when positions fall out of portfolio guidelines. A list of notifications from the past year are included in the report. On an annual basis, staff review documents for each investment manager. The report includes the list of reviewed documents and results of the review. Future compliance projects include reviewing and updating investment guidelines for each manager, the completion of onboarding for the Northern Trust compliance tool, and integration of the compliance process with the existing document management platform.

LEGISLATIVE BILLS:

Mr. Anderson reviewed current legislative bills that could have an impact on the investment program. HB 1039/1040 which would close the PERS defined benefit plan, would change the asset allocation, cost, and strategy for that fund. HB 1088 which changes the membership of the

SIB, would alter the governance to better reflect client composition and fulfill the need for board-level expertise. HB 1147 uses Legacy Fund earnings for a county and township bridge fund and would impact spending rule requirements. SB 2042 would change procurement practices in relation to ND firms. HB 1278 would require contracts with custodians/managers to include written support of fossil fuel and agricultural industries in ND. Committee discussion followed.

With no further business to come before the Investment Committee, Treasurer Beadle adjourned the meeting at 11:07 a.m.

Prepared by:

Missy Kopp
Assistant to the Board



LEGACY FUND

Scott M Anderson, CFA
FEBRUARY 10, 2022

NORTH
Dakota
Be Legendary.

Retirement & Investment

HISTORY OF THE LEGACY FUND

CREATION

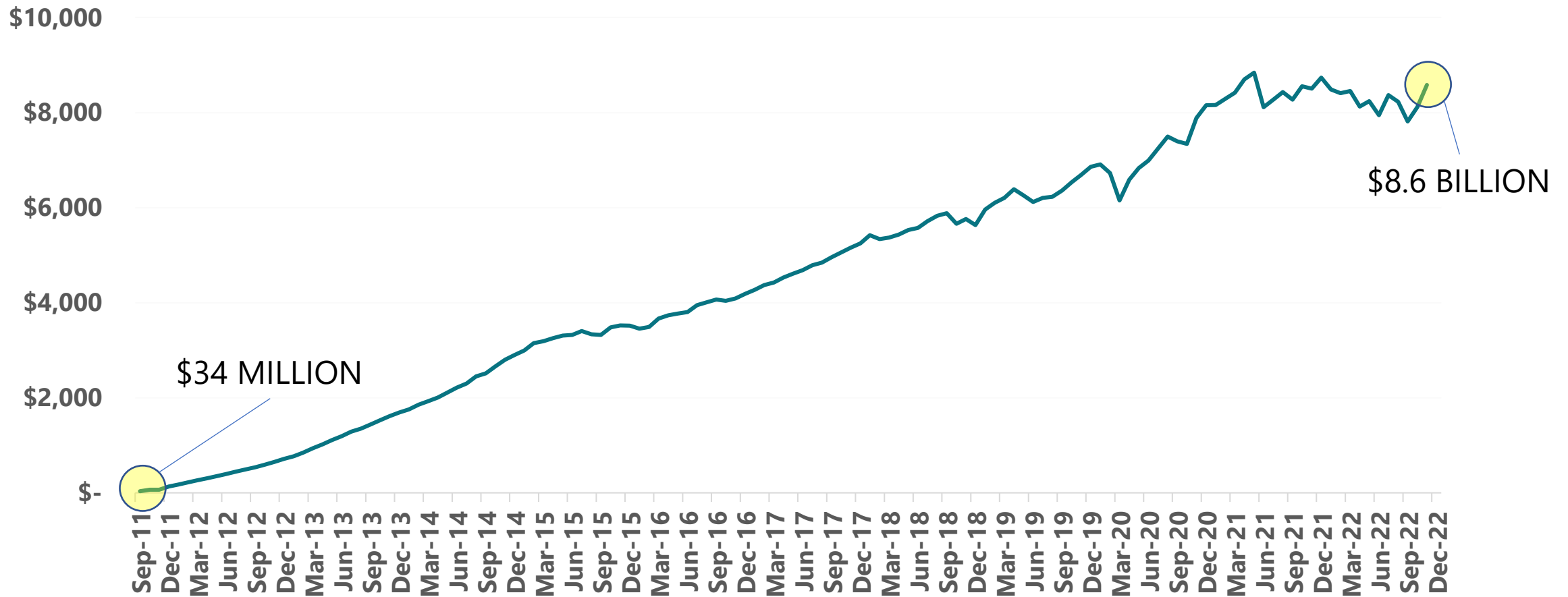
- ND Office of State Treasurer (website): “In 2009, the Legislative Assembly passed House Concurrent Resolution No. 3054, which placed the question of creating the Legacy Fund on the 2010 general election ballot. North Dakota voters approved the measure which created a perpetual source of state revenue from the finite national resources of oil and natural gas. The Legacy Fund was created as Article X, Section 26, of the Constitution of North Dakota.”¹
- HCR 3054 Leg. History Testimony in Support: Question: Why create this Fund? Answer: “To save a part of a non-renewable resource, to share the wealth with future generations.”²

OVERSIGHT

- Article X, Section 26, of the Constitution of North Dakota : “..The state investment board shall invest the principal of the North Dakota legacy fund. The state treasurer shall transfer earnings of the North Dakota legacy fund accruing after June 30, 2017, to the state general fund at the end of each biennium.”
- Legacy & Budget Stabilization Fund Advisory Board (Client Board comprised of legislators and elected and appointed officials). Created in 2011, expanded in 2021.
- Legacy Fund Earnings Committee created to advise legislature on earnings use.

LEGACY FUND GROWTH

LEGACY FUND NET ASSET VALUE



2021 – 2022 TO DATE TRANSFERABLE EARNINGS (AS OF JUNE 2022)

INCOME CATEGORY (\$000)	FY 21'	FY 22' To Date	21-23'	NOV 22'
PLUS NET REALIZED GAINS (LOSSES)	414,391	-198,272	216,118	12012
PLUS INVESTMENT INCOME	174,624	60,792	235,416	10784
PLUS NET SEC LENDING INCOME	461	184	645	37
LESS INVESTMENT EXPENSES	-19,292	-7,392	-26,684	-2,133
LESS ADMINISTRATIVE EXPENSES	-1465	-403	-1,868	-105
NET TRANSFERABLE EARNINGS	568,719	-145,091	423,627	20595

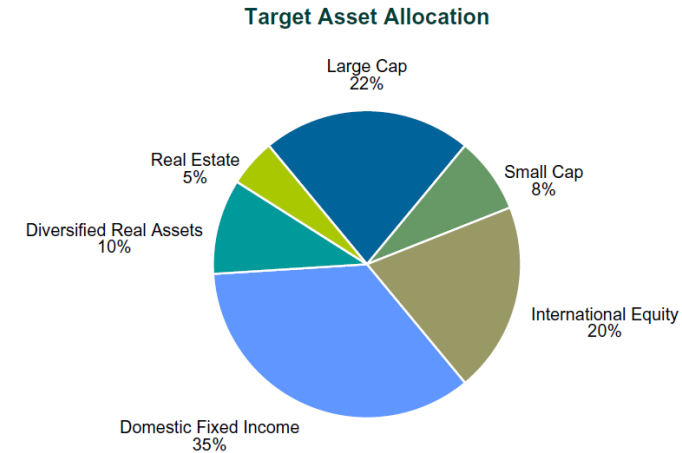
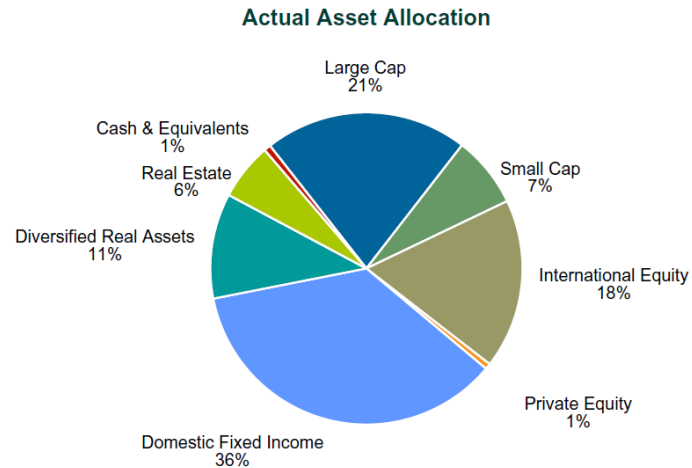
ESTIMATED EARNINGS AVAILABLE FOR APPROPRIATION (AS OF JUNE 2022)¹

DATE	NET ASSET VALUE (\$ BILLIONS)
6/30/2018	\$5.6
6/30/2019	\$6.1
6/30/2020	\$7.0
6/30/2021	\$8.1
6/30/2022	\$7.9
AVERAGE	\$7.0
@7%¹	\$0.486

**ESTIMATED \$486 MILLION
OF EARNINGS AVAILABLE
FOR APPROPRIATION
(AS OF JUNE 2022)**

1. Based on HB1380 specified calculation: 7% of the five-year average value of Legacy Fund assets calculated at the end of each fiscal year for the five-year period ending in the even number year after the biennium in which Legacy Fund earnings are transferred.

ASSET ALLOCATION: DIVERSIFIED AND CLOSE TO TARGET



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Large Cap	1,674,225	21.1%	22.0%	(0.9%)	(74,441)
Small Cap	586,928	7.4%	8.0%	(0.6%)	(48,950)
International Equity	1,399,965	17.6%	20.0%	(2.4%)	(189,731)
Private Equity	44,510	0.6%	0.0%	0.6%	44,510
Domestic Fixed Income	2,845,789	35.8%	35.0%	0.8%	63,821
Diversified Real Assets	868,498	10.9%	10.0%	0.9%	73,650
Real Estate	471,487	5.9%	5.0%	0.9%	74,063
Cash & Equivalents	57,078	0.7%	0.0%	0.7%	57,078
Total	7,948,481	100.0%	100.0%		

1. Current Quarter Target = 35.0% Blmbg Aggregate, 22.0% Russell 1000 Index, 20.0% MSCI EAFE, 10.0% DRA Weighted Benchmark, 8.0% Russell 2000 Index and 5.0% NCREIF Total Index. – Callan Performance Report 3/31/2022

LEGACY FUND PERFORMANCE

AS OF NOVEMBER 30, 2022



**Diversification
Benefits**

LEGACY FUND \$8.6 BILLION	YEAR TO DATE	1 YEAR	3 YEAR	5 YEAR	RISK (5 YEAR)
TOTAL FUND RETURN - NET	-11.3%	-9.4%	4.1%	4.6%	10.4%
POLICY BENCHMARK RETURN	-11.7%	-9.7%	3.6%	4.4%	10.1%
TOTAL RELATIVE RETURN	0.4%	0.3%	0.5%	0.2%	

ASSET ALLOCATION PROJECT

LAND TRUST



- IN-STATE INVESTING IMPACTS THE ALLOCATION, LIQUIDITY AND RETURN DISTRIBUTIONS FROM THE LEGACY FUND AND ULTIMATELY EARNINGS AVAILABLE FOR APPROPRIATION
- IN-STATE INVESTMENT OR ECONOMIC DEVELOPMENT?
- INVESTMENT INDIVIDUALLY MUST COMPETE WITH EQUAL RISK INVESTMENTS
- THE PORTFOLIO OF IN-STATE INVESTMENTS MUST HAVE A RETURN THAT EXCEEDS THE NON-IN-STATE INVESTMENTS
- EXITING PRIVATE EQUITY INVESTMENT IS DIFFICULT AND IS A MULTI-YEAR PROCESS
- INVESTMENTS SHOULD FOLLOW PACING SCHEDULE

ALLOCATION MUST TAKE IN-STATE INVESTMENT CHARACTERISTICS INTO ACCOUNT

LESS LIQUID

IN-STATE PROJECT STATUS

- MANY INTERVIEWS HAVE BEEN CONDUCTED WITH A NUMBER OF STAKEHOLDERS
- A GENERAL CONSENSUS HAS EMERGED THAT THE GOALS OF 1425 ARE GOOD BUT WITH SOME REFINEMENT 1425 CAN BE RECRAFTED TO MORE EFFECTIVELY ACHIEVE ITS GOALS
- A RANGE OF IMPLEMENTATION PARADIGMS HAVE BEEN ANALYZED TO GIVE DIRECTION TO POTENTIAL LEGISLATION, ASSET ALLOCATION AND POLICY
- A POLICY THAT IMPLEMENTS THE CURRENT LEGISLATION HAS BEEN APPROVED
- SB2330 IS PENDING REVIEW BY THE LEGISLATURE THAT SETS A 3.5% PERCENT OF MARKET VALUE SPENDING RULE RATHER THAN A REALIZED GAINS AND INCOME RULE AS WELL AS A SMALLER EQUITY ALLOCATION AND ELIMINATES THE INFRASTRUCTURE LOAN PROGRAM WHICH HAS A FIXED 2% INTEREST RATE SPECIFICATION



 NORTH DAKOTA

Growth Fund

**State Investment Board
Investment Committee**

February 10, 2023

50 SOUTH
CAPITAL

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A global alternatives firm that provides differentiated solutions and valued access to private equity, private credit, and hedge fund investment opportunities.

AT A GLANCE

- Experienced team with a 22-year history.
- Integrated alternative investment platform with hedge fund, private equity, and private credit solutions.
- Customized and multi-manager offerings.
- Wholly owned subsidiary of Northern Trust

DISTINGUISHED APPROACH

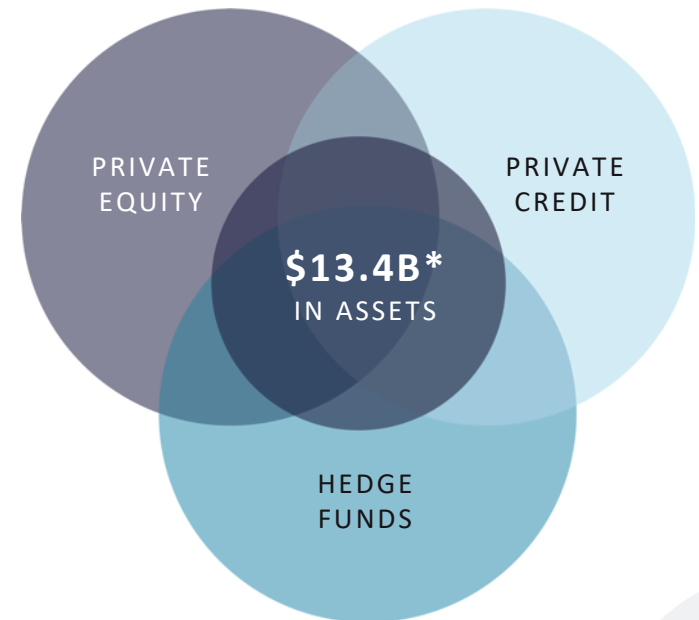
Connected to the global network and resources of Northern Trust.

Focus on inefficient markets, specifically small to mid-sized managers.

Diversified and growing client base.

Thoughtful portfolio construction.

Reputation of finding talent early.



Source: 50 South Capital. *AUM=\$9.8B and AUA=\$3.6B as of 12/31/22. Categories for investor breakouts include 50 South Advisor clients (AUM) as well as clients of affiliates (AUA).

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50 SOUTH CAPITAL STRIVES TO PROVIDE CLIENTS WITH EXPOSURE TO TOP MANAGERS AND TO DIFFERENTIATED INVESTMENT OPPORTUNITIES



INSTITUTIONAL SCALE

- \$10.8B+ in combined AUM and AUA*
- 460+ partnership investments
- Backed 139 unique GPs across 9 different countries

EXPERIENCED TEAM

- 18 dedicated private markets investment professionals
- 130+ years of combined PE investing experience

INVESTMENT TYPE

- Primary investments
- Secondary investments
- Direct co-investments

FUND FOCUS

- Global buyouts
- Global IT & healthcare venture capital

MULTIPLE INVESTMENT STRUCTURES

- Core commingled offerings
- Strategy-specific buyout and venture funds
- Custom account solutions

Source: 50 South Capital. *AUM=\$8.5B and AUA=\$2.2B as of 12/31/22. Categories for investor breakouts include 50 South Advisor clients (AUM) as well as clients of affiliates (AUA).

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50 SOUTH CAPITAL PRIVATE EQUITY TEAM



INVESTMENT TEAM



Bob Morgan
Managing Director



Brad Dorchinecz
Managing Director



Adam Freda
Managing Director



Trey Hart
Managing Director



Aaron Gillum
Senior Vice President



Mike Marderosian
Senior Vice President



Kevin Butts
Senior Vice President



Molly Brister
Director



Chip Davis
Director



Murielle Dawdy
Director



Kodee Furst
Director



Bridget Schweiss
Director



Patrick Clavio
Vice President



Tony Sorrentino
Vice President



Sarah Jaeger
Associate



Kelsey McHugh
Associate



Megan Cunningham
Analyst



Melissa Hernandez
Analyst

BUSINESS OPERATIONS & LEGAL TEAM



Jeffrey Buth
CFO



Antonio Muiños
CCO



Justin Redeker
General Counsel



Josh Abrego
Controller



Kate Lazarevski
Assistant Controller



Julie Canna
Senior Vice President



Kathleen Switala
Vice President



Megan Brooks
Vice President



Peter Morin
Analyst



Thalia Lloyd
Vice President



Patti Nolan
Vice President



Philip Schwartzman
Operations



Atif Uddin
Operations



Maria Maldonado
Executive Admin

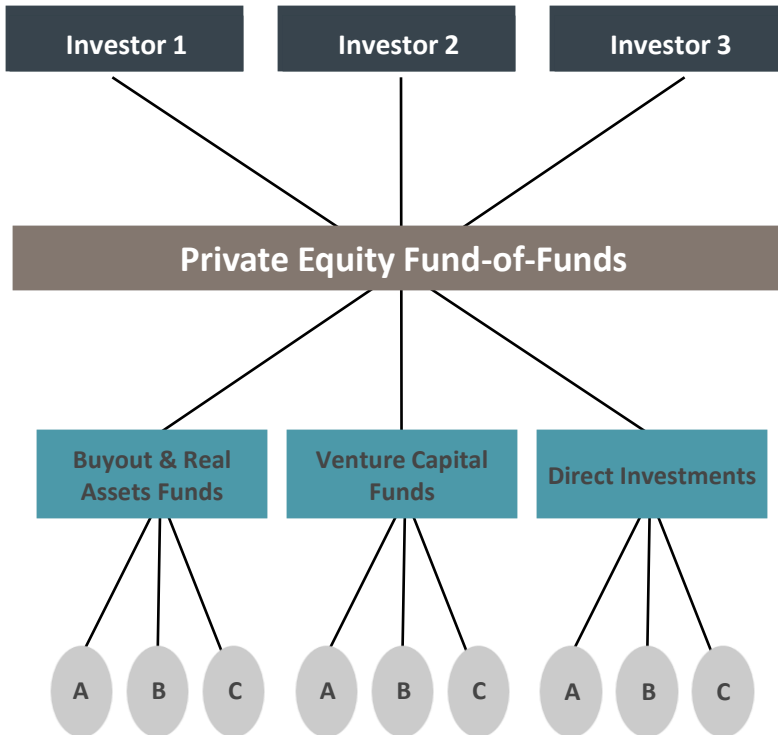
INVESTOR RELATIONS TEAM

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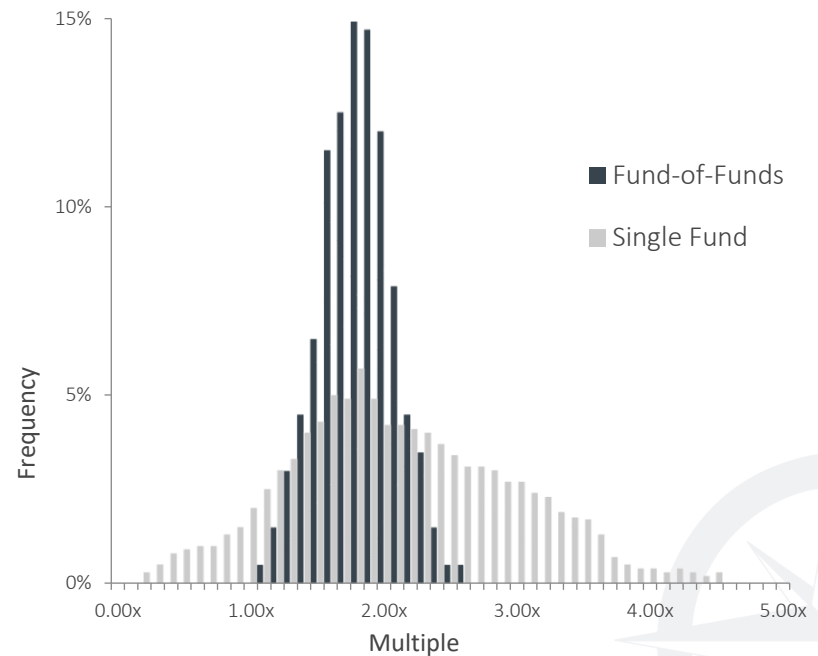
PRIVATE EQUITY FUND-OF-FUNDS OVERVIEW



North Dakota Growth Fund Structure



Underlying Fund Managers



For illustrative purposes only. 50 South Capital estimate.

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Preliminary Due Diligence

Initial Introduction Made Via:

- 50SC calling program
- Private equity team or Northern Trust network

Introductory Meeting:

- In person/virtual at 50SC office or fund headquarters
- Focus on the team, strategy, and track record

Fund Presented in Weekly Team Meeting:

- Decision made to pass, track, or pursue

Initial Fund Analysis:

- Create key statistics spreadsheet (analysis of cash flows, returns, deal sources, loss ratio, etc.)
- Deeper review of private placement memorandum

Active Due Diligence

On-Site Due Diligence:

- Day-long meeting reviewing all portfolio reviews, prior funds, broader team, and in-depth discussion of strategy
- Multiple meetings are typical, based on multi-city office setup

Team Follow-Up Discussion:

- Discuss manager merits, risks, and fit within the portfolio
- Preparation of detailed follow-up questions

Reference Calls:

- On and off list references made with portfolio company CEOs, LPs, former team, lenders, and other

Follow-Up Discussion with Fund:

- Majority of questions and concerns typically addressed
- Additional in-person meetings for other team members if needed

Confirmatory Due Diligence and Underwriting

Legal Review :

- All concerns addressed
- Side letter and LPA terms negotiated
- Performed with assistance from outside counsel

Investment Memorandum Prepared:

- Contains multiple sections detailing investment rationale, risks/mitigants, fund overview, investment strategy, historical performance, return distribution, and team retention

Background Checks Completed On Key Partners:

- Investment contingent on no concerns

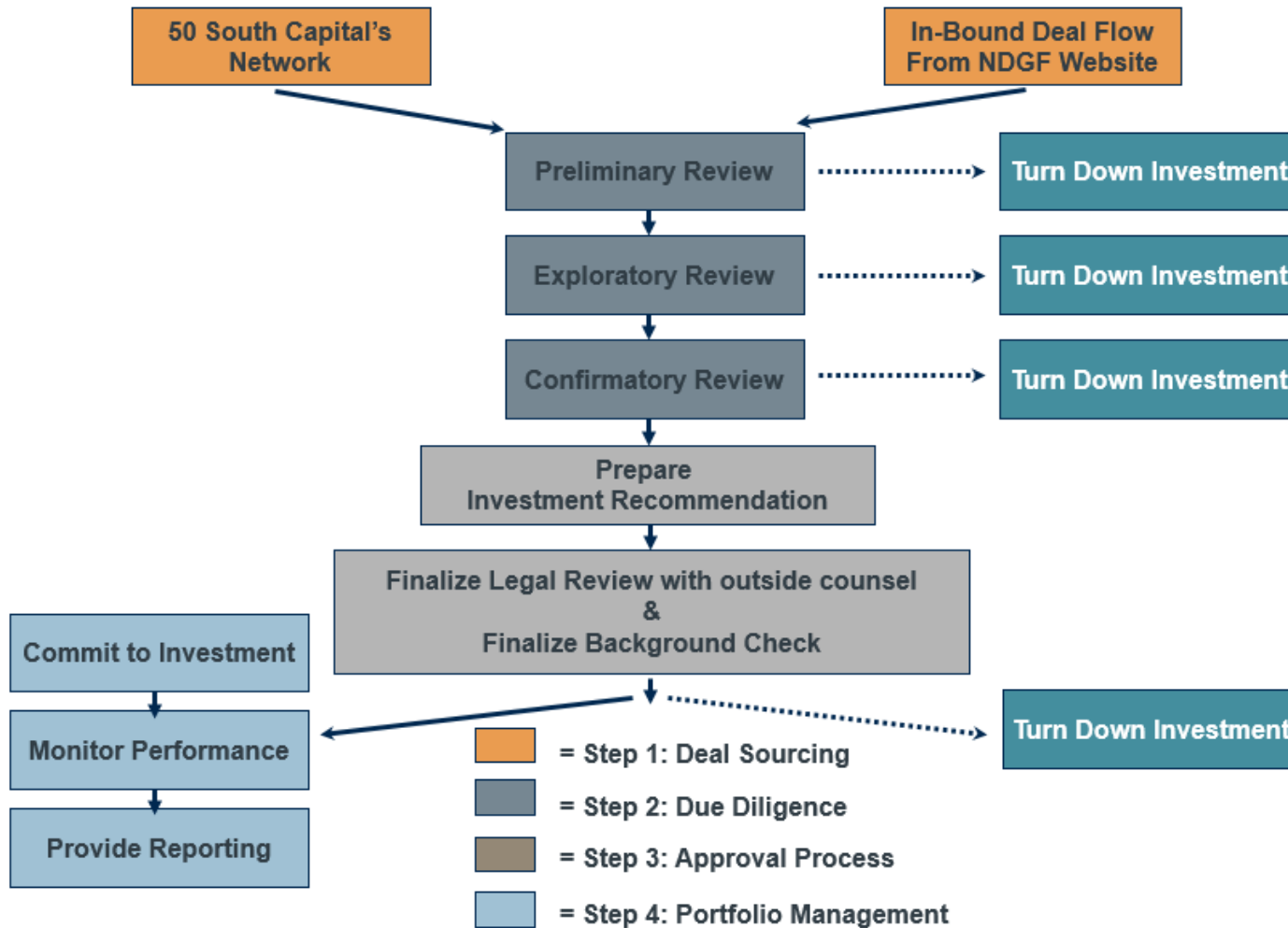
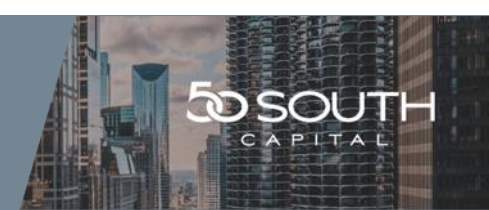
Presentation To Investment Committee:

- Unanimous approval required

Note that all steps of the analysis may not be taken for each investment. The analysis completed may occur at different points in the process than stated above.

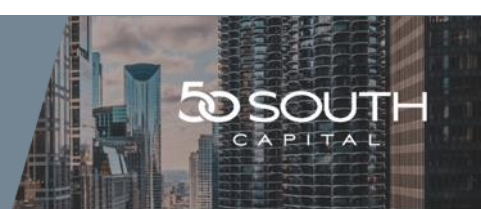
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50 SOUTH CAPITAL INVESTMENT PROCESS



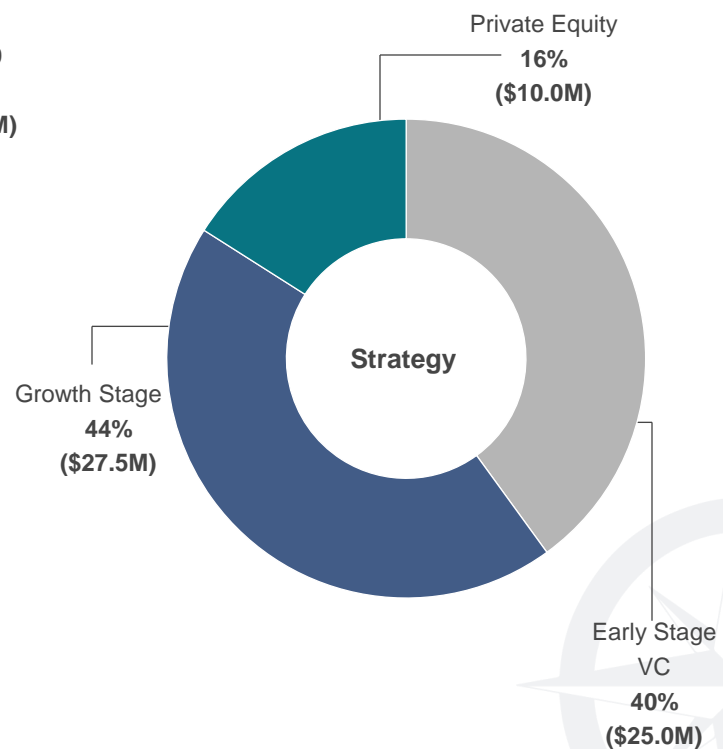
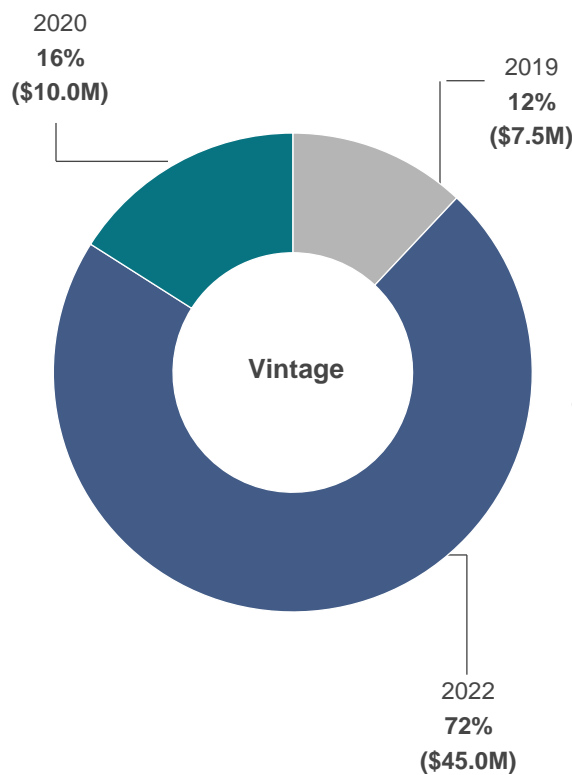
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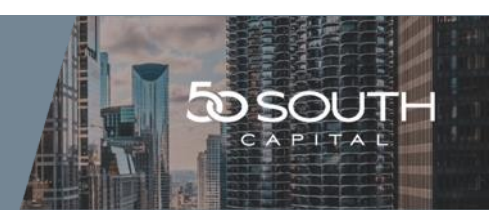
NDGF is building a diversified portfolio across vintage, sector and strategy that is unified by a commitment to invest in North Dakota entrepreneurs.

North Dakota Growth Fund <i>(as of February 7, 2022)</i>
\$100 million in committed capital
5 fund commitments
\$62.5 million in commitments
62.5% committed
88.0% invested in ND-domiciled managers
28% called
5 North Dakota companies
20 total portfolio companies
\$17.4 million invested in ND companies
5 LP Advisory Board seats



NDGF capital activity as of February 2023. Logos are for illustrative purposes only.

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*“The Badlands Capital team has been investing equity in businesses in the Midwest for more than 20 years. North Dakota is an especially attractive state in which to invest given the **growing and diverse economy, entrepreneurial spirit, strong university system, and support of state government.**”*

Startup accelerator gener8tor announced launches seed fund in Fargo and Grand Forks

The gener8tor 1889 seed fund’s goal is to grow the entrepreneurial ecosystem in North Dakota through investing in local startups and attracting new startups to the state.

Monitoring Startup Soiltech Completes Seed Funding Round

Soiltech Wireless, a startup focused on remote crop monitoring and traceability from field to transport and storage, has completed its seed funding round of \$2.5 million.

Leading the round was Homegrown Capital along with Great North Ventures, Capital 11, SBR Enterprises, Junto, Vynyl and the 701 Angel Fund.

“These funds will help us accelerate growth,” said Ehsan Soltan, Soiltech Founder and CEO. “We have worked hard to prove the concept, enhance the product, and demonstrate value to our customers.”

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Thread announced more than \$15 million in Series A funding, led by Badlands Capital and Partner Blaine Crissman.

Bushel® Closes \$47 Million Investment Round Led by Lewis & Clark AgriFood and Continental Grain Company

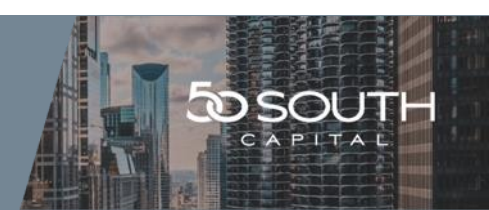
Investment captures significant market share of grain supply chain and accelerates digital infrastructure for sustainability initiatives, fintech offerings and expanded product suites

NDGF Investment Portfolio (as of 2.7.23)		
Investment	Strategy	Vintage
Lewis & Clark AgriFood II	Later stage venture capital	2019
LongWater Opportunities III	Lower middle market private equity	2020
Homegrown Capital I	Early stage venture capital	2022
gener8tor 1889	Early stage venture capital	2022
Badlands Capital I	Multi stage growth capital	2022



Investment schedule as of February 2023. Logos are for illustrative purposes only.

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North Dakota Companies		
Company	Sector	Office(s)
Bushel	Agtech	Fargo
Soiltech Wireless	Agtech	Fargo
RxE2	Healthcare	Fargo
Thread (previously Airtonomy)	UAS	Grand Forks
Edgewood Healthcare	Healthcare	Grand Forks



Investment schedule as of December 2022. Logos are for illustrative purposes only.

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GENER8TOR OVERVIEW



NDGF’s investment in gener8tor will accelerate up to fifteen companies per year over the next five years. We anticipate that, at minimum, one-third of those companies will be on the path to raising private capital for their growth increasing the supply of companies for the entire NDGF recipient funds to consider. Additionally, gener8tor’s network of over 3000 co-investors will potentially increase the number of firms eligible for NDGF as they are exposed to North Dakota deal flow through gener8tor’s investor network.

Gener8tor North Dakota				
	gBETA Fargo	gBETA Grand Forks	gener8tor Accelerator	Direct Investments
Program Overview	pre-accelerator program for companies that are looking to achieve rapid growth and/or raise venture capital	pre-accelerator program for companies that are looking to achieve rapid growth and/or raise venture capital	accelerator focused on individualized coaching, access to over 100 local mentors and exposure to investors	seed stage fund investing in ND companies across sectors and verticals
Program Timeline	Jan – March*	April – June	March – June	N/A
Investment	Free	Free	\$100k SAFE	\$250k - \$750k
Cohort Size	5 companies	5 companies	5 companies	15-20
<i>*gBETA Fargo will be hosted again in Fall 2023 and subsequently in the Fall for the remaining years of the program.</i>				

Source: 50 South Capital.

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50 South continues to maintain a high level of visibility across the State participating in and sponsoring events focused on entrepreneurship, private markets investing and community development.

KEY 2022 ACTIVITIES

- Cohosted Prairie Capital Summit with over 200 attendees
- Hosted meetups in Bismarck, Minot and Watford City for local entrepreneurs, economic developers, legislators and investors
- Presented to Southwest ND Economic Development Association
- Presented at She Starts Week
- Attended Greater North Dakota Chamber's Annual Meeting, Main Street Summit, Cultivate Conference, TEDxFargo, Startup Brew and Startup Investor Meetups
- Supported Grand Farm's groundbreaking and visit from Canadian AgTech Accelerator
- Engaged with University of North Dakota and North Dakota State University leaders



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COUNTRY RISK

Investment Team
FEBRUARY 10, 2022

NORTH
Dakota
Be Legendary.

Retirement & Investment

- POLITICAL
- COUNTRY SPECIFIC ECONOMIC
- LEGAL RISK
- CURRENCY
- COUNTRY SPECIFIC TECHNOLOGY AND INFRASTRUCTURE



- COUNTRY BOND DEFAULT
- IMPACTS TO DOMICILED COMPANIES
- IMPACTS TO NON-DOMICILED COMPANIES

GENERALLY, IS A COMPENSATED RISK

WHICH COUNTRY?

- COUNTRY OF HEADQUARTERS?
- COUNTRY OF AFFILIATE FINANCING?
- COUNTRY OF OPERATIONS CONCENTRATION?
- COUNTRY OF RISK?
- COUNTRY OF MAJORITY OWNERSHIP?

EMERGING MARKETS IN ALL INDEXES

BENCHMARK	% OF MARKET VALUE					
	EM	CHINA	HONG KONG	TAIWAN	MACAU	RUSSIA
RUSSELL 1000	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
RUSSELL 2000	0.38%	0.00%	0.00%	0.00%	0.00%	0.00%
MSCI ACWI EX US IMI	29.77%	7.81%	2.34%	4.31%	0.04%	0.00%
BLOOMBERG AGGREGATE	1.49%	0.14%	0.01%	0.00%	0.00%	0.00%
BLOOMBERG HY ¹	1.60%	0.00%	0.48%	0.00%	1.10%	0.00%
NCREIF ODCE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. 2% issuer constrained

SEPARATELY MANAGED/COMMINGLED

NUMBER OF MANAGERS¹

	INDEXED	ACTIVELY MANAGED	
SEPARATELY MANAGED	0	13	13
COMMINGLED	7	9	16
TOTAL	7	22	29

1. Public markets managers; **Only three commingled/active managers invest in emerging markets and two index funds invest in emerging markets.**

A STAGED PLAN TO MONITOR COUNTRY RISK

1.0

ALL EM MANDATES BECOME SEPARATELY MANAGED

- OBTAIN TRADING LICENSES IN ALL REQUIRED COUNTRIES
- CREATE INVESTMENT MANAGEMENT AGREEMENTS AND GUIDELINES FOR FLEXIBLE SEPARATE MANAGEMENT OF FUNDS

2.0

OBTAIN INFORMATION SOURCES AND ADVICE REGARDING COUNTRY RISKS

- DEVELOP A COUNTRY MONITORING CAPABILITY AND INTEGRATE THAT INTO THE INVESTMENT PROCESS
- CREATE A COUNTRY RISK SCORING SYSTEM; UTILIZE EXPERT ADVICE WHERE REQUIRED
- ENSURE A REGULAR INTERACTION WITH EM MANAGERS TO UNDERSTAND RISKS

3.0

IF PROVIDES VALUE TO FUNDS, DEVELOP A COUNTRY SCREENING CAPABILITY

- GAIN APPROVAL FOR AN INTERNAL DECISION FOR COUNTRY SCREENING
- DECIDE IMPLEMENTATION APPROACH – INTERNAL INVESTMENT, INDEXES, ADJUSTMENTS TO GUIDELINES, RELY ON TREASURY GUIDANCE

**MAY REDUCE EXTERNAL
MANAGER OPPORTUNITY**

CHALLENGES WITH ACTING ON ANALYSIS

- HOW DOES ONE DEFINE COUNTRY RISK VERSUS COMPANY RISK (GLOBAL COMPANIES)?
- REDUCED OPPORTUNITY SET
- ADEQUATELY MEASURING THE RISK IN A WAY BETTER THAN WITH EXTERNAL MANAGERS
- MAKING A COUNTRY RISK DECISION OF GEOPOLITICAL FACTORS THAT ARE BETTER ASSESSED BY NATIONAL SECURITY INTERESTS



2023 BILLS IMPACTING INVESTMENTS

Scott M Anderson, CFA
January 9, 2023

NORTH
Dakota
Be Legendary.

Retirement & Investment

2023 BILLS IMPACTING INVESTMENTS

BILL

TOPIC

IMPACT

HB1039

CLOSING PERS DB PLAN EFFECTIVE
12/31/23

CHANGE OF ASSET ALLOCATION, CHANGE OF COST AND
STRATEGY

HB1040

CLOSING PERS DB PLAN EFFECTIVE
12/31/24

CHANGE OF ASSET ALLOCATION, CHANGE OF COST AND
STRATEGY

HB1088

SIB MEMBERSHIP CHANGES

CHANGE OF GOVERNANCE TO BETTER REFLECT CLIENT
COMPOSITION AND NEED FOR BOARD LEVEL EXPERTISE

HB1147

USING LEGACY FUND EARNINGS FOR
A COUNTY AND TOWNSHIP BRIDGE
FUND

IMPACT SPENDING RULE REQUIREMENTS

SB2042

PROCUREMENT PRACTICES

PROCUREMENT PROPOSALS IDENTICAL PRICING AND
EVALUATION SCORES GIVEN TO ND FIRMS

2023 BILLS IMPACTING INVESTMENTS

BILL	TOPIC	IMPACT
HB1227	BUSINESS CASE FOR POLICY CHANGES IN LEGACY FUND	RIO MUST HIRE AN INDEPENDENT CONSULTANT TO PROVIDE A BUSINESS CASE
HB1278	CONTRACTED SUPPORT FOR FOSSIL FUELS AND AG	COST TO MONITOR AND POTENTIAL LOSS OF VENDOR RELATIONSHIPS
HB1283	LIST OF BANKS THAT MANAGE TO ESG FACTORS	POTENTIAL RISKS TO BANKING INDUSTRY, COST TO IMPLEMENT AND POTENTIAL LOSS OF VENDOR RELATIONSHIPS
HB1345	REQUIRES PUBLIC SUPPORT OF FOSSIL FUEL AND AG INDUSTRIES	COST TO IMPLEMENT, POTENTIAL LOSS OF VENDOR RELATIONSHIPS
HB1347	STATE TREASURER LIST OF BANKS THAT BOYCOTT FOSSIL FUEL AND AG	POTENTIAL RISKS TO BANKING INDUSTRY, COST TO IMPLEMENT AND POTENTIAL LOSS OF VENDOR RELATIONSHIPS
HB1368	PROHIBITING INVESTMENTS WITH AND CONTRACTS WITH FIRMS THAT BOYCOTT ISRAEL	EXISTING LEGISLATION COVERS CONCERN, COST TO MONITOR AND POTENTIAL LOSS OF VENDOR RELATIONSHIPS
HB1429	ESG BOYCOTT CONTRACT RESTRICTIONS, SIB LIST	COST TO MONITOR AND POTENTIAL LOSS OF VENDOR RELATIONSHIPS

2023 BILLS IMPACTING INVESTMENTS

BILL

TOPIC

IMPACT

HB1469

PROHIBITED INVESTMENT FOR
PECUNIARY FACTORS, SIB LIST

COST TO MONITOR AND POTENTIAL LOSS OF VENDOR
RELATIONSHIPS

HB1400

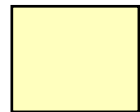
LAND TRUST MAY OUTSOURCE
INVESTMENTS TO RIO

EXISTING CENTURY CODE ALREADY ALLOWS THIS

SB2330

7% PERCENT OF MARKET VALUE
DEFINITION OF EARNINGS/BIENNIUM,
ELIMINATES INFRASTRUCTURE PROGRAM,
REDUCES INSTATE EQUITY INVESTMENT

INCREASED FUND RETURNS, MORE PREDICTABLE AND
CONSISTENT EARNINGS FROM FUND, BETTER FUND
LIQUIDITY



ESG BILLS