

**STATE INVESTMENT BOARD
INVESTMENT COMMITTEE MEETING
MINUTES OF THE
June 16, 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
Dr. Ruilin Tian, External Representative

STAFF PRESENT: Derek Dukart, Investment Officer
Rachel Kmetz, Accounting Manager
Missy Kopp, Exec. Assistant
George Moss, Sr. Investment Officer
Matt Posch, Sr. Investment Officer
Ryan Skor, CFO/COO
Nitin Vaidya, Chief Risk Officer
Jason Yu, Risk Officer
Lance Zietlow, Sr. Investment Officer

GUESTS: Alex Browning, Callan

CALL TO ORDER:

Commissioner Heringer called the State Investment Board (SIB) Investment Committee (IC) meeting to order at 9:08 a.m. on Friday, June 16, 2023. The meeting was held virtually.

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

AGENDA:

The agenda was considered for the June 16, 2023, meeting.

IT WAS MOVED BY MR. ANDERSON AND SECONDED BY MR. CHIN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE JUNE 16, 2023, MEETING AS DISTRIBUTED.

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

NAYS: NONE

ABSENT: TREASURER BEADLE

MOTION CARRIED

MINUTES:

The minutes were considered for the May 12, 2023, meeting.

IT WAS MOVED BY MR. ANDERSON AND SECONDED BY DR. SIMLAI AND CARRIED BY A VOICE VOTE TO APPROVE THE MINUTES FOR THE MAY 12, 2023, MEETING AS DISTRIBUTED.

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

NAYS: NONE
ABSENT: TREASURER BEADLE
MOTION CARRIED

PUBLIC MARKETS FUNDS ALPHA STRATEGY:

Mr. Chin provided an overview of the Alpha and Funds Management (AFM) investments and team members. Mr. Chin discussed the current capabilities and tools and what is needed as the program grows. The sources of value added include an indexed reference portfolio, asset allocation, strategy and manager selection, investment implementation, and funding, lending, and liquidity management. AFM beliefs, objectives, and strategy were discussed. Mr. Chin outlined the four key pillars to generate excess returns, active management, and the manager selection process. AFM portfolio construction was discussed. Mr. Chin outlined the near-term timeline of activities for AFM. Key projects to be completed by the end of 2023 include Equity 2.0, Equity Report Package V 1.0, IG Fixed Income Universe Analysis, IG Fixed income Report Package V 1.0, and Sub IG Portfolio Structure 1.0. Committee discussion followed.

PRIVATE EQUITY:

IT WAS MOVED BY MR. ANDERSON AND SECONDED BY MR. CHIN 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. ANDERSON, DR. SIMLAI, MR. CHIN, AND DR. TIAN

NAYS: NONE
ABSENT: TREASURER BEADLE
MOTION CARRIED

The executive session began at 10:23 a.m. and ended at 11:14 a.m. The session was attended by Committee members and staff.

Treasurer Beadle joined the meeting at 10:49 a.m.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. SIMLAI AND CARRIED BY A ROLL CALL VOTE TO PROCEED WITH THE STAFF RECOMMENDATION TO MAKE A PRIVATE EQUITY INVESTMENT OF UP TO \$30 MILLION CONTINGENT UPON APPROVAL OF A NEW ASSET ALLOCATION BY THE LEGACY AND BUDGET STABILIZATION ADVISORY BOARD AND THE SIB.

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

NAYS: NONE
MOTION CARRIED

WELLINGTON INTERNATIONAL SMALL CAP:

Mr. Posch provided an update on Wellington International Small Cap (WISC). Staff were informed that WISC is closing in August 2023 and returning capital to investors. The strategy has struggled with intermediate term performance and experienced significant staff turnover. Staff recommends redeeming out of WISC prior to the winddown on August 31, 2023, and investing in a passive index strategy. In the upcoming equity portfolio 2.0 analysis, staff will develop a new portfolio structure and look to underwrite a new international small cap strategy if necessary.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. SIMLAI AND CARRIED BY A ROLL CALL VOTE TO REDEEM OUT OF WELLINGTON INTERNATIONAL SMALL CAP AND INVEST IN THE PASSIVE INDEX STRATEGY STATE STREET MSCI WORLD EX-US SMALL CAP INDEX FUND.

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

NAYS: NONE

MOTION CARRIED

INVESTMENT GUIDELINES:

Mr. Chin provided an overview of staff's use of investment guidelines. Investment guidelines are intended to mitigate the risk of undesired outcomes and are followed by the manager when implementing their strategy. The guidelines act as guardrails. Creating guidelines is a collaborative process between the manager, staff, and legal team. Mr. Chin summarized how the team implements soft and hard guidelines, the investment guidelines process, and the difference between the guideline process for SMAs and Commingled funds. Mr. Vaidya reviewed guideline criteria and the guidelines that have been created for DFA Emerging Markets All Cap Core, DFA Emerging Markets All Cap Core Ex-China, State Street MSCI Emerging Markets Ex-China, and State Street MSCI China. Committee Discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. ANDERSON AND APPROVED BY A ROLL CALL VOTE TO APPROVE THE INVESTMENT GUIDELINES AS PRESENTED

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

NAYS: NONE

MOTION CARRIED

With no further business to come before the Investment Committee, Commissioner Heringer adjourned the meeting at 11:54 a.m.

Prepared by:

Missy Kopp, Assistant to the Board