

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.702

EFFECTIVE DATE: February 22, 2023

TITLE: Investment Objectives and Guidelines
Public Equity Asset Class

SUPERSEDES: November 30, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED: February 22, 2023

I. Investment Objectives and Guidelines

- A. Investment Objectives and Guidelines for the Public Equity Asset Class are established in Policy 40.701.
- B. The asset class allocations established by the Board are effective upon adoption and supersedes all previous Investment Objectives and Guidelines for Equities.

II. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
 - 1. Establish the investment objectives and performance standards of the Public Equity Asset Class.
 - 2. Provide diversified exposure to the equity market in a prudent and cost-effective manner.

III. Investment Objective

- A. The objective of the Public Equity Asset Class is to attain the highest possible total return within the parameters of the Investment Guidelines set forth below.
- B. Success in achieving this objective will be measured by comparing the risk and after-fee return of the Equity Asset Class to the S&P 500 Index and ACWI ex. U.S. Index (the Benchmark) each proportionately weighted to the portfolio's domestic and international equity holdings. Performance results will be monitored and evaluated quarterly. However, the success in achieving the objective will be measured on a three (3) year, five (5) year, and ten (10) year annualized basis.

IV. Investment Guidelines

- A. Staff will have full discretion to manage this Asset Class consistent with the investment guidelines stated below. Compliance with the following guidelines for permitted investments and other restrictions is the sole responsibility of the Staff. Any exceptions or compliance violations are to be reported to the Board at the next scheduled quarterly Board meeting. State Fund will be notified of any exceptions or compliance violations within five (5) days.
- B. Most of the Public Equity Asset Class investments will be managed by external investment managers.
- C. It is expected that the Public Equity Asset Class shall invest in public market investments that provide liquidity and meaningful transparency to portfolio characteristics and risk exposures.
- D. Permitted Investments
 - 1. The Public Equity Asset Class may only invest in the following:

- a) Public equity securities and derivatives held in separate accounts, commingled funds, limited partnerships, or limited liability companies managed by external investment managers and governed by their respective investment management contracts and investment guidelines.
- b) Exchange-Traded Funds (ETFs) based on an equity index that is approved by the CIO and purchased and monitored by Staff.

E. Other Restrictions

- 1. A maximum of fifteen percent (15%) of the market value of the SFIP will be invested in public equities.
 - 2. A maximum of four percent (4%) of the market value of the SFIP will be invested in international equities.
- F. If at any time, due to market fluctuations or any other circumstances, any of the guidelines are not maintained, Staff will use its best efforts to conform to these limits in a timely manner, while considering current market conditions and the associated costs of rebalancing. At the Board's next regularly scheduled quarterly meeting, the CIO shall inform the Board of any cases that the Public Equity Asset Class allocations were outside of the limits and either inform the Board of the actions that were taken to return the Public Equity Asset Class back within guidelines or a plan to do so. State Fund will be notified of any exceptions or compliance violations within five (5) days.

Authority: Montana Constitution, Article VIII, Section 13
Section 2-15-1808, MCA
Section 17-1-113, MCA
Sections 17-6-201 through 17-6-203, MCA
Section 33-1-115, MCA
Section 39-71-2320, MCA