

Executive Summary - Informational

TO: State Investment Board
FROM: Dave Hunter
DATE: July 22, 2020
SUBJECT: SIB Meeting Materials – July 24, 2020

The SIB meeting on June 26 will be held in a virtual manner in light of ongoing public health concerns related to the COVID-19 outbreak. This Board meeting will include one new manager presentation for U.S. Small Cap Equity in addition to the following topics:

- Election of Officers and Committee Appointments** – The SIB will elect the Chair and Vice-Chair at this meeting in addition to making appointments for Parliamentarian and the Audit, Securities Litigation and Executive Review Committees.
- Interim Investment Update** – TFFR, PERS and Legacy Fund net returns improved from **-7%** on a fiscal year to date basis as of March 31, 2020 to **+1.5%** for TFFR and PERS and **+2%** for Legacy Fund on a fiscal year to date basis as of May 31, 2020, due to a strong equity market recovery in April and May. Based on preliminary indicative return estimates for June, RIO believes TFFR, PERS and Legacy Fund net returns are estimated to range from **+3% to +4%** on a fiscal year to date basis as of June 30, 2020, noting these estimates are subject to material change. WSI and Budget Stabilization Fund returns have also rebounded significantly since March 31, 2020, and broadly estimated to approximate **+5%** and **+1.5%**, respectively, on a fiscal year end basis as of June 30, 2020.

	TFFR	PERS	Legacy	WSI	Budget Stabilization
Net Returns for 1-Year Ended 12/31/2019	18.0%	18.0%	18.1%	13.6%	4.7%
Net Returns for Quarter Ended 9/30/2019	0.4%	0.4%	1.0%	1.7%	0.9%
Net Returns for Quarter Ended 12/31/2019	5.6%	5.7%	5.2%	2.6%	0.8%
Net Returns for Quarter Ended 3/31/2020	-12.0%	-12.1%	-12.7%	-6.1%	-3.6%
Net Return for Month Ended April 30, 2020	5.7%	5.8%	6.4%	4.1%	1.6%
Net Return for Month Ended May 31, 2020	2.9%	2.8%	3.4%	2.2%	1.3%
Total Fund Actual through 31-May	1.5%	1.5%	2.0%	4.3%	0.9%
<i>Est. MTD through</i> 6/30/2020	1.7%	1.7%	1.7%	1.1%	0.6%
Estimated FYTD Return 6/30/2020	3.3%	3.2%	3.7%	5.4%	1.5%

June returns are rough indicative estimates based on underlying benchmark data, not actual results. All estimates are preliminary, unaudited and subject to material change.

- Portfolio Rebalancing Update** – On March 27th, the SIB approved a recommendation to engage Parametric to assist us in synthetically rebalancing fund exposures in an efficient and cost effective manner. Due to a strong equity market recovery in the second quarter, RIO was able to lift our overlay strategy last month and efficiently rebalance to target allocations with physical security transactions. **RIO will review preliminary investment**

returns for all of our SIB clients for the fiscal year ended June 30, 2020, at our Board meeting on August 28th. Callan will then provide a comprehensive annual review of our SIB client investment results as of June 30, 2020, at our September 25th meeting.

4. **Public Equity Update** - RIO will request the SIB to approve a new U.S. Small Cap Equity manager, Sycamore Capital, to complement our existing manager - Atlanta Capital and newly approved manager - Riverbridge. The SIB engaged Callan to aide RIO in the identification of suitable candidates to fulfill a three manager structure that includes top performing Atlanta Capital. RIO and Callan jointly identified a shortlist of ten U.S. small cap growth and ten U.S. Small Cap core/value managers for final review and recommendation to the SIB. On June 26, the Board approved a recommendation to engage Riverbridge to replace an existing synthetic U.S. Small Cap strategy with Parametric. **RIO has requested Sycamore Capital to present to the Board for consideration on July 24th (as jointly advanced by Callan and RIO).** RIO and Callan intend to bring two additional Global and/or International Equity managers before the Board for consideration in the upcoming months in order to improve downside risk results and diversify equity manager concentrations.

5. **Governance and Education** – **RIO will review our latest combined SIB/TFFR meeting schedule though June 30, 2021,** and provide an updates on our new RIO website, TFFR Pension Administration System modernization project, and RIO Budget submission for the 2021-23 biennium. Board members will also be asked to review their Code of Conduct Affirmation in July, while RIO's Deputy Executive Director, Ms. Janilyn Murtha, will provide additional Board Fiduciary Education.



Friday, July 24, 2020, 8:30 a.m.
RIO Conference Room (Virtual Meeting Host)
Teleconferencing - 701.328.7950 Participant Code – 696855#
3442 East Century Avenue, Bismarck, ND

REVISED AGENDA

- I. CALL TO ORDER AND ACCEPTANCE OF AGENDA
- II. ACCEPTANCE OF MINUTES (June 26, 2020)
- III. ELECTION OF OFFICERS AND APPOINTMENTS for 2020-21 (15 minutes)
 - A. Chair **Board Action**
 - B. Vice Chair **Board Action**
 - C. Parliamentarian (**Appointed by Chair**)
 - D. Audit Committee – Mr. Hunter and/or Ms. Sara Sauter **Board Action**
 - E. Securities Litigation Committee – Mr. Hunter **Board Action**
 - F. Executive Review Committee – Mr. Hunter **Board Action**
- IV. INVESTMENTS (45 minutes)
 - A. Interim Investment Update – Mr. Hunter (Informational)
 - B. Investment Policy Statements – Mr. Hunter **Board Action**
 - C. Legacy Fund Earnings Committee Update – Mr. Hunter (Informational)
 - D. U.S. Small Cap Equity Overview – Mr. Schulz
 - 1. Sycamore Presentation – Mr. Gary Miller, CIO and Mr. Daniel Dy, Managing Director
 - 2. Staff Recommendation – Mr. Schulz **Board Action**
- V. GOVERNANCE and EDUCATION (45 minutes)
 - A. SIB/TFFR Combined Meeting Schedule – Mr. Hunter and Ms. Murtha **Board Action**
 - B. RIO Website, TFFR PAS and RIO Budget Update – Mr. Nagel and Ms. Murtha
 - C. Code of Conduct Affirmation - Mr. Matt Posch (Informational)
 - D. Board Fiduciary Education – Ms. Murtha (Informational)
 - E. Investment Manager Catalog – Mr. Hunter (Informational)

Next Meetings: Securities Litigation Committee - Aug. 11, 2020, 2:00pm, RIO Conf Room (Virtual)
Audit Committee - August 13, 2020, 2:30 p.m. - RIO Conf Room (Virtual)
SIB - Aug. 28, 2020, 8:30 a.m. - RIO Conf Room (Virtual)

VI. ADJOURNMENT

Any individual requiring an auxiliary aid or service, please contact the Retirement and Investment Office
(701) 328-9885 at least three (3) days prior to the scheduled meeting.

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JUNE 26, 2020, BOARD MEETING**

MEMBERS PRESENT: Rob Lech, TFFR Board, Vice Chair
Troy Seibel, PERS Board, Parliamentarian
Jon Godfread, Insurance Commissioner
Toni Gumeringer, TFFR Board
Keith Kempenich, Legacy/Budget Stab. Adv. Board
Bryan Klipfel, Director of WSI
Adam Miller, PERS Board
Mel Olson, TFFR Board
Kelly Schmidt, State Treasurer
Jodi Smith, Commissioner of Trust Lands
Yvonne Smith, PERS Board

MEMBER ABSENT: Brent Sanford, Lt. Governor, Chair

STAFF PRESENT: Eric Chin, Chief Risk Officer/Senior CIO
Connie Flanagan, Chief Financial Officer
Ann Griffin, Investment Accountant
Bonnie Heit, Admin Svs Suprv
David Hunter, Exec Dir/CIO
Jan Murtha, Dep Exec Dir/CRO
Matt Posch, Investment/Compliance Officer
Sara Sauter, Suprv of Internal Audit
Darren Schulz, Dep CIO
Dottie Thorsen, Internal Auditor
Susan Walcker, Senior Financial Accountant

GUESTS: Brian D'Arcy, Sixth Street Partners
Dean DePountis, Attorney General's Office
Karlene Fine, Industrial Commission
Ahsha Haggart, Sixth Street Partners
Ross Johnson, Riverbridge
Rick Moulton, Riverbridge
Bryan Reinhardt, PERS
Alan Waxman, Sixth Street Partners
Tim Wilkinson, Riverbridge

CALL TO ORDER:

Dr. Rob Lech, called the State Investment Board (SIB) special meeting to order at 8:30 a.m. on Friday, June 26, 2020. The virtual meeting was held at the Retirement and Investment Office (RIO), 3442 East Century Avenue, Bismarck, ND.

AGENDA:

The Board considered the agenda for the June 26, 2020, meeting,

IT WAS MOVED BY MS. GUMERINGER AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO ACCEPT THE AGENDA FOR THE JUNE 26, 2020, MEETING.

AYES: MR. OLSON, COMMISSIONER GODFREAD, TREASURER SCHMIDT, MR. SEIBEL, MR. MILLER, MS. SMITH, MS. GUMERINGER, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL, COMMISSIONER SMITH, LT. GOVERNOR SANFORD

MINUTES:

IT WAS MOVED BY MS. SMITH AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A VOICE VOTE TO APPROVE THE MAY 22, 2020, MINUTES AS DISTRIBUTED.

AYES: COMMISSIONER GODFREAD, MR. OLSON, MR. MILLER, TREASURER SCHMIDT, MS. GUMERINGER, MS. SMITH, MR. SEIBEL, AND DR. LECH

NAYS: NONE

MOTION CARRIED

ABSENT: MR. KLIPFEL, COMMISSIONER SMITH, LT. GOVERNOR SANFORD

INVESTMENTS:

Interim Performance - Mr. Hunter reviewed performance as of June 19, 2020.

Teachers' Fund for Retirement (TFFR), Public Employees Retirement System (PERS) and the Legacy Fund net returns improved from -7% on a fiscal year to date basis as of March 31, 2020 to -1.3% on a fiscal year to date basis as of April 30, 2020, due to a strong equity market recovery in April. Based on preliminary indicative return estimates for May and early June, RIO believes TFFR, PERS, and the Legacy Fund net returns are estimated to roughly approximate +3% on a fiscal year to date basis as of June 19, 2020, noting these estimates are subject to material change. WSI and Budget Stabilization Fund returns have also rebounded significantly since March 31, 2020, and broadly estimated to approximate +4% and +1%, respectively, on a fiscal year to date basis as of June 19, 2020.

Interim estimated returns for the SIB's five largest clients are summarized below on a **Fiscal Year To Date (FYTD) basis from July 1, 2019 through June 19, 2020:**

	TFFR	PERS	Legacy	WSI	Budget Stabilization
Net Returns for 1-Year Ended 12/31/2019	18.0%	18.0%	18.1%	13.6%	4.7%
Net Returns for Quarter Ended 9/30/2019	0.4%	0.4%	1.0%	1.7%	0.9%
Net Returns for Quarter Ended 12/31/2019	5.6%	5.7%	5.2%	2.6%	0.8%
Net Returns for Quarter Ended 3/31/2020	-12.0%	-12.1%	-12.7%	-6.1%	-3.6%
Fiscal Year to Date Returns at 3/31/2020	-7%	-7%	-7%	-2%	-2%
Net Returns for Month Ended 4/30/2020	5.7%	5.8%	6.4%	4.1%	1.6%
Fiscal Year to Date Returns at 4/30/2020	-1.3%	-1.3%	-1.3%	2%	-0.4%
Est. MTD through 5/31/2020	3%	3%	3%	1%	0.3%
Est. MTD through 6/19/2020	2%	2%	2%	1%	1%
Estimated FYTD Returns at June 19, 2020	3%	3%	3%	4%	1%

US Small Cap Equity - Riverbridge representatives reviewed their Small Cap Growth Strategy.

Mr. Schulz reviewed the due diligence conducted on Riverbridge Partners and the investment personnel's recommendation.

IT WAS MOVED BY COMMISSIONER SMITH AND SECONDED BY MR. OLSON AND CARRIED BY A ROLL CALL VOTE TO APPROVE RIVERBRIDGE PARTNERS AS A NEW U.S. SMALL CAP EQUITY MANAGER, UP TO A \$250 MILLION COMMITMENT, TO REPLACE THE PARAMETRIC CLIFTON RUSSELL 2000 MANDATE.

AYES: TREASURER SCHMIDT, MR. OLSON, COMMISSIONER SMITH, MR. SEIBEL, MR. MILLER, COMMISSIONER GODFREAD, MS. GUMERINGER, MR. SMITH, MR. KLIPFEL, AND DR. LECH
 NAYS: NONE
 MOTION CARRIED
 ABSENT: LT. GOVERNOR SANFORD

GOVERNANCE:

Meeting Schedule - Discussion took place on the July 24, 2020, retreat. The Board elected to cancel the retreat and conduct regular business due to COVID-19.

INVESTMENTS:

Opportunistic Credit - Sixth Street Partners reviewed their Opportunistic Credit strategy.

Mr. Schulz reviewed the due diligence conducted on Sixth Street Partners and the investment personnel's recommendation.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY COMMISSIONER GODFREAD AND CARRIED BY A ROLL CALL VOTE TO APPROVE SIXTH STREET PARTNERS AS A NEW OPPORTUNISTIC CREDIT MANAGER AND COMMIT \$250 MILLION (\$150 MILLION PENSION TRUST AND \$100 MILLION LEGACY FUND).

AYES: COMMISSIONER GODFREAD, MR. KLIPFEL, COMMISSIONER SMITH, MS. GUMERINGER, MS. SMITH, MR. SEIBEL, MR. MILLER, MR. OLSON, TREASURER SCHMIDT, AND DR. LECH
 NAYS: NONE
 MOTION CARRIED
 ABSENT: LT. GOVERNOR SANFORD

GOVERNANCE:

Governor Budget Guidelines - Mr. Hunter reviewed the timeline and progress of RIO's budget based on the Governor's guidelines.

ED/CIO Compensation - The Board discussed compensation options for the Executive Director/CIO based on the 2019 evaluation.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY COMMISSIONER SMITH AND CARRIED BY A ROLL CALL VOTE TO GRANT THE EXECUTIVE DIRECTOR/CIO A 2.5% LEGISLATIVE INCREASE EFFECTIVE JULY 1, 2020, WITH ANOTHER REVIEW IN SIX MONTHS DUE TO THE CURRENT ECONOMIC CONDITIONS OF THE STATE.

AYES: COMMISSIONER SMITH, TREASURER SCHMIDT, COMMISSIONER GODFREAD, MR. SEIBEL
 NAYS: MS. GUMERINGER, MS. SMITH, MR. OLSON, MR. MILLER, MR. KLIPFEL, DR. LECH
 MOTION FAILED:
 ABSENT: LT. GOVERNOR SANFORD

IT WAS MOVED BY MR. KLIPFEL AND SECONDED BY MS. GUMERINGER TO GRANT THE EXECUTIVE DIRECTOR/CIO A 3.5% LEGISLATIVE INCREASE EFFECTIVE JULY 1, 2020.

AYES: MR. OLSON, MS. GUMERINGER, MR. MILLER, MS. SMITH, MR. KLIPFEL, COMMISSIONER GODFREAD, COMMISSIONER SMITH, DR. LECH
 NAYS: MR. SEIBEL, TREASURER SCHMIDT
 MOTION CARRIED.
 ABSENT: LT. GOVERNOR SANFORD

IT WAS MOVED BY MR. OLSON AND SECONDED BY MS. SMITH TO GRANT THE EXECUTIVE DIRECTOR/CIO A 5% PERFORMANCE BONUS BASED ON THE EXECUTIVE DIRECTOR/CIO'S 2019 EVALUATION.

AYES: MR. GUMERINGER, COMMISSIONER GODFREAD, MS. SMITH, MR. MILLER, MR. OLSON
NAYS: TREASURER SCHMIDT, MR. KLIPFEL, COMMISSIONER SMITH, DR. LECH, MR. SEIBEL
MOTION FAILED.
ABSENT: LT. GOVENOR SANFORD

RIO staff will consult with legal counsel on what is permissible as far as compensation for the Executive Director/CIO position (which is unclassified).

OTHER:

The next regular meeting of the SIB has been scheduled for July 24, 2020, at 8:30 a.m. at the Retirement and Investment Office (virtual).

ADJOURNMENT:

With no further business to come before the SIB, Dr. Lech adjourned the meeting at 10:50 a.m.

Dr. Rob Lech, Vice Chair
State Investment Board

Bonnie Heit
Recorder

TO: State Investment Board (SIB)
FROM: Dave Hunter, ED/CIO
DATE: July 24, 2020
RE: Board Action: Election of Officers – July 2020 to June 2021 (Chair and Vice Chair)

In accordance with the SIB Governance Policy B-7 on “Annual Board Planning Cycle”, the SIB will conduct an “Election of Officers” each July. The relevant By-Laws and Governance Policy of the SIB are highlighted immediately below for reference purposes.

CHAPTER 3 - OFFICERS AND DUTIES

Section 3-1. The officers of the SIB are a Chair and Vice Chair, one of which must be an appointed or elected member of the TFFR or PERS Board. The officers will be elected by the SIB to a one-year term at the first regularly scheduled meeting following July 1 of each year. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy.

Section 3-2. **Chair.** The Chair will preside at all meetings of the SIB.

Section 3-3. **Vice Chair.** In the absence of the Chair, the Vice Chair will perform the duties of the Chair.

Section 3-4. **Executive Director.** An Executive Director will be retained by the SIB. The Executive Director will serve at the SIB's pleasure, be responsible for keeping the records of the SIB and TFFR Board actions, and perform such duties as the SIB prescribes. The Executive Director will make out and give out all notices required to be given by law, procedures, or rules and regulations of the two boards.

Policy Implemented: June 23, 1995.

The chairperson's primary responsibility is to insure the integrity of the board's process. The chairperson is the only board member authorized to speak for the board other than in specifically authorized instances.

1. The duty of the chairperson is to see that the board operates consistent with state law, administrative rules, and its own policies.
 - A. The board agenda will be the responsibility and be coordinated by the chairperson.
 - B. Meeting discussion content will only be those issues which, according to board policy, clearly belong to the board and not the executive director, or in a board member's opinion, may deal with fiduciary responsibilities.
 - C. Deliberation will be fair, open, and thorough, but also efficient, timely, orderly, and brief.
 - D. The chairperson shall appoint a Parliamentarian by SIB Chair.

Board Action Requested

To: STATE INVESTMENT BOARD

From: David Hunter, Executive Director
Sara Sauter, Supervisor of Internal Audit

Date: July 24, 2020

RE: SIB Audit Committee Appointments

As directed by SIB Policy B-6, Governance Process/Standing Committees, the Audit Committee shall consist of five members selected by the SIB. Three members of the Audit Committee represent the three groups on the SIB (TFFR board, PERS board, and the elected and appointed officials). The other two members will be selected from outside of the SIB and will be auditors with a Certified Public Accountant (CPA) or Certified Internal Auditor (CIA) designation or be responsible for oversight of the internal audit function at a significant business enterprise or other financial institution.

The SIB previously approved the following five Board representatives for the past year:

Ms. Yvonne Smith, (former Chair) representing PERS retirees
Dr. Rob Lech, (former Vice Chair) representing TFFR employees
Mr. Jon Griffin, MBA, BBA (Accounting & Financial Management)
Ms. Julie Dahle, MBA, CIA, CCBIA
Ms. Jodi Smith (Dept. of Trust Lands) representing elected and appointed officials

Background and Recommendation:

SIB Policy B-6 states the following: “An Audit Committee has been established as a standing committee of the SIB. The Audit Committee will assist the SIB in carrying out its oversight responsibilities as they relate to RIO’s internal and external audit programs, including financial and other reporting practices, internal controls, and compliance with laws, regulations and ethics.” **Based on the strong performance of the Audit Committee during the past year with regards to assisting the SIB in carrying out its oversight responsibilities, the Executive Director and Supervisor of Internal Audit recommend the re-appointment of the audit committee members.**

Board Action Requested

To: STATE INVESTMENT BOARD
From: David Hunter, ED/CIO
Date: July 24, 2020
RE: Appointment of Securities Litigation Committee Members

Background:

The Securities Litigation Committee is a standing committee of the North Dakota State Investment Board created to assist the SIB in fulfilling its fiduciary oversight responsibilities of monitoring the investment of assets entrusted to it by the various statutory and contracted funds, and to serve as a communications link for the SIB, RIO's management and staff, third party securities litigation firms, and others.

The SIB Securities Litigation Committee was initially established in early-2018 and currently consists of two members of the SIB appointed by the Chair, RIO's legal counsel, one member of RIO's fiscal or investment staff and RIO's executive director.

The following individuals were appointed and/or were confirmed to currently serve on the Securities Litigation Committee:

- **Chief Deputy Attorney General Troy Seibel (as Chair);**
- **Commissioner Smith (as Vice Chair);**
- **Assistant Attorney General Dean DePountis;**
- **RIO Chief Financial Officer Connie Flanagan; and**
- **RIO Executive Director Dave Hunter.**

As stated in the Securities Litigation Committee Charter, Committee membership will be for one year or termination of term on the SIB. Vacancies will be filled by the SIB Chair at the first scheduled meeting following the vacancy. There will be no limit to the number of terms served on the Committee.

Board Action Requested

To: STATE INVESTMENT BOARD
From: David Hunter, ED/CIO
Date: July 24, 2020
RE: Appointment of Executive Review Committee Members

Background:

SIB Governance Manual C-4 on Monitoring Executive Performance states that “Each March the Board will conduct a formal evaluation of the Executive Director / Investment Officer. This evaluation will be based on accomplishments of *Ends* and *Compliance with Executive Limitations*. This review was conducted by the Executive Review Committee (ERC) appointed by the SIB earlier this year and the SIB formally approved the annual performance evaluation of the ED/CIO in June, in accordance with SIB governance guidelines, which resulted in a 3.5% raise in base pay.

Proposed Change in ERC Committee Appointment Timeline:

In prior years, the SIB appointed an Executive Review Committee (ERC) each January (in addition to overseeing the Board Self-Evaluation Review process this past year) with the assistance of RIO’s Supervisor of Internal Audit. **Based on the Board’s desire to adopt a consistent timeline for all committee appointments and improve overall agency and board efficiency, the SIB seeks to appoint members to the ERC in July of each year going forward.**

The following three board members currently serve on the existing ERC:

- Ms. Yvonne Smith (as Chair and representing PERS)
- Mr. Mel Olson (as Vice Chair and representing TFFR)
- Mr. Adam Miller (representing PERS)

In 2018, the ERC included Vice Chairman Dr. Rob Lech, Ms. Yvonne Smith, and Land Commissioner Jodi Smith. In 2017, the Committee consisted of Ms. Yvonne Smith (as Chair), Ms. Cindy Ternes and Mr. Mike Sandal. In 2016, the ERC consisted of the SIB Chairman Drew Wigley, SIB Vice Chairman Sandal and (Parliamentarian) Dr. Rob Lech.

Informational

Interim Investment Update

As of May 31, 2020

Preliminary Indicative Returns as of June 30, 2020

July 16, 2020

Dave Hunter, Executive Director / CIO

Darren Schulz, Deputy Chief Investment Officer

Janilyn Murtha, Deputy Executive Director / Chief Retirement Officer

Connie Flanagan, Chief Financial Officer

Eric Chin, Chief Risk Officer

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

State Investment Board – Five Largest Clients

Interim FYTD Estimated Returns – June 30, 2020

Interim estimated returns for the SIB's five largest clients are summarized below on a **Fiscal Year To Date (FYTD)** basis from July 1, 2019 through June 30, 2020:

	TFFR	PERS	Legacy	WSI	Budget Stabilization
Net Returns for 1-Year Ended 12/31/2019	18.0%	18.0%	18.1%	13.6%	4.7%
Net Returns for 1-Year Ended 9/30/2019	0.4%	0.4%	1.0%	1.7%	0.9%
Net Returns for 1-Year Ended 12/31/2019	5.6%	5.7%	5.2%	2.6%	0.8%
Net Returns for 1-Year Ended 3/31/2020	-12.0%	-12.1%	-12.7%	-6.1%	-3.6%
Monthly Return for April 30, 2020	5.7%	5.8%	6.4%	4.1%	1.6%
Monthly Return for May 31, 2020	2.9%	2.8%	3.4%	2.2%	1.3%
Total Fund Actual through 31-May	1.5%	1.5%	2.0%	4.3%	0.9%
<i>Est. MTD through</i> 6/30/2020	<i>1.7%</i>	<i>1.7%</i>	<i>1.7%</i>	<i>1.1%</i>	<i>0.6%</i>
Estimated FYTD Return 6/30/2020	3.3%	3.2%	3.7%	5.4%	1.5%

- Investment volatility hit an all-time high in 2020 as the longest bull market in history (11+ years) was immediately followed by one of the fastest bear market corrections on record (less than one month). **This record level of volatility resulted in U.S. and global equities increasing by 30% in 2019 prior to falling 20% in the first quarter of 2020.**
- As shown above, TFFR, PERS and Legacy returns gained 18% in 2019 before losing 12% in Q1 of 2020 as their diversified portfolios served to dampen roughly 40% of the equity market volatility (or experience roughly 60% of the equity market gains/losses). The impact of the COVID-19 pandemic on public health, global economy, capital markets and consumer spending was unprecedented.
- TFFR, PERS and Legacy Fund returns materially improved in April and May due to a strong equity market recovery with FYTD net investment returns of approximately +1.5% for TFFR and PERS and 2.0% for the Legacy Fund as of May 31, 2020.
- Based on preliminary market data which is unaudited and subject to material change, TFFR, PERS and Legacy Fund net investment returns are roughly estimated to range from 3% to 4% on a fiscal year to date basis as of June 30, 2020.
- Net investment returns for WSI and Budget Stabilization have also materially recovered from disappointing levels in March and preliminary indicative returns are roughly estimated at 5% for WSI and 1.5% for the Budget Stabilization Fund as of June 30, 2020.

Estimated Fiscal Year To Date Returns as of June 30, 2020, are rough indicative estimates based on underlying benchmark data (not actual results) and all amounts are preliminary, unaudited and subject to material change.

Investment Work Plan Update

New Information in Blue Text

U.S. Small Cap Equity: Conduct a two manager U.S. Small Cap Equity search to fulfill a three manager structure that includes top performing Atlanta Capital High Quality.

The SIB engaged Callan to aide RIO in the identification of suitable candidates. RIO and Callan identified a shortlist of ten U.S. small cap growth and ten U.S. Small Cap core/value managers for final review and recommendation to the SIB.

On June 26, the Board approved a recommendation to engage Riverbridge to replace an existing \$300 million synthetic U.S. Small Cap strategy with Parametric. RIO will bring a second complementary U.S. Small Cap manager before the Board for consideration on July 24th (as jointly advanced by Callan and RIO). RIO intends to bring two additional Global and/or International Equity managers before the Board for further consideration, as jointly advanced by Callan and RIO, in the upcoming months in order to further improve SIB client downside risk performance and diversify equity manager concentrations.

Opportunistic Credit: The SIB approved a \$250 million commitment to Sixth Street Partners Opportunistic Credit Fund (TAO 5.0) given current market dislocations and the desire to dampen public equity market volatility. RIO is working with expert legal counsel including Assistant Attorney General Dean DePountis and Special Assistant Attorney General Scott Cheskiewicz (Jackson Walker) to close on this new facility in August.

This “TFFR Interim Investment Report” was presented to the TFFR Board on July 23 (noting this version was reduced to six slides).

TFFR Interim Investment Report

For the Periods Ended March 31, 2020 and May 31, 2020

Preliminary Indicative Return Estimates as of June 30, 2020

July 15, 2020

Note: This document contains unaudited data which is deemed to be materially accurate, but is unaudited and subject to change.

Dave Hunter, Executive Director/CIO

Jan Murtha, Deputy Executive Director / Chief Retirement Officer

Darren Schulz, Deputy Chief Investment Officer

Connie Flanagan, Chief Financial Officer


Eric Chin, Chief Risk Officer

ND Retirement & Investment Office (RIO)


State Investment Board (SIB)

TFFR Investment Ends – March 31, 2020

SIB clients should receive net investment returns consistent with their written investment policies and market variables. This “End” is evaluated based on comparison of each client’s (a) actual net investment return, (b) standard deviation and (c) risk adjusted excess return, to the client’s policy benchmark over 5 years.




	Quarter Ended 3/31/2020	Current FYTD 3/31/2020	1 Yr Ended 3/31/2020	3 Yrs Ended 3/31/2020	5 Yrs Ended 3/31/2020	Risk 5 Yrs Ended 3/31/2020	Risk Adj Excess Return 5 Yrs Ended 3/31/2020
Total Fund Return - Net	-11.96%	-6.65%	-3.36%	3.77%	4.17%	9.1%	0.35%
Policy Benchmark Return	-12.06%	-7.09%	-3.93%	3.27%	3.73%	8.8%	
Total Relative Return	0.10%	0.44%	0.57%	0.50%	0.45%	103%	



Key: TFFR investments have exceeded \$2 billion the last 5-years and Excess Return have generally exceeded **0.40%** per annum. TFFR’s use of active management has enhanced Net Investment Returns by **\$40 million** for the 5-years ended Dec. 31, 2019 (or \$2 billion x **0.40%** = \$8 million per year x 5 years = **\$40 million**). These returns were achieved while adhering to prescribed Risk limits (e.g. 103% versus a policy limit of 115%).

5-Yr. Returns Mar. 31, 2020	Asset Allocation	Benchmark Return	Allocation x Return
<i>Asset Class</i>	<i>a</i>	<i>b</i>	<i>a x b</i>
Equity	58%	3.3%	1.91%
Fixed Income	23%	3.6%	0.83%
Real Assets	18%	5.4%	0.97%
Cash	1%	1.2%	0.01%
Policy Benchmark Return (5-years)			3.73%

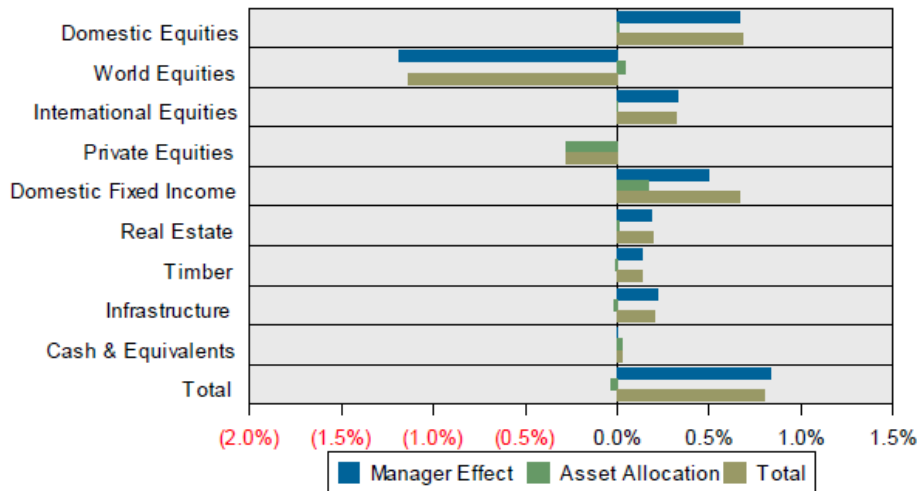


Current Policy Benchmark: 58% Equity (31% U.S., 21% Non-U.S., 6% Private); 23% Fixed Income (16% Investment Grade, 7% High Yield); 18% Real Assets (10% Real Estate; 6% Infrastructure; 2% Timber); and 1% Cash.

TFFR Performance and Attribution

As of March 31, 2020

One Year Relative Attribution Effects



Returns for 1 Year Ended 03/31/2020

Return Type	Return (%)
Gross	-3.13%
Net of fees	-3.36%
Target	-3.95%
Net added	0.59%



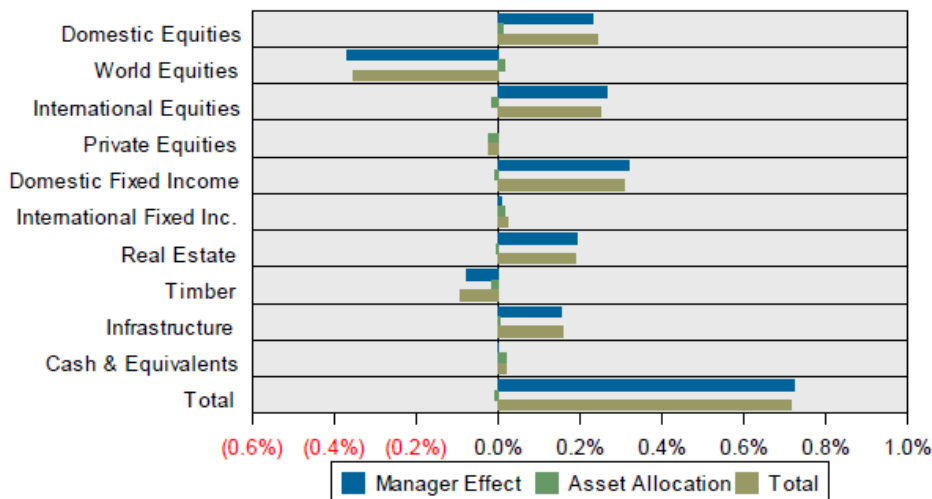
One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	22%	21%	(8.77%)	(11.80%)	0.67%	0.01%	0.68%
World Equities	16%	16%	(17.59%)	(10.39%)	(1.18%)	0.04%	(1.14%)
International Equities	15%	15%	(13.61%)	(15.39%)	0.32%	(0.00%)	(0.00%)
Private Equities	4%	6%	11.44%	11.44%	0.00%	(0.27%)	(0.27%)
Domestic Fixed Income	23%	23%	6.15%	4.02%	0.49%	0.17%	0.66%
Real Estate	11%	10%	7.22%	5.28%	0.18%	0.01%	0.20%
Timber	2%	2%	8.03%	1.30%	0.14%	(0.01%)	0.13%
Infrastructure	5%	6%	8.13%	3.33%	0.22%	(0.02%)	0.20%
Cash & Equivalents	1%	1%	1.96%	2.25%	(0.00%)	0.03%	0.02%
Total			(3.13%)	(3.93%)	+ 0.84%	+ (0.04%)	0.80%

TFFR Performance and Attribution

As of March 31, 2020

Five Year Annualized Relative Attribution Effects



Returns for 5 Year Ended 03/31/2020

Return Type	Return (%)
Gross	4.44%
Net of fees	4.17%
Target	3.72%
Net added	0.45%



Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equities	23%	21%	5.91%	4.80%	0.23%	0.01%	0.24%
World Equities	16%	16%	0.79%	3.25%	(0.37%)	0.02%	(0.36%)
International Equities	15%	15%	0.95%	(0.66%)	0.27%	(0.02%)	0.25%
Private Equities	4%	6%	3.61%	3.61%	0.00%	(0.02%)	(0.02%)
Domestic Fixed Income	20%	20%	4.63%	3.05%	0.32%	(0.01%)	0.31%
International Fixed Inc.	3%	3%	-	-	0.01%	0.02%	0.02%
Real Estate	10%	10%	9.60%	7.65%	0.19%	(0.00%)	0.19%
Timber	3%	3%	0.42%	2.80%	(0.08%)	(0.02%)	(0.09%)
Infrastructure	5%	5%	5.80%	2.49%	0.15%	0.00%	0.16%
Cash & Equivalents	1%	1%	1.24%	1.19%	0.00%	0.02%	0.02%

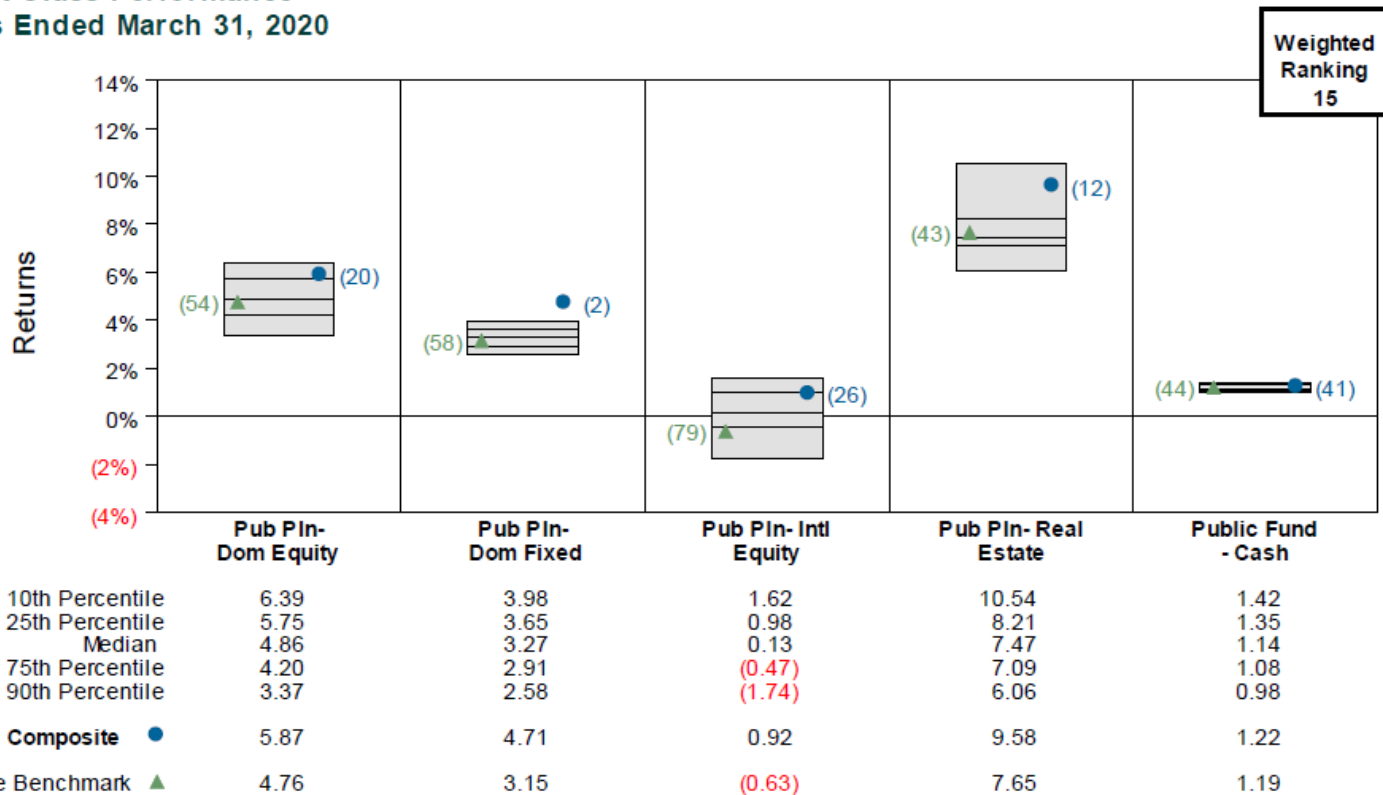
Total 4.44% = 3.72% + 0.72% + (0.01%)

0.72%

Asset Class Composite Results

Consolidated Pension Trust Asset Class Results vs. Other Public Pension Funds

Total Asset Class Performance
Five Years Ended March 31, 2020

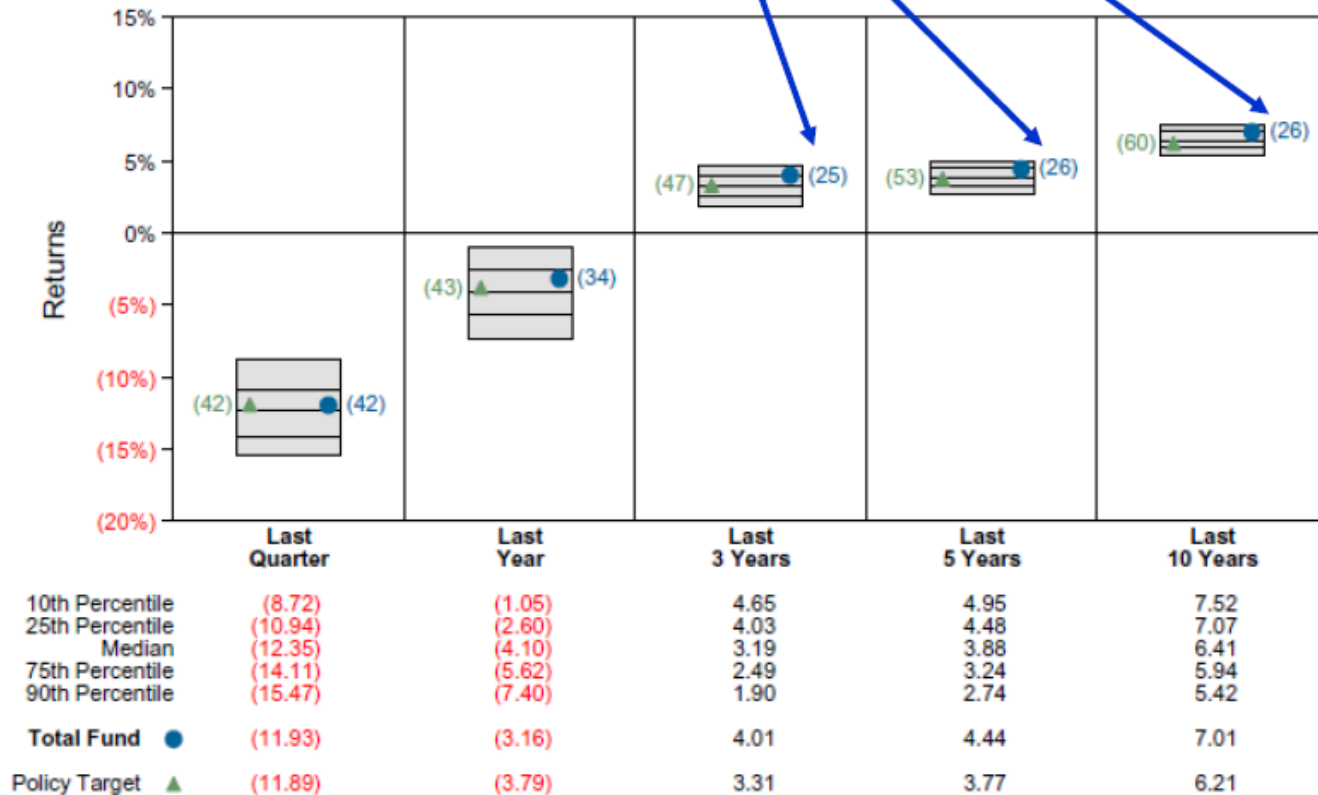


- All asset classes outperformed their respective benchmarks over the trailing five years.
- Domestic equity, fixed income, and real estate all ranked in the top quartile. International equity and cash both performed above median.

Callan – SIB Pension Trust Fund Ranking

The **Callan** charts show the ranking of the **Total Fund** (SIB Pension Trust) performance relative to that of the Callan Public Fund Sponsor Database for periods ended March 31, 2020. **The SIB Pension Trust was ranked in the 25th or 26th percentile for the 3, 5, and 10-years ended March 31, 2020.**

Callan Public Fund Sponsor Database



Note: All amounts are deemed to be materially accurate, but are unaudited and subject to change.

BOARD ACCEPTANCE REQUESTED

To: State Investment Board

From: Dave Hunter, Executive Director / CIO

Date: July 24, 2020

Subject: Investment Policies – PERS Main Pension Plan, PERS Retiree Health Insurance Credit (RHIC) Fund, PERS Job Service and Department of Environmental Quality

RIO requests the SIB accept investment policy statement changes recently approved by the ND PERS board:

- 1. PERS Main Plan - On July 14, 2020, PERS board approved a 0.50% reduction in the actuarial assumed rate of return on assets for PERS Main (Pension) Plan thereby reducing the assumed long-term rate of return to 7.00% from 7.50% with an effective date of July 1, 2020. This change was recommended by PERS actuary – Gabriel, Roeder, Smith & Company (GRS). There were no other changes made to the PERS investment policy. **RIO recommends the SIB approve this change as approved by the PERS Board.****
- 2. RHIC Fund - On July 14, 2020, PERS board approved a 1.00% reduction in the actuarial assumed rate of return on assets for PERS RHIC fund thereby reducing the assumed long-term rate of return to 6.50% from 7.50% with an effective date of July 1, 2020. This change was recommended by PERS actuary – GRS. There were no other changes made to the RHIC investment policy. RIO concurs with PERS board noting that it is prudent to reduce long-term rates of return at this time based on most investment consultants issuing new capital market projections in which forecasted expected return assumptions are declining in the future. This is the same rationale used by PERS to reduce the assumed long-term rate of return for PERS Main (Pension) Plan by 0.50%. **As such, RIO requests the SIB to approve the above change to PERS RHIC Fund investment policy as approved by the PERS Board.****
- 3. Job Service – On July 14, 2020, PERS board approved a 0.25% reduction in the actuarial assumed rate of return in the Job Service plan given current and forecasted capital market expectations. RIO notes the funded ratio for this plan exceeds 135% and PERS has significantly de-risked this plan in recent years using a multi-year glide path in which the current target asset allocation is 20% equities and 80% fixed income. **RIO requests the SIB to approve the above changes to Job Service investment policy effective as of July 1, 2020, as approved by the PERS Board.****

North Dakota Department of Environmental Quality (DEQ):

RIO recommends the SIB accept investment policy statement changes recently approved by the North Dakota Department of Environmental Quality noting that DEQ was created as a new state agency in the 2019 legislative session and represents a fund previously overseen by ND Insurance Commissioner. RIO notes the only change of this investment policy statement is a minor technical correction which does not impact any investment return, risk or liquidity objectives.

STATEMENT OF INVESTMENT GOALS, OBJECTIVES AND POLICIES FOR THE NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota Public Employees Retirement System (NDPERS) and the Highway Patrol Retirement System (HPRS) are pension benefit plans established to provide retirement income to state employees and employees of participating political subdivisions. The plans are administered by a nine - member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General, one member is the State Health Officer or their designee and two are legislative appointees.

The NDPERS plan is a multi-employer hybrid benefit public pension plan that provides retirement benefits, disability retirement benefits, and survivor benefits, in accordance with Chapter 54-52 of the North Dakota Century Code (NDCC). Monthly retirement benefits for the Main and Public Safety Plans are based on the formula: number of Years of Service times 2.0% times the final average salary. For the NDPERS Judges Plan the retirement formula is: for the first ten years of service of the formula is final average salary times 3.5%, for the second ten years of service the formula is final average salary times 2.80% and for all remaining years of service the formula is final average salary times 1.25%.

The Highway Patrol plan is a single employer plan that provides retirement benefits, disability benefits, and survivor benefits in accordance with Chapter 39-03.1 of the North Dakota Century Code. Monthly retirement benefits are based upon on the formula: first 25 years of credit service times 3.25% and all remaining years of service times 1.75%.

Funding for the NDPERS plan is provided by monthly employee contributions and employer contributions with the amount varying based upon which NDPERS plan the member participates in. For the Main NDPERS plan the employee contribution is 7% and the employer contribution is 7.12%, for the Judges Plan the employee contribution is 8% and employer contribution is 17.52%, for the State Law Enforcement (BCI) employee contribution is 6.0% and employer contribution is 9.81%, for the Public Safety Plan with prior service the employee contribution is 5.5% and the employer contribution is 9.81% and for the Public Safety Plan without prior service the employee contribution rate is 5.5% and the employer rate is 7.93%.

Funding for the Highway Patrol plan is provided by a monthly employee contribution of 13.3% and an employer contribution of 19.7%

Each year the Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for all plans is 7.00%.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees' retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets, the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

3. DELEGATION OF AUTHORITY

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies, it is understood:
 - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
 - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
 - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

4. INVESTMENT GOALS

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

Goal # 1 Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.

Goal # 2 To obtain an investment return in excess of that needed to allow for increases in a retiree's annuity to maintain the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the State's financial performance. To enable the State to continue offering secure pension benefits to plan participants, the Board believes that the Fund should pursue the following **secondary goals**:

1. Stabilize the employee and employer contributions needed to fund the Plan over the long term.
2. Avoid both substantial volatility in contributions and sizable fluctuations in the funding status of the Plan.

These two secondary goals affect the Fund's investment strategies and often represent conflicting goals. That is, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of stabilizing the employee and employer contribution needed to fund the plan over the long term as it assists our participating employers by having a predictable contribution for budgeting.

5. INVESTMENT PERFORMANCE OBJECTIVE

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The fund's risk, measured by the standard deviation of net returns, should not exceed **115%** of the policy benchmark over a minimum evaluation period of five years.
- 3.
4. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

6. ASSET ALLOCATION

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

<u>Asset Class</u>	<u>Policy Target (%)</u>	<u>Rebalancing Range (%)</u>
Global Equity	58	46-66
Public Equity	51	42-57
Private Equity	7	4-9
Global Fixed Income	23	16-30
Investment Grade	16	11-21
Non-Investment Grade	7	5-9
Global Real Assets	19	10-25
Global Real Estate	11	5-15
Other (Infrastructure/Timber)	8	0-10
Global Alternatives		0-10
Cash	0	0-2

The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing re-balancing costs. Any allocation to Global Alternatives shall not increase the expected volatility of the portfolio as measured in Section #5, and all other targets will be adjusted pro-rata.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

7. RESTRICTIONS

- A. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- B. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers
- C. No transaction may be made which threatens the tax exempt status of the Fund.
- D. No unhedged short sales or speculative margin purchases may be made.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- E. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

F. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

8. INTERNAL CONTROLS

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

9. EVALUATION

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, CEM or other acceptable source showing the value added versus the cost.
- Changes/additions to benchmarks utilized to monitor the funds.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

Scott Miller
Executive Director
North Dakota Public Employees Retirement System

David Hunter
Executive Director
North Dakota Retirement and Investment Office

Date: _____

Date: _____

Approved by the NDSIB
Approved by the NDPERS Board 07-14-2020

NDPERS RETIREE HEALTH INSURANCE CREDIT FUND

STATEMENT OF INVESTMENT GOALS, OBJECTIVES AND POLICIES

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota Public Employees Retirement System (NDPERS) Retiree Health Insurance Credit Fund was established in 1989 to provide for prefunding of premiums for medical coverage to state employees and employees of participating political subdivisions in accordance with Chapter 54-52.1 of the North Dakota Century Code. The plan is administered by a nine - member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General, one member is the State Health Officer or their designee and two are legislative appointees.

The NDPERS plan is a defined benefit program that provides for a partial payment of a retiree's medical insurance premium based on the number of years of service.

Funding for the NDPERS plan is provided by a monthly employer contribution of 1.14 percent of payroll. On a monthly basis, benefit payments are netted out against contributions and the balance forwarded to the trust's custodian for investment.

Each year the NDPERS Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for the plan is 6.5%.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-02, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees' retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets, the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

3. DELEGATION OF AUTHORITY

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies, it is understood:
 - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
 - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
 - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

4. INVESTMENT GOALS

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

- Goal # 1 Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.
- Goal # 2 To obtain an investment return in excess of that needed to allow for increases in a retiree's credit to maintain the purchasing power of their benefit.

5. INVESTMENT PERFORMANCE OBJECTIVE

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

- a. The funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
- b. The annual standard deviation of total returns for the Fund should not materially exceed that of the policy portfolio.
- c. Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period by more than 15% as measured by standard deviation.

6. ASSET ALLOCATION

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

Date of Last Asset Allocation Study: February 2018 – SEI Corporation

Domestic Equities - Large Cap	33%
Domestic Equities – Small Cap	6%
International Equities	21%
Fixed Income	40%
Expected Return	8.1%
Standard Deviation	13.3%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

7. RESTRICTIONS

- A. No transaction may be made which threatens the tax exempt status of the Fund.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- B. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

C. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

8. INTERNAL CONTROLS

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

9. EVALUATION

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A Review of fund progress and its asset allocation strategy.
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, CEM or other acceptable source showing the value added versus the cost.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

Scott Miller
Executive Director
North Dakota Public Employees Retirement System

David Hunter
Executive Director
North Dakota Retirement and Investment Office

Date: _____

Date: _____

RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA

INVESTMENT POLICY STATEMENT

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The Retirement Plan for the Employees of Job Service North Dakota (Plan) is a defined benefit retirement plan for the eligible employees hired before October 1, 1980. There have been no new entrants to the plan since October 1, 1980. The plan provides retirement benefits, disability benefits and survivor benefits consistent with the written Plan document. Until October 1, 1993, annuities were purchased from the Travelers for retirees, since that date retiree benefits are paid from Plan assets. Annual cost of living adjustments for all Plan pensioners including annuitants with the Travelers are paid from Plan assets. The NDPERS Board (the Board) is the Plan Administrator and administers the Plan in accord with Chapter 52-11 of the North Dakota Century Code.

Job Service North Dakota as the employer contributes 4% of the active participant's salary as a contribution 'on behalf of the employee' and the active participants pay 3% of their salary into Plan assets.

Each year the Plan has an actuarial valuation performed. The current actuarial assumed rate of return on assets is 4.25%.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees' retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets, the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

3. DELEGATION OF AUTHORITY

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies, it is understood:
 - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
 - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
 - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

4. INVESTMENT GOALS

The investment objectives of the Plan have been established by the Plan's Administrator upon consideration of its strategic objectives and a comprehensive review of current and projected financial requirements.

Objective #1: To maintain a level of surplus sufficient to eliminate the need for future contributions;

Objective #2: To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price index (CPI), by 3.0 or more percentage points per year (based on current actuarial assumptions of 4.25% return and 2.5% inflation), over a complete market cycle; and

Objective #3: As a secondary objective, to maximize the Plan's surplus to increase future benefit payments.

5. INVESTMENT PERFORMANCE OBJECTIVE

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

- a) The funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
- b) The annual standard deviation of total returns for the Fund should not materially exceed that of the policy portfolio by more than 15%.
- c) Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation by more than 15%.

6. ASSET ALLOCATION

The NDPERS Board as plan Administrator establishes the asset allocation of the Fund, with input from consultants and SIB staff. The current asset allocation is based upon the asset/liability study completed by SEI Consultants in 2017. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes.

In recognition of the Plan's objectives, projected financial status, and capital market expectations, the following asset allocation options were deemed appropriate for the Fund:

Domestic Equity – 6%
Global Equity - 14%
U.S. High Yield Bonds - 3%
Emerging Markets Debt - 3%
Core Fixed Income - 26%
Limited Duration Fixed Income - 26%
Diversified Short Term Fixed Income - 5%
Short Term Corporate Fixed Income - 17%

Rebalancing of the Fund to this target allocation will be done in accordance with the SIB's rebalancing policy, but not less than annually.

7. RESTRICTIONS

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
- c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- d. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

- e. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

8. INTERNAL CONTROLS

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

9. EVALUATION

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

Scott Miller
Plan Administrator and Trustee
Retirement Plan for Employees of
Job Service North Dakota

David Hunter
Executive Director
North Dakota Retirement and Investment Office

Date: _____

Date: _____

NORTH DAKOTA PETROLEUM TANK RELEASE COMPENSATION FUND

INVESTMENT POLICY STATEMENT

FUND CHARACTERISTICS AND CONSTRAINTS

The Petroleum Tank Release Compensation Fund (the Fund) was established in 1989 in response to the Environmental Protection Agency's (EPA) requirement that all underground storage tank owners have proof of financial responsibility. Operation of the Fund is in accordance with NDCC 23.1-12. The Fund's "sunset clause" date of June 30, 2011 has been extended and the time horizon for this Fund is uncertain at this time.

Funding is provided by annual premiums collected for aboveground and underground petroleum storage tanks. Registration of tanks with the Fund is mandatory, although certain types of tanks are excluded.

A statutory minimum balance of \$6.0 million must be maintained in the Fund. Also, a minimum balance of \$2.0 million is required by EPA. In the event reserves drop below this minimum, EPA would evaluate the Fund's ability to pay claims and would in all likelihood disapprove the Fund as a financial responsibility mechanism for North Dakota petroleum tank owners.

If a petroleum release occurs or petroleum contamination is discovered, an eligible tank owner is reimbursed 90% of necessary and reasonable costs between \$5,000 and \$155,000 for cleanup of contamination or third-party liability. The Fund reimburses 100% of costs between \$155,000 and \$1,000,000. Operating expenses are paid from the Fund as incurred.

FUND MISSION

The primary mission of the Fund is to maintain the statutory minimum balance in the fund.

RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in the manner provided in Section 21-10-07, the prudent institutional investor rule. Under this rule, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code is hereby delegated to the SIB, who must establish written policies for the operation of the investment program consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers, which are also required to employ investment strategies consistent with the investment policy. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.

At the discretion of the SIB, the fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pool.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, retaining, and terminating money managers. The SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB shall notify the board within 30 days of any substantial or notable changes in money managers; performance measurement services; and consultants, including hiring or terminating a money manager, performance measurement service, or a consultant.

The SIB will implement necessary changes to this policy in an efficient and prudent manner.

RISK TOLERANCE

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.

INVESTMENT OBJECTIVES.

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of net returns, should be within 1% of the policy benchmark over a minimum evaluation period of five years. For example, if the policy benchmark is 4%, the Fund's risk should range between 3% and 5% over a five-year period.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

POLICY ASSET MIX

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

Global Equity	0%
Global Fixed Income	50%
Global Real Assets	0%
Cash Equivalents	50%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

RESTRICTIONS

While the SIB is responsible for establishing specific quality, diversification, restrictions, and

performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
- c. No transaction may be made that would threaten the tax-exempt status of the Fund.
- d. All assets will be held in custody by the State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.
- e. No unhedged short sales or speculative margin purchases shall be made.
- f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment provides an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

For the purpose of this document, Social Investing is defined as the consideration of socially responsible criteria in the investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the Fund.

- g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

For the purpose of this document, economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the Fund.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

INTERNAL CONTROLS

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment

transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

EVALUATION AND REVIEW

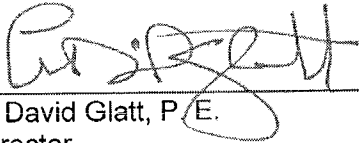
Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Department of Environmental Quality periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

1. A list of the advisory services managing investments for the board.
2. A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.
4. Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

Approved by:

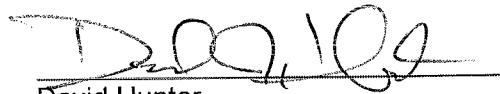
DEPARTMENT OF ENVIRONMENTAL QUALITY



L. David Glatt, P/E.
Director

Date: 7/2/2020

STATE INVESTMENT BOARD



David Hunter
Executive Director/CIO

Date: 7/2/2020

Informational

To: STATE INVESTMENT BOARD (SIB)
From: Dave Hunter
Date: July 20, 2020
RE: Legacy Fund Earnings Committee Update

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The Legacy Fund Earnings Committee held a meeting on July 8, 2020, to review and/or discuss:

- 1) the status of Legacy Fund earnings (as presented by Legislative Council staff);
- 2) proposed uses of Legacy Fund earnings (from prior Committee meetings);
- 3) [bill draft 21.0111.0100 relating to an amendment to NDCC Section 21-10-06 which creates a new Legacy Earnings Fund to be invested by the SIB;](#)
- 4) an example of a plan to distribute funding from the proposed Legacy Earnings Fund;
- 5) other matters of interest to the Committee, public and/or other parties.

RIO was not requested to provide an interim investment earnings update at this meeting, although Chairman Pollert indicated that Mr. Hunter would be requested to provide an earnings update at the next meeting (when fiscal yearend earnings are finalized).

It is important to note the “Legacy Fund Earnings Reserve Fund” bill as currently drafted is based on the [Percent of Market Value approach endorsed by the SIB last August, although the number of years to be averaged and spending appropriation percentage is not specified.](#) At this time, it appears there may be some consideration to a 5-year average and 4% spending rate, although clearly subject to further discussion and change. In the event this bill draft continues to move forward in its current form, RIO will seek to engage with the Committee with regards to preliminary discussions on a new Legacy Earnings Fund investment policy statement including its investment objectives, risk metrics and liquidity needs (among other criteria) in order to establish a prudent asset allocation policy at the appropriate time.



LEGACY FUND EARNINGS COMMITTEE

Wednesday, July 8, 2020

Due to public health considerations and in accordance with Executive Order 2020-16, a meeting room will not be available to the public for this meeting. A live stream of the meeting will be available to the public at: <http://video.legis.nd.gov/>. Written comments regarding the committee's agenda topics may be submitted in advance of the meeting to amathiak@nd.gov.

Committee members have the option of attending the meeting remotely or in person. Each committee member is asked to notify legislative council staff at amathiak@nd.gov at least 1 week before the meeting date to indicate whether the member plans to attend the meeting remotely or in person. Staff will provide committee members with call-in or meeting room information before the meeting.

10:00 a.m. Call to order
Roll call
Consideration of the minutes of the February 19-20, 2020, meeting
Comments by the Chairman

PROPOSED USES OF LEGACY FUND EARNINGS

10:05 a.m. Presentation by the Legislative Council staff of a memorandum regarding the status of the legacy fund

10:10 a.m. Presentation by the Legislative Council staff of a memorandum summarizing proposed uses of legacy fund earnings

BILL DRAFT RELATING TO LEGACY FUND EARNINGS

10:20 a.m. Presentation by the Legislative Council staff of a bill draft [21.0111.01000] relating to a legacy earnings fund

10:35 a.m. Presentation by the Legislative Council staff of a memorandum regarding an example of a plan to distribute funding from a legacy earnings fund

10:50 a.m. Distribution by the Legislative Council staff of comments regarding the bill draft received from interested persons in advance of the meeting

- Nurse-Family Partnership

11:00 a.m. Committee discussion regarding the bill draft

12:00 noon Adjourn

Committee Members

Representatives: Chet Pollert (Chairman), Josh Boschee, Jeff Delzer, Craig Headland, Keith Kempenich, Don Vigasaa

Senators: Joan Heckaman, Ray Holmberg, Jerry Klein, Jessica Unruh, Rich Wardner

Staff Contact: Adam Mathiak, Senior Fiscal Analyst



LEGACY FUND SUMMARY

STATUS OF THE LEGACY FUND

During the budgeting process for the 2017-19 biennium, the 2017 Legislative Assembly included \$200 million of estimated legacy fund earnings in the general fund revenue forecast. The 2019 Legislative Assembly revised the general fund revenue forecast for the 2017-19 biennium to include \$300 million of estimated legacy fund earnings, an increase of \$100 million compared to the original estimate. The 2017-19 biennium earnings of the legacy fund transferred to the general fund at the end of the biennium were \$455.26 million.

For the 2019-21 biennium through May 2020, the investment earnings of the legacy fund eligible to be transferred to the general fund at the end of the biennium total \$250 million, including \$47 million related to June 2019 earnings and \$203 million related to 2019-21 biennium earnings. As a part of the 2019 legislative revenue forecast, the Legislative Assembly budgeted for a transfer of \$100 million from the legacy fund to the general fund at the end of the 2019-21 biennium. Senate Bill No. 2362 (2019) includes a contingent transfer of \$64.4 million from the legacy fund to the common schools trust fund if the legacy fund earnings eligible to be transferred to the general fund at the end of the 2019-21 biennium exceed \$164.4 million.

The balance of the legacy fund as of May 31, 2020, was \$6.84 billion, including principal of \$6.19 billion and cumulative realized and unrealized investment earnings of \$0.65 billion.

LEGACY FUND PERFORMANCE

The schedule below provides information on the balance of the legacy fund and the fiscal year to date deposits and gains (losses) for fiscal year 2020 through May 2020. The amounts shown for the realized gains (losses) reflect the amounts available for transfer to the general fund at the end of the 2019-21 biennium. In addition, realized earnings of \$46,980,140 from June 2019 are also available for transfer to the general fund at the end of the biennium.

Month	Ending Balance	Fiscal Year to Date				
		Oil and Gas Tax Deposits	Unrealized Gains (Losses)	Realized Gains (Losses)	Total Investment Gains (Losses)	Net Investment Returns
June 2019	\$6,122,227,871					
July 2019	\$6,207,475,564	\$61,492,858	(\$13,940,000)	\$37,694,835	\$23,754,835	0.37%
August 2019	\$6,232,418,134	\$116,566,286	(\$53,864,261)	\$47,488,238	(\$6,376,023)	(0.12%)
September 2019	\$6,361,733,456	\$175,313,368	(\$15,563,260)	\$79,755,477	\$64,192,217	1.01%
October 2019	\$6,533,214,987	\$232,610,575	\$66,240,463	\$112,136,078	\$178,376,541	2.82%
November 2019	\$6,695,315,534	\$286,572,415	\$140,522,430	\$145,992,818	\$286,515,248	4.52%
December 2019	\$6,859,627,402	\$341,180,494	\$203,441,159	\$192,777,878	\$396,219,037	6.23%
January 2020	\$6,912,212,058	\$398,103,976	\$176,344,841	\$215,535,370	\$391,880,211	6.17%
February 2020	\$6,728,892,531	\$459,622,221	(\$37,631,309)	\$184,673,748	\$147,042,439	2.46%
March 2020	\$6,151,561,296	\$515,229,549	(\$581,950,415)	\$96,054,291	(\$485,896,124)	(7.21%)
April 2020	\$6,589,211,603	\$560,801,952	(\$245,091,382)	\$151,273,162	(\$93,818,220)	(1.32%)
May 2020	\$6,836,292,931	\$586,345,287	(\$75,267,789)	\$202,987,562	\$127,719,773	1.99%

Introduced by

1 A BILL for an Act to create and enact a new section to chapter 21-10 of the North Dakota
2 Century Code, relating to a legacy earnings fund; and to amend and reenact subsection 1 of
3 section 21-10-06 of the North Dakota Century Code, relating to funds invested by the state
4 investment board.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Subsection 1 of section 21-10-06 of the North Dakota Century
7 Code is amended and reenacted as follows:

- 8 1. Subject to the provisions of section 21-10-02, the board shall invest the following
- 9 funds:
- 10 a. State bonding fund.
- 11 b. Teachers' fund for retirement.
- 12 c. State fire and tornado fund.
- 13 d. Workforce safety and insurance fund.
- 14 e. Public employees retirement system.
- 15 f. Insurance regulatory trust fund.
- 16 g. State risk management fund.
- 17 h. Budget stabilization fund.
- 18 i. Health care trust fund.
- 19 j. Cultural endowment fund.
- 20 k. Petroleum tank release compensation fund.
- 21 l. Legacy fund.
- 22 m. Legacy earnings fund.
- 23 n. A fund under contract with the board pursuant to subsection 3.

1 **SECTION 2.** A new section to chapter 21-10 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Legacy earnings fund - State treasurer - Transfers - Reserve balance.**

- 4 1. There is created in the state treasury the legacy earnings fund. The fund consists of all
5 moneys transferred to the fund under subsection 2 and all interest and earnings upon
6 moneys in the fund.
- 7 2. Any legacy fund earnings transferred to the general fund at the end of each biennium
8 in accordance with section 26 of article X of the Constitution of North Dakota must be
9 immediately transferred by the state treasurer to the legacy earnings fund.
- 10 3. Any amounts transferred under subsection 2 in excess of the amount available for
11 appropriation under subsection 4 must be retained in the fund and designated as a
12 reserve balance. The reserve balance may be used only to supplement legacy fund
13 earnings in a biennium in which the amounts transferred under subsection 2 are less
14 than the amount available for appropriation under subsection 4.
- 15 4. For each biennium subsequent to the biennium in which the legacy fund earnings are
16 transferred under subsection 2, the amount available for appropriation from the legacy
17 earnings fund is _____ percent of the _____-year average value of the legacy fund
18 assets as reported by the state investment board. The average value of the legacy
19 fund assets must be calculated using the value of the assets at the end of each fiscal
20 year for the _____-year period ending with the most recently completed even-
21 numbered fiscal year.

NOTE: This bill contains one or more blanks that need to be filled in before introduction.



North Dakota Legislative Council

Prepared for the Legacy Fund Earnings Committee

LC# 21.9339.01000

July 2020

LEGACY EARNINGS FUND - SAMPLE DISTRIBUTION PLAN

This memorandum provides information on a sample distribution plan for consideration by the Legacy Fund Earnings Committee. The provisions of bill draft [21.0111.01000], which is under consideration by the committee, transfer legacy fund earnings to a newly created legacy earnings fund at the end of each biennium and determine the amount of earnings available to be spent from the legacy earnings fund in the subsequent biennium. A distribution plan would designate how the earnings are spent each biennium. The committee could consider a separate bill draft or an amendment to the existing bill draft to include a distribution plan. Below is a sample of a distribution plan for the committee's consideration.

Of the amount available for appropriation or transfer from the legacy earnings fund each biennium, the State Treasurer shall transfer:

1. ___ percent to the legacy fund to become a part of the principal of the legacy fund;
2. ___ percent to the highway tax distribution fund for allocations under North Dakota Century Code Section 54-27-19;
3. ___ percent, up to \$___ million, to the infrastructure revolving loan fund under Section 6-09-49;
4. ___ percent to the budget stabilization fund, but not in an amount that would bring the balance in the fund to more than the limit in Section 54-27.2-01; and
5. The remaining amount to the general fund.

Informational Overview

TO: State Investment Board

FROM: Dave Hunter, Darren Schulz, Eric Chin and Matt Posch

DATE: July 22, 2020

SUBJECT: U.S. Small Cap Equity Search Overview

Background:

In early-2020, the SIB approved RIO's recommendation to replace the existing Parametric Clifton Russell 2000 synthetic beta mandates with U.S. Small Cap Equity strategies that have a greater potential for outperformance. The Board also approved RIO's recommendation to formally engage Callan LLC to conduct the search to identify two candidates that would complement our existing U.S. Small Cap Equity manager Atlanta Capital. Parametric Clifton currently manages synthetic U.S. small cap index mandates on behalf of the Pension, Insurance and Legacy pools totaling approximately \$400 million. SIB client AUM in the U.S. Small Cap Equity segment approximate \$800 million (with Atlanta Capital holding the remaining \$400 million). Given the relative inefficiency of the small cap market, a diverse universe for stock selection, and higher return dispersion than other market segments, RIO believes, and academic literature supports, that greater opportunity for active management exists within the U.S. small cap equity space.

The Case for Active Management in U.S. Small Cap Equity:

The successful implementation of active management requires the fusion of two elements: the breadth of the opportunity set and manager skill. The opportunity set is a function of size, inefficiency, and variety. Manager skill, on the other hand, is the ability to successfully identify mispriced securities and forecast expected returns.

U.S. small cap equity remains a robust market segment within public equity for the implementation of active management. The universe is large in count, diverse, and inefficient. Unlike large and mega-cap companies, small cap companies are less liquid and less followed by the analyst community, frequently resulting in missed pricings that are well-suited to an active management approach.

Identifying manager skill, the other element of active management, involves a complex array of qualitative and quantitative considerations to conclude not only whether a manager displays skill but also the likelihood the manager will continue to display skill in the future. For simplicity's sake, we can use historical manager performance as a measure of skill.

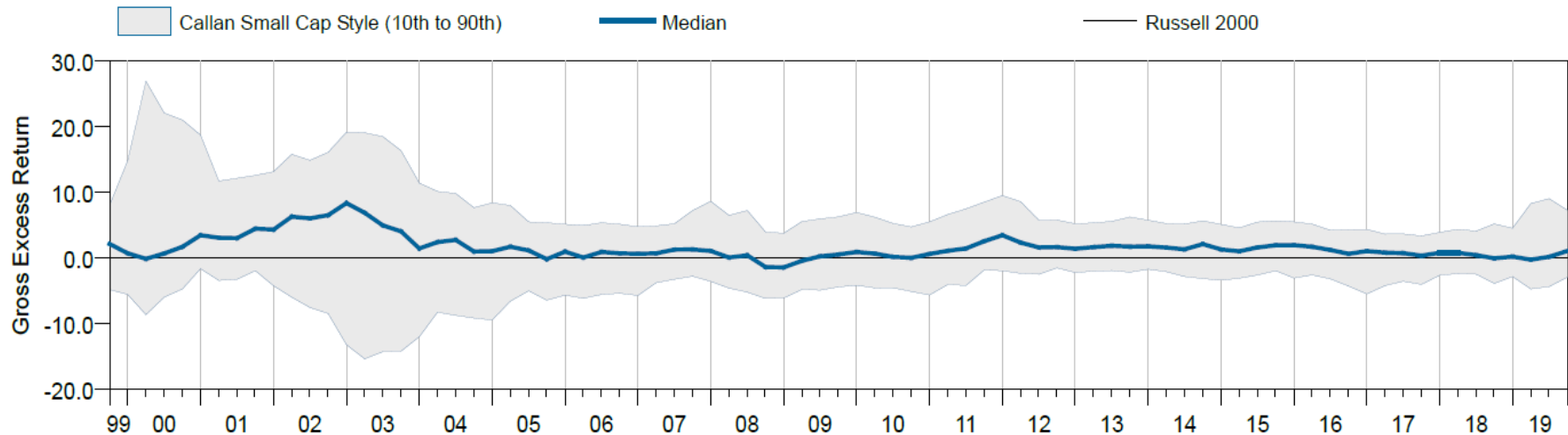
Using graphs from Callan Institute’s “Active vs. Passive Report” consisting of gross excess returns for all managers in Callan’s database for the broad U.S. small cap equity segment, we can observe the distribution spectrum and probability of outperformance, indicating greater disparity in manager skill sets in the segment. Overall, the active small cap premium is measurably positive and persistent over time.

How often Manager Beat Benchmark by more than Fee Hurdle in Rolling 3-Year Periods over last 20 Years

Fee Hurdle	0.50%	0.55%	0.60%	0.65%	0.70%	0.75%	0.80%	0.85%	0.90%	0.95%
Median	79%	78%	78%	73%	70%	66%	63%	63%	63%	60%
45th Percentile	90%	89%	89%	86%	85%	83%	83%	83%	83%	80%
40th Percentile	98%	98%	98%	98%	98%	98%	94%	89%	86%	86%
35th Percentile	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
30th Percentile	99%	98%	98%	98%	98%	98%	98%	98%	98%	98%
25th Percentile	100%	100%	100%	100%	100%	99%	99%	99%	99%	99%

Average Annualized 3-Year Excess Return (gross) – Median Manager: 1.60%

Rolling 3-Year Gross Excess Return relative to Russell 2000 for 20 Years ended September 30, 2019



Callan Search Process Overview:

The Callan Search Process starts when the client (SIB/RIO) identify the preferred candidate profile or desired characteristics to conduct a quantitative screening process as highlighted below and the following page.

- 1) **Identify Client and Candidate Profiles**
- 2) **Quantitative Analysis**
- 3) **Qualitative Assessment**
- 4) **Manager Search Committee**
- 5) **Semi-Finalist Review**
- 6) **Finalists**

Steps in the Manager Search Process

1 Client & Candidate Profiles

2 Quantitative Analysis

3 Qualitative Assessment

4 Manager Search Committee

5 Semi-Finalist Review

Finalists

Candidate Profile

1. Manager Type

Only qualified investment counselors or organizations registered under the Investment Advisers Act of 1940 that are currently managing assets will be considered. This includes investment counselors and investment counseling subsidiaries of banks, brokerage houses and insurance companies.

2. Investment Style

Client desires a manager employing a fundamental U.S. small cap core/value strategy. The manager will serve a core/value role in a structure with an incumbent concentrated U.S. small cap core/growth manager (Atlanta Capital) and a yet to be selected U.S. small cap growth manager. No index provider preference. A moderate expected, and to a lesser extent historical, tracking error risk profile is appropriate.

3. Managed Assets

The client prefers a minimum of \$1 billion in strategy assets and/or firm assets over \$5 billion. Firms that don't meet these minimums will be considered on a case by case basis.

4. Professional Staff

Investment staff should be stable and of sufficient depth and breadth to perform the ongoing duties of the firm and to ensure continuity of the investment process. The firm's executive management team should be experienced and stable. Additionally, there should be a sufficient number of client service professionals relative to the firm's client base to ensure that the client has reasonable access to the firm.

5. Portfolio Manager Structure & Experience

Team approach preferred but not required. Key professionals should have at least 10 years of investment experience. Teams that have worked together for at least five years are preferred.

6. Investment Vehicle

Separate account and if available CIT or other commingled structure. Liquidity dependent on strategy fit; all else being equal, more liquidity is preferred to less.

The client intends to keep the three pools of assets separate and any pooled vehicle needs to accept non-qualified assets as a result of the Insurance Trust.

7. Historical Performance & Risk Criteria

Performance over multiple cumulative, annual and rolling periods will be evaluated relative to the appropriate peer group and index. Risk-adjusted measures and holdings-based portfolio characteristics will also be considered.

Candidate Profile (continued)

8. Qualities Specifically Sought

- The firm must be a viable, ongoing business
- Well established organization with institutional focus
- Disciplined and time-tested investment process with risk controls
- Low turnover of personnel
- Low dispersion of returns within appropriate composite
- Commitment to client service and an ability to effectively articulate their investment process
- Willingness to visit client as needed

9. Qualities To Be Avoided

- Concentrated client base
- Candidates currently involved in a merger, acquisition, or recent transaction impacting the firm's senior executives
- Excessive recent personnel turnover

10. Specific Client Requests & Additional Considerations

Burgundy: small cap value	Neumeier: Small Cap Value
Fidelity: Small Company	RGM
FMI: Small Cap	Systematic: Small Cap
GW&K: Small Cap Core	Westwood: Small Cap Value
Macquarie: US Small Cap Core Equity	VCM:Sycamore Small Cap Value
NB: Small Cap	Kayne Anderson Small Cap Quality Value

Manager Search Committee –

After conducting preliminary manager due diligence utilizing quantitative and qualitative screens, Callan and RIO jointly identified ten U.S. Small Cap semi-finalist for consideration by Callan's Manager Search Committee.

Callan's Research Committee then conducted a collaborative discussion of the merits and concerns with each of the top ten finalists noting there was a desire to select U.S. Small Cap Growth Equity manager which would serve as a good complement to Atlanta Capital.

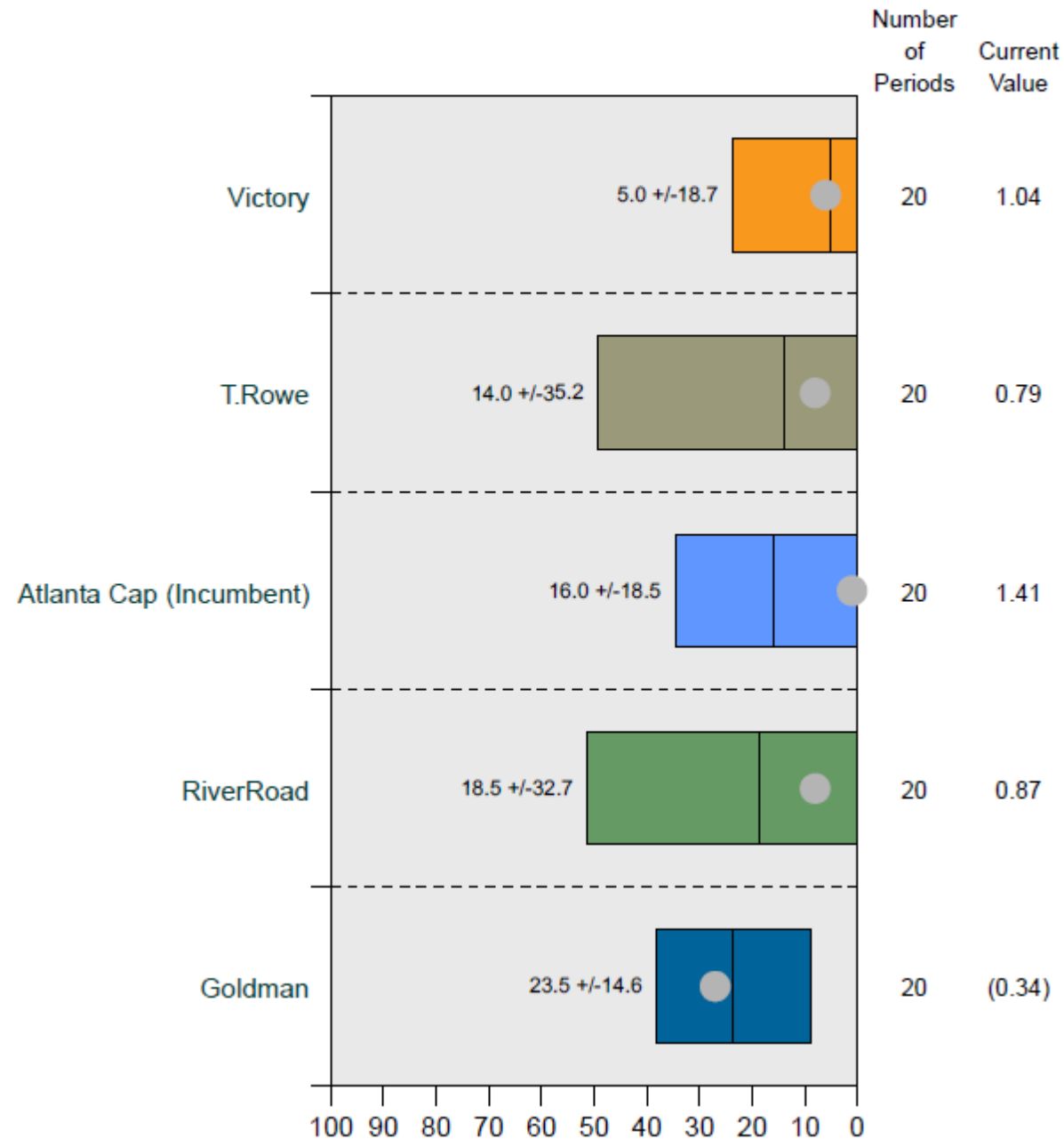
Candidate Summary Matrix

	Organization/Team	Strategy/Portfolio	Summary Opinion
Goldman Sachs Small Cap Value	<ul style="list-style-type: none"> – Goldman Sachs is a publicly traded company headquartered in New York – The multi asset class organization manages over \$1.5 trillion across the globe – Rob Crystal and Sally Davis have been co-lead portfolio managers on Small Value since 2009; they are supported by a team of sector PM's – Additional resources include 20 additional U.S. Equity professionals and a risk management group 	<ul style="list-style-type: none"> – The approach is value focused with a quality bias which supports strong risk adjusted/downside risk management – Each sector PM is responsible for company research and identify and research appropriate candidates for inclusion – Look for strong to improving balance sheets, operating advantages, strong management, and a catalyst for positive change – The strategy will typically hold between 175 to 225 securities; sector weights will be held within +/- 3% 	<ul style="list-style-type: none"> – Experienced value platform with senior sector professionals involved with portfolio decisions – Competitive short and long-term performance vs. the Russell 2000 Value Index and small cap value peers – Quality focus has helped protect capital in down market environments and will lag in exuberant environments – Very large asset base but has continued to produce competitive returns since the strategy soft closed in 2011
RiverRoad Asset Mgmt. Small Cap Value	<ul style="list-style-type: none"> – Louisville based organization founded in 2005; majority owned by AMG with employee ownership slightly under 30% – Historically domestic equity value focused shop; founder came from Southeastern Asset Mgmt. – Three PM team of Jim Shircliff, Justin Akin, and Andrew Beck supported by 13 firm wide investment professionals – Five year succession plan for Shircliff in place with internal candidates identified 	<ul style="list-style-type: none"> – Objective is to generate attractive, sustainable, low volatility returns with emphasis on downside protection – Absolute return frame of mind; identify consistent and attractive free cash flow metrics at attractive valuations – 60 to 70 securities held; conviction based weighting scheme with max single security exposure held at 7% – Top 20 names typically represent 45-55% of portfolio capital 	<ul style="list-style-type: none"> – Small value is the flagship strategy; equity boutique looking to become a \$10 to \$15 billion sized organization over next five years – True small cap exposure that has shown willingness to close capacity off at lower AUM levels than most small cap peers – Firm positioned for 4-5 year retirement of founding professional Jim Shircliff – Downside protection focus with lower beta exposure

Candidate Summary Matrix (cont'd)

	Organization/Team	Strategy/Portfolio	Summary Opinion
T. Rowe Price Associates Small Cap Value	<ul style="list-style-type: none"> Large publicly traded investment management organization with global presence and diversified product lineup David Wagner has been the lead portfolio manager since taking over from Preston Athey in 2014 and has been involved with the strategy since 2005 T. Rowe has dedicated small cap analysts and a large global research platform 	<ul style="list-style-type: none"> Strategy seeks great businesses that are mispriced by the marketplace. Relative value approach focused on total return potential vs. traditional mean reversion and traditional value metrics Idea generation comes from all corners of the organization, including small core and small growth teams Diversification is key risk management tool; 140 to 200 securities held. Quality emphasis with lower volatility profile 	<ul style="list-style-type: none"> T. Rowe one of the largest and most successful organizations in the small cap universe Key portfolio manager structure with significant depth of resources Portfolio moves between core and value based on market opportunities and price movements with low turnover approach Also offers a more diversified version through pooled vehicles that total nearly \$10 billion in assets under management
Victory Capital Mgmt Sycamore Small Cap Value	<ul style="list-style-type: none"> Victory is a large investment management organization with employee, private equity, and public equity ownership Sycamore one of many boutiques under the Victory umbrella located in Cincinnati Gary Miller, CIO, leads the five portfolio manager and three analyst investment team Low team turnover over recent time periods; team members tend to have sector focus 	<ul style="list-style-type: none"> Investment approach attempts to identify companies that possess above average fundamental strength with a valuation disparity between current and fair value Bottom up fundamental process that filters company ideas on valuation multiples (p/e, p/bv, p/cf, p/s) Analysts build bull, base, and bear case for each security; invests in names that offer 3:1 upside potential Portfolio typically hold between 100 to 110 securities 	<ul style="list-style-type: none"> Sycamore team has demonstrated long-term team stability and a competitive performance track record Historically provided good downside protection relative to small cap value peers Portfolio characteristics lean more towards core relative to small cap value peers and the Russell 2000 Value Index Large strategy asset base limiting new investments to smaller number for separate accounts and CIT; mutual fund remains closed

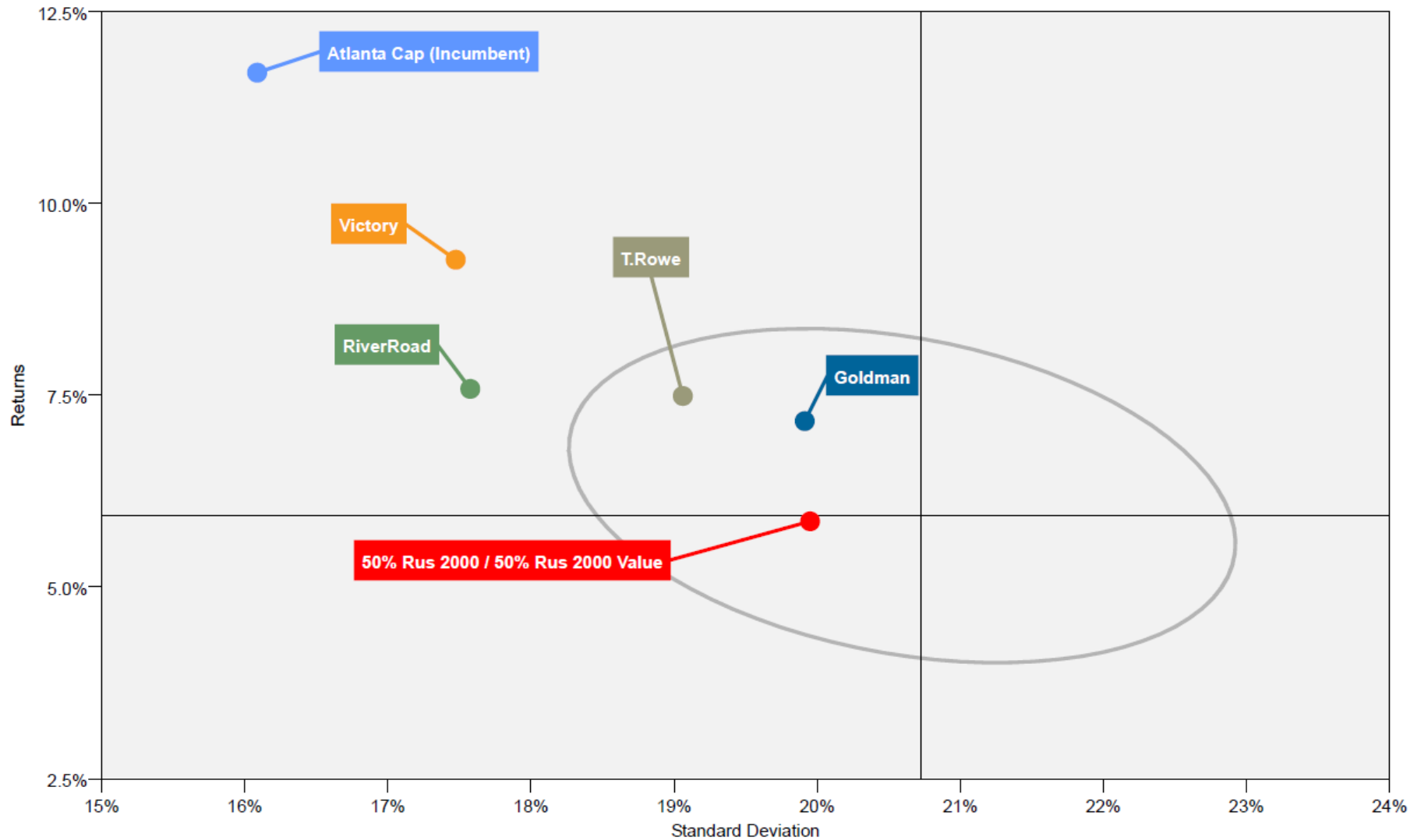
**Rolling Three-Year Excess Return Ratio Against Callan Small Cap Value
for Five Years Ended March 31, 2020**



Risk/Reward Structure

Risk/Reward for Ten Years Ended March 31, 2020

Group: Callan Small Cap Value (Ellipse with Median at Central Axis)

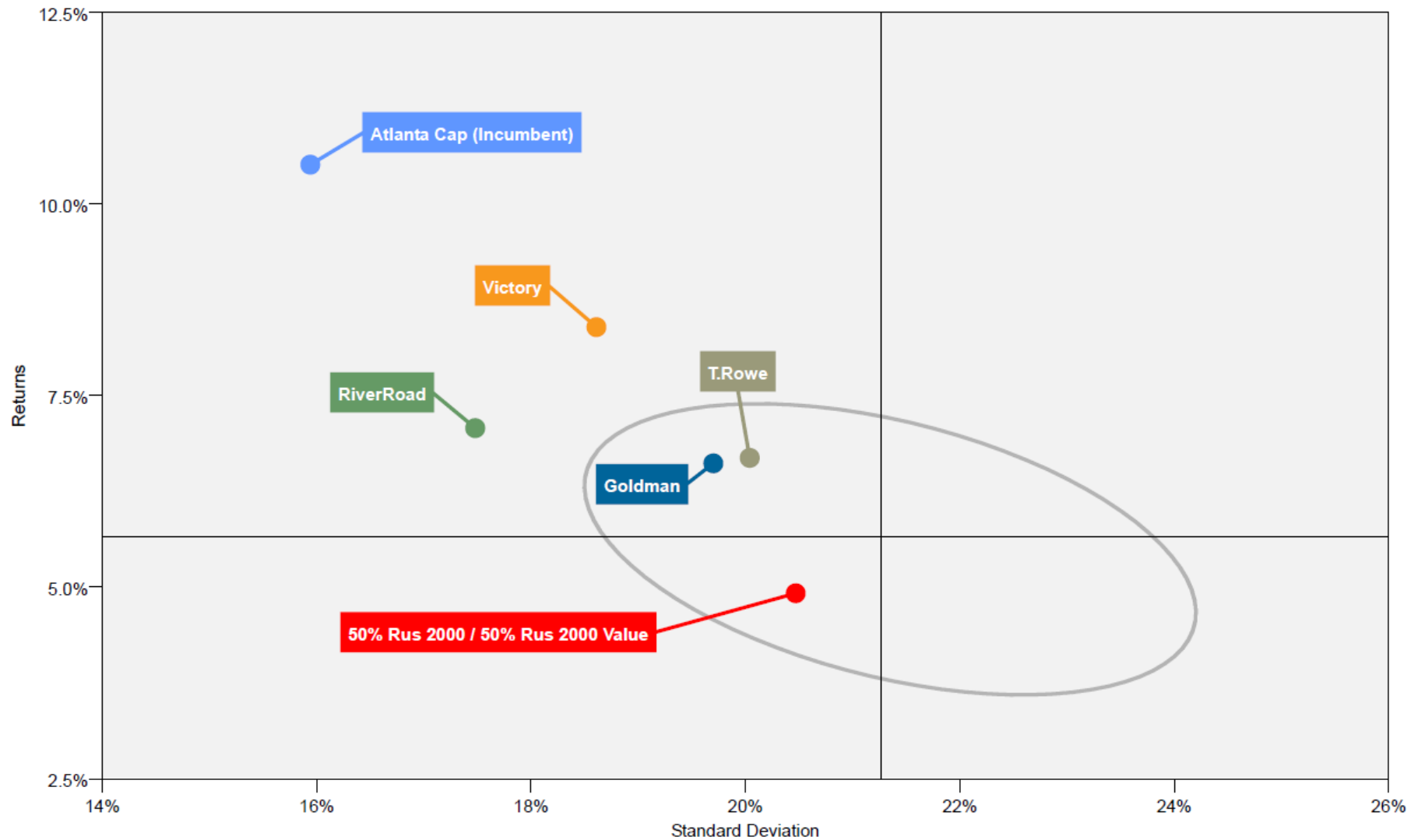


Manager candidate performance shown is Gross-of-fees unless otherwise noted.

Risk/Reward Structure

Risk/Reward for Fifteen Years Ended March 31, 2020

Group: Callan Small Cap Value (Ellipse with Median at Central Axis)



Manager candidate performance shown is Gross-of-fees unless otherwise noted.



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Sycamore Small Cap Value Equity

Presented to:
**North Dakota Retirement
and Investment**

NORTH
Dakota | Retirement and Investment
Be Legendary.™

Contents



A VICTORY CAPITAL® INVESTMENT FRANCHISE

- Victory Capital Overview
- Sycamore Capital Philosophy, Team and Process
- Performance & Characteristics
- Appendix

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Victory Capital Overview

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Overview of Victory Capital



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We have built our firm to deliver for our clients:

- > Our next-generation business model, which combines boutique investment qualities with the benefits of a fully integrated, centralized operating platform, enables our investment professionals to fully focus on client portfolios
- > We manage \$129.1B in assets, and are well-positioned to reinvest in cutting-edge services and systems while remaining highly attentive to each client
- > We serve nearly 300 institutional clients and understand our responsibility as part of a larger overall plan and portfolio
- > Our investment professionals and employees invest personally in our strategies, as well as in our firm, which ensures that our interests are aligned with those of our clients



¹All data as of June 30, 2020. Allocations listed above may not add up due to rounding. For more information, please refer to the firm's latest quarter-end press release at <https://ir.vcm.com/news/news-details/2020/Victory-Capital-Reports-June-2020-Assets-Under-Management/default.aspx>.

Our Integrated model



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Each franchise is led by a dedicated Chief Investment Officer and each franchise maintains its independent investment philosophy, process and culture, which drives autonomous, client-focused decision making

Client portfolios and relationships

Centralized support allows investment professionals to focus solely on client outcomes and portfolios

- Risk management
- Trading

- Relationship management
- Client reporting/analysis
- Consultant relations

- Operations management
- Technology/infrastructure
- Compliance and Legal

Our Solutions Group can customize portfolios toward specific client goals by leveraging our franchises, our strategic beta and quantitative insights, and a suite of ETF products

Advisory services offered by Victory Capital Management Inc., an SEC registered investment adviser. Primary responsibility for the day-to-day management of most of the investment portfolios lies with the investment franchises.

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Why Partner With Our Team?

Disciplined Approach and Stable Team Specializing in Small & Mid Cap Value

- Delivered by a team with experience, continuity and depth
- Two most senior Portfolio Managers have been investing together for over 20 years
- Over 160 years of cumulative investment experience on the team

Relentless Focus on Risk/Reward Assessment

- Aim to limit mistakes by not only assessing the upside potential but also evaluating what could go wrong in an investment opportunity
- Investment candidates must have a disproportionate risk/reward profile

Culture

- We harbor a collaborative and transparent investment culture
- We value a team approach over a star system (process is bigger than any individual)
- We debate, challenge and vet investment ideas to deliver better outcomes for clients

Consistent Long-Term Investment Performance

- Outperformance over 3-, 5-, and 10-year annualized periods



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Team, Philosophy and Process

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Investment Team



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NAME	TITLE	JOINED	EXPERIENCE	INDUSTRY RESPONSIBILITY
Gary H. Miller	CIO	1987	32	Lead Portfolio Manager for Mid Cap/Small Cap Value
Greg M. Conners	Portfolio Manager	1999	25	Electronics, Energy, Transportation
Jeffrey M. Graff, CFA	Portfolio Manager	2006	25	Industrials, Autos
Michael F. Rodarte, CFA	Portfolio Manager	2006	14	Consumer Discretionary, Consumer Staples, Health Care, Insurance
James M. Albers, CFA	Portfolio Manager	2009	14	Banks, Financial Services, Hardware/Software, Utilities
Jason W. Brown, CFA	Senior Research Analyst	2011	13	Basic Industry, REITs, Generalist
Abigayle C. Ashcraft, CFA	Research Analyst	2011	9	Generalist
Erik G. Nabhan	Senior Portfolio Specialist	2015	14	Lead Portfolio Specialist for Mid Cap/Small Cap Value; Liaison to key External & Internal Audience
Matthew T. Mauck, CFA	Quantitative Research Analyst	2016	8	Quantitative Risk Manager
Nicholas A. Krainess	Research Associate	2018	1	Generalist
Sydney D. Craig	Associate Portfolio Specialist	2020	3	Support Senior PMs/Senior Portfolio Specialist, Liaison to Client Service, Sales and Marketing
John W. Van der Oord*	Trader	2014	12	Dedicated Mid Cap and Small Cap Trader

Long History of Small Cap Value Investing

As of 05.31.2020.

*Trader joined Victory Capital's trading desk in 2007 and became dedicated to the Sycamore Capital investment team in 2014.

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What We Believe...



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Philosophy

We believe that a disciplined, bottom-up value approach to investing offers the clearest path to consistent long-term investment performance. The bedrock of our investment philosophy is to optimize our clients' returns with the goal of minimizing the risk of permanent capital loss. We achieve this by investing in businesses that possess the following attributes:

Better Business

Financially strong with a sustainable business model



Margin of Safety

Trading at a discount to our estimate of intrinsic value



Positive Change

Fundamental drivers that will narrow the valuation gap

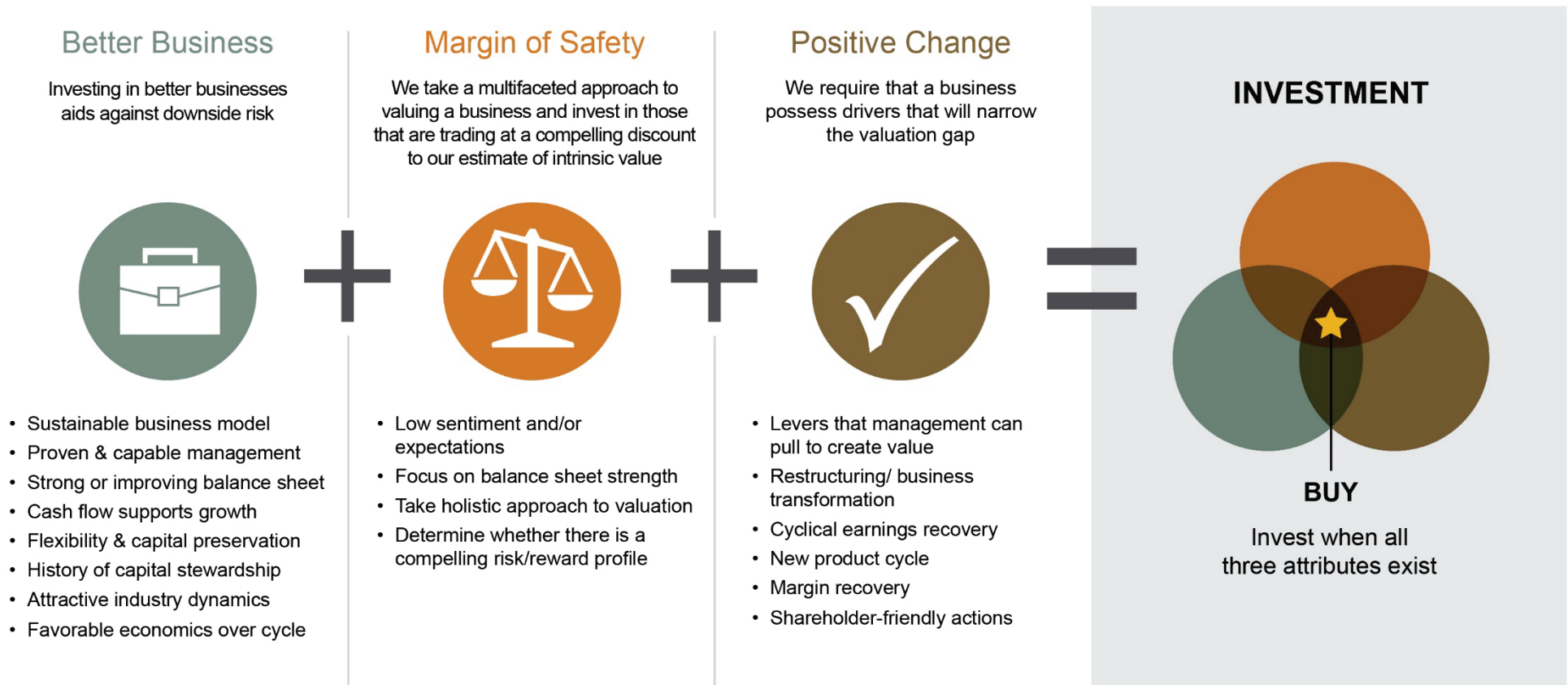


Margin of safety does not refer to the overall portfolio risk to the investor. In this context, margin of safety refers to Sycamore Capital's opinion of the current valuation and price direction of the underlying portfolio investments.

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Valuation alone does not result in an investment

A business must possess **all three attributes** before an investment is made



Margin of safety does not refer to the overall portfolio risk to the investor. In this context, margin of safety refers to Sycamore Capital's opinion of the current valuation and price direction of the underlying portfolio investments.

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Investment Process Overview

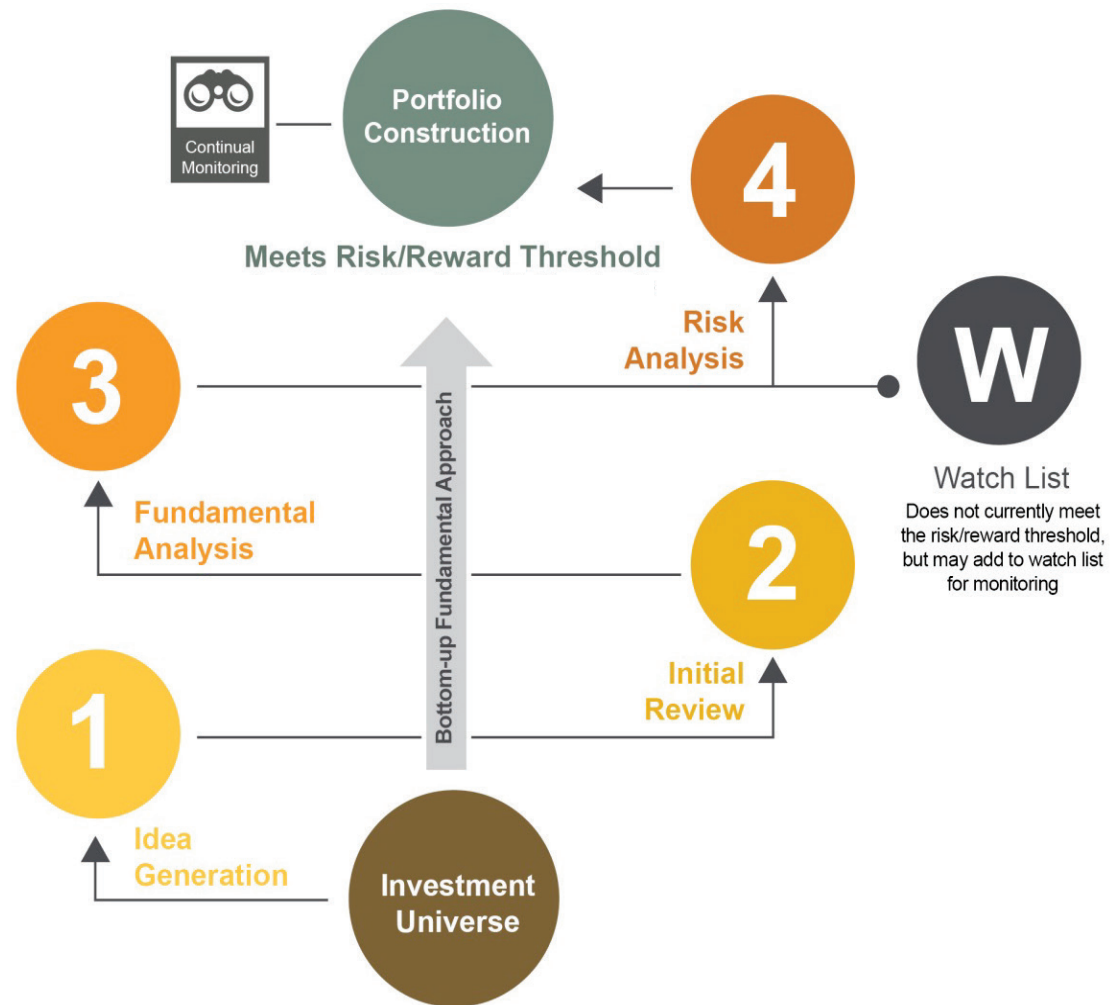


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Our bottom-up approach enables us to uncover the most compelling opportunities in our universe.

We employ a disciplined and dynamic process that includes:

- 1** Idea Generation
- 2** Initial Review
- 3** Fundamental Analysis
- 4** Risk Analysis
-  Portfolio Construction



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Performance and Characteristics

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Sycamore Small Cap Value Equity Performance (%)



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As of June 30, 2020

	Quarter	YTD	1-YR	ANNUALIZED TOTAL RETURN			
				3-YR	5-YR	7-YR	10-YR
Sycamore Small Cap Value Equity Composite (gross)	13.79	-19.48	-12.10	1.94	6.59	9.04	11.57
Sycamore Small Cap Value Equity Composite (net)	13.51	-19.87	-12.96	0.93	5.53	7.95	10.46
Russell 2000® Value Index	18.91	-23.50	-17.48	-4.35	1.26	3.98	7.82

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings.

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns are calculated by deducting 1/12 of the highest tier of the standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part II of its Form ADV.

Supplemental information. Please see the GIPS® disclosure page for additional information on the composite.

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Sycamore Small Cap Value Equity Calendar Year Performance (%)



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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sycamore Small Cap Value Equity Composite (gross)	23.16	2.64	13.73	34.60	7.90	0.59	31.24	12.92	-7.43	28.01
Russell 2000 [®] Value Index	24.50	-5.50	18.05	34.52	4.22	-7.47	31.74	7.84	-12.86	22.39

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings.

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses.

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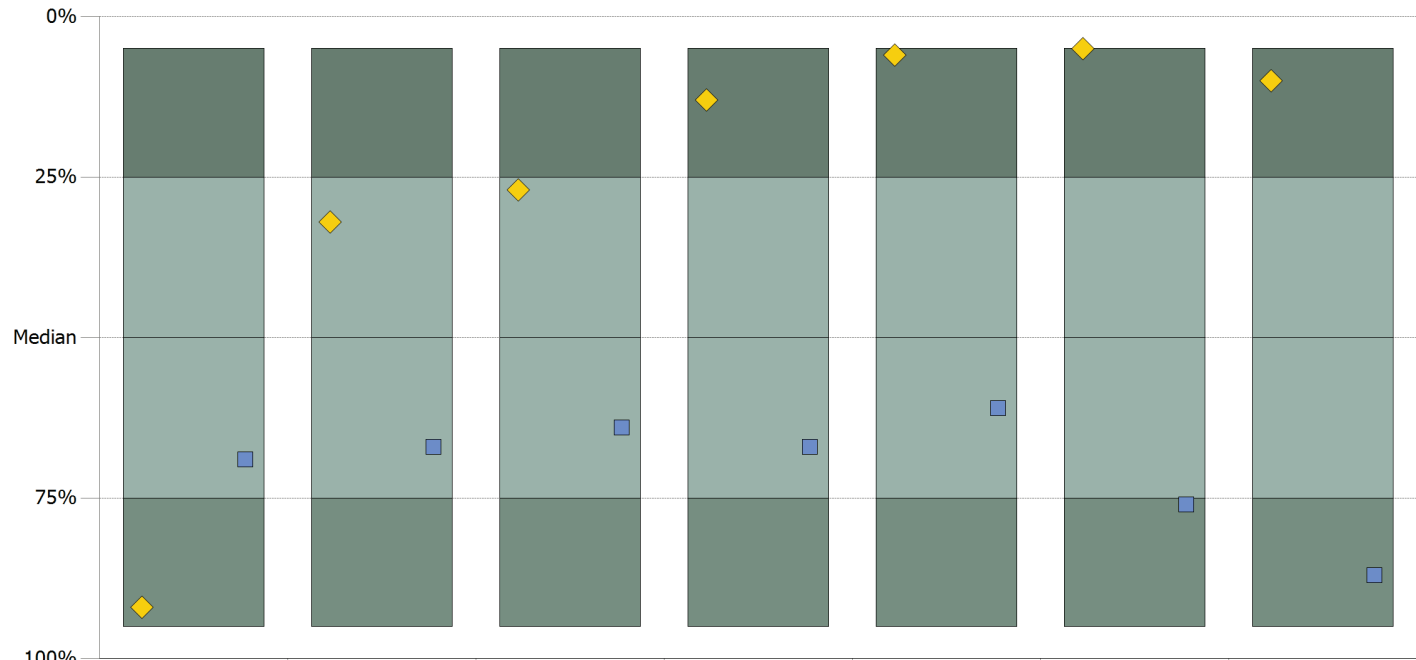
Performance vs. eVestment US Small Cap Value Equity Universe



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- ◆ Victory Capital Management Inc.: Sycamore Small Cap Value Equity
- Russell Index: Russell 2000 Value

Returns As Of: June 30, 2020



Universe:
eVestment US Small Cap Value Equity

	VT	RM	MRQ	Rk	YTD	Rk	1 Year	Rk	3 Years	Rk	5 Years	Rk	7 Years	Rk	10 Years	Rk
5th percentile			32.83		-10.33		-3.33		4.12		6.68		9.15		12.31	
25th percentile			24.17		-17.92		-11.64		-0.77		3.12		6.26		10.36	
Median			20.93		-21.75		-15.73		-3.29		1.71		5.13		9.20	
75th percentile			18.24		-24.12		-18.75		-4.89		0.24		4.05		8.34	
95th percentile			13.07		-28.38		-23.69		-8.37		-2.35		1.83		6.64	
# of Observations			205		205		205		199		192		184		172	
◆ Sycamore Small Cap Value Equity	SA	GF	13.79	92	-19.48	32	-12.10	27	1.94	13	6.59	6	9.04	5	11.57	10
■ Russell 2000 Value	IX	IX	18.91	69	-23.50	67	-17.48	64	-4.35	67	1.26	61	3.98	76	7.82	87

Results displayed in US Dollar (USD)

Source: eVestment. Data generated on July 14, 2020.

Past performance does not guarantee future results. Figures are based on performance gross of fees. Please see the GIPS® disclosure page for additional information on the composite.

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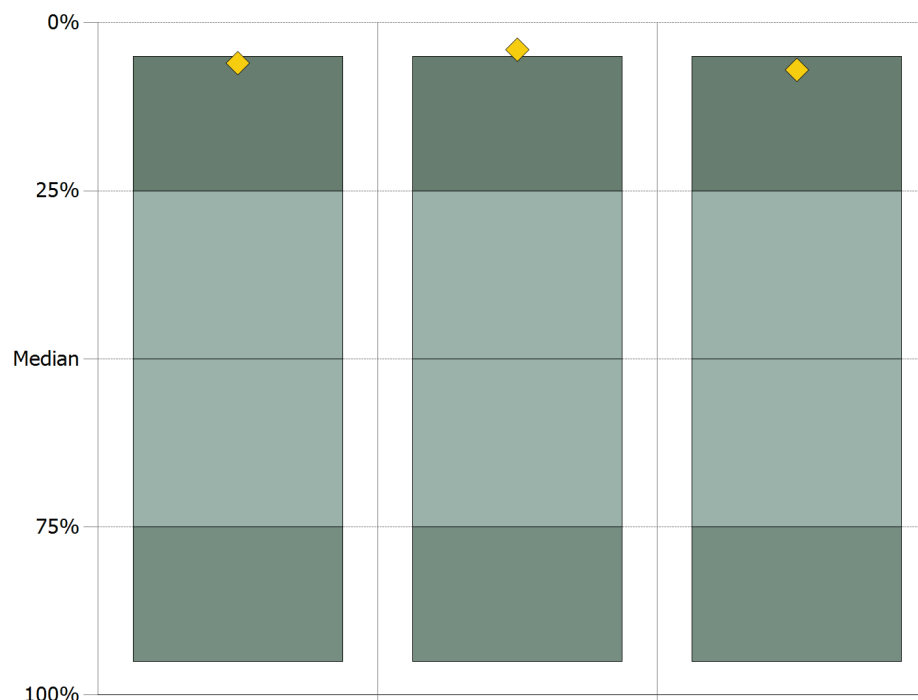
Compelling Long-Term Risk-Adjusted Performance



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◆ Victory Capital Management Inc.:
Sycamore Small Cap Value Equity

10 Years As Of: June 30, 2020



Universe:
eVestment US Small Cap Value Equity

	VT	RM	Alpha ¹	Rk	Sharpe ²	Rk	IR ¹	Rk
5th percentile			4.84		0.62		0.89	
25th percentile			2.60		0.47		0.52	
Median			1.56		0.41		0.29	
75th percentile			0.65		0.36		0.09	
95th percentile			-1.30		0.26		-0.25	
# of Observations			172		172		172	
◆ Sycamore Small Cap Value Equity	SA	GF	4.47	6	0.62	4	0.84	7

Results displayed in US Dollar (USD)

¹Russell 2000 Value; ²FTSE 3-Month T-Bill

Source: eVestment. Data generated on July 14, 2020.

As of 06.30.2020, the eVestment US Small Cap Value Equity Universe contained 172 institutional products with a 10-year history. Performance numbers may differ due to rounding differences.

Past performance does not guarantee future results. As of 06.30.2020, Alpha, Sharpe Ratio, and Information Ratio for Sycamore Small Cap Value Equity Composite in the US Small Cap Value Equity Universe: rank 7 of 192 managers, rank 3 of 192 managers and rank 5 of 192 managers for the 5-year period, respectively.

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Sycamore Small Cap Value Equity (Rep. Acct.) Characteristics



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	Small Cap Value	Russell 2000 [®] Value Index
Weighted Average Market Capitalization	\$2.6 billion	\$1.6 billion
Average Price/Earnings (FY1)	23.2x	24.3x
Average Price/Sales	1.0x	0.9x
Average Price/Book*	1.6x	1.1x
5-Year Dividend Growth	6.3%	3.9%
L-T Debt to Capital	32.1%	38.3%
# of Holdings	107	1,439
Turnover**	42.2%	-
5-Year Return on Equity	10.4%	7.4%
5-Year Return on Invested Capital	7.7%	4.9%
Active Share	88.8%	-

Portfolio typically reflects value orientation and our preference for financially sound companies

Characteristics source: FactSet. As of June 30, 2020. *The metric for our portfolio uses a weighted harmonic average given the limited number of securities held. Extreme outliers may be removed from the portfolio and the index when deemed appropriate. **Turnover shown is calculated annually including cash. Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

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Appendix

SYCAMORE CAPITAL

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Composite Performance

Victory Sycamore Small Cap Value Equity



A VICTORY CAPITAL® INVESTMENT FRANCHISE

Year Ending	Gross Return	Net Return	Benchmark	3yr Annualized Standard Deviation (%) Composite	3yr Annualized Standard Deviation (%) Benchmark	Number of Portfolios	Internal Dispersion	Composite Assets (mm)	Total Firm Assets (mm)
12/31/2019	28.01%	26.74%	22.39%	14.16%	15.68%	14	0.17%	\$6,839	\$147,934
12/31/2018	-7.43%	-8.35%	-12.86%	14.25%	15.76%	15	0.10%	\$5,499	\$51,500
12/31/2017	12.92%	11.80%	7.84%	12.82%	13.97%	18	0.09%	\$5,999	\$60,297
12/31/2016	31.24%	29.93%	31.74%	14.24%	15.50%	16	0.21%	\$4,969	\$42,934
12/31/2015	0.59%	-0.42%	-7.47%	12.89%	13.46%	15	0.11%	\$3,251	\$30,889
12/31/2014	7.90%	6.82%	4.22%	12.38%	12.79%	16	0.23%	\$2,937	\$33,679
12/31/2013	34.60%	33.26%	34.52%	14.91%	15.82%	17	0.32%	\$2,625	\$16,758
12/31/2012	13.73%	12.61%	18.05%	18.08%	19.89%	16	0.19%	\$1,700	\$20,347
12/31/2011	2.64%	1.62%	-5.50%	23.33%	26.05%	14	0.14%	\$1,185	\$26,490
12/31/2010	23.16%	21.96%	24.50%	26.46%	28.37%	13	0.19%	\$1,039	\$35,219

1. Victory Capital Management Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Victory Capital Management has been independently verified for the period from January 1, 2001 through December 31, 2018. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Sycamore Small Cap Value Equity Composite has been examined for the periods January 1, 2004 through December 31, 2018. The verification and performance examination reports are available upon request.

2. Victory Capital Management Inc. (Victory Capital) is a diversified global investment advisor registered under the Investment Advisers Act of 1940 and comprised of multiple investment franchises: INCORE Capital Management, Integrity Asset Management, Munder Capital Management, NewBridge Asset Management, RS Investments, Sophus Capital, Sycamore Capital, Trivalent Investments, USAA Investments, a Victory Capital Investment Franchise; and the VictoryShares & Solutions Platform. Munder Capital Management and Integrity Asset Management became part of the Victory Capital GIPS firm effective November 1, 2014; RS Investments and Sophus Capital effective January 1, 2017; and USAA Investments effective July 1, 2019.

3. The Sycamore Small Cap Value Equity Composite includes all accounts, except wrap fee paying accounts, primarily invested in stocks of small/emerging companies with market capitalizations of less than \$2 billion. The product generally has a minimum equity commitment of 90%. The composite creation date is 1Q93.

4. The benchmark of the composite is the Russell 2000® Value Index. The Russell 2000® Value Index measures the performance of those Russell 2000 companies with lower price/book ratios and lower forecasted growth values. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. The benchmark returns are provided to represent the investment environment existing during the time periods shown and are not covered by the report of independent verifiers. For comparison purposes, the index is fully invested, which includes the reinvestment of income. The returns have been taken from a published source and do not include any transaction fees, management fees, or other costs.

5. The internal dispersion of annual returns is measured by the standard deviation of asset-weighted gross returns of accounts included in the composite for the full year. If less than six portfolios are included in the composite for the full year, no dispersion measure is presented, as it is not considered meaningful (N/M). The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. It is not required to be presented for annual periods prior to 2011 or when a full three years of composite performance is not yet available.

6. Composite and benchmark returns are presented net of non-reclaimable withholding taxes. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns are calculated by deducting 1/12 of the highest tier of the standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part II of its Form ADV. The complete fee schedule for this product is:

Market Value	Annual Fee
First \$10,000,000	1.00% (Min. Annual Fee: \$100,000)
Next \$15,000,000	0.85%
Next \$25,000,000	0.80%
Next \$50,000,000	0.75%
Above \$100,000,000	0.70%

7. Valuations and returns are stated in U.S. dollars. Past performance should not be considered indicative of future performance. Composite returns reflect the reinvestment of dividends and other earnings. A list of composite descriptions and policies of valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Registration with the SEC does not imply a certain level of skill or training.



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Investing involves risk including possible loss of principal.

Index returns are provided to represent the investment environment during the periods shown. Index performance reflects the reinvestment of dividends and capital gains. Index returns do not reflect transaction costs, management fees or other costs. Non-US indices are net of withholding taxes, if any. Indexes are unmanaged and not available for direct investment.

The top ten holdings and sector diversification are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments.

Holdings are as of quarter end and may change at any time. This material should not be construed as a recommendation to buy or sell any security.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

eVestment's software has been used to create the rankings exhibits. A fee was paid for the use of the software. The results are gross of fees and are annualized for periods greater than one year. Since inception data is as of the first full calendar quarter following inception.

Risk Statistics source: Zephyr StyleADVISOR. Characteristics, Top Ten Holdings and Sector Diversification source: FactSet Research Systems, Inc. The top ten holdings and sector diversification are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments.

Various account minimums or other eligibility qualifications apply depending on the investment strategy or vehicle.

Victory Capital and its affiliates are not affiliated with United Services Automobile Association or its affiliates. USAA and the USAA logo are registered trademarks and the USAA Investments logo is a trademark of United Services Automobile Association and are being used by Victory Capital and its affiliates under license.

Advisory Services offered by Victory Capital Management Inc., an investment adviser registered with the U.S. Securities and Exchange Commission (SEC).

Victory Capital Management Inc., 15935 La Cantera Parkway, San Antonio, TX 78256

Gary H. Miller

Chief Investment Officer



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Gary H. Miller

CIO – Sycamore Capital

Gary Miller is the CIO and lead portfolio manager of Sycamore Capital's Small Cap Value Equity and Mid Cap Value Equity strategies. The Victory Small Cap Value Equity and Mid Cap Value Equity team was renamed Sycamore Capital on April 1, 2015. Sycamore Capital is a Victory Capital investment franchise.

He joined Victory Capital in 1987. Prior to his tenure as portfolio manager, Mr. Miller served as an equity research analyst for the Small Cap Value and Mid Cap Value Equity strategies.

Mr. Miller holds a Bachelor of Business Administration in accounting from the University of Cincinnati and a Master of Business Administration from Xavier University.

Mr. Miller is involved in several philanthropic endeavors, including serving on the Foundation Board for the Freestore Foodbank where he is a member of the Investment Committee and the Governance Committee.



Daniel D. Dy
Managing Director, Institutional Markets

Mr. Dy is a Managing Director with Victory Capital Management and is responsible for leading Victory's relationship management and ongoing communication effort with Institutional investment consultants, and also for serving a limited number of our firm's largest and most valuable relationships.

Mr. Dy joined Victory in 1990 and has over 25 years of experience in investment management and capital markets. Mr. Dy's experience includes work in equity analysis, portfolio management, investment banking, international markets and business development. Prior roles at Victory include Head of Global Consultant Relations and Head of Public Funds and Taft Hartley segments.

Mr. Dy holds a Bachelor of Science in Economics from St. Lawrence University in Canton, NY. Additionally, he earned the designation of CIMA through the Wharton School of Business and is a licensed securities broker.

BOARD ACTION REQUESTED

TO: State Investment Board

FROM: Dave Hunter, Darren Schulz, Eric Chin, & Matt Posch

DATE: July 24, 2020

SUBJECT: Small Cap Value Manager Recommendation

RIO Recommendation:

Staff recommends that the SIB approve Sycamore Capital (a Victory Capital Management (VCM) franchise) as a new U.S. small cap equity manager to replace the Parametric Clifton Russell 2000 mandate. Specifically, Staff is recommending the Sycamore Small Cap Value Equity Strategy (SSCVS), a bottom up, quality small cap value strategy that serves as an attractive complement to both the SIB's existing mandate with Atlanta Capital and the pending mandate with Riverbridge. Given recent market volatility, Staff is adjusting its recommendations from a fixed dollar amount to a percentage of each portfolio. The target percentages are:

As of May 31, 2020

	AUM	Current Small Cap Policy Target (\$)	Current Small Cap Policy Target (%)	Target Allocation SSCVS (\$)	Target Allocation SSCVS (%)
Pension Pool	\$ 5,929,614,332.40	\$ 289,719,054.06	4.89%	\$ 96,573,018.02	1.6%
Insurance Pool	\$ 2,949,465,827.17	\$ 71,142,278.14	2.41%	\$ 23,714,092.71	0.8%
Legacy Fund	\$ 6,839,248,010.24	\$ 547,139,840.82	8.00%	\$ 182,379,946.94	2.7%
Total	\$ 15,718,328,169.81	\$ 908,001,173.02	5.78%	\$ 302,667,057.67	1.9%

Staff's recommendation of the SSCVS is based on:

1. The SSCVS employs an experienced, collaborative and stable team. Gary Miller has been the lead portfolio manager of the SSCVS since 2004. There have been no departures from the SSCVS team since Mr. Miller became the lead PM.
2. Like Riverbridge, the SSCVS has demonstrated the ability to protect capital in down markets. The strategy's focus on "better businesses"—financially strong companies with sustainable business models that employ strong management teams should protect on the downside. In addition, the SSCVS invests in companies that are trading at a discount to Sycamore's estimate of intrinsic value, thus providing an additional margin of safety.
3. SSCVS focus on quality value companies should provide diversification benefits when combined with the Riverbridge and Atlanta mandates. With a focus on quality companies trading at a discount to fair value, the SSCVS will generally be targeting companies in a different part of the small cap universe when compared with Atlanta and Riverbridge. A hypothetical portfolio of Atlanta, Riverbridge, and SSCVS, generated roughly 441 basis points of excess return over the Russell 2000 index for

the 15-year period from April 1, 2005 to March 31, 2020 with comparatively lower volatility (16.74% vs the Russell 2000 Index volatility of 19.54%).

4. Since Gary took over the strategy in January 2004, SSCVS has generated annualized returns of 9.20% compared to 5.99% for the Russell 2000 Index and 4.81% for the Russell 2000 Value Index.

As mentioned at the January 24, 2020 Board meeting, Staff believes it is prudent to take a more active approach in U.S. small cap equities. Replacing the Parametric Clifton Russell 2000 strategy with the more active SSCVS will ultimately lead to the potential for greater outperformance over the long term.

Background:

At the January 24, 2020 Board meeting, the Board approved an engagement with Callan to conduct a search to identify two candidate managers that would complement the existing U.S. small cap mandate with Atlanta Capital. Staff proceeded to search for managers that employed an active strategy to replace the existing Parametric Clifton Russell 2000 synthetic beta mandate. As noted in the June 26, 2020 Small Cap Growth Manager Recommendation Memo, Staff believes and academic literature supports, there is greater opportunity for active management within the U.S. small cap equity space. This results from the fact that the small cap market is relatively inefficient, there is a diverse universe for stock selection, and there is higher return dispersion across companies when compared to other market segments.

At the June 26, 2020 Board meeting the Board approved an allocation to Riverbridge Partners, the first of two managers that Staff would recommend to replace the Parametric Clifton 2000 mandate. Today, Staff is recommending the second of two managers to replace the Parametric Clifton Russell 2000 mandate.

Process:

To identify candidate managers, Staff screened Callan's database of 700+ small cap managers for managers that had the following criteria (this is the same criteria used to identify the small cap growth manager):

- A 15-year track record (or greater)
- Generated positive excess returns over the Russell 2000 Index in the most recent 5 and 10 year periods
- An information ratio¹ vs. the Russell 2000 index above .40
- Strategy assets under management greater than \$1 billion
- Down market capture less than 100%

This resulted in a universe of just under 100 managers. Staff sorted the managers into growth, value, and core/neutral strategies and selected the top 10 managers in each group ranked by Sharpe ratio. Staff held introductory calls with each manager to determine if they might be a good fit for the SIB's portfolios. Candidate managers were removed if they were capacity constrained or exhibited other obvious issues that would disqualify their candidacy. It is important to note, that since Staff was looking for two candidate managers with the goal of creating a three manager small cap portfolio (along with Atlanta), Staff spent considerable time and resources evaluating how

¹ Callan defines information ratio as, "The Information Ratio is a risk statistic that measures the excess return per unit of residual "non-market" risk in a portfolio. The ratio is equal to the Alpha divided by the Residual Risk. Because the Information Ratio represents a residual-risk adjusted measure of the excess returns of a portfolio, the resulting value can be looked at as the excess return per unit of risk that is due solely to the specific risks associated with the securities in the portfolio and by definition could be diversified away."

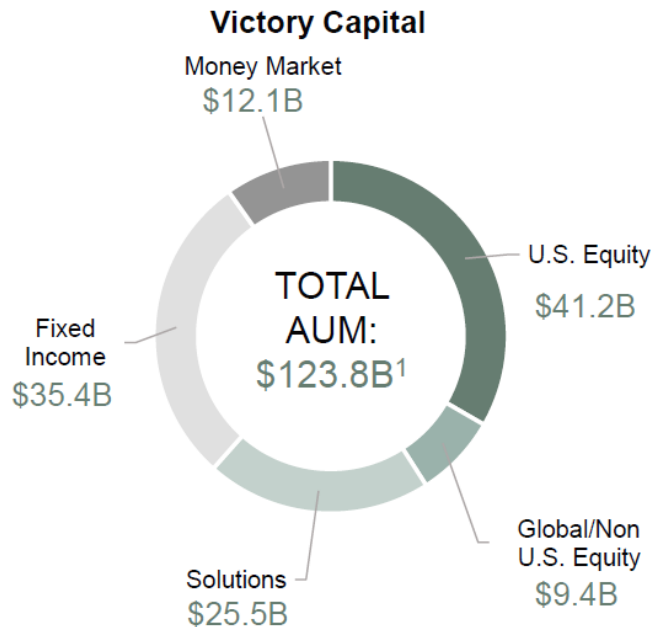
different small cap strategies would blend together. Some of the qualitative and quantitative analyses staff performed included portfolio simulations, measuring factor exposures, and generating correlation analyses. Managers that would not provide the necessary diversification benefits were also removed from the candidate pool.

Next, Staff collaborated with Callan to produce two candidate lists, a semi-finalist list of ten growth managers and a second list with ten semi-finalist non-growth managers for consideration by Callan's Manager Search Committee. Callan's Manager Search Committee then conducted a collaborative discussion of the merits and concerns of the remaining managers. On the growth side, the short list of managers consisted of Brown Advisory, Kayne Anderson, Riverbridge, and Wasatch. Staff recommended and the Board approved an allocation to Riverbridge at the June 26, 2020 Board meeting.

On the non-growth manager side Staff and Callan's Manager Search Committee produced a short list which consisted of GSAM US Small Cap Value, T. Rowe Price US Small-Cap Value, Burgundy U.S. Small Cap Value, Sycamore Small Cap Value Equity, River Road Small Cap Value, and Macquarie Small Cap Core Strategy. Staff conducted additional diligence on the finalists including video conferences with senior portfolio managers. At this stage of the process all of the finalists were high quality and highly capable managers. Key criteria that factored into the final decision stemmed from the analyses Staff produced on how the remaining managers combined with Atlanta and Riverbridge. Staff analyzed the different portfolio combinations evaluating style and factor overlap and simulated performance analytics. Sycamore slightly edged out the competition based on its stable and experienced investment team, attractive risk/reward characteristics, and diversification benefits to Riverbridge and Atlanta.

Sycamore Small Cap Value Strategy Evaluation:

- 1. Organizational Overview:** VCM is a diversified global asset management firm with \$123.8 billion in assets under management and advisement as of March 31, 2020. Through predecessor firms, VCM was organized in 1894 and took their current name in 2001. Today, VCM is a wholly owned subsidiary of Victory Capital Holdings and trades on the NASDAQ exchange under the ticker symbol "VCTR". VCM's business model combines boutique investment qualities with the benefits of a centralized operating platform. The VCM platform consists of nine autonomous investment franchises including Sycamore Capital.



Source: Victory Capital Management

2. Sycamore Small Cap Value Strategy:

- a. **Overview:** The SSCVS was inceptioned in 1983. The team consists of 12 investment professionals including CIO and lead portfolio manager Gary Miller, who has been with the firm for 32 years. Gary has been lead portfolio manager on the strategy since 2004. The strategy focuses on identifying high quality small cap companies at an attractive value through bottom up research.
- b. **Philosophy:** Sycamore believes, “A disciplined, bottom up value approach to investing offers the clearest path to consistent long-term investment performance.” The core of their philosophy is to optimize client returns with the goal of minimizing the risk of permanent capital loss. Sycamore seeks to achieve this by identifying companies they believe are a better business, have a margin of safety, and have drivers that will reflect positive change.
- c. **Strategy:** The SSCVS invests in companies with market capitalizations consistent with the range of the Russell 2000 Index and uses a combination of qualitative and quantitative criteria to narrow down the universe to a manageable group of attractively valued companies. The majority of the investment process is driven by company level fundamental analysis through multiple phases of research.²
 - i. **Idea generation:** Features a combination of qualitative and quantitative company level research including screening, analyst sector coverage, meetings with company management, and industry conferences. Companies must possess the following three criteria to be considered for further review:
 1. Better Business – financially strong with sustainable business model.
 2. Margin of safety – trading at a discount to the team’s estimate of intrinsic value.

² Investment process sourced from VCM factsheet, presentations, and questionnaire.

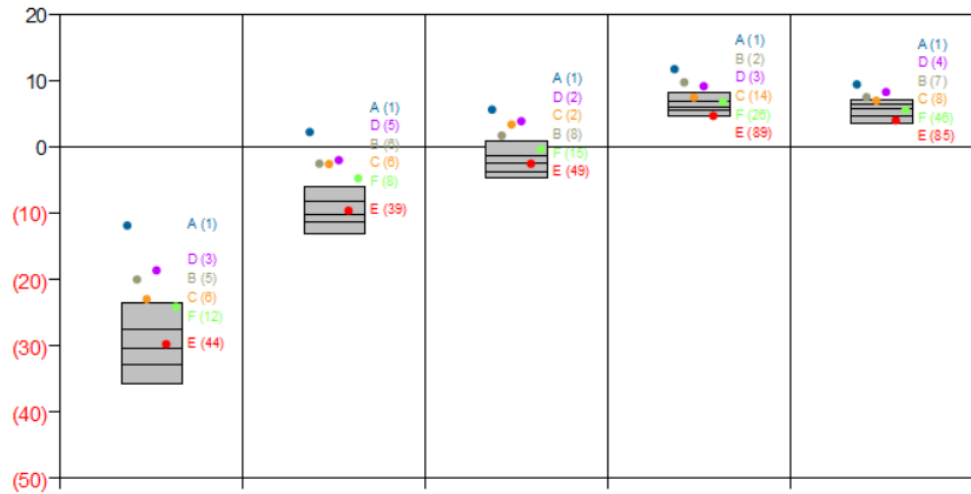
3. Positive change – fundamental drivers that will narrow the valuation gap.
 - ii. **Initial review:** Determine the quality profile of a business and whether the discount accorded is sufficient to be considered for more rigorous fundamental analysis.
 - iii. **Fundamental analysis:** Distinguish companies that possess an asymmetrical risk/reward profile. Four key components of this step are in-depth review of financials, understanding industry dynamics, assessing company management, and evaluating operating metrics.
 - iv. **Risk Analysis:** The team analyzes company specific risks. Risk must be identifiable, analyzable, and quantifiable. A bull/base/bear case is then developed for each stock. The team will debate the most compelling ideas from a risk/reward perspective to ensure that only the highest conviction candidates are purchased for the portfolio.
- d. **Portfolio Construction:** The portfolio is constructed through bottom up stock selection and typically holds 90-100 positions. Individual positions weights can scale opportunistically over time with a limit of 5%. Positions are sold once the investment thesis no longer remains intact or more attractive opportunities exist. Annual turnover is expected to range from 40%-60%. While there are no min/max sector requirements, a broad sector representation is sought after.
- e. **Performance Overview:**¹ All of the finalist candidates had excellent performance with returns ranking in the upper quartile of the Callan Small Cap Value peer group over multiple periods going back 15 years. Sycamore scored stronger than the peer group averages in each measure of return and risk that Staff analyzed. Sycamore expects to generate an average annual excess return of 200-300 basis points over the benchmark over a full market cycle. On a rolling 5-year basis over the past 15 years, Sycamore has averaged an annualized 280 basis points in excess returns.³

Common Period Returns and Risk Statistics
15 Years as of 3/31/2020

	Sycamore Small Cap Value	Burgundy Small Cap Value	RiverRoad Small Cap Value	Macquarie Small Cap Core	Callan Small Cap Value Group	Russell 2000 Value
Returns	8.40%	9.55%	7.08%	7.62%	5.04%	4.11%
Excess Returns (Russell 2000 Value)	4.29%	5.44%	2.97%	3.52%	0.93%	0%
Standard Deviation	18.77%	18.02%	17.63%	20.13%	21.41%	21.03%
Sharpe Ratio (3 month T-bill)	0.37	0.45	0.32	0.31	0.17	0.13
Tracking Error (Russell 2000 Value)	4.81%	7.40%	7.15%	5.33%	3.26%	0%
Up Market Capture (Russell 2000 Value)	101.10%	100.46%	77.58%	118.97%	107.56%	100.00%
Down Market Capture (Russell 2000 Value)	88.44%	83.83%	86.81%	94.33%	99.04%	100.00%

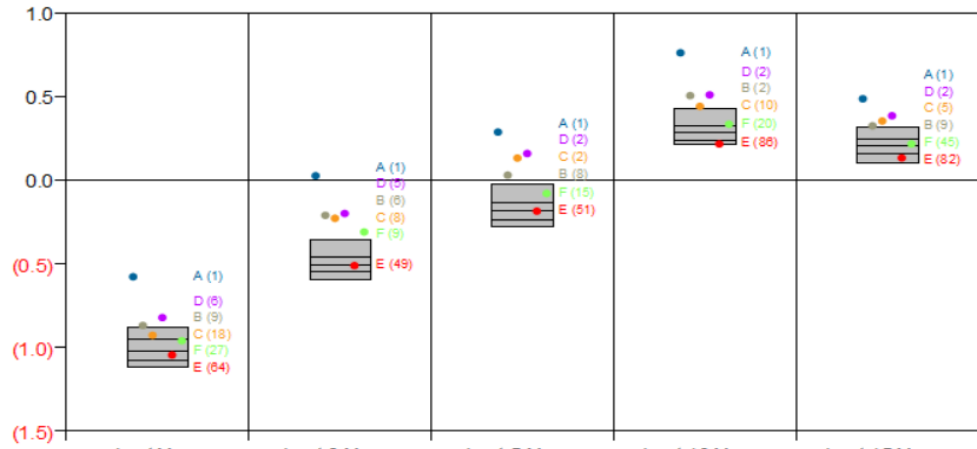
³ Statistics sourced from Callan's PEP software.

Returns
for Periods Ended March 31, 2020
Group: Callan Small Cap Value



	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years
10th Percentile	(23.58)	(5.91)	0.83	8.28	7.01
25th Percentile	(27.49)	(8.21)	(1.41)	6.96	6.39
Median	(30.42)	(10.20)	(2.48)	5.93	5.68
75th Percentile	(32.87)	(11.26)	(3.69)	5.47	4.65
90th Percentile	(35.74)	(12.99)	(4.61)	4.74	3.62
Member Count	65	65	64	62	51
Burgundy:Sm Cap Value	A (1)				
Macquarie:US Small Cap Core Equity	B (5)				
RiverRoad:Sm Cap Val Eq	C (6)				
VCM:Sycamore Small Cap Val	D (3)				
Russell:2000 Index	F (12)				
Russell:2000 Value	E (44)				
		A (1)			
		D (5)			
		B (8)			
		C (6)			
		F (8)			
		E (39)			
			A (1)		
			D (2)		
			C (2)		
			B (8)		
			F (15)		
			E (49)		
				A (1)	
				B (2)	
				D (3)	
				C (14)	
				F (26)	
				E (89)	
					A (1)
					D (4)
					B (7)
					C (8)
					F (48)
					E (85)

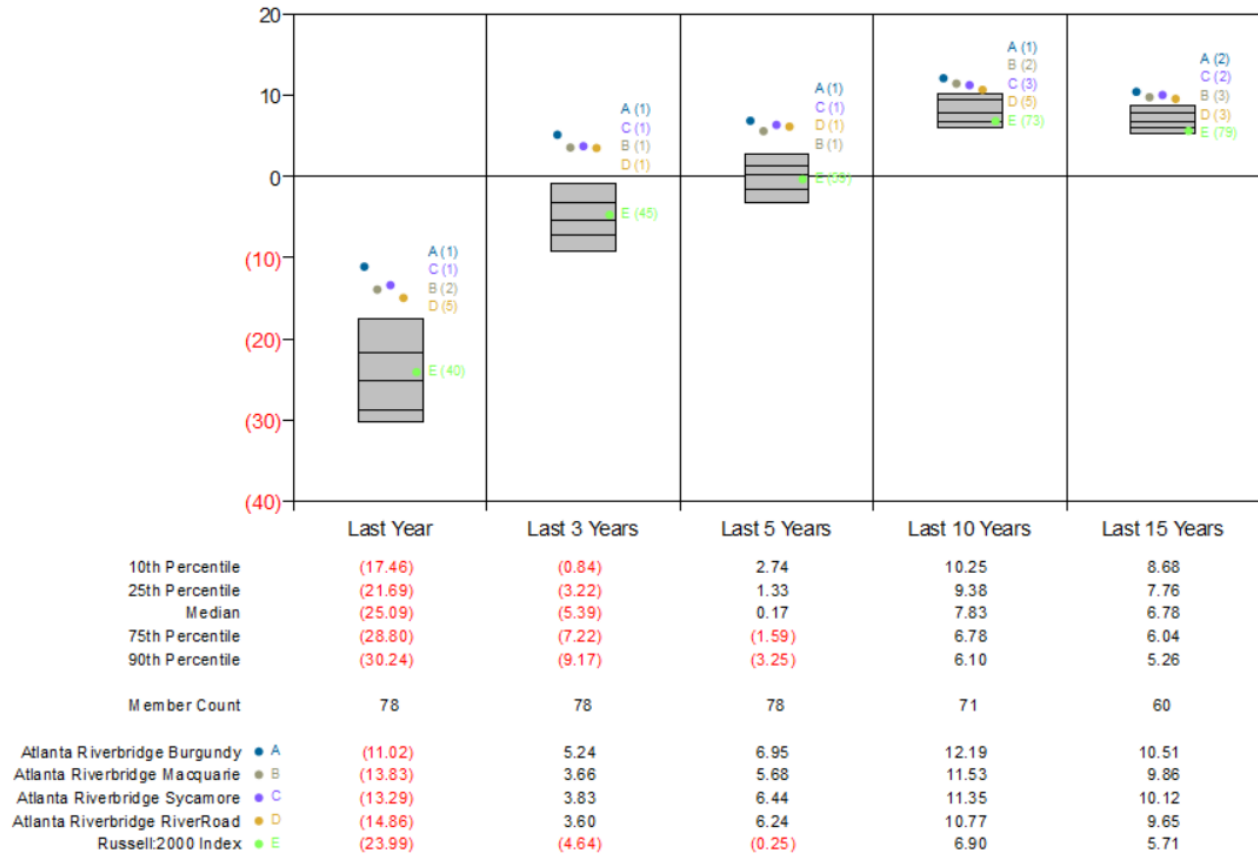
Sharpe Ratio
for Periods Ended March 31, 2020
Group: Callan Small Cap Value



	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years
10th Percentile	(0.88)	(0.36)	(0.02)	0.43	0.31
25th Percentile	(0.95)	(0.46)	(0.13)	0.33	0.25
Median	(1.02)	(0.51)	(0.18)	0.29	0.21
75th Percentile	(1.07)	(0.55)	(0.23)	0.24	0.16
90th Percentile	(1.11)	(0.60)	(0.28)	0.21	0.11
Member Count	65	65	64	62	51
Burgundy:Sm Cap Value	(0.57)	0.03	0.29	0.77	0.49
Macquarie:US Small Cap Core Equity	(0.86)	(0.21)	0.03	0.51	0.33
RiverRoad:Sm Cap Val EQ	(0.92)	(0.22)	0.14	0.45	0.36
VCM:Sycamore Small Cap Val	(0.82)	(0.19)	0.16	0.51	0.39
Russell:2000 Index	(0.96)	(0.31)	(0.08)	0.34	0.22
Russell:2000 Value	(1.04)	(0.51)	(0.18)	0.22	0.14

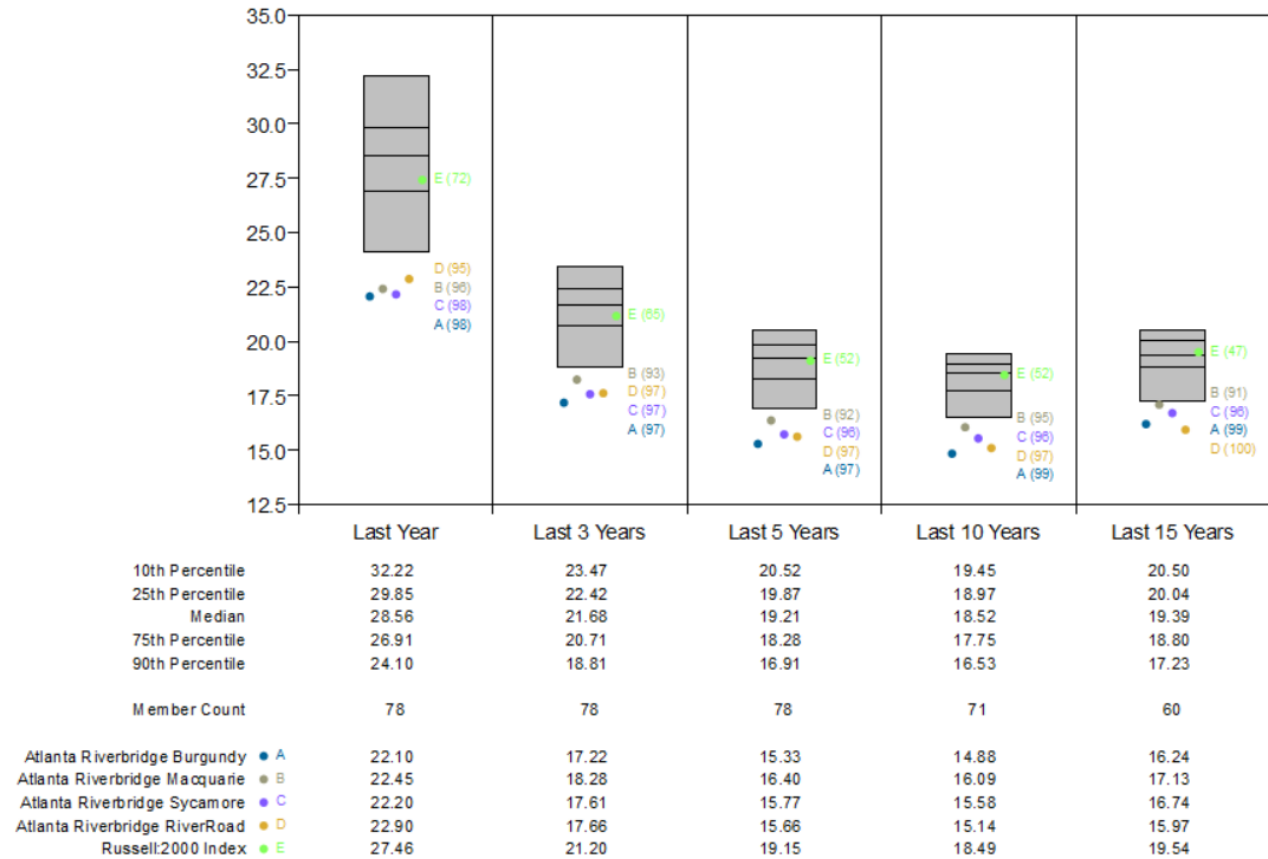
Portfolio Simulations⁴:

Returns of Portfolio Combinations with Atlanta and Riverbridge
for Periods Ended March 31, 2020
Group: Callan Small Cap Core



⁴ Portfolio simulations consist of equal weight allocations, rebalanced annually.

Risk of Portfolio Combinations with Atlanta and Riverbridge
for Periods Ended March 31, 2020
Group: Callan Small Cap Core



Conclusion:

Following an intense and rigorous manager search and due diligence process, Staff has identified the SSCVS as the second strategy to replace the Parametric Clifton Russell 2000 mandate. On a standalone basis, the SSCVS has generated strong risk adjusted returns even outperforming the Russell 2000 Index over the past 15 years despite a challenging environment for value strategies (SSCVS 8.39% vs Russell 2000 Index 5.71%). In addition, the SSCVS has attractive qualitative characteristics such as an experienced and stable team, consistent market cap exposure, and attractive downside protection. Moreover, the SSCVS serves as an appealing complement to the existing Atlanta and Riverbridge mandates. When comparing the top performing finalists, Sycamore was found to have a lower correlation of excess returns (to Atlanta and Riverbridge) indicating diversifying performance drivers. Lastly, adding a value focused manager like SSCVS to the portfolio mix will bring a stylistic difference to the portfolio, and ultimately should help to generate more stable returns (as a portfolio) over a market cycle. In summary, the SSCVS not only stands alone on its own merits, but also blends well with the SIB's existing small cap mandates and should ultimately improve the SIB's portfolios potential to generate outperformance over the long term.

ⁱ Charts and statistics sourced from Callan's PEP software.

BOARD APPROVAL REQUESTED

TO: State Investment Board (SIB)
FROM: Dave Hunter
DATE: July 24, 2020
SUBJECT: SIB/TFRR Meeting Schedules 2020/21

State Investment Board (Start time 8:30 a.m.)

1. July 24, 2020 (Election of Officers - Reserved for Board Education)
2. **August 28, 2020 (Tentative)**
3. **September 25, 2020 (Fiscal Year-End Performance Review as of 6/30/2020)**
4. October 23, 2020
5. November 20, 2020 (Quarterly Performance Review as of 9/30/2020)
6. January 22, 2021 (Legislative Session)
7. February 26, 2021 (Legislative Session) (Quarterly Performance Review as of 12/31/2020)
8. March 26, 2021 (Legislative Session) (Tentative)
9. April 23, 2021 (Legislative Session)
10. May 28, 2021 (Quarterly Performance Review as of 3/31/2021)

Teachers' Fund for Retirement (Start time 1:00 p.m.)

1. July 23, 2020
2. July 24, 2020 (Canceled)
3. September 24, 2020
4. November 19, 2020 (October 22, 2020 Canceled and Rescheduled)
5. January 21, 2021
6. March 25, 2021
7. April 22, 2021

Informational

To: STATE INVESTMENT BOARD (SIB)
From: Dave Hunter
Date: July 20, 2020
RE: RIO Website, TFFR PAS and RIO Budget Update

=====

RIO Website Update:

RIO's IT Manager Richard Nagel will preview our new website which is scheduled to be launched in the near future. RIO's IT leaders intend to offer a virtual demonstration at our next SIB meeting on August 28th.

TFFR Pension Administration System (PAS) Modernization Project Update:

RIO's Deputy Executive Director and TFFR's Chief Retirement Officer Jan Murtha will provide a verbal update on our TFFR PAS project highlighting milestones achieved and upcoming target dates for consultant and vendor selection in the next six months.

RIO Budget Update:

RIO will share our recently submitted agency budget for the 2021-23 biennium noting:

- a) **RIO's Base Budget** was submitted in accordance with the Governor's instruction for a "hold even" budget;
- b) **Optional Budget 1 requests \$25,000** to retain current salary funding levels in the next biennium (resulting from hiring new staff at market salaries which exceeded former staff salary levels);
- c) **Optional Budget 2 requests \$70,920** to implement ND ITD Desktop Support which RIO believes it is an important operational budget initiative which should make our agency more efficient and effective in the long-term; and
- d) **Optional Budget 3 requests \$125,000** to reinstate Contingency Funding to a prudent level (as it was reduced 37% last legislative session to an impractical level).

CHANGE PACKAGE SUMMARY

00190 Retirement and Investment Office

Biennium:2021-2023

Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
<u>Base Budget Changes</u>						
Ongoing Budget Changes						
A-A 100 Base Budget Request		0.00	0	0	(184,934)	(184,934)
Base Payroll Change		0.00	0	0	184,934	184,934
Total Ongoing Budget Changes		0.00	0	0	0	0
Total Base Budget Changes		0.00	0	0	0	0
<u>Optional Budget Changes</u>						
Ongoing Optional Changes						
A-C 100 Retain Full Salary Funding	1	0.00	0	0	25,000	25,000
A-C 101 ND ITD Desktop Support	2	0.00	0	0	70,920	70,920
A-C 102 Reinstate Contingency Funds	3	0.00	0	0	125,000	125,000
Total Ongoing Optional Changes		0.00	0	0	220,920	220,920
Total Optional Budget Changes		0.00	0	0	220,920	220,920

Agency: Retirement and Investment Office

Agcy No: 00190

1 Object/Revenue		2 2017-19 Biennium Expenditures	3 2019-21 Biennium Appropriation	4 2021-23 Base Budget Changes	5 2021-23 Base Budget Request	6 2021-23 Optional Budget Changes	7 2021-23 Total Budget Request
Description	Code						
100 Teachers Fund for Retirement	100	2,765,796	12,164,277	(179,616)	2,991,977	128,988	3,120,965
200 Investment Program	200	2,328,817	2,704,887	(5,318)	2,877,187	91,932	2,969,119
TOTAL BY APPROPRIATION ORGS		5,094,613	14,869,164	(184,934)	5,869,164	220,920	6,090,084
Salaries and Wages	10	4,391,690	4,978,230	(25,000)	5,088,164	25,000	5,113,164
Operating Expenses	30	702,923	3,538,934	(107,934)	781,000	70,920	851,920
Capital Assets	50	0	6,300,000	0	0	0	0
Contingency	70	0	52,000	(52,000)	0	125,000	125,000
TOTAL BY OBJECT SERIES		5,094,613	14,869,164	(184,934)	5,869,164	220,920	6,090,084
Special Funds	SPEC	5,094,613	14,869,164	(184,934)	5,869,164	220,920	6,090,084
TOTAL BY FUNDS		5,094,613	14,869,164	(184,934)	5,869,164	220,920	6,090,084
FTE		20.00	20.00	0.00	20.00	0.00	20.00
Vacant		0.00	0.00	0.00	0.00	0.00	0.00
TOTAL AUTHORIZED EMPLOYEES		20.00	20.00	0.00	20.00	0.00	20.00

Performance Measure Template

Agency #:	Agency Name:	Measure Name (Optional Request):	Initiative (if applicable):	Measure Description: ^{1/}	Purpose: ^{2/}	Current Amount: ^{3/}	Benchmark: ^{4/}	Desired Target/Goals Description: ^{5/}
	<i>Example Agency</i>	<i>New satellite office</i>	<i>Reinventing Government</i>	<i>Open satellite office on eastern part in Fargo</i>	<i>To increase capacity to reduce time cases are open per interim committee intent.</i>	<i>5 months ave</i>	<i>3 month ave, US Dept. of Labor</i>	<i>3 month average</i>
190	RIO	Retain Full salary funding	Reinventing Government	Both Efficiency and Output measures related to PAS project.	Staff retention is necessary to maintain current processes as we conduct a process evaluation and implement a new pension administration system.	20 FTE's	Process Evaluation in PAS project to assist with determining benchmark.	Benchmark
190	RIO	ITD Desktop Support	Reinventing Government	Both efficiency and output measure related to ITD unification.	Increase utilization of IT staff and initiate unification efforts.	Market rate per device and staff maintenance.	\$98.50 per device/per month	Uniform procurement and maintenance of technology through ITD.
190	RIO	Reinstate Contingency Funding	Reinventing Government	Input measure -Budget Best Practice	Reinstate contingency line from \$0 to requested amount in order to maintain budget best practice for efficient operating of agency.	Current 2019-2021 biennium is \$52,000; proposed in base budget for 2021-23 is \$0.	Based on actual past use and adjusted for inflation is \$125,000.	\$125,000 to reflect anticipated need to align with best budget practice.

^{1/} Briefly describe the measure so that individuals unfamiliar with the measure or program can understand it, including the primary activities of the program, and explain why the data for this measure is important to the agency.

Measure

Outcome Measure - Measures the effectiveness of a service of program on a given variable (Is anyone better off? What does success look like?)

Efficiency Measure - Measures the amount of resources required to produce a single unit of output (How well do we do it? Examples: Unit Cost; Ave. Performance; How Much; How Fast; Processing Time; Return on Investment)

Output Measure - Measures the amount of service provided (What/How much do we do?)

Input/Explanatory Measure - Measures the resources used to provide a service (Input - What do we invest?) or measures the factors or requests used that explain performance (Explanatory)

^{2/} Describe the purpose of the program. Include statutory reference and legislative intent if applicable.

^{3/} Enter the current amount or level of the target/goal selected to measure this request (if applicable; a request for new program/service would not have a current level since it's new).

^{4/} Include a Benchmark to measure target/goal against, if applicable - Could be national, state, or industry benchmark (Include agency or organization that uses/produces benchmark).

^{5/} Describe the Target, Target Population/Clients or Goals aiming to achieve with this optional request.

^{6/} Enter actual performance data for the goal or target selected to measure for each fiscal year. Submit report to OMB Budget Analyst by August 1st.

^{7/} Biennium actual performance data sum or average, if applicable.

^{8/} After the end of the biennium, compare actual results with goal/target selected and determine if goal/target was met. Was the measure successful? If not, explain why. What additional resources would have been needed to meet goal/target?



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To: State Investment Board

From: Matt Posch

Date: July 24, 2020

RE: Annual Affirmation of Code of Conduct Policy

Governance Process Policy B-8, *Board Members' Code of Conduct*, which is attached to this memorandum, details the Code of Ethical Responsibility for the SIB. Item #10 of this policy indicates that each Board Member is required to reaffirm their understanding of this policy annually and disclose any conflicts of interest. Therefore, please read and sign the statement below to comply with this requirement.

"I have read and understand SIB Governance Process Policy B-8 *Board Members' Code of Conduct*. I have disclosed any conflicts of interest as required by this policy."

Name (printed) _____

Signature _____

Date _____

Detail of any conflicts of interest (if any):

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BOARD MEMBERS' CODE OF CONDUCT

The following will be the Code of Ethical Responsibility for the SIB:

1. SIB members owe a duty to conduct themselves so as to inspire the confidence, respect, and trust of the SIB members and to strive to avoid not only professional impropriety but also the appearance of impropriety.
2. SIB members should perform the duties of their offices impartially and diligently. SIB members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and regulations and to refrain from any form of dishonest or unethical conduct. Board members should be unswayed by partisan interest, public sentiment, or fear of criticism.
3. Conflicts of interest and the appearance of impropriety shall be avoided by SIB members. Board members must not allow their family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. Board members must refrain from financial and business dealings that tend to reflect adversely on their duties. If a conflict of interest unavoidably arises, the board member shall immediately disclose the conflict to the SIB. A board member must abstain in those situations where the board member is faced with taking some official action regarding property or a contract in which the board member has a personal interest. Conflicts of interest to be avoided include, but are not limited to: receiving consideration for advice given to a person concerning any matter over which the board member has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the board, and participation in any transaction involving for which the board member has acquire information unavailable to the general public, through participation on the board.

-Conflict of Interest|| means a situation in which a board member or staff member has a direct and substantial personal or financial interest in a matter which also involves the member's fiduciary responsibility.
4. The board should not unnecessarily retain consultants. The hiring of consultants shall be based on merit, avoiding nepotism and preference based upon considerations other than merit that may occur for any reason, including prior working relationships. The compensation of such consultants shall not exceed the fair value of services rendered.
5. Board members must abide by North Dakota Century code 21-10-09, which reads: -No member, officer, agent, or employee of the state investment board shall profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this section shall be guilty of a Class A misdemeanor.
6. Board members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities.
7. All activities and transactions performed on behalf of the public funds must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.

POLICY TYPE: GOVERNANCE PROCESS

POLICY TITLE: BOARD MEMBERS' CODE OF CONDUCT

8. Prohibited transactions. Prohibited transactions are those involving self-dealing. Self-dealing refers to the fiduciary's use of plan assets or material, non-public information for personal gain; engaging in transactions on behalf of parties whose interests are adverse to the plan; or receiving personal consideration in connection with any planned transaction.
9. Violation of these rules may result in an official reprimand from the SIB. No reprimand may be issued until the board member or employee has had the opportunity to be heard by the board.
10. Board Members are required to affirm their understanding of this policy annually, in writing, and must disclose any conflicts of interest that may arise (See Exhibit B-I).

Policy Implemented: June 23, 1995.

Amended: January 22, 1999, February 25, 2011, January 27, 2012, February 27, 2015.

* Fiduciary Obligations State Investment Board

A DISCUSSION OF PARADIGMS, THE
LAW, & FUTURE IMPACT

Presented by Janilyn K. Murtha, Deputy Executive Director/Chief
Retirement Officer, ND Retirement and Investment Office

The way we think matters as much as what we think:

“Your paradigm is so intrinsic to your mental process that you are hardly aware of its existence, until you try to communicate with someone with a different paradigm.”

- Donella Meadows

WHAT IS YOUR PARADIGM?



- * I. A Macro View: The State as Investor
- * II. A Micro View: Defining Fiduciary Obligations.
- * III. Paradigms Collide: An opportunity for Discussion.

* An Overview

*How Government Investors are Viewed.

I. A Macro View: The State as Investor

* Often seen quote from U.S. Department of Labor:

“Not only is a fiduciary not prohibited from serving as lead plaintiff, the Secretary believes that a fiduciary has an affirmative duty to determine whether it would be in the interest of the plan participants to do so.”

and

“It may not only be prudent to initiate litigation, but also a breach of a fiduciary’s duty to not pursue a valid claim.”

- Source: Memorandum of Law as Amicus Curiae in Support of the Florida State Board of Administration’s Appointment as lead plaintiff in

In re Telxon Corp. Securities Litigation, 67 F. Supp.2d 803 (N.D. Ohio, 1999).

* “In their role as fund managers, the States file and participate in securities litigation, acting as lead plaintiffs in meritorious litigation across the nation. State Attorneys General are on the front lines of recovering lost assets, exposing financial fraud, demanding accountability, and otherwise protecting public funds. States have a vital interest in the petition before this Court to ensure access to justice, to deter corporate abuse, and to efficiently recover lost funds for the benefit of the public and beneficiaries alike.”

* - Source: Brief of Amicus Curia of The States of Washington, et al. in California Public Employees’ Retirement System v. ANZ Securities, Inc.

How State Investors Impact the Market

* II. A Micro View: Defining Fiduciary Obligations.

A. The Prudent Investor Rule.. What It Is.

B. Title 59: Why it's relevant.

C. Exclusive Benefit.

* A. The Prudent Investor Rule

What is It?

- * The **state investment board** shall apply the **prudent investor rule** in investing for funds under its supervision. The "**prudent investor rule**" **means** that in making investments **the fiduciaries** shall exercise the **judgment and care**, under the **circumstances then prevailing**, that an institutional investor of ordinary **prudence, discretion, and intelligence** exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, **considering probable safety of capital as well as probable income**. The retirement funds belonging to the **teachers' fund for retirement and the public employees retirement system** must be **invested exclusively for the benefit of their members** and in accordance with the respective funds' investment goals and objectives.

* NDCC 21-10-07 Legal Investments

Terms

- * SIB = Fiduciaries
- * Judgement & Care
- * Prudence, Discretion, & Intelligence.
- * Exclusive Benefit / prevailing circumstances, safety of capital & probable income.

Rule

- * Law of Trusts (Statute & Restatement).
- * Duty of Loyalty & Impartiality
- * Duty of Prudence & Skill
- * Exclusive Benefit Rule.. What it is.

*** 21-10-07: More than the sum of its parts.**

* **B. Title 59: Why it's relevant.**

Question

- * What is NDCC Title 59?
- * Does it apply to the SIB?
- * Why is it relevant?
- * Are there other relevant resources?

Answer

- * Title of Trusts
- * No. NDCC 59-09-02(2)e exempts government entities.
- * Aides interpretation of 21-10-07.
- * Yes. Restatement of Trusts, case-law.

* **Legal Authority for Fiduciary Duties.**

NDCC 59-17-06

- * The following terms or comparable language in the provisions of a trust, unless otherwise limited or modified, authorizes any investment or strategy permitted under this chapter:

investments permissible by law for investment of trust funds, legal investments, authorized investments, using the **judgment and care** under the **circumstances then prevailing** that persons of **prudence, discretion, and intelligence** exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the **probable income** as well as the **probable safety** of their capital, **prudent man rule, prudent trustee rule, prudent person rule, and prudent investor rule.**

NDCC 59-17-01

- * Except as otherwise provided in subsection 2, a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in sections:

59-16-02(**Loyalty**),

59-16-03(**Impartiality**),

59-16-05(**Costs**),

59-16-06(**Skills**), and

59-16-07 (**Delegation**) and in this chapter.

***Modified from Statute.**

*** The Prudent Investor Rule.. Varies.**

* **C. Exclusive Benefit**
& Other Duties

* NDCC 21-10-07: “..invested exclusively for the benefit of their members..”

* NDCC 59-16-02(1): “A trustee shall administer the trust solely in the interests of the beneficiaries.”

* The Duty of Loyalty & Exclusive Benefit Rule

* Duty of Impartiality.

- If a trust has two or more beneficiaries, the trustee shall act impartially in investing, managing, and distributing the trust property, giving due regard to the beneficiaries' respective interests.

* Duty of Income Productivity.

- The trustee's duty of impartiality includes a duty to so invest and administer the trust, or to so account for principal and income, that the trust estate will produce income that is reasonably appropriate to the purposes of the trust and to the diverse present and future interests of its beneficiaries.

* Long-term Fiduciary Duties

* III. Paradigms Collide: An Opportunity for Discussion.

“If opportunity doesn't knock, build a door.”

- Milton Berle

	Fair Value	% Of Pool
PENSION POOL PARTICIPANTS		
Teachers' Fund for Retirement	\$1,705,756,099	45.5%
Public Employees Retirement System	\$1,802,349,991	48.1%
Bismarck City Employee Pension Fund	\$53,555,414	1.4%
Bismarck City Police Pension Fund	\$24,518,286	0.7%
Job Service of North Dakota	\$85,804,965	2.3%
City of Fargo Pension Fund	\$28,838,281	0.8%
City of Grand Forks Pension Fund	\$43,059,552	1.1%
Grand Forks Park District Pension Fund	\$4,418,381	0.1%
Subtotal Pension Pool Participants	3,748,300,969	100.0%
INSURANCE POOL PARTICIPANTS		
Workforce Safety & Insurance Fund	1,350,899,498	76.4%
State Fire and Tornado Fund	25,182,989	1.4%
State Bonding Fund	2,901,435	0.2%
Petroleum Tank Release Fund	6,448,372	0.4%
Insurance Regulatory Trust Fund	3,673,037	0.2%
Health Care Trust Fund	2,321,739	0.1%
State Risk Management Fund	4,329,109	0.2%
State Risk Management Workers Comp	3,721,335	0.2%
Cultural Endowment Fund	272,119	0.0%
Budget Stabilization Fund	325,727,297	18.4%
ND Assoc. of Counties (NDACo) Fund	1,625,541	0.1%
City of Bismarck Deferred Sick Leave	877,461	0.0%
PERS Group Insurance	5,589,665	0.3%
City of Fargo FargoDome Permanent Fund	33,452,428	1.9%
Dept. of Public Instruction Board Certification Fund	501,441	0.0%
Subtotal Insurance Pool Participants	1,767,523,466	100.0%
INDIVIDUAL INVESTMENT ACCOUNT		
Retiree Health Insurance Credit Fund	57,087,478	100.0%
TOTAL	\$5,572,911,913	

Fund Name

**Market Values
as of 4/30/20 ⁽¹⁾**

Pension Trust Fund

Public Employees Retirement System (PERS)	3,072,838,784
Teachers' Fund for Retirement (TFFR)	2,487,978,326
City of Bismarck Employees Pension	102,885,298
City of Grand Forks Employees Pension	61,887,218
City of Bismarck Police Pension	40,838,416
Grand Forks Park District	7,072,942
Subtotal Pension Trust Fund	5,773,500,984

Insurance Trust Fund

Workforce Safety & Insurance (WSI)	2,059,522,261
Budget Stabilization Fund	708,004,160
City of Fargo FargoDome Permanent Fund	41,194,389
PERS Group Insurance Account	30,552,880
State Fire and Tornado Fund	21,775,524
ND Association of Counties (NDACo) Fund	6,372,244
Petroleum Tank Release Compensation Fund	6,163,427
State Risk Management Workers Comp Fund	4,871,267
Insurance Regulatory Trust Fund	4,377,800
State Risk Management Fund	4,359,420
State Bonding Fund	3,719,728
ND Board of Medicine	2,367,757
Attorney General Settlement Fund	1,029,320
Lewis & Clark Interpretive Center Endowment Fund	755,139
Bismarck Deferred Sick Leave Account	736,005
Cultural Endowment Fund	467,491
ND Veterans' Cemetary Trust Fund	296,632
Subtotal Insurance Trust Fund	2,896,565,444

Legacy Trust Fund

Legacy Fund	6,592,361,749
PERS Retiree Insurance Credit Fund	135,184,322
Job Service of North Dakota Pension	94,035,972
ND Tobacco Prevention and Control Trust Fund	7,582,387

Total Assets Under SIB Management

15,499,230,858

* SIB Assets Under Management: 2011 to 2020

- * Investment Pools: The Unseen Benefits & the Duty of Loyalty.
- * Litigation Monitoring: How Government influences Governance.
- * Exclusive Benefit v. ESG: Mutually Exclusive?

* A Discussion of Context

“To improve is to change; to be perfect is to change often.” – Winston Churchill

* courtesy of: www.brainyquote.com

Ultimately, your ability to meet your fiduciary obligation is a result of your willingness to engage in discussion and ongoing evaluation of why you do what you do.

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
Adams Street Partners Miguel Gonzalo	Pension	Private Equity	various commitments since 1991	The Adams Street Partnership Fund Program ("ASP Fund Program") invests in private equity partnerships and portfolio companies, creating a portfolio diversified by time, manager and subclass. Investment commitments will typically be made over a three- to four-year period in venture capital, buyout and other partnerships, which include mezzanine/subordinated debt, restructuring/distressed debt and special situations. A portion of a participant's subscription to the ASP Fund Program may be used to opportunistically invest in secondary interests in private equity partnerships and/or their portfolio companies. All of the Adams Street Partner funds which North Dakota State Investment Board has invested in are based in U.S. dollars.
Ares - ND Credit Strategies Molly Shulmann	Pension Legacy	Below Inv Grade FI Fixed Income	Sep-17 Sep-17	The investment objective of the Ares ND Credit Strategies Fund LLC (the "Fund") is to invest in directly originated, primarily senior secured loans in high quality middle market companies in North America. The Fund seeks to generate current income with some long-term capital appreciation.
Atlanta Capital Emma Hutchinson	Pension Insurance Legacy	Small Cap Equity Small Cap Equity Small Cap Equity	April-16 December-19 December-19	<p>The High Quality Small Cap strategy is a fundamental core approach that invests in small cap companies in strong financial condition and whose equities are priced below the team's estimate of fair value. The investment team seeks to own innovative businesses that dominate a niche, maintain high barriers to entry, and have consistent demand over an economic cycle. They conduct bottom-up proprietary research, and meet with the management teams as well as visit the facilities of each of their companies. Stock purchases are analyzed as if they were a potential acquirer of the entire business.</p> <p>Atlanta Capital's Core Equity team is comprised of three portfolio managers and one investment specialist. Each portfolio manager serves as a generalist and conducts his own analytical research while investment decisions are made on a consensus basis. Chip Reed, CFA, Bill Bell, CFA and Matt Hereford, CFA are responsible for all purchase and sell decisions.</p>
Axiom International Lindsay Chamberlain	Pension	Emerging Markets Equity	August-14	The Emerging Markets strategy seeks to invest in emerging market securities issued by companies whose key business drivers are both improving and exceeding expectations, as determined by Axiom's stock selection techniques focused on fundamental company analysis. The strategy considers emerging markets securities to include securities of companies either (i) located in countries that are not included in the MSCI Developed Markets Index series or (ii) that derive a majority of their revenues or assets from a country or countries not included in the MSCI Developed Markets Index series, in each case at the time of investment. Although the Manager generally expects the strategy's investment portfolio to be geographically diverse, there are no prescribed limits on geographic distribution of the strategy's investments and the strategy has the authority to invest in securities traded in securities markets of any country in the world.

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
Barings Jeff Stammen	Insurance	Short Term Fixed Inc	Aug-19	<p>The investment objective of the Babson Capital's Active Short Duration Strategy is to outperform the total return of the Barclays Capital 1-3 year US Government Index while minimizing fluctuations in capital value and providing sufficient liquidity to fund withdrawals driven by client activity. The portfolio seeks to achieve a high total rate of return primarily from current income while minimizing fluctuations in capital values by investing in a well-diversified portfolio of US Government, mortgage-backed, asset backed securities and corporate bonds.</p> <p>The investment team uses proprietary research to conduct value-driven sector rotation and intensive credit and structure analysis, while utilizing a dynamic yield curve management process, to construct effective portfolios. In addition to income, primary goals for the Active Short Duration strategy are stability and liquidity. In meeting these goals, risk is measured by perceived or actual changes in credit worthiness, adequate diversification and exposure to potential changes in interest rates. Babson Capital explicitly manages the portfolio to minimize these risks and endeavors to add value through security selection and portfolio duration structure designed to maximize the risk-return characteristics of the yield curve.</p>
Blackrock Private Equity Partners (PEP) Private Opportunities Fund Simon Dwyer	Pension	Private Equity	January-17	<p>PEP seeks to build a diversified private equity program diversified across investment type, strategy, stage, industry sector, geography and vintage year. PEP offers comprehensive access to premier investments across Primaries, Secondaries, and Co-investments, as well as the technical expertise and investment know-how necessary to build and manage a successful customized fund of funds program. The PEP customized program allows the NDSIB to tailor exposures around its existing private equity investments.</p> <p>PEP sits within BlackRock, Inc. ("BlackRock"), a global Investment firm with \$4.6 trillion assets under management. BlackRock is a publicly traded corporation that employs 135+ investment teams, and operates in 30 countries and 70 cities across the Americas, Europe, Asia-Pacific, the Middle East, and Africa.</p>
Capital Int'l V & VI Jim McGuigan	Pension	Private Equity	Aug-07	<p>Capital International Private Equity Fund (CIPEF) has a geographic focus in global emerging markets. CIPEF's investment focus, by stage, primarily includes buy-outs, expansion capital, and replacement capital.</p>
Cerberus - ND Private Credit Andrew Solomon	Pension Legacy	Below Inv Grade FI Fixed Income	Aug-17 Aug-17	<p>The Partnership's objective is to achieve superior risk-adjusted returns mainly through origination of, and investment in, secured debt assets. The Partnership expects to generate both current income and capital appreciation. The Partnership intends to fund the origination of secured debt of U.S. middle-market companies directly or through the use of one or more SPVs. Such debt may be senior or junior and may be collateralized by a variety of assets. The Partnership may also originate or invest in revolving credit facilities and may make investments in other debt assets, including secured or unsecured debt assets originated by other parties and/or trading on the secondary market. In addition, the Partnership may make other investments on an opportunistic basis.</p>

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
Clifton Group (Parametric Portfolio Associates) Ben Lazarus	Pension	Dom Small Cap Equity Dom Lg Cap Equity	Nov-09 Apr-11	The Clifton Group believes that the U.S. equity universe is highly efficient. As such, we utilize a method of constructing the portfolio that we believe provides us with the greatest likelihood of outperforming the index. Specifically equity futures are used to gain the benchmark exposure. The underlying cash portfolio is then invested in a liquid, high quality short duration fixed income portfolio. Over market cycles excess return generated by the short duration portfolio, when added to the performance of futures is expected to allow the strategy to achieve 0.50% to 1.00% of gross excess annual performance. Each Enhanced Equity portfolio is carefully constructed and managed within strict quality and diversification guidelines. The Portfolio Management Team oversees all aspects of the construction and management process. Individual Portfolio Managers oversee different parts of the portfolio, but all are required to stay within pre-determined guidelines as provided by NDSIB. The account is monitored daily to verify that performance is maintained within expectation bands. Furthermore, accounts are reconciled monthly and audited semi-annually to confirm compliance with all existing guidelines.
	Insurance	Dom Small Cap Equity Dom Lg Cap Equity	Nov-09 Nov-09	
	Legacy Fund	Dom Small Cap Equity Dom Lg Cap Equity	March-15 May-15	
Corsair (Fund III) James Kirk	Pension	Private Equity	Feb-07	<p>Corsair seeks to earn strong risk-adjusted returns by leveraging the investment team's knowledge and contacts to identify and execute attractive investments in companies in the financial services industry around the world. Corsair takes control and minority positions, either individually or as a lead member of an investor consortium. Target investments include both privately-held and public companies, generally via private transactions when the target company loses access to, or has difficulty accessing, the public capital markets. In certain circumstances, the Fund may acquire pools of financial assets or securities, or provide financing to a secured pool of assets.</p> <p>Corsair endeavors to develop a strong relationship and high degree of influence with investee company senior executives and key shareholders. In many instances, Corsair obtains Board representation, observer seats, or other types of management rights. Given the complexities of investing in a regulated industry, Corsair's ability to receive more traditional generalist buyout governance rights is often limited, and its ability to influence managerial decisions requires a degree of experience which Corsair believes can only be achieved through a long and consistent history of investing in the financial services sector. Corsair expects the Fund to make 10 to 15 investments over its investment period, although there can be no assurances with respect to the number of investments that will be made. Corsair anticipates holding its investments for between three and six years. In those instances where Corsair is part of an investor consortium, Corsair generally endeavors to act as a lead or co-lead investor, as was the case in all Corsair III investments. On select occasions Corsair expects to co-invest with strategic partners that are capable of bringing added value to an investment and where the Fund's exit considerations can be addressed. Above all, Corsair's value-driven investment style focuses on those investment opportunities in which the Investment Advisor believes that a positive discrepancy exists between an asset's price and its intrinsic value.</p>

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
DFA - Dimensional Fund Advisors Joe Young	Pension	Developed Int'l Equity	Nov-07	The International Small Cap Value Portfolio invests in the stocks of small, non-US developed markets companies that Dimensional believes to be value stocks at the time of purchase. Size is defined as the smallest 8-10% of each country's market capitalization. Securities are considered value stocks primarily because a company's shares have a high book value in relation to their market value (BtM). This BtM sort excludes firms with negative or zero book values. In assessing value, additional factors such as price-to-earnings ratios may be considered, as well as economic conditions and developments in the issuer's industry. The criteria for assessing value are subject to change from time to time. The Portfolio currently invests in companies in Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. It does not invest in emerging markets.
	Insurance	Int'l Equity	Nov-07	
	Legacy	Int'l Equity	Feb-02	
DFA - Dimensional Fund Advisors Joe Young	Pension	Emerging Markets Equity	Oct-05	The Emerging Markets Small Cap Portfolio invests in small cap emerging markets companies. Presently, this means investment in companies whose market capitalization is less than \$2.3 billion at the time of purchase. Dimensional will consider, among other things, information disseminated by the International Finance Corporation in determining and approving emerging market countries. The Portfolio currently invests in companies in Brazil, Chile, China, Hungary, India, Indonesia, Israel, Malaysia, Mexico, the Philippines, Poland, South Africa, South Korea, Taiwan, Thailand, and Turkey. Due to repatriation restrictions, the Portfolio currently holds but does not purchase securities in Argentina.
DMR (Declaration Total Return Bond Fund) Amy McPike	Pension	Dom Inv Grade FI	Apr-12	The Fund's investment objective is to achieve net returns in the range of 6% to 10% annualized over rolling 3-year periods. The Investment Advisor attempts to achieve this objective using fundamental analysis to evaluate the pricing and volatility of a wide range of MBS and other structured finance securities while also making a relatively small allocation to corporate bonds. The Fund invests primarily in residential ("RMBS") and commercial ("CMBS") mortgage-backed securities. The Investment Advisor expects the Fund's returns to be achieved — if the Fund is successful — through both cash flow yield and trading gains. The Fund's portfolio holdings consist primarily of RMBS issued by private sector companies ("Non-Agency RMBS") and government agencies ("Agency MBS") and CMBS issued by private sector companies. Agency MBS includes securities issued by the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Government National Mortgage Association ("Ginnie Mae"). Portfolio holdings may range from short tenor senior classes to stressed issues or subordinated securities with substantial risk of non-payment and correspondingly higher yields. The tactical weighting of the Fund's portfolio across the different sub-sectors of the securitization market varies according to the Investment Advisor's perception of sub-sector as well as overall market volatility and liquidity. Smaller portfolio allocations may include consumer asset-backed securities ("ABS"), other structured credit securities and corporate bonds. As a diversification strategy and a potential hedge to credit risk, the Fund may invest in securities which tend to benefit from slow mortgage prepayments and economic growth, such as interest only ("IO") MBS. Other Fund investments may include U.S. government securities ("U.S. Treasuries"), unsecured debt securities issued by U.S. government agencies and entities ("Agency Debt") and derivatives related to any of the above.
	Insurance	Dom Inv Grade FI	Dec-13	
	Legacy	Dom Inv Grade FI	Apr-15	

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
EIG Energy (formerly TCW) Renee Davidovits	Pension	Private Equity	Jul-07	TCW Energy Fund XIV-A, L.P. (the "Fund") is a Delaware limited partnership, formed on October 27, 2006 for the purpose of establishing a diversified portfolio of investments in energy and energy-related infrastructure projects and companies on a global basis. The investments will include loans, production payments, net profits interests, royalty interests and other forms of debt and equity securities issued by companies globally with emphasis on operations in the United States, Canada, Western Europe and Australia. The Fund, TCW Energy Fund XIV, L.P., TCW Energy Fund XIV-B, L.P., and TCW Energy Fund XIV (Cayman) L.P., (collectively, "Fund XIV") shall not invest more than 15% of total commitments ("Commitments") in any one issuer and shall not invest more than 25% of Commitments in issuers operated principally outside Organization for Economic Cooperation and Development ("OECD") countries. The Fund shall not invest more than 35% of Commitments in equity securities other than equity securities received in connection with the purchase of mezzanine debt.
Epoch Investment Partners Jeff Ulness	Pension	Global Equity	July-07 Moved from Lg Cap Jan-12	The Epoch Global Choice strategy seeks to produce superior risk adjusted returns by building portfolios of businesses with outstanding risk/reward profiles. The concentrated active, global equity portfolio typically consists of approximately 20-35 securities (generally equities) representing the firm's highest conviction names. The expected annual turnover is generally between 90-130%. The equity portion of the portfolio will invest no more than 10% of the portfolio, at the time of purchase, in any one equity security.
Goldman Sachs (2006 Fund, Fund V) Patrick Byrne	Pension	Below Inv Grade FI	Apr-06	The GS Mezzanine Partners family of funds is the largest mezzanine fund family in the world, with over \$20 billion invested in 100+ companies since 1996. In 2007, Goldman Sachs established its fifth mezzanine fund, GS Mezzanine Partners V, with \$13 billion of leveraged capital. GS Mezzanine Partners seeks large-sized mezzanine investments comprised generally of fixed income securities and an associated equity component. Our focus is on providing "private high yield" capital for mid- to large-sized leveraged and management buyout transactions, recapitalizations, financings, re-financings, acquisitions and restructurings for private equity firms, private family companies and corporate issuers. We target high-quality companies with \$500 million to \$10+ billion of enterprise value; leading market positions; high barriers to entry; well-regarded management teams; and stable, cash generative businesses.
Grosvenor Customized Infrastructure Strategies, LP (formerly Credit Suisse) Andrew Johnson Paul Burraston	Pension Insurance	Infrastructure Real Assets	Dec-11 Dec-11	Established on October 21, 2009, the Customized Infrastructure Strategies LP is a commingled fund focused on providing a comprehensive, diversified solution for investors looking to access the infrastructure asset class. The Fund seeks to generate stable, long-term yield and attractive risk-adjusted returns by investing in a diversified portfolio of primary core and core plus infrastructure funds (30%), co-investments (40%) and opportunistic secondary fund purchases (30%).

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
Grosvenor Customized Infrastructure Strategies II Andrew Johnson	Pension	Infrastructure	Mar-15	Following the same strategy as our initial commingled multi-manager infrastructure fund, Customized Infrastructure Strategies, L.P. ("CIS I"), the Fund will seek to generate stable, long-term yield and attractive risk-adjusted returns by investing in a diversified, global portfolio of primarily core and core-plus infrastructure investments. CIS II will target primary fund investments, secondary purchases of investments in funds ("secondaries"), and equity and debt co-investments. Consistent with CIS I's target returns, CIS II will target a net return to its limited partners in excess of 10% ¹ , with a low single-digit cash yield upon full investment of the Fund.
	Legacy	Real Assets	Mar-15	
Hearthstone (MSII, MSIII) Mark Porath	Pension	Private Equity	Oct-99	In the Hearthstone-MSII Homebuilding Investors (MS2) and Hearthstone Multi-State Value-Added Fund III ("MS3") funds, Hearthstone, on behalf of the Fund, is authorized to invest exclusively in residential development projects. Residential development projects include residential land development and single-family homebuilding, including the acquisition and conversion of rental properties into condominiums and other forms of single-family housing. MS3 was authorized to invest in the construction and sale of apartment buildings, but no such investments were made. Land development projects typically involve the acquisition, entitlement and development of anywhere from 100 to 1,000 finished residential lots for sale to merchant builders, but may involve the acquisition, permitting and development of other residential land. Single-family homebuilding projects generally involve the construction and sale of approximately 25 to 500 single-family attached or detached homes.
I Squared Capital Andreas Moon	Pension	Infrastructure	June-18	<p>The Master Funds, the Feeder Funds (through their investment in the Master Funds), and UST Fund II will seek to achieve returns by making equity and equity-related investments in infrastructure and infrastructure-related assets globally, with a focus on North America, Europe, and selected growth economies in Asia and Latin America. The Master Funds and UST Fund II may also invest in debt securities that have equity-like returns or an equity component, or are related to its equity investments, including, without limitation, convertible debt, mezzanine debt, bank loans and participations and other similar instruments.</p> <p>The ISQ Global Infrastructure Funds II expect to use leverage through both investment level financing and by borrowing money with recourse to its assets.</p> <p>The Master Funds and UST Fund II generally intend to invest no more than 20% of aggregate capital commitments (measured at the time of investment) in any single asset. The Master Funds and UST Fund II may exceed the 20% limit up to 25% in the case of a bridged investment if, at the time of such investment, the bridged investment is intended to be repaid, refinanced or sold, within 18 months so as to return sufficient capital to the Master Funds and UST Fund II to bring the investment back within the 20% limit.</p>
	Legacy	Real Assets	June-18	
Invesco Asia Fund III Max Swango	Pension	Real Estate	Nov-15	<p>This investment strategy will focus on value added investments with an initial focus on China and Japan, with a secondary focus on Singapore and Hong Kong, in residential, industrial, retail and office properties. Where IRE identifies best value, it will execute the following value added strategies for the Fund:</p> <ul style="list-style-type: none"> -Provide equity for the development of new real estate product that generates high cash returns and demonstrates mid-term growth opportunities. -Reposition assets or change the use of an asset to maximize its value by identifying highest/best use, curing deferred maintenance, improving overall asset quality and developing additional revenue-generating amenities. -Participating in high growth markets -Adopting higher leverage strategies and exploiting market inefficiencies.

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
Invesco Core USA LLC Max Swango	Pension	Real Estate	Aug-97	The Fund invests in properties located in the United States, typically requiring an investment of \$10 million or greater. The Fund focuses on quality core real estate opportunities and, in addition, the Fund may invest up to 15% of its assets in "value-added" type real estate investment opportunities. The Fund seeks to provide Investors with returns equal to or greater than the NPI on a 3- and 5-year rolling basis.
	Insurance		Oct-12	
	Legacy		April-15	
Invesco IREF III Value-Add IV Value-Add V Max Swango	Pension	Real Estate	May-12	The Fund will invest in value-added real estate opportunities. Investments will be made solely in the United States in four specific product types- multifamily, industrial, retail and office properties. Where IRE identifies best values, it will execute the following strategies for the Fund: <ul style="list-style-type: none"> • Re-capitalization: Invest in properties or portfolios at a favorable basis by acquiring an equity interest and/or debt. • Lease-up: Acquire properties with vacant space or near-term lease rollover exposure, with the opportunity to reposition rent roll and tenancy. • High Yield Debt: Acquire unrated pieces of CMBS debt • Renovation/Retenanting/Repositioning: Reposition assets (an example would be to upgrade an asset from Class B to Class A) or change the use of an asset to maximize its value by curing deferred maintenance, improving overall asset quality and developing additional revenue-generating amenities. • Development: Provide equity commitments/investments for the development of new real estate products that allows for access to new, state-of-the-art products at wholesale pricing.
	Pension		April-15	
	Pension		Jan-19	
InvestAmerica Lewis & Clark L&C II David Schroder	Pension	Private Equity	Feb-02	The investment strategy for Lewis and Clark Private Equities, LP and L&C Private Equities II, LP (the Funds) is to assemble a portfolio of investments in private growth and later-stage companies that have a strong probability of providing high returns without undue volatility and risk to investors. The Funds target for investment middle market growth and later stage companies throughout the United States with existing sales from \$5,000,000 to \$100,000,000. Typically, these small to medium sized companies are seeking to raise \$1,000,000 to \$10,000,000. The Principals of the Funds have demonstrated through the successful investment of previous venture funds, that this market niche has historically delivered high returns with more limited competition for financing. The Funds seek to achieve a minimum of a 25% and in many cases in excess of a 30% internal rate of return on each of its company investments. The Funds diversify their investments by investing in portfolio companies across many industries and geographic locations. Investments will be made across a range of manufacturing, service, distribution and technology companies. Most investments are expected to be in later stage companies with established sales and profitability. Some investments may be opportunistically made in growth stage companies. The investment team has historically invested throughout the United States with offices strategically located in the Midwest and Northwest.
			Jun-09	
JP Morgan Short Term Bond Fund Jim Sakelaris	Insurance	Short Term FI	Sep-11	The investment objective of the Short Term Bond Fund is to outperform (based on the portfolio's total return, gross of fees) the Barclays Capital 1-3 Year Government/Credit Index (the benchmark) while maintaining total return risk similar to that of the Benchmark as measured over a market cycle.

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
JP Morgan Income & Growth Fund Jim Sakelaris	Insurance	Real Estate	Nov-05	<p>J.P. Morgan U.S. Real Estate Income and Growth Fund - The J.P. Morgan U.S. Real Estate Income and Growth Fund seeks to construct and opportunistically manage a portfolio of core direct real estate investments, complemented by other real estate and real estate-related assets. The Fund pursues a broadly diversified absolute-return strategy targeting an 8-10% total annualized IRR (including a current income return of 5-7% per annum and the balance from capital appreciation) net of management fees and expenses, the payment of any Infrastructure Development Fee, if applicable, and the effect of taxes payable by certain of the Fund's Entities.</p> <p>The Fund pursues all property investments on an opportunistic basis. The majority (>50%) of the Fund's investments will be in direct core properties in the office, industrial, retail and residential sectors. In addition to direct real estate, the Fund has the ability to invest in other access points - mezzanine debt, CMBS and REITs - when they provide core real estate cash flows at a better price than owning the property. This helps diversify the portfolio and offer a superior risk reward equation. This dynamic investment approach focuses on relative value and is not constrained by fixed allocation targets or benchmark composition allowing the Investment Advisor the ability to change the Fund's portfolio composition in response to changing market conditions and opportunities.</p>
	Legacy	Real Estate	April-15	

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
JP Morgan Infrastructure Investments Fund Jim Sakelaris	Pension	Infrastructure	May-07	<p>Infrastructure Investments Fund - Launched October 31, 2006, JPMorgan Infrastructure Investments Fund is the only open-ended private commingled infrastructure fund in the U.S. It invests in stabilized assets in OECD countries with selected value-added opportunities, across infrastructure industry sub-sectors, including toll roads, bridges and tunnels; oil and gas pipelines; electricity transmission and distribution facilities; contracted power generation assets; water distribution; waste-water collection and processing; railway lines and rapid rail links; and, seaports and airports.</p> <p>Our open-ended strategy supports a long-term investment horizon as we seek to achieve steady returns over time that are largely cash yield with modest capital appreciation. Our open-end format also aids in our acquisition and disposition process as a long-term outlook is attractive to governments, regulators and operating partners.</p> <p>The Fund seeks to achieve a leveraged portfolio target IRR of 10–12%, net of Fund Expenses. Leverage is targeted at 75% at the fund level. Its diverse client base, includes U.S., European, Asian and Canadian government, union and corporate pension plans, insurance companies, and high net worth individuals.</p> <p>The interaction of multiple currencies is viewed by many investors as another form of diversification. With respect to the JPMorgan Infrastructure Investments Fund ('IIF' or the 'Fund'), the Investment Adviser has the right, but not the obligation, to hedge currency risk at its discretion. Due to clients' differing perspectives on currency, and the complexities/costs of hedging an illiquid portfolio, there currently is no intent to engage in active hedging except as follows: (i) in exceptional cases where we believe the underlying risk is excessive and (ii) where there are known future equity commitments subject to currency risk, including with respect to the acquisition of new assets; this is a strategy that we have utilized for several investments in the existing portfolio. Generally speaking, we believe clients are more concerned with active management of infrastructure assets and strategies than with currency hedging. We understand that many clients prefer to hedge their currency exposures on an individual total portfolio basis. Further, many clients are interested in actively managing their currency exposure to generate alpha. J.P. Morgan has the capability to provide currency hedging (as a separate service outside of the Fund) for those clients that are interested in hedging currency risk and for clients wishing to generate additional alpha (whether the risk is associated with the Fund's portfolio or with other client investments).</p>
	Insurance	Real Assets	Nov-08	
	Legacy	Real Assets	Feb-15	

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
<p>JP Morgan Greater Europe Opportunistic Property Fund</p> <p>Jim Sakelaris</p>	Pension	Real Estate	Sep-20	<p>The JPMorgan Greater Europe Opportunistic Property Fund is a closed-end opportunity fund that offers investors an opportunity to participate in an actively managed portfolio of property investments throughout Europe both in direct assets and select investments in existing property companies. The Fund has the flexibility to invest in a variety of different types of real estate, including, without limitation, office, retail, industrial/warehouse, multi-family, hotel/leisure, parking and self-storage. The Fund aims to provide Investors with a targeted annualized IRR of at least 15% over the life of the fund net of all fees and expenses. The Fund intends to achieve its Target Return by using JPMorgan Asset Management's expertise and market contacts to successfully make use of the following risks: leasing risk; development risk; restructuring risk; liquidity/transparency risk and leverage.</p> <p>J.P. Morgan Asset Management - Global Real Assets believes that opportunities exist in the Target Markets for investors to create value through the development, rehabilitation, repositioning and recapitalization of undervalued real estate and real estate-related assets through the purchase of high quality assets or portfolios of assets from distressed sellers. After a period of rapid capital appreciation and falling risk premium for European real estate assets, partially a result of excess liquidity, the dislocation in capital markets experienced since the end of July 2007 has resulted in a substantial re-pricing of risk, particularly at the higher risk end of the spectrum. More uncertain prospects for occupier markets in some, though not all, countries are likely to continue to impact risk and therefore pricing. In Europe, JPMAM-GRA believes this creates two very distinct but compelling opportunities for the foreseeable future. The first is to capitalize on the opportunity to purchase high quality assets in core Western European markets which will be sold at favorable prices due to the lack of liquidity in the market or where the underlying risk is mispriced. Property owners overleveraged with short duration leverage, developers overexposed to construction and leasing risk, and corporate owners whose balance sheets have come under pressure are all expected to be excellent sources of these buying opportunities.</p> <p>We consider hedging on a deal-by-deal basis when we think it makes sense and is cost-effective. We consult with our foreign exchange desk at J.P. Morgan on a regular basis. At the present time, we believe the British Pound is underpriced relative to the Euro on a long-term historical basis and, therefore, we are currently not hedging the Pound position (at least with respect with the net equity, leverage acts as a natural hedge against 65% of the GAV since the debt on UK transactions is also denominated in Pounds). The Greater Europe Opportunistic Property Fund is Euro-denominated and thus reflects periodic currency movements in addition to property valuation changes.</p>

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
<p>JP Morgan Strategic and Special Situations Property Funds</p> <p>Jim Sakelaris</p>	Pension	Real Estate	Oct-90	<p>Strategic Property Fund is an actively managed diversified, core, open-end commingled pension trust fund. It seeks an income-driven rate of return of 100 basis points over the NCREIF Property Index over a full market cycle (three-to-five-year horizon) through asset, geographic and sector selection and active asset management. The Fund invests in high-quality stabilized assets with dominant competitive characteristics in markets with attractive demographics throughout the United States.</p> <p>Following a core strategy, Strategic Property Fund focuses primarily on existing high-quality, well-leased assets in the four major property types: office, industrial, multi-family and retail. Strategic Property Fund focuses on the larger primary economic markets.</p> <p>Each sector is well leased with modest lease expiration exposure of approximately 10% per annum over the next five years. Due to the broad diversification in the Fund's investments, no individual properties or tenancies have the capacity to materially affect the Fund's performance.</p> <p>Special Situation Property Fund is an actively managed, value-added, open-ended commingled trust fund. It seeks an increased total return with a moderate-to-high risk level, as reflected in the potential volatility of both income and property values. Our investment philosophy for Special Situation Property Fund is based on our belief that consistently excellent investment results can be achieved by focusing on value-added investment opportunities while maintaining an optimum leverage ratio. The investment process is designed to continuously add value throughout the acquisition, ownership and disposition of an asset.</p> <p>Following a value-added strategy, Special Situation Property Fund focuses primarily on value-added real estate opportunities in the following major property types: office, industrial, hotel, retail and multi-family. The Fund does not attempt to match the geographic and property type diversification of the benchmark, but does maintain guidelines in order to limit over-or underweighting in regards to the NCREIF's property type and geographic guidelines. Our assets are generally located in major markets across the country (i.e., Washington D.C. and surrounding areas, Los Angeles, San Francisco, Atlanta, Chicago, Denver and Northern New Jersey).</p> <p>The Fund invests in a wide variety of value-added real estate opportunities, including but not limited to, improved properties that have significant appreciation potential through lease up, new development, redevelopment, repositioning and re-merchandising situations. The Fund may also acquire vacant land to be held for future development or appreciation. Development, renovation and property repositioning are important aspects of our value-added strategy.</p>

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
LA Capital Enhanced Tom Stevens	Pension	Dom Lg Cap Equity	Aug-00	<p>A large core portfolio benchmarked to the Russell 1000 Index. This we would characterize as more of an enhanced index assignment where the objective is to track the benchmark with lower variability. This mandate is targeting a 1% annual alpha with a risk budget of 3%. The pension portfolio began in July of 2000 and the insurance portfolio was initiated in April of 2004. In October of 2006 we received approval from you to allocate a portion of each of these core accounts into the Large Cap Alpha Fund which we were launching at that time. A small portion of the portfolio has as a result been allocated to that product. The benchmark for this fund is the S&P500 which is very similar to the Russell 1000 Index. The objective here has been to outperform the benchmark by 5% while allowing for a risk budget as high as 7%. The intent here was to add incremental alpha to the assignment given that the information ratio was expected to be higher. The overall objectives have been met since this was initiated.</p> <p>Investment Philosophy All of our applications are driven by our Dynamic Alpha Model which is a quantitative process based upon understanding how specific factors are behaving in the market. We believe that investment results are driven by Investor Preferences which simply put, highlight which factors investors like or dislike at any point in time. We have developed sophisticated attribution tools which allow us to measure how the different factors are performing. While there is a significant amount of persistence, i.e. factors will move in one direction for sometimes an extended period of time, they will change at some point. Investors are not static in the views and one needs to recognize that when preferences shift a different posture related to that factor is warranted.</p> <p>Consequently we are not static and we are dynamic. In turbulent markets it is important to be able to understand how investor preferences change. In the last year there have been dramatic shifts in investor attitudes about risk factors and we feel our ability to perform during this period has been directly related to our ability to adapt.</p>
	Insurance	Dom Lg Cap Equity	Apr-04	
	Legacy	Dom Lg Cap Equity	May-15	
LA Capital Structured (Russell 1000 Growth) Tom Stevens	Pension	Dom Lg Cap Equity	Jun-98	<p>A large growth portfolio benchmarked to the Russell 1000 Growth Index. It is an active assignment meaning that we are targeting a 2% alpha and constraining our risk budget (tracking error) to 4% relative to the benchmark.</p> <p>Investment Philosophy All of our applications are driven by our Dynamic Alpha Model which is a quantitative process based upon understanding how specific factors are behaving in the market. We believe that investment results are driven by Investor Preferences which simply put, highlight which factors investors like or dislike at any point in time. We have developed sophisticated attribution tools which allow us to measure how the different factors are performing. While there is a significant amount of persistence, i.e. factors will move in one direction for sometimes an extended period of time, they will change at some point. Investors are not static in the views and one needs to recognize that when preferences shift a different posture related to that factor is warranted.</p> <p>Consequently we are not static and we are dynamic. In turbulent markets it is important to be able to understand how investor preferences change. In the last year there have been dramatic shifts in investor attitudes about risk factors and we feel our ability to perform during this period has been directly related to our ability to adapt.</p>
	Insurance	Dom Lg Cap Equity	Aug-03	
	Legacy	Dom Lg Cap Equity	May-15	

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
Loomis Sayles Stephanie Lord	Pension	Below Inv Grade FI	Apr-04	The High Yield Full Discretion Strategy seeks to exploit the collaborative efforts of our economics group and Sector Teams in conjunction with the fundamental credit analysis from our Fixed Income Research Department. Our economics group and yield curve teams provide a global economic and interest rate framework for identifying sectors that we think are attractive. Our research department, along with the Sector Teams, seeks to identify specific investment opportunities primarily within the global fixed income market. Asset class and sector allocations reflect the macroeconomic view, while security selection based on fundamental and relative value analysis within sectors provides our primary source of excess return. Portfolio guidelines are broad and offer the portfolio management team significant investment flexibility. Experienced portfolio managers collaborate with our in-house credit analysts to identify attractive total rate of return investment opportunities in the global fixed income market. Portfolio managers incorporate the long-term macroeconomic view along with a stringent bottom-up investment evaluation process that drives security selection and resulting sector allocations. Opportunistic investments in non-benchmark sectors including investment grade corporate, emerging market, and non-US dollar debt and convertible bonds help to manage overall portfolio risk and enhance total return potential. The product's portfolio managers are responsible for strategy implementation, portfolio construction, and adherence to guidelines. This rigorous investment process results in portfolios that, we believe, are well diversified and expected to generate superior long-term investment performance when compared to the Barclays Capital High Yield Index.
LSV Int'l Equity James Owens, Jr.	Insurance Legacy	Int'l Equity Int'l Equity	Nov-04 Feb-15	The objective of our International Large Cap Value strategy is to outperform the MSCI EAFE Index (50% Hedged) by at least 250 basis points (gross of fees) per annum over an annualized 3-5 year period with a tracking error of approximately 5-6%. The process used to select stocks is a quantitative approach developed by our founding partners through years of academic research on a variety of investment and investor behavior topics. The process ranks a broad universe of stocks on a combination of value and momentum factors and seeks to invest approximately 150 stocks in the most attractive securities possible within our strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio will be broadly diversified across industry groups and fully invested (cash balances are typically less than 1% of the portfolio). LSV weights countries at a neutral weight relative to the benchmark country weights. Initial positions must be in stocks with a market capitalization above \$500 million. 50% of the portfolio is US dollar hedged.
LSV Large Cap James Owens, Jr.	Insurance Legacy	Dom Lg Cap Equity Dom Lg Cap Equity	Jun-98 May-15	The objective of our Large Cap Value Equity (U.S.) strategy is to outperform the Russell 1000 Value by at least 200 basis points (gross of fees) per annum over a 3-5 year period with a tracking error of approximately 4%. The process used to select stocks is a quantitative approach developed by our founding partners through years of academic research on a variety of investment and investor behavior topics. The process ranks a broad universe of stocks on a combination of value and momentum factors and seeks to invest approximately 100 stocks in the most attractive securities possible within our strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio will be broadly diversified across industry groups and fully invested (cash balances are typically less than 1% of the portfolio). Initial positions must be in stocks with a market capitalization above \$500 million.

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
LSV Global Equity James Owens, Jr.	Pension	Global Equity	Feb-13	The objective of the Global ACWI strategy is to outperform the unhedged total rate of return, net of dividend withholding taxes of the benchmark by at least 200 basis points (gross of fees) per annum. The process used to select stocks is a quantitative approach developed by our founding partners through years of academic research on a variety of investment and investor behavior topics. The process ranks a broad universe of stocks on a combination of value and momentum factors and seeks to invest approximately 125 stocks in the most attractive securities possible within our strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio will be broadly diversified across countries and industry groups. Initial positions must be in stocks with a market capitalization above \$400 million.
Macquarie Infrastructure Partners IV Andrew Killian	Pension Legacy	Infrastructure Real Assets	Dec-18	MIP IV's target net IRR is 10-12% with an average annual target gross yield of 4-6%. Diversified Portfolio: Investing predominantly in US and Canada; expected portfolio of 7-10 infrastructure assets diversified by sub-sector and revenue model; investing predominantly via equity and equity-like securities. Target Sectors: Utilities & Energy; Transportation; Communications Infrastructure; Waste Management Growth & Value Focus: focus on execution of business plans, capital projects and operational efficiencies; mitigate key risks over holding period; identify relative value in capital structure. Appropriate Leverage: Produce stable and predictable return profile; reduce project risk and enhance downside protection; opportunity for greater portfolio yield.
Matlin Patterson (Fund II & III)	Pension	Private Equity	Sep-04	Invest globally in the severely discounted securities and obligations of financially distressed companies with the objective of obtaining corporate control. Through the Investment Adviser's active management of the Fund's investments, the Fund is seeking superior risk adjusted returns and is operating globally in a segment of the distressed sector in which it has few significant competitors. Invest globally in the severely discounted securities and obligations of financially distressed companies with the objective of obtaining corporate control. Through the Investment Adviser's active management of the Fund's investments, the Fund is seeking superior risk adjusted returns and is operating globally in a segment of the distressed sector in which it has few significant competitors.

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
NTAM (Northern Trust Asset Management) Enhanced S&P 500 Tamara Doi Beck	Pension	Dom Lg Cap Equity	Aug-00	<p>The Investment Manager will use an investment approach primarily based on quantitative investment techniques. The principal source of value added is the stock selection process. Relative attractiveness is assessed using a proprietary multiple factor model. Attractive securities are over weighted relative to the Index while unattractive securities are under weighted, or excluded entirely. The account will invest primarily in a broadly diversified portfolio of equity securities. Equity securities include securities convertible into equity securities (including common stock), warrants, rights and units or shares in trusts, exchange traded funds and investment companies. The account may invest and reinvest in long or short positions in any of the instruments.</p> <p>The Investment Manager may purchase or sell futures and exchange traded and over-the-counter options on the Index or on a similarly broad index. The Investment Manager intends to use futures and options to manage market risk associated with the account's investments by selling futures on a stock index which correlates in price movement with a portion of the account to hedge against a potential decline in the prices of the securities comprising that portion of the account and, conversely, by purchasing futures on a stock index which correlates in price movement to a group of stocks which the account anticipates purchasing, to hedge against an increase in the value of such stocks. A portion of the cash in the account may be deposited with a broker as margin on futures or options transactions, to be invested on behalf of the account in obligations issued or guaranteed by the US Government or other appropriate short-term investments.</p> <p>To meet liquidity needs, the Investment Manager may also invest in short term cash investments, including shares of money market portfolios, which may be registered investment companies for which the Investment Manager or an affiliate serves as custodian or investment advisor.</p>
NTAM (Northern Trust Asset Management) World Ex-US Tamara Doi Beck	Pension	International Equity	Dec-13	<p>The Fund will be maintained by the Trustee with the objective of providing investment results that replicate the overall performance of the MSCI® Emerging Markets Equity Index (the "Index"). The Trustee will attempt to meet the Fund's investment objective by including the common stocks of one or more companies included in the Index, on the sole basis of computer-generated statistical data, deems representative of the industry diversification of the entire Index.</p> <p>The Fund will be invested primarily in equity securities of business enterprises organized and domiciled outside of the United States ("U.S.") or for which the principal trading market is outside the U.S. In the Fund, and where applicable with respect to the Fund, the Trustee will employ statistical methods to select securities which comprise or will comprise the Index without necessarily buying all the relevant Index equities. Such securities will be selected, acquired, held and liquidated solely on the basis of such methods and not on the basis of any economic, financial, market timing, or other analysis. Securities purchased for the Fund will generally, but not necessarily, be traded on a foreign securities exchange. The Trustee may, in its discretion, purchase or sell depositary receipts. The Fund will be rebalanced from time to time in order to minimize the expected or predicted deviation between the performance of the Fund and the performance of the relevant Index or to reflect changes in the composition of the Index.</p>

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
PIMCO Bravo II Ed Sasinowski	Pension	Residential & Commercial Debt	Oct-13	To seek to capitalize on the perceived market opportunity and achieve its Target Return, the Fund will have broad discretion to invest principally in (or otherwise gain exposure to) U.S. and non-U.S.: (i) performing, underperforming or non-performing loans and other assets that have historically been securitized and/or otherwise traditionally held by financial institutions (as well as participations and other interests therein), including commercial and residential mortgage loans (each of which may convert to real estate holdings), consumer loans (such as credit card receivables, automobile loans and student loans) and/or servicing or similar rights relating to such loans and other assets; (ii) structured products, securitizations and other asset backed securities ("ABS") backed by assets of any type (whether U.S. or non-U.S. based collateral), including non-agency residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS" and, together with RMBS, "MBS"), collateralized debt obligations ("CDOs"), collateralized loan obligations ("CLOs") and repackaged securities (collectively, "Structured Investments"), including Structured Investments managed by PIMCO or an affiliate thereof; (iii) residential and commercial real estate; and/or (iv) investments in equity securities, equity-linked securities and/or debt instruments (including loans) of operating companies and other entities (whether stressed, distressed or otherwise on an opportunistic basis), including banks and other financial institutions, specialty finance entities, and other opportunities.
	Insurance		Oct-13	
PIMCO Distressed Senior Credit Opportunities (DiSCO) Fund II Ed Sasinowski	Pension	Dom Inv Grade FI	Oct-11	The PIMCO Distressed Senior Credit Opportunities Fund is an opportunistic private-equity style Fund which seeks to provide investors enhanced returns principally through long-biased investments in undervalued senior and super senior structured credit securities that are expected to produce attractive levels of current income and that may also appreciate in value over the long term. The fund will look to capitalize on forced sales by liquidity constrained investors.
	Insurance	Fixed Income	Oct-11	
PIMCO Core Plus Constrained Ed Sasinowski	Pension	Dom Inv Grade FI	Feb-18	The Core Plus Constrained investment is a diversified portfolio of high quality bonds that is actively managed to maximize returns in a risk-controlled framework. The portfolio emphasizes higher-quality, intermediate-term bonds and aims to avoid concentration risk by being more globally diversified than many core bond funds. It also has considerable flexibility to respond to changing economic conditions, helping to manage risk and increase total return potential. : The portfolio aims to provide investors with a combination of income and capital appreciation potential. It is guided by a forward-looking, risk focused philosophy that aims to identify risk early while also being positioned to capture attractive returns.
	Insurance	Fixed Income	May-19	
Prudential Core Plus Peter Taggart Steve Ahrens	Insurance	Fixed Income	Aug-06	The core plus fixed income account is a multi-sector strategy with alpha objective of +150 basis points versus the Barclays Aggregate Index over a full market cycle. The strategy is diversified across a broad range of fixed income sectors, including Treasuries, agencies, mortgage-backed securities, structured product (asset-backed securities, commercial mortgage-backed securities), investment grade corporate bonds, high yield bonds, bank loans and international debt. The primary sources of excess return are sector allocation and security selection, with duration and yield curve less of a focus.
	Legacy	Fixed Income	April-15	

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
Prudential Core Peter Taggart Steve Ahrens	Pension	Fixed Income	Feb-18	PGIM Fixed Income's Core Fixed Income Strategy is an actively managed, multi-sector, investment grade fixed income strategy that typically seeks +60 bps annualized gross excess return over the Bloomberg Barclays U.S. Aggregate Bond Index or similar broad market benchmark over a full market cycle (three to five years). The Strategy emphasizes relative-value based sector allocation, research-based security selection, and modest duration and yield curve positioning.
Quantum Energy Partners Michael Dalton	Pension	Private Equity	Oct-06	Founded in 1998, Quantum Energy Partners is a leading provider of private equity to the global energy industry. With more than \$5.7 billion in assets under management, Quantum targets investment opportunities between \$100 and \$400 million with proven management teams that possess a clear vision and whose companies have sustainable competitive advantages within well-defined segments of or strategies in the energy industry. Quantum primarily focuses on the oil and gas upstream, midstream and power sectors, but will consider opportunities across the entire energy industry.
Rohatyn Group - JPMorgan Asian Infrastructure & Related Resources Opportunity Fund Michael DeAngelo	Pension	Infrastructure	JPM Aug-08 to May-18 Transferred Mgmt to Rohatyn May-18	<p>The JPMorgan Asian Infrastructure & Related Resources Opportunity ("AIRRO") Fund seeks to invest in infrastructure and related resources opportunities across the greater Asia Pacific region. The Fund seeks to invest in a broad range of assets, including (but not exhaustive): core infrastructure such as transportation, power both from conventional and renewable sources, communications, water and waste-water, public works, urban development and other "social" infrastructure assets (i.e. hospitals, schools, government centers) and related resources such as energy, raw materials, natural resources, construction and construction-related materials and real estate (that are part of or associated with any of the installation and operation of infrastructure).</p> <p>The Fund will seek an internal rate of return in excess of 19% (net of Incentive Allocation and Fund Expenses and any Taxation that is payable by the Fund, but exclusive of any Taxation payable by Investors with respect to distributions), assuming a constant exchange rate during the term of the Fund between the USD and the currencies in the countries where the Fund's Investments are located. The Investment Adviser will have the right, but not the obligation, to hedge currency risk at its discretion, however there currently is no intent to engage in active hedging except as follows: (i) in exceptional cases where we believe the underlying risk is excessive and (ii) where there are known future equity commitments subject to currency risk, including with respect to the acquisition of new assets. The Fund team's view of infrastructure, in the Asian context, takes a holistic approach, encompassing not only core infrastructure but also the raw material and construction-related stages of infrastructure and those companies needed "to make infrastructure happen". By focusing on both infrastructure and related resources, the Investment Adviser has developed a strategy which seeks to capitalize on the entire opportunity presented by the large forecasted growth and required investment in Asian infrastructure.</p> <p>The Fund monitors its currency exposure on a regular basis taking account of the outlook for any currencies in which AIRRO is invested. At this time, AIRRO does not anticipate hedging its currency exposure in the near-term. Based on consensus forecasts prepared by Bloomberg, analysts expect Asian currencies to strengthen versus the USD over the medium-term. AIRRO's entry cost (based on average weighted rates) for its investments are 47.68 INR/USD for SevenHills and 7.76 HKD/USD for Scitus (6.93 RMB/USD for Scitus' corresponding investments onshore). We anticipate these positions to strengthen in the favor of AIRRO by exit (estimated to be 2013 for each investment). AIRRO will continue to monitor movements in Asian currencies and review its hedging strategy accordingly.</p>

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
SEI Investments Mark Morgan	PERS Retiree Health	Multiple	Jul-09	<p>Fixed Income Strategy - A diversified set of lowly correlated alpha sources increase confidence in consistent excess return -Combination of managers with a broad opportunity sets inclusive of government, credit and structured securities</p> <p>-Derivatives provide an efficient means of strategy implementation</p> <p>-Managers have the ability to utilize derivatives to manage duration, yield curve, sector and security strategies to enhance return or reduce risk</p> <p>Emerging Markets Debt Strategy - Specialist Emerging Market Debt Managers and seasoned investment teams with complementary investment philosophies that invest broad opportunity sets inclusive of tactical allocations to external debt, local debt, local currency, and corporate debt.</p> <p>High Yield Strategy - Diversified group of managers with deep and experienced credit resources whose outperformance will be generated from both Sector/Industry and Selection decisions. The differentiation between managers is not on the alpha source they are seeking to exploit, but rather on the credit philosophy and process. Broad opportunity sets primarily in fixed income securities rated below investment grade, including corporate bonds. May also invest in bank loans, convertible and preferred securities, zero coupon obligations and credit derivatives. Given the illiquidity of the high yield market, managers also have the ability to utilize the credit default swap market for enhancing return or reducing risk.</p> <p>Small Cap Strategy - Utilizing multiple SEI Portfolio sub-advisors, the SEI Portfolio invests in common stocks and other equity securities with the goal of providing capital appreciation.</p> <p>World Equity ex-US Strategy - Utilizing multiple SEI portfolio sub-advisors, the SEI portfolio invests in equity securities of foreign companies, including those in emerging market countries with the goal of capital appreciation. These securities may include common stocks, preferred stocks, warrants, exchange-traded funds based on an international equity index and derivative instruments whose value is based on an underlying equity security or basket of equity securities. The SEI portfolio is diversified as to issuers, market capitalization, industry and country. Certain SEI portfolio sub-advisors use strategies that are designed to correlate with a portfolio of international equity securities, but which are composed of derivative instruments backed by other types of securities.</p> <p>Large Cap Equity Strategy - A Russell 1000 index fund.</p>
SEI Investments Mark Morgan	Job Service	Multiple	Dec-16	The Fund uses a multi-manager approach to portfolio construction that seeks to generate excess returns (i.e., returns in excess of benchmark) and at the same time provide diversification by avoiding over- concentration in a single investment style, sector or market trend. SEI analysis seeks to identify each manager's competitive advantage and characteristics of that advantage that can be monitored on an ongoing basis. Asset allocation to a given manager is based on the manager's skill set, the current macro economic environment, and the risks inherent in each manager's strategy.
State Street Global Advisors Joe Cadigan	Pension	Dom Inv Grade FI	Jun-13	This is a commingled index fund that seeks to replicate the risk and return characteristics of the Barclays Long Treasury Bond Index.
State Street Global Advisors Joe Cadigan	Insurance Legacy	Fixed Income Fixed Income	June-13 April-15	This is a commingled index fund that seeks to replicate the risk and return characteristics of the Barclays Government/Credit Bond Index.

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
State Street Global Advisors Joe Cadigan	Tobacco	Short Term Fixed Income	Oct-15	<p>The Strategy is managed using a "passive" or "indexing" investment approach, by which SSgA attempts to replicate, before expenses, the performance of the Index. The Strategy will not necessarily own all of the securities included in the Index.</p> <p>The Strategy may attempt to invest in the securities comprising the Index, in the same proportions as they are represented in the Index. However, due to the diverse composition of securities in the Index and the fact that many of the securities comprising the Index may be unavailable for purchase, it may not be possible for the Strategy to purchase some of the securities comprising the Index. In such a case, SSgA will select securities for the Strategy comprising a portfolio that SSgA expects will provide a return comparable to that of the Index.</p> <p>SSgA expects that it will typically seek to replicate index returns for the Portfolio through investments in the "cash" markets - actual holdings of debt securities and other instruments - rather than through "notional" or "synthetic" positions achieved through the use of derivatives, such as futures contracts or swap transactions (except in the unusual case where SSgA believes that use of derivatives is necessary to achieve an exposure that is not readily available through the cash markets).</p> <p>Benchmark Barclays U.S. 1-3 Year Treasury Bond Index</p>
TIR-Timberland Investment Resources Tom Johnson	Pension	Timber	<p>Jun-01</p> <p>Sept-04</p>	<p>Teredo Timber LLC - The investment objective of Teredo is to provide competitive investment returns from increasing saw timber production through the 20 year term of the partnership. TIR's management strategy is to maximize saw timber volume by applying intensive forest management techniques which accelerate growth through the diameter class distribution (from pulpwood to saw timber). Periodic cash flows are produced from thinning and final harvests of the individual timber stands.</p> <p>Springbank LLC - The investment objective of Springbank is to maximize long-term investment potential. TIR will implement four key strategies to attain the objective:</p> <ul style="list-style-type: none"> • Formation of a dedicated land management group; • Intensive timber management to increase timber production; • Coordination of timber harvesting with land management activities; • Direct marketing and selective real estate partnerships.
TIR-Timberland Investment Resources Tom Johnson	Insurance	Real Assets	Oct-08	<p>Eastern Timberland Opportunities Fund - The investment objective of the Eastern Timberland Opportunities fund is to provide competitive timberland investment returns from Eastern US timberland investments by pursuing management strategies to increase timber production and land values through the investment term. TIR will maximize timber values within the portfolio with the application of intensive forest management techniques to accelerate the growth in timber volume and movement into higher value product categories. Additional value will be captured by realizing higher and better use opportunities for select timberland properties throughout the portfolio.</p>
Vanguard Group Mark Miller	<p>Insurance</p> <p>Legacy</p>	<p>Int'l Equity</p> <p>Int'l Equity</p>	<p>June-03</p> <p>Feb-15</p>	<p>Vanguard International Explorer Fund seeks to provide long-term capital appreciation. The fund invests primarily in the equity securities of small-capitalization companies located outside the United States that the advisor believes offer the potential for capital appreciation. In doing so, the advisor considers, among other things, whether a company is likely to have above-average earnings growth, whether the company's securities are attractively valued, and whether the company has any proprietary advantages.</p>

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
Wellington Trust Company Mike Marino	Pension	Developed Int'l Equity	Mar-02	<p>Securities lending is the temporary loan of a security from an institutional investor's portfolio to a broker/dealer or dealer bank to support that firm's trading activities. These trading activities include short selling, selling on margin or the satisfaction of some other type of transaction. Loaned securities are generally collateralized, reducing the lender's credit exposure to the borrower. Except for the right to vote proxies, the lender retains entitlement to all the benefits of owning the original securities, including the receipt of dividends and interest. Additionally, the lender receives a fee for the use of the securities and can reinvest the collateral. The lender, however, bears the market risk of the loaned securities. This is due to the borrower being obligated to ultimately return the securities, not the original market value of the securities, at the time the loan was made. Lendable securities include U.S. government and agency bonds, U.S. and foreign equities, U.S. corporate and Eurobonds, foreign government bonds, asset backed and mortgage backed securities.</p> <p>The International Small Cap Opportunities investment approach is bottom-up focused, and leverages the global research resources at Wellington Management. In implementing purchase decisions, consideration is given to the size, liquidity, and volatility of these prospects. Sell decisions are based on changing fundamentals or valuations, or on finding better opportunities elsewhere. The assets are not hedged.</p>
Wells Capital Management Tom O'Malley	Insurance Legacy	Fixed Income Fixed Income	Apr-02 April-15	<p>The Medium Quality Credit fixed income strategy is designed to maximize total return from the high-grade corporate bond market while maintaining a strategic allocation to the BBB portion of the high yield market. Credit research is a primary driver of our results; however, our process starts with a "top-down" strategy to guide decision-making. Security selection is determined by in-depth credit research. We believe in-depth knowledge of industries, companies, and their management teams enable us to identify credit trends that can lead to investment opportunities. In conjunction with performing rigorous fundamental research, we also apply a disciplined relative value framework which helps us determine the optimal position to invest within an industry and within an individual issuer's capital structure.</p>
Western Asset Frances Coombes	Insurance Legacy	Fixed Income Fixed Income	Dec-93 April-15	<p>A portfolio using all major fixed-income sectors with a bias towards non-Treasuries, especially corporate, mortgage-backed and asset-backed securities. Value can be added through sector rotation, issue selection, duration and term structure weighting.</p>
Western Asset Frances Coombes	Insurance Legacy	Real Assets Real Assets	Nov-18 Nov-18	<p>Mandate changed from Global TIPS to US TIPS in November 2018. (minimum 90% in USD securities)</p> <p>The target performance objective of Western's US Treasury Inflation Note strategy is to generate 40 bps per year in excess return above the US Treasury Inflation Note index over a full market cycle. The ex-ante tracking error is 80 bps per year.</p>

North Dakota State Investment Board Managers

Investment Manager	Trust	Asset Class	Opened	Description
William Blair	Pension	Developed Int'l Equity		<p>William Blair invests in a growth-oriented, diversified portfolio that will typically hold between 40-70 securities. The firm's investment philosophy is to focus on companies with above-average growth prospects where growth can be sustained through leading or franchise positions in terms of proprietary products, marketing dominance, or cost/asset base advantage. Portfolio candidates typically have above-average prospective growth, evidence of sustainability of future growth, above-average profitability and reinvestment of internal capital, and conservative capital structure relative to sector norms.</p> <p>The portfolio will be diversified by region and country and may invest up to 2X the MSCI ACWI ex-US IMI Index weighting in Emerging Markets securities. In addition, the portfolio will be diversified by sector with no individual sector representing over 35.0% based upon market value. The maximum allocation to any one security is 5.0% of the portfolio (at market value) and notwithstanding this limitation, no immediate liquidation of investments shall be required solely due to changed in market value.</p>
Steve Weeks	Insurance	International Equity		
	Legacy	International Equity		

North Dakota State Investment Board Managers - Closed

Investment Manager	Trust	Asset Class	Open to Close Date	Description
AllianceBernstein/ Clifton Liz Smith	Pension	Lg Cap Dom Equity	Jun-09 to Oct-10 Capital Returned	<p>The AllianceBernstein Term Asset-Backed Securities Loan Facility ("TALF") Opportunities Fund is a bottom-up research driven investment strategy structured to take advantage of the opportunity extended to investors through the TALF. The strategy will primarily draw its research from the AllianceBernstein Special Situations Group, which, among other asset classes, covers secured credit sensitive securities (e.g., ABS), as well as non-credit sensitive prime residential mortgage securities. For credit sensitive securities, credit research is overlaid on structural analyses to develop a complete picture of expected loss content, resiliency of cash flows, risk and return. All holdings are closely followed within our proprietary database which contains a time series of investment credit metrics, repayment rates, cohort, and originator statistics.</p> <p>The TALF Opportunities Fund will invest in a concentrated leveraged portfolio of structured asset securities that are eligible for non-recourse lending from the NY Fed TALF. The Fund's goal is to generate high risk-adjusted returns created by the dislocations in asset-backed and other securitization markets. The Fund will invest in AAA/Aaa-rated asset-backed securities as well as other TALF-eligible securities defined by the NY Fed. The TALF program limits the investment universe to US dollar-denominated securities whose underlying collateral is primarily based in the United States. Owing to the high credit quality of the underlying investments, we expect the majority of the Fund's return to be generated by the income in excess of the TALF loans' fees and interest.</p> <p>The Clifton Group is charged with applying the S&P 500 "beta" exposure for the AllianceBernstein "alpha" exposure. The overall goal of the account is to get the return of the S&P 500 index plus an additional alpha amount provided by the TALF fund.</p>
Babson Capital Management Chad Strean	Legacy	Short Term Fixed Inc	Sep-11 to Feb-15 Change of asset allocation	Babson was hired to manage the Bank Loans in the former Prudential account. Their direction is to manage and supervise the deliberate liquidation, over time of these holdings. As securities mature or are sold off the proceeds will be transferred to the Active Short Duration Strategy.
Babson Capital Management Chad Strean	Insurance	Short Term Fixed Inc	Sep-11 to Apr-17 Terminated	<p>The investment objective of the Babson Capital's Active Short Duration Strategy is to outperform the total return of the Barclays Capital 1-3 year US Government Index while minimizing fluctuations in capital value and providing sufficient liquidity to fund withdrawals driven by client activity. The portfolio seeks to achieve a high total rate of return primarily from current income while minimizing fluctuations in capital values by investing in a well-diversified portfolio of US Government, mortgage-backed, asset backed securities and corporate bonds.</p> <p>The investment team uses proprietary research to conduct value-driven sector rotation and intensive credit and structure analysis, while utilizing a dynamic yield curve management process, to construct effective portfolios. In addition to income, primary goals for the Active Short Duration strategy are stability and liquidity. In meeting these goals, risk is measured by perceived or actual changes in credit worthiness, adequate diversification and exposure to potential changes in interest rates. Babson Capital explicitly manages the portfolio to minimize these risks and endeavors to add value through security selection and portfolio duration structure designed to maximize the risk-return characteristics of the yield curve.</p>
Bank of North Dakota Tim Porter	Pension Insurance	Dom Inv Grade FI Fixed Income	Apr-91 to Apr-12 Changed mandate to long treasury Dec-93 to Apr-13 Terminated	The Bank of North Dakota (BND) manages this fixed income portfolio for the State Investment Board with a passive management style designed to replicate the Barclay's Government/Corporate Bond Index. In order to accomplish this objective, BND utilizes optimization software that allows us to monitor several portfolio and individual security constraints (duration, yield, convexity, credit quality and issue size). The portfolio is rebalanced monthly in order to achieve an annualized time-weighted rate of return that matches the Barclay's Gov/Corp Bond Index with a tracking error not more than (+ or -) 30 basis points.

North Dakota State Investment Board Managers - Closed

Investment Manager	Trust	Asset Class	Open to Close Date	Description
Bank of North Dakota Tim Porter	Pension	Dom Inv Grade FI	Apr-12 to Apr-13 Terminated	The Bank of North Dakota (BND) manages this fixed income portfolio for the State Investment Board with a passive management style designed to replicate the Barclay's Long Treasury Index. In order to accomplish this objective, BND utilizes optimization software that allows us to monitor several portfolio and individual security constraints (duration, yield, convexity, credit quality and issue size). The portfolio is rebalanced monthly in order to achieve an annualized time-weighted rate of return that matches the Barclay's Gov/Corp Bond Index with a tracking error not more than (+ or -) 30 basis points.
Blackfriars Asset Management (WestAM) Hugh Hunter	Pension	Emerging Markets Equity	Mar-06 to Jun-12 Terminated	<p>Blackfriars Asset Management Limited has been appointed by North Dakota State Investment Board to manage a Global Emerging Market Equity portfolio. The fund is invested in the WestAM Group Trust.</p> <p>Blackfriars strategy is that of a core, active manager with the objective of outperforming the MSCI Emerging Markets index by 2% over rolling three year periods. Our investment approach is team-based and focuses on capturing alpha from our top-down and bottom-up decisions. Our country allocation process is primarily driven by a factor model encompassing fundamental market and economic factors, whilst stock selection is driven by fundamental research by our internal team of analysts.</p> <p>Blackfriars Asset Management, at the time of appointment, was called WestLB Asset Management which was owned by WestLB AG, a German bank. Following the creation of a 50:50 joint venture with BNY Mellon in 2006, the company became fully owned by BNY Mellon on 31 December 2008 and changed its name to Blackfriars Asset Management Limited. The investment process and investment personnel involved in the management of the portfolio have not changed as a result of the change in ownership.</p>
Brandywine Asset Management Lisa Welch	Pension	Int'l Fixed Income	May-03 to Feb-18 Terminated	<p>Brandywine's Global Fixed Income investment style is a disciplined, active, value-driven, strategic approach. Their investment strategy concentrates on top-down analysis of macro-economic conditions in order to determine where the most attractive valuations exist. Specifically, they invest in bonds with the highest real yields globally. They manage currency to protect principal and increase returns, patiently rotate among countries and attempt to control risk by purchasing undervalued securities.</p> <p>They believe their approach is ideally suited to the asset class, as each country, and sector exhibit unique valuation parameters. They believe that a client's portfolio should be invested in markets with, what they believe, demonstrate above-average value. Value is defined as a combination of above-average real interest rates and an under-valued currency. They typically concentrate investments where existing economic and market conditions may enable that value to be realized in an intermediate time frame. Their research has identified global fixed income as an opportunity class wherein active strategies have the most potential for reward and passive, index-replicating strategies are fundamentally insufficient and add an unnecessary level of risk to the portfolio management process. Country-by-country return dispersion (and, therefore, opportunity) across developed country bond markets is remarkable, and if capitalized upon as part of an actively managed process, can potentially provide significant excess return (alpha) above the benchmark. They seek to capture those excess returns through strategic investment in countries, currencies, sectors and securities, rather than by maintaining minimum, core commitments, reflective of the benchmark.</p>

North Dakota State Investment Board Managers - Closed

Investment Manager	Trust	Asset Class	Open to Close Date	Description
Brookfield Investment Management (Hyperion) Richard Torykian	Insurance	Fixed Income	Jan-07 to Mar-10 Terminated Acct taken over by Declaration	<p>The Enhanced MBS investment process begins with a macro-economic assessment of the market. Included in the macro-economic assessment is the analysis of: the interest rate environment, the phase of the real estate cycle, consumer credit trends, recently released or pending economic data, supply and demand relationships, housing prices, and the Mortgage Refinancing Index. The analysis and review that occurs at this stage provides the groundwork for establishing the asset allocation for our Enhanced MBS Investment Strategy. We then conduct a detailed review of the MBS sub-sectors. We evaluate developments in each sector; current offerings; recent transactions and market clearing levels; security types and yield spread levels to formulate a relative value outlook. Our research analysts provide fundamental analysis on prepayment speeds, borrower credit exposure, geographic diversification, refinancing trends, and the correlation of returns. We then further analyze the risks of the various MBS sectors—specifically, the outlook for delinquencies, housing affordability, consumer debt, collateral value appreciation, and loss severities. These factors build a larger picture for the appropriate asset allocation for this strategy. The asset mix for our Enhanced MBS Investment Strategy is a ratio that may change over time, as opportunities in the sectors and sub-sectors are identified. Once the initial allocation mix has been determined, the investment process moves to the security selection phase.</p> <p>The most important component of our Enhanced MBS Investment Strategy is security selection. In short, while the market for non-Agency MBS may seem generic, the credit performance from one issue to another varies. Our security selection process results from both quantitative and qualitative inputs, as well as the substantial experience of the portfolio managers. Members of the investment team, utilizing Hyperion Brookfield's proprietary analytics, determine the relative strengths of various securities based on applicable criteria such as issuer, issue, vintage, credit rating, structure, and geographic exposure.</p>
Calamos Investments Meredith French	Pension	Dom Inv Grade FI	Oct-06 to Mar-12 Terminated Mandate changed to Global Opportunities	<p>Calamos Advisors LLC manages a convertible mandate for the North Dakota State Investment Board through the Calamos Convertible Plus strategy. The primary objective of the strategy is to achieve high long-term total return through growth and income. The strategy is focused on primarily investing in convertible securities but in addition utilizes both equities and fixed income. This enhanced flexibility allows Calamos to better manage the overall risk/reward profile of a convertible mandate. To take advantage of international opportunities, the portfolio will utilize the Calamos International Convertible Group Trust, a commingled fund in which we purchase units on behalf of the North Dakota State Investment Board. This commingled fund is generally hedged between 70-100% from a currency perspective.</p>
Calamos Investments Meredith French	Pension	Global Equity	Mar-12 to Dec-13 Terminated	<p>The Global Opportunities objective is high long-term total return through capital appreciation and current income. The Trust invests primarily in a global portfolio of equity, convertible and fixed-income securities. In pursuing the Trust's investment objective, the Investment Manager attempts to utilize these different types of securities to strike, in its opinion, the appropriate balance between risk and reward in terms of growth and income.</p> <p>The Investment Manager attempts to keep a consistent balance between risk and reward over the course of different market cycles, through various combinations of stock, bonds and/or convertible securities, to achieve what the Investment Manager believes to be an appropriate blend for the then-current market. As the market environment changes, portfolio securities may change in an attempt to achieve a relatively consistent risk level over time. At some points in a market cycle, one type of security may make up a substantial portion of the portfolio, while at other times certain securities may have minimal or no representation, depending on market conditions.</p>

North Dakota State Investment Board Managers - Closed

Investment Manager	Trust	Asset Class	Open to Close Date	Description
Callan Associates Greg Allen	Pension	Small Cap Dom Equity	May-06 to March-16 Terminated	<p>The investment strategy for the Diversified Alpha Small Cap Equity Fund ("Fund") is based on two empirical studies. The first observed that the average portfolio for a comprehensive universe of active institutional small cap products out-performed the Russell 2000 Index in every three-year period since 1984, resulting cumulative out-performance in excess of five percent per year over the 20-year period with a tracking error of five percent annualized. The consistency and magnitude of this out-performance led to Callan's use of the average institutional small cap portfolio as the target in the Fund's portfolio construction methodology rather than one of the standard small cap indices. The second study observed that the illiquidity of the small cap market presents significant structural challenges to managers as they grow in assets under management ("AUM"). These challenges resulted in smaller products (in terms of AUM) out-performing their larger counterparts by in excess of three percent per year over the observed 20-year period. The consistency and magnitude of this out-performance provided the basis for favoring smaller, less capacity-constrained products in the Fund's manager selection methodology.</p> <p>The Fund's strategy is implemented through the use of a stratified sampling technique, and it begins with the decomposition of Callan's Total Institutional Small Cap ("TISC") universe (consisting of over 700 products) into 10 distinct sub-styles, with approximately 70-75 products in each sub-style. After extensive screening, four products from each sub-style are selected which, when held in combination, are expected to closely track the performance of each sub-style as a whole. This process results in a total portfolio made up of 40 equity sub-advisors, equally weighted in the Fund's portfolio, which very closely tracks the performance of the average actively managed institutional small cap product (historical tracking error since inception of approximately one percent annualized).</p>
Capital Guardian Michael Bowman	Pension Insurance Legacy	Developed Int'l Equity Int'l Equity Int'l Equity	Mar-92 to May-16 Terminated Apr-97 to May-16 Terminated Feb-15 to May-16 Terminated	<p>The Portfolio will invest primarily in equity or equity type securities of companies in developed countries excluding the U.S. These equity securities will be listed on a stock exchange or traded in another recognized market and include, but are not limited to, common and preferred stocks, securities convertible or exchangeable into common or preferred stock, warrants, rights and depository arrangements. The Portfolio may invest in fixed-income securities (including cash or cash equivalents) when market conditions warrant. The Portfolio's investments may be denominated in U.S. dollars or in non-U.S. currencies. The Portfolio may include securities eligible for resale pursuant to Rule 144A and securities in offerings that are not registered for sale in the U.S. but are listed or quoted in the securities' local markets. Instruments acquired as a result of corporate actions are permitted.</p>
Clifton Group/Parametric Ben Lazarus	Pension Insurance Legacy	Asset Alloc Overlay Lg Cap, Small Cap, Int'l Equity and Dom FI Large Cap, Int'l Equity and Dom FI Lg Cap, Int'l Equity and Dom FI	Nov-08 to Jul-10 and Apr-20 to June-20 April-20 to June-20 April-20 to June-20 Overlay program discontinued	<p>By utilizing exchange traded futures contracts, Clifton synthetically maintains North Dakota State Investment Board's (NDSIB) desired exposure to a variety of asset classes. This synthetic exposure is most often utilized between monthly cash rebalancing moves. Clifton works with NDSIB Staff intermonth and at month end to make sure the economic exposure is between prescribed bands. Futures are purchased or sold to change the portfolio's effective asset class exposure without liquidating or purchasing securities in the cash market. Subsequent asset class exposure is adjusted by modifying the futures positions while the underlying portfolio remains unaffected.</p> <p>Using exchange traded futures contracts as opposed to physical securities provides NDSIB with:</p> <ul style="list-style-type: none"> • More flexibility and efficiency in moving between asset classes • Lower cost for establishing and removing positions • Detailed accounting on the performance of the rebalance move
Clifton Group Ben Lazarus	Pension	Developed Int'l Equity	Mar-10 to Dec 13 Terminated	This portfolio replicates the MSCI EAFE index utilizing futures contracts.

North Dakota State Investment Board Managers - Closed

Investment Manager	Trust	Asset Class	Open to Close Date	Description
Coral Partners Fund V Yuval Almog	Pension	Private Equity	Mar-98 to Dec-12 Capital Returned	Coral Partners V focuses its investments in the healthcare and technology sectors with companies in all stages of growth from seed to expansion. The General Partners believe that achieving strong venture capital returns depends on the ability to create enterprises capable of attaining a defensible market leadership position, often by developing new technologies which result in either a new market or the restructuring of an existing market; and that the most effective way of accomplishing this objective is to exploit industry trends and focus on businesses which are execution intensive and operate on a worldwide scale. Important components of this strategy are: active involvement, industry focus, and portfolio management.
Coral Partners Momentum Fund Yuval Almog	Pension	Private Equity	7/1/2002 to June-15 Capital Returned	<p>Coral's Momentum Fund focuses on opportunities in high growth markets undergoing imminent transitions driven by emerging technologies, new business modalities and customer preferences. Examples include: a) the transition to rich digital media as a mass market opportunity; b) the ascendance of ubiquitous telecommunications networks, allowing universal access to voice, data and rich content; and c) the transition to the delivery of software-driven applications as a service, creating new software based franchises with recurring revenue models.</p> <p>Coral's Momentum Fund invests in late stage, technology driven companies the General Partner believes has substantial intrinsic momentum. Companies with intrinsic momentum have early demand related indicators such as accelerating revenues, channel build-up, growing product utilization, and expanding customer bases. The General Partner believes that investing in companies at this stage of development mitigates product and technology risk as well as market acceptance risk.</p>
Coral Partners Supplemental Fund V	Pension	Private Equity	Aug-01 to Dec-12 Capital Returned	Coral Technology Supplemental Fund V invests in technology portfolio companies of Coral Partners V.
Corsair ND Investors Fund IV Michael Poe Cliff Brokaw	Pension	Private Equity	<p>Mar-08 to Dec-16 (IPO)</p> <p>May-10 to Jul-19 (secondary sale)</p>	<p>Corsair seeks to earn strong risk-adjusted returns by leveraging the investment team's knowledge and contacts to identify and execute attractive investments in companies in the financial services industry around the world. Corsair takes control and minority positions, either individually or as a lead member of an investor consortium. Target investments include both privately-held and public companies, generally via private transactions when the target company loses access to, or has difficulty accessing, the public capital markets. In certain circumstances, the Fund may acquire pools of financial assets or securities, or provide financing to a secured pool of assets.</p> <p>Corsair endeavors to develop a strong relationship and high degree of influence with investee company senior executives and key shareholders. In many instances, Corsair obtains Board representation, observer seats, or other types of management rights. Given the complexities of investing in a regulated industry, Corsair's ability to receive more traditional generalist buyout governance rights is often limited, and its ability to influence managerial decisions requires a degree of experience which Corsair believes can only be achieved through a long and consistent history of investing in the financial services sector. Corsair expects the Fund to make 10 to 15 investments over its investment period, although there can be no assurances with respect to the number of investments that will be made. Corsair anticipates holding its investments for between three and six years. In those instances where Corsair is part of an investor consortium, Corsair generally endeavors to act as a lead or co-lead investor, as was the case in all Corsair III investments. On select occasions Corsair expects to co-invest with strategic partners that are capable of bringing added value to an investment and where the Fund's exit considerations can be addressed. Above all, Corsair's value-driven investment style focuses on those investment opportunities in which the Investment Advisor believes that a positive discrepancy exists between an asset's price and its intrinsic value.</p>

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Investment Manager	Trust	Asset Class	Open to Close Date	Description
DMR (Declaration Mgmt & Research) Mortgage Opportunity Fund John Pluta	Pension	Below Inv Grade FI	May-08 to Dec-09 Fund matured/ capital returned	The Fund's investment strategy is to acquire stressed and distressed mortgage backed securities, primarily non-Agency Residential Mortgage Backed Securities ("RMBS"). The return objective of the Fund is to achieve a net IRR in the 12%-20% range within a target five year horizon from the acquisition of such securities. The goal is to extract a significant liquidity premium (apart from the compensation available for assuming credit risk) using bottom-up security analysis during a period when legacy holders of mortgage backed securities are in need of liquidity. Once fully invested, the Fund will be a long-biased investment in distressed securities within various sub-sectors of mortgage credit. The focus of the Fund is senior class RMBS backed by prime, Alt-A and subprime collateral. Higher allocations are expected to be in prime and Alt-A transactions. Security-specific risk will be analyzed at the loan level. The risk analysis links borrower attributes (loan-to-value, credit score, documentation status, age of loan, size of loan, etc.) to the borrower's default and prepayment propensities. Similar borrower attributes are examined to estimate recovery rates post default. Risk management at the security level also involves an examination of issue structure, waterfall priorities and other structural features which trap or divert cash flow, particularly as it relates to our target asset. It is anticipated that the Fund's returns will be earned primarily through cash yield on bonds it acquires at discounted prices and through repayment of principal, or partial principal from recoveries on defaulted mortgages, over the holding period of each asset in the Fund.
DMR (Declaration Mgmt & Research) TALF and ABS Fund/Clifton John Pluta	Pension	Lg Cap Dom Equity	Aug-09 to Dec-11 Fund matured/capital returned	<p>The investment objective of the DMR TALF and ABS Fund is to achieve attractive risk-adjusted returns in the low to mid-teens by investing opportunistically in senior classes of Consumer ABS and CMBS. The returns are expected to be achieved primarily through cash flow yield from assets acquired and financed using non recourse TALF leverage. The Fund term is expected to be relatively short with distributions beginning in July 2010 and most bonds naturally amortizing and maturing within 2-4 years from our purchase date.</p> <p>From a tactical standpoint, we believe the risk/return characteristics of short tenor ABS and CMBS compare favorably to other debt sectors. For TALF eligible assets, the low cost, non-recourse borrowing facility is an attractive feature which corporate credit, levered loans and high yield cannot access.</p> <p>The Fund's primary focus by sub-sector is on TALF-eligible legacy AAA senior CMBS. These assets are trading near par and tend to have a solid credit profile. The strategy does not involve stressed or "credit intensive" securities. Rather, we seek to execute risk efficient trades by employing non-recourse TALF leverage on lower volatility "par based" assets with high confidence in the receipt of coupon cash flow and full repayment of principal. TALF leverage is likely to range at 5x-15x capital depending upon the asset. In general, we expect to hold investments to their respective maturity dates, although we have the flexibility to sell holdings if spreads tighten. In acquiring assets, we employ a bottom-up analysis and model the structural characteristics of each transaction. DMR has a value orientation in security selection, seeking a margin of safety or cushion between base case performance expectations and extreme loss outcomes.</p> <p>The Clifton Group is charged with applying the S&P 500 "beta" exposure for the Declaration "alpha" exposure. The overall goal of the account is to get the return of the S&P 500 index plus an additional alpha amount provided by the TALF fund.</p>
DMR (Declaration Mgmt & Research) - formerly Hyperion Brookfield mortgage portfolio John Pluta	Insurance	Fixed Income	Feb-10 to May-14 Liquidated and moved to TRBF	<p>In this mandate, DMR will assume management of mortgage assets originally acquired by Brookfield (Hyperion) over the period 2006-2009. DMR will provide a fresh perspective on the holdings, some of which are credit impaired. The portfolio management services will include loan-level analysis on individual securities and portfolio level risk management of liquidity and volatility.</p> <p>DMR will seek to optimize the risk-return profile of the portfolio. The performance target of the portfolio is a gross total return of 1.25% above the return of the Benchmark over a full market cycle. The Benchmark is the Securitized Portion of Barclays U.S. Aggregate Index (ID #5582).</p> <p>In analyzing portfolio holdings, DMR may produce loss-adjusted cash flow projections on various bonds and/or stress test individual assets to identify break points (principal loss). DMR will evaluate the effect, if any, of government policy such as loan modification on portfolio holdings.</p>

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Investment Manager	Trust	Asset Class	Open to Close Date	Description
ECM - European Credit Mgmt John (Rusty) Reese	Pension	Lg Cap Dom Equity	Nov-07 to May-11 Terminated	The investment consists of variable rate notes issued by European Credit (Luxembourg), S.A., and managed by European Credit Management Ltd. The notes represent undivided interests in the issuer, a predominately investment grade European credit commingled fund currently rated BBB by Fitch Ratings, and are akin to fund subscriptions. The return on the investment is a combination of the beta of the S&P 500, achieved by means of a total return swap, and the excess return over EURIBOR, net of swap costs (if any), generated by the performance of EC(L). Returns of the investment are substantially hedged back to U.S. dollars.
Epoch Investment Partners Thomas Pernice	Pension	Lg Cap Dom Equity	Jul-07 to Dec-11 Mandate changed to Global Choice	Epoch's Global Absolute Return strategy seeks to produce superior risk-adjusted returns by building portfolios of businesses with outstanding risk/reward profiles without assuming a high degree of capital risk. We adopt a globally-minded approach, seeking to capture the benefits of borderless investing and globalization. The businesses in which we invest effectively reflects the high conviction ideas of the entire range of U.S. and Non-U.S. strategies offered by the firm to be included in this concentrated portfolio. We manage portfolio risk exposure through quantitative and qualitative asset allocation inputs to reduce the likelihood of loss of capital. Our goal is to produce a portfolio of 20 – 30 positions that exhibits low volatility, strong risk-adjusted returns and real absolute returns. Global Absolute Return will use cash to mitigate downside capture.
Invesco Asia Fund I Paul Michaels	Pension	Real Estate	Nov-08 to Dec-19 Matured/Capital Returned	This investment strategy will focus on value added investments with an initial focus on China and Japan, with a secondary focus on Singapore and Hong Kong, in residential, industrial, retail and office properties. Where IRE identifies best value, it will execute the following value added strategies for the Fund: -Provide equity for the development of new real estate product that generates high cash returns and demonstrates mid-term growth opportunities. -Reposition assets or change the use of an asset to maximize its value by identifying highest/best use, curing deferred maintenance, improving overall asset quality and developing additional revenue-generating amenities. -Participating in high growth markets -Adopting higher leverage strategies and exploiting market inefficiencies.
Invesco IREF II Paul Michaels	Pension	Real Estate	Nov-07 to Sept-19 Matured/Capital Returned	The Fund will invest in value-added real estate opportunities. Investments will be made solely in the United States in four specific product types- multifamily, industrial, retail and office properties. Where IRE identifies best values, it will execute the following strategies for the Fund: • Re-capitalization: Invest in properties or portfolios at a favorable basis by acquiring an equity interest and/or debt. • Lease-up: Acquire properties with vacant space or near-term lease rollover exposure, with the opportunity to reposition rent roll and tenancy. • High Yield Debt: Acquire unrated pieces of CMBS debt • Renovation/Retenancing/Repositioning: Reposition assets (an example would be to upgrade an asset from Class B to Class A) or change the use of an asset to maximize its value by curing deferred maintenance, improving overall asset quality and developing additional revenue-generating amenities. • Development: Provide equity commitments/investments for the development of new real estate products that allows for access to new, state-of-the-art products at wholesale pricing.

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Investment Manager	Trust	Asset Class	Open to Close Date	Description
JP Morgan Alternative Property Fund Jim Sakelaris	Pension	Real Estate	Jan-06 to Mar-19 Matured/Capital Returned	<p>The JPMorgan Alternative Property Fund seeks current income and capital appreciation from a portfolio of investments consisting of alternative real estate (senior housing, medical office, hotels, single-family subdivision development, condos, storage, parking and other "non-core" cash-flow-generating property investments) and real estate-related assets in the U.S., as well as traditional and alternative real estate and real estate-related assets in Canada, Mexico and the Caribbean. The Fund pursues a broadly diversified absolute-return strategy targeting a 12-15% total annualized IRR (including a current income return of 5-7% and the balance from capital appreciation) gross of all Fund-level fees and expenses, assuming at least a 5-year holding period.</p> <p>The Fund is designed to benefit from less competitive flow of capital relative to core property. As an infinite-life structure, the Fund offers potential investors the opportunity for periodic liquidity at net asset values established on a quarterly basis. The Fund will also periodically rebalance sector, product and geographic diversification to dampen volatility and create a stable alternative real estate investment portfolio with a conservative level of leverage (60% on a portfolio basis).</p>
JP Morgan Emerging Markets Fund Jim Sakelaris	Pension	Emerging Markets Equity	11/1/2005 to 7/31/14 Terminated	<p>The emphasis of investments in the Emerging Markets Equity Focused Fund is in capital and common stocks, securities convertible into capital and common stocks, and other equity investments, all of which involve foreign companies and enterprises' located primarily in emerging markets. In this context, 'Emerging' refers generally to countries outside of the MSCI EAFE Universe.</p>
JP Morgan Greater China Property Fund Jim Sakelaris	Pension	Real Estate	Jan-08 to Nov-18 Matured/Capital Returned	<p>The JPMorgan Greater China Property Fund is a closed-end investment fund which seeks to invest in real estate development projects in Greater China (defined to include China, Hong Kong, Macau and Taiwan). Drawing on over 30 years of real estate investing experience and its position as one of the largest real estate investment managers globally, J.P. Morgan Investment Management Inc. seeks to develop and manage a portfolio of capital-appreciation oriented real estate assets in Greater China. The Fund will generally make its investments across the office, residential, industrial, retail and hospitality sectors by creating project-level joint venture arrangements with multiple operating partners in Greater China. In addition to direct real estate investments, the fund may invest in shorter-term, "structured capital" opportunities in the real estate sector (typically 6-18 months in nature). Such investments may involve publicly listed companies and private companies seeking funding for their operations. The fund will limit the structured capital investments to 20% of the fund's total allocation.</p> <p>The Fund seeks to capitalize on the rapid and sustained economic growth, rising income levels, as well as the recent developments in China that will present opportunities for experienced real estate investment firms like J.P. Morgan to partner with local developers for new investments. The investment objective of the Fund is to seek capital appreciation. Since most of the Fund's investments will be development stage properties, the Fund expects to generate little to no current income. The Fund expects that aggregate secured permanent indebtedness will not exceed, on average over a fiscal year, 75% of the greater of the fair market value or total cost of all of the Fund investments.</p> <p>Investment returns may be hedged on a case by case basis as some investments may be hedged while others may not. Whether to hedge will depend on a number of factors including the currency outlook, the cost/benefit of the hedge, the requirements of lenders, etc. In addition, in cases where debt borrowings are in local currency, there is effectively a built in hedge as well.</p>

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Investment Manager	Trust	Asset Class	Open to Close Date	Description
JP Morgan Mortgage Backed Securities Jim Sakelaris	Pension	Domestic Fixed Income	Sep-14 to Feb-18 Terminated	JPM seeks to create portfolios that offer superior stability of cash-flows (over a wide range of interest rate scenarios) versus those of the Barclays Capital Mortgage Securities benchmark. Due to a focus on identifying undervalued securities our selection is not limited to securities within the index, we may also utilize agency and non-agency commercial mortgage obligations. Because the mortgage-backed sector, in particular, has been less efficient relative to other sectors in recent years, security selection skills can add particular value. The JPM investment approach seeks to add value through the following: <ul style="list-style-type: none"> • We take a longer-term view of investing versus adopting a trading mentality. • Sub-sector allocation decisions are based on broad sector outlook, using expected return and valuation analysis. • Undervalued securities are identified through diligent research. • Relative risk/reward relationships are evaluated along the yield curve. • Strategy emphasizes research and individual security analysis rather than large macro bets. • Duration is managed primarily as a risk control measure. • Portfolios are well diversified and of high credit quality. • Risk management is embedded throughout process and seeks to limit downside risk relative to the benchmark.
JP Morgan Short Term Bond Fund Jim Sakelaris	Legacy Fund	Short Term Fixed Inc	Sep-11 to Feb-15 Change of asset allocation	The investment objective of the Short Term Bond Fund is to outperform (based on the portfolio's total return, gross of fees) the Barclays Capital 1-3 Year Government/Credit Index (the benchmark) while maintaining total return risk similar to that of the Benchmark as measured over a market cycle.
LSV Int'l Equity James Owens, Jr.	Pension	Developed Int'l Equity	Nov-04 to Jan-13 Changed mandate to Global Equity	The objective of our International Large Cap Value strategy is to outperform the MSCI EAFE Index (50% Hedged) by at least 250 basis points (gross of fees) per annum over an annualized 3-5 year period with a tracking error of approximately 5-6%. The process used to select stocks is a quantitative approach developed by our founding partners through years of academic research on a variety of investment and investor behavior topics. The process ranks a broad universe of stocks on a combination of value and momentum factors and seeks to invest approximately 150 stocks in the most attractive securities possible within our strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio will be broadly diversified across industry groups and fully invested (cash balances are typically less than 1% of the portfolio). LSV weights countries at a neutral weight relative to the benchmark country weights. Initial positions must be in stocks with a market capitalization above \$500 million. 50% of the portfolio is US dollar hedged.
LSV Large Cap James Owens, Jr.	Pension	Dom Lg Cap Equity	Jun-98 to Jan-13 Changed mandate to Global Equity	The objective of our Large Cap Value Equity (U.S.) strategy is to outperform the Russell 1000 Value by at least 200 basis points (gross of fees) per annum over a 3-5 year period with a tracking error of approximately 4%. The process used to select stocks is a quantitative approach developed by our founding partners through years of academic research on a variety of investment and investor behavior topics. The process ranks a broad universe of stocks on a combination of value and momentum factors and seeks to invest approximately 100 stocks in the most attractive securities possible within our strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio will be broadly diversified across industry groups and fully invested (cash balances are typically less than 1% of the portfolio). Initial positions must be in stocks with a market capitalization above \$500 million.
Matlin Patterson (Fund I)	Pension	Private Equity	Jul-02 to Jun-16 Matured/Capital Returned	Invest globally in the severely discounted securities and obligations of financially distressed companies with the objective of obtaining corporate control. Through the Investment Adviser's active management of the Fund's investments, the Fund is seeking superior risk adjusted returns and is operating globally in a segment of the distressed sector in which it has few significant competitors. Invest globally in the severely discounted securities and obligations of financially distressed companies with the objective of obtaining corporate control. Through the Investment Adviser's active management of the Fund's investments, the Fund is seeking superior risk adjusted returns and is operating globally in a segment of the distressed sector in which it has few significant competitors.

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Investment Manager	Trust	Asset Class	Open to Close Date	Description
Mellon (Franklin Portfolio Assoc.)	Pension	Lg Cap Dom Equity	Sep-06 to Aug-09 Terminated	To achieve superior long term equity market returns through an investment process consisting of two parts: a) a market neutral equity strategy with approximately equal dollars invested long and short having the objective of neutralizing the overall movements of the market. Furthermore, other systematic sources of risk, including industry/sector and capitalization effects, will be controlled so that the large portion of portfolio returns comes from individual stock selection. b) an equitization strategy using S&P 500 index futures contracts to overlay the performance of the S&P 500 index on the market neutral strategy.
NTGI (Northern Trust Global Investments) Common TIPS Fund Richard Clark Jim Aitcheson	Insurance	Inflation Protected	May-07 to July-10 Terminated	The Corporate Trustee may invest and reinvest in units of common funds maintained by the Corporate Trustee or any affiliate of the Corporate Trustee, including, but not limited to the NTGI-QM Common Daily Treasury Inflation Protected Securities (TIPS) Index Fund-Lending. To meet liquidity needs, the Corporate Trustee may also invest in short term cash investments, including shares of money market portfolios, other common funds, or registered investment companies for which the Corporate Trustee or an affiliate serves as trustee, custodian or investment advisor.
NTGI (Northern Trust Collective Emerging Markets Index Fund) Jason Pasquinelli	Pension	Emerging Markets Equity	July-12 to July-14 Terminated	The Northern Trust Collective Emerging Markets Index Fund will be invested primarily in equity securities of business enterprises organized and domiciled outside the US or for which the principal trading market is outside the US. In the Fund, and where applicable with respect to the Fund, the Trustee will employ statistical methods to select securities which comprise or will comprise the Index without necessarily buying all the relevant Index equities. Such securities will be selected, acquired, held and liquidated solely on the basis of such methods and not on the basis of any economic, financial, market timing, or other analysis. Securities purchased for the Fund will generally, but not necessarily be traded on a foreign securities exchange. The Trustee may, in its discretion, purchase or sell depository receipts. The Fund will be rebalanced from time to time in order to minimize the expected or predicted deviation between the performance of the Fund and the performance of the relevant Index or to reflect changes in the composition of the Index.
PanAgora Asset Mgmt Lisa Mahoney	Pension	Emerging Markets Equity	Feb-06 to Dec-13 Terminated	The Emerging Markets Fund seeks to exceed, in the aggregate, the return of the Morgan Stanley Capital International Emerging Markets Index before fees and expenses. The Emerging Markets fund may be invested in: <ul style="list-style-type: none"> • International equity securities including common, preferred and instruments convertible into common or preferred stock for those companies which comprise the Benchmark and the Morgan Stanley Capital International Frontier Markets Equity Index. • American Depository Receipts, Global Depository Receipts, European Depository Receipts • Exchange traded funds based on the underlying securities in the Benchmark • Spot and forward currency exchange contracts • US Treasury bills • Daily Liquidity Fund • The maximum investment in companies which comprise the Morgan Stanley Capital International Frontier Markets Equity Index will not exceed 10% measured at time of purchase.

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Investment Manager	Trust	Asset Class	Open to Close Date	Description
PIMCO Distressed Senior Credit Opportunities (DiSCO) Fund I Julie Meggers Todd Staley Michael Chandra	Pension	Dom Inv Grade FI	Jul-08 to Oct-11 Moved to Fund II	The PIMCO Distressed Senior Credit Opportunities Fund is an opportunistic private-equity style Fund which seeks to provide investors enhanced returns principally through long-biased investments in undervalued senior and super senior structured credit securities that are expected to produce attractive levels of current income and that may also appreciate in value over the long term. The fund will look to capitalize on forced sales by liquidity constrained investors.
PIMCO Distressed Mortgage Fund Julie Meggers Todd Staley Michael Chandra	Pension	Below Inv Grade FI	Oct-07 to May-13 Capital Returned	The PIMCO Distressed Mortgage Fund is an opportunistic private-equity-style Fund which seeks to capitalize on the historic dislocation in the US and global mortgage markets. The Fund invests in mortgage-related securities and loans where PIMCO believes the long-term value of the investment is highly attractive relative to current market pricing. Within the universe of mortgage-related assets, the Fund will be otherwise unconstrained. The Fund will essentially look to capitalize on forced liquidations of mortgage risk from mark-to-market and ratings sensitive investors at historic high yields.
PIMCO MBS Stephanie King Michael Chandra	Pension	Dom Inv Grade FI	Mar-12 to Nov-17 Allocation Change to Core Plus	The PIMCO Mortgage-Backed Securities Strategy is an actively managed bond portfolio that invests in high quality, short to intermediate duration mortgage-backed securities. The fund invests primarily in securities that are highly rated, such as US Government guaranteed Ginnie Mae securities and Agency-guaranteed Fannie Mae and Freddie Mac mortgage-backed securities.
PIMCO Unconstrained Bond Fund Julie Meggers Todd Staley	Pension	Dom Inv Grade FI	Mar-12 to Mar-14 Converted to SMA Mar-14 to Nov-17 Allocation change to Core Plus	The PIMCO Unconstrained Bond Strategy is an absolute return-oriented, investment grade quality fixed income strategy that embodies PIMCO's secular thinking, global themes, and integrated investment process without the constraints of a benchmark or significant sector/instrument limitations. The strategy is designed to offer the traditional benefits of a core bond approach - capital preservation, liquidity, and diversification - but with higher alpha potential and the opportunity to mitigate downside risk to a greater degree than what is reasonably possible from traditional active fixed income management approaches.
PIMCO (formerly Research Affiliates) Ed Sasinowski	Insurance Legacy	Dom Small Cap Equity Dom Small Cap Equity	July-07 to May-20 March-15 to May-20 Terminated	Small company value equity portfolio utilizing the index strategy and philosophy described as the Enhanced RAFI® US Small strategy which in turn is based on our patent pending Fundamental Index® concept. The Enhanced RAFI® US Small strategy relies on portfolio weights derived from firm fundamentals (free cash flow, book equity value, total sales and gross dividend), instead of market capitalization. In addition, the enhanced portfolio strategy uses a quality of earnings screening and a financial distress screening to augment portfolio returns and reduce portfolio volatility.
Prudential Privest Peter Taggart	Pension	Dom Inv Grade FI	Jun-05 to Mar-12 Terminated	The Prudential Privest fixed income account is invested primarily in unsecured privately placed debt securities.

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Investment Manager	Trust	Asset Class	Open to Close Date	Description
Prudential PruAlpha Peter Taggart	Pension Insurance (currently Budget Stabilization only)	Dom Lg Cap Equity Enhanced Cash	Mar-08 to May-12 Redeemed out/Terminated Jul-07 to May-12 Redeemed out/Terminated	<p>At launch, Pru Alpha was an absolute return strategy investing across multiple sectors of the global fixed income markets. There were significant redemptions from Pru Alpha in the wake of the high market volatility in late 2008. Pru Alpha is currently focused on investing in distressed securities in the fixed income markets.</p> <p>The Pension Trust invested in a feeder fund that allocated a substantial portion of its assets to the Pru Alpha Master Fund and invested substantially all of its remaining assets in a replication strategy based on the S&P 500 Total Return Index. On November 26, 2008, the S&P 500 beta overlay was discontinued. Effective June 1, 2009, the S&P 500 beta overlay was reapplied via a separate account that invests in S&P 500 futures in amounts intended to match the market value of the Pension Trust's Pru Alpha investment.</p> <p>The budget stabilization account is an "enhanced cash" portfolio to augment the other components of North Dakota's budget stabilization assets. This account was originally invested across three components: Dryden Core Short-Term Bond Fund (80%), bank loans (10%), and Pru Alpha (absolute return fund, 10%). Core Short-Term Bond Fund is an "enhanced cash" portfolio that seeks to capture incremental yield from various sectors in the short term portion of the market, with virtually no interest rate risk. Holding assets in the structured product and corporate sectors led to significant underperformance through the credit market downturn from 3Q07-1Q09, but the fund has recovered significantly year-to-date 2009. The bank loan component of the portfolio consists of approximately 20-25 individual bank loans managed by PFIM's high yield/bank loan team. The names held in the account are biased towards the higher quality and more liquid names in the bank loan arena. Pru Alpha is an absolute return strategy and is described with the Pension Trust investment above.</p> <p>On July 28, 2009, \$95mm was added to this account. As a result of discussions with our senior investment team at PFIM and Steve Cochrane, it was decided to invest the new assets in short-term corporate bonds (1-3 years). As of 8/31/09, the account is allocated as follows: Short-term corporates (47%), Dryden Core Short-Term Bond Fund (39%), bank loans (5%), and Pru Alpha (4%) and cash (5).</p>
Quantum (Resources) Brian Borque	Pension	Private Equity	Oct-06 to Jun-17	<p>Quantum Resources' investment strategy is to acquire, develop, enhance and exploit mature oil and gas properties in order to provide investors with both a current income vehicle with capital appreciation potential and a hedge to other investments through long-term exposure to changes in commodity prices. The company will acquire cash flow producing oil and gas properties primarily located in North America through asset or corporate purchases. By acquiring properties in a diverse set of mature fields with long operating histories, long-lived production characteristics and additional development potential, the company is emphasizing a focus on capital preservation and the reinvestment of cash flow into property development or add-on acquisitions. Management expects to acquire income streams generated by the production of oil and gas reserves at attractive discount rates of future net cash flows.</p>
SEI Investments	Pension Insurance	Dom Small Cap Equity Dom Small Cap Equity	Jul-01 to Nov-09 Terminated Jul-01 to Nov-09 Terminated	<p>Utilizing multiple SEI Portfolio sub-advisors, the SEI Portfolio invests in common stocks and other equity securities with the goal of providing capital appreciation.</p>

North Dakota State Investment Board Managers - Closed

Investment Manager	Trust	Asset Class	Open to Close Date	Description
SEI Investments Bob Thomas	Pension (Job Service only)	Core Plus Fixed Income	Jul-09 to Mar-12 Terminated	A diversified set of lowly correlated alpha sources increase confidence in consistent excess return -Combination of managers with a broad opportunity sets inclusive of government, credit and structured securities -Derivatives provide an efficient means of strategy implementation -Managers have the ability to utilize derivatives to manage duration, yield curve, sector and security strategies to enhance return or reduce risk
State Street Global Advisors Kevin Sullivan	Pension	Developed Int'l Equity	July-92 to Dec-13 Terminated	SSgA attempts to identify stocks that it believes are undervalued, using detailed investment analysis. The strategy is normally broadly invested among countries and industries. The investable universe is equity securities of companies outside the United States within the market capitalization range of the index.
State Street Global Advisors	Pension Insurance	Dom Lg Cap Equity Dom Lg Cap Equity	Jul-92 to Jul-09 Terminated Oct-96 to July-09 Terminated	Originally hired as S&P 500 Index funds and later re-mandated to 130/30 strategies.
State Street Global Advisors	PERS Retiree Health		Mar-94 to Jul-09 Terminated	Balanced account consisting of index funds in fixed income, large and small cap and int'l equity.
State Street Global Advisors Joe Cadigan	Tobacco	Large Cap Equity Ex-Tobacco	Oct-15 to May-19 Liquidated - Reduction in Total Fund Size - Eliminated Asset Class	<p>The Strategy is managed using a "passive" or "indexing" investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. SSgA will typically attempt to invest in the equity securities comprising the Index, in approximately the same proportions as they are represented in the Index. Equity securities may include common stocks, preferred stocks, depository receipts, or other securities convertible into common stock. The Strategy may purchase securities in their initial public offerings ("IPOs"). In some cases, it may not be possible or practicable to purchase all of the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio in question.</p> <p>From time to time securities are added to or removed from the Index. SSgA may sell securities that are represented in the Index, or purchase securities that are not yet represented in the Index, prior to or after their removal or addition to the Index.</p> <p>The Strategy may at times purchase or sell index futures contracts, or options on those futures, or engage in other transactions involving the use of derivatives, in lieu of investment directly in the securities making up the Index or to enhance the Strategy's replication of the Index return. The Strategy's return may not match the return of the Index.</p> <p>Benchmark S&P 500® ex Tobacco is comprised of the S&P 500® minus tobacco companies. The S&P 500® is comprised of approximately 500 leading companies in leading industries of the U.S. market with approximately 75% coverage of the U.S. stock market capitalization.</p>
UBS Global Asset Management Betsy Sanders	Pension	Emerging Markets Equity	July 05 to Dec 13 Terminated	Emerging markets equity investments will be confined to the UBS Emerging Markets Equity collective Fund of the UBS Group Trust, which is maintained by UBS Global Asset Management Trust Company. The account's emerging markets equity assets will be fully-invested at all times, but such assets may be invested in the UBS US Cash Management Prime Collective Fund for operational and risk management purposes.

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UBS Global Asset Management Betsy Sanders	Pension	Dev. Int'l Fixed Income	July-89 to Feb-18 Terminated	The non-US fixed income portfolio's assets may be invested in emerging markets debt on an opportunistic basis up to the stated maximum allocation of 5%. The account's non-US fixed income assets will be fully-invested at all times, but such assets may be invested in the UBS US Cash Management Prime Collective Fund for operational and risk management purposes.
Wachovia Global Securities Lending John Menard	Pension Insurance	All asset classes	Oct-07 to Jun-11 Terminated when acquired by Citi	Securities lending is the temporary loan of a security from an institutional investor's portfolio to a broker/dealer or dealer bank to support that firm's trading activities. These trading activities include short selling, selling on margin or the satisfaction of some other type of transaction. Loaned securities are generally collateralized, reducing the lender's credit exposure to the borrower. Except for the right to vote proxies, the lender retains entitlement to all the benefits of owning the original securities, including the receipt of dividends and interest. Additionally, the lender receives a fee for the use of the securities and can reinvest the collateral. The lender, however, bears the market risk of the loaned securities. This is due to the borrower being obligated to ultimately return the securities, not the original market value of the securities, at the time the loan was made. Lendable securities include U.S. government and agency bonds, U.S. and foreign equities, U.S. corporate and Eurobonds, foreign government bonds, asset backed and mortgage backed securities
Wells Capital Management Jeff Mellas Doug Beath	Pension	Dom Lg Cap Equity	Apr-06 to Mar-10 Terminated	The State of North Dakota's Alpha Capture Portfolio (ACP) is a quantitatively driven global long/short strategy designed to exploit mispricing of risk between and within asset classes and market sectors. Core models are utilized in conjunction with the management team to identify opportunities between global stock and bond markets. Markets that are designed to focus more directly on specialized markets such as commodities and individual market sectors supplement the core models. ACP is constructed using instruments such as futures contracts and exchange traded funds (ETFs). The ACP strategy does not currently hedge its non-U.S. dollar positions.
Wells/Sutter Niklas Nordenfelt	Pension	Below Inv Grade FI	Apr-04 to Mar-10 Terminated	The Sutter High Yield strategy applies a bottom-up fundamental based investment strategy focused on identifying the best risk adjusted opportunities in the high yield market. The investment objective is to deliver outperformance with less volatility over a market cycle. Documented rationale supports each initial investment in a credit. The team's philosophy and process is grounded on the principal of "underwriting the credit as though we are making a direct loan to that company" with a focus on U.S. based companies.
Wells Capital Management Stephen Scharre	Pension	Dom Inv Grade FI	Nov-98 to Mar-12 Terminated	The Medium Quality Credit fixed income strategy is designed to maximize total return from the high-grade corporate bond market while maintaining a strategic allocation to the BBB portion of the high yield market. Credit research is a primary driver of our results; however, our process starts with a "top-down" strategy to guide decision-making. Security selection is determined by in-depth credit research. We believe in-depth knowledge of industries, companies, and their management teams enable us to identify credit trends that can lead to investment opportunities. In conjunction with performing rigorous fundamental research, we also apply a disciplined relative value framework which helps us determine the optimal position to invest within an industry and within an individual issuer's capital structure.
Western Asset Derek Fan	Pension	Dom Inv Grade FI	Oct-09 to Mar-12 Mandate changed to MBS	A portfolio using all major fixed-income sectors with a bias towards non-Treasuries, especially corporate, mortgage-backed and asset-backed securities. Value can be added through sector rotation, issue selection, duration and term structure weighting.
Western Asset Derek Fan	Pension	Dom Inv Grade FI	Mar-12 to Sep-14 Terminated	The investment objective for the Western Asset Mortgage-Backed Securities portfolio is to outperform the Barclays Capital US Mortgage Backed Securities Index over a three to five year market cycle. The portfolio is designed to hold high quality assets, with at least 90% of the portfolio rated AAA, or the rating of US Treasury or Agency securities, by at least one of the nationally recognized statistical rating organizations.

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Western Asset	Insurance	Inflation Protected	May-04 to Oct-09 Mandate changed to Global TIPS	<p>Western Asset's US TIPS Full Discretion Composite includes portfolios that employ an active, team-managed investment approach around a long-term, value-oriented investment philosophy. These portfolios use diversified strategies in seeking to add value while minimizing risk.</p> <p>The approach is to construct a well diversified, higher yielding inflation-protected portfolio with a bias towards Treasury Inflation Protected Securities. Exposure to the diversifying sectors (which include credit, global inflation-linked securities and mortgage-backed securities) may be derived through derivative and forward transactions. This strategy allows for opportunistic investments in high yield, emerging markets, non-dollar securities, commodities and bank loans.</p>
Western Asset	Insurance Legacy	Real Assets Real Assets	Oct-09 to Nov-18 Mar-15 to Nov-18 Mandate changed to US TIPS	<p>Western Asset's Global Inflation-Linked composite includes portfolios that employ an active, team-managed investment approach around a long-term, value-oriented investment philosophy. These portfolios use diversified strategies in seeking to add value while minimizing risk.</p> <p>The approach is to construct a portfolio primarily of inflation-indexed securities. Value can be added through country selection, term structure, issue selection, duration management and currency management.</p>
Westridge/WG Trading/Clifton	Pension Pension Insurance	Dom Lg Cap Equity Dom Inv Grade FI Dom Lg Cap Equity	Aug-00 to Apr-11 Jan-08 to Apr-11 Apr-04 to Apr-11 (Settlement proceeds rec'd Apr-11)	<p>S&P 500 Index Arbitrage Portfolio. Pension Domestic Fixed Income beta portfolio was changed to S&P 500 in November 2008. WG Trading was shut down by Federal Regulators in February 2009 and assets are in receivership.</p> <p>An S&P beta exposure was put on the accounts in July, 2009 by Clifton Group to maintain proper exposure to markets while in litigation.</p>