BOARD OF UNIVERSITY AND SCHOOL LANDS
JUNE 29, 2023 9:00 AM

Governor's Conference Room and Via Microsoft Teams
Join on your computer, mobile app or room device

Click here to join the meeting

Or call in (audio only)

+1 701-328-0950,,906593882# United States, Fargo

Phone Conference ID: 906 593 882#

Meeting Coordinator: Kate Schirado, Executive Assistant

➢ **= Board Action Requested**

1. **Approval of Meeting Minutes – Joseph Heringer**

   Consideration of Approval of Land Board Meeting Minutes by voice vote.

   ➢ A. May 25, 2023 – minutes available via link

2. **Operations – Joseph Heringer**

   ➢ A. Commissioner Compensation Memo – pg. 2

3. **Division Reports – Joseph Heringer**

   A. Surface – Joseph Stegmiller, Surface Director – pg. 3

   B. Minerals – Chris Suelzle, Minerals Director – pg. 4

   C. Unclaimed Property – Susan Dollinger, Unclaimed Property Director – pg. 5

   D. Financials – Peggy Gudvangen, Chief Financial Officer – pg. 6

   E. Executive Summary of Assets – Frank Mihail, Chief Investment Officer – pg. 18

4. **Investments – Frank Mihail, CIO**

   A. Investment Updates – pg. 20

   ➢ B. Investment Recommendation – Khosla Ventures – pg. 23

   ➢ C. Strategic Asset Allocation Recommendation – pg. 39

   D. New Investment Policy Statement First Reading – pg. 60

5. **Litigation – Joseph Heringer – *pg. 92***

➢ **Executive session under the authority of NDCC §§ 44-04-19.1 and 44-04-19.2 for attorney consultation with the Board's attorneys to discuss: - pg. 93**

- **Mandan, Hidatsa, and Arikara Nation v. United States Department of Interior – Case No. 20-1928**

Next Meeting Date – July 27, 2023

RE: Commissioner Compensation

Performance Recap

- Hired March 14, 2022 - $150,000 salary
- Quick study on multiple complex issues stepped into – legal and investment experience helped greatly
- Restructured Leadership - Surface Director, Investment Director, Unclaimed Property Director, General Counsel
- Enhanced board communication & collaboration
- Improved Board Packets - new format, more concise, more data analytics
- New Hires - Accountant, Investment Officer, 2 surface positions, Revenue Compliance Payment Processor, Unclaimed Property Claims Processor, Paralegal
- Achieved numerous royalty settlements totaling millions of dollars
- Success in reducing litigation
- Completed acreage adjustment project on time and under budget
- Record revenues, assets, and distributions
- Record unclaimed property receipts and payouts
- Successful legislative session with three critical new FTEs, fully funded IT project completion, salary increases, surface clean-up / red tape reduction bill, unclaimed property statute of limitations and record retention bill, and worked to stop some bad legislation
- New minerals system went live January 2023
- Implemented hybrid work policy
- Pay equity funding allowed much needed and well-deserved salary adjustments to key and highly skilled team members

Recommendation:

1. **Approve legislatively funded 6% increase to the Commissioner's annual salary to $159,000, effective July 1, 2023**
2. **Appoint a committee / working group to study and provide recommendations to the Board for Commissioner performance review policy and further adjustments to compensation, consisting of:**
    a. **Two Board members**
    b. **One HRMS representative**
    c. **One industry professional**

SURFACE DIVISION

NORTH Dakota | Trust Lands
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Encumbrances issued by Commissioner during May 2023: 14 Right of Way Agreements generating $311,315 in income for the Trusts.

Photo Credit: Kayla Spangelo
Dunn County 148-96-36

RECORD FISCAL YTD O/G ROYALTIES

North Dakota | Trust Lands
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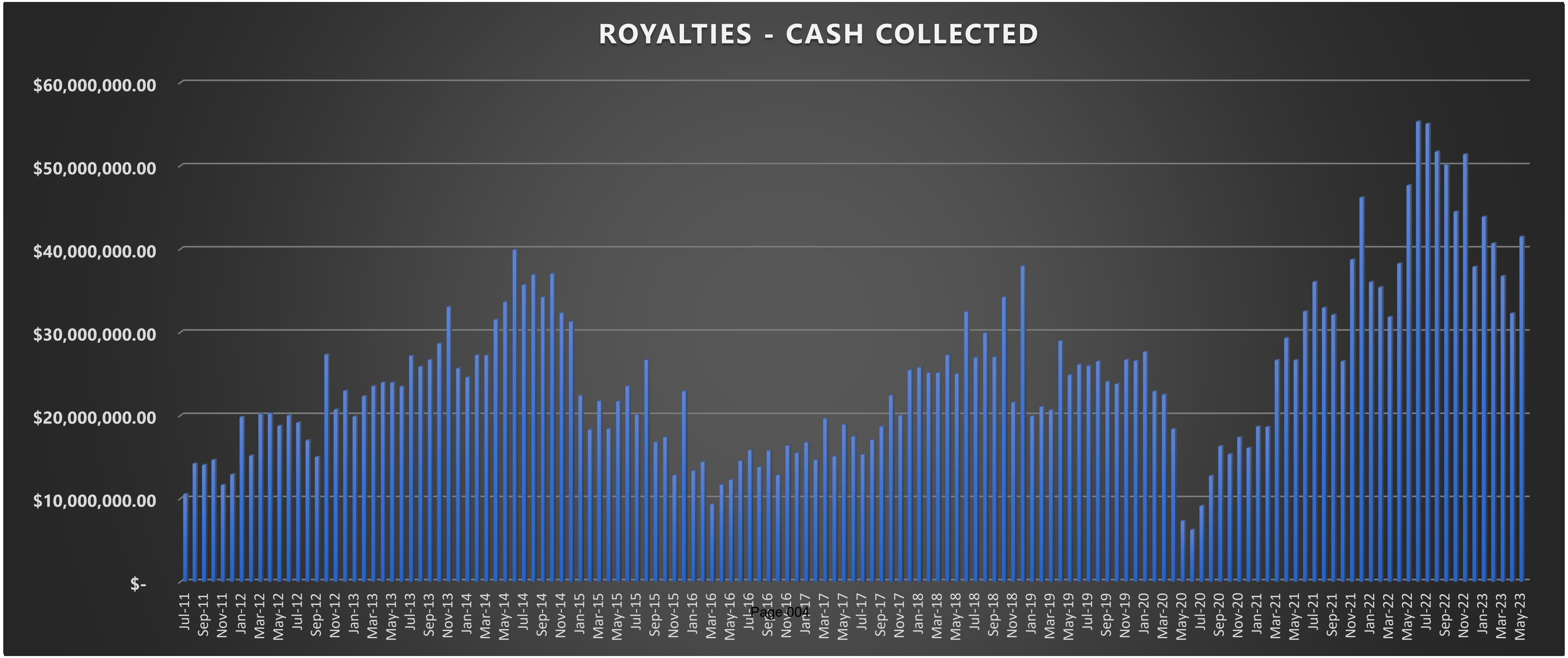
As of May 2023, for fiscal year 2022-23 the Department has received **$485,617,217** in royalties as compared to **$401,616,106** last fiscal year at this time. That is an all time record and **21%** year-over-year increase!



UNCLAIMED PROPERTY DIVISION

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For the month of May 2023, the Division paid 729 claims with $1,105,794.77 returned to rightful owners/heirs. It received 107 holder reports with a dollar value of $216,464.02.

The Division offered two free property reporting webinars in June providing important information for holders to help them increase reporting compliance according to N.D.C.C. 47-30.2

The webinars offered were Reporting 101 to learn the fundamentals of unclaimed property reporting and Preparing the Manual Online Report (MOR), a step-by-step instruction on creating the report.

**RE: Financial Statements Position Report (Unaudited) for period ended March 31, 2023
(No Action Requested)**

The following statements represent the unaudited financial position for the various trusts and funds managed by the Department of Trust Lands. The unaudited financial positions are two months delayed as a significant portion of the revenue for Commons Schools Trust, Strategic Investment and Improvements Fund, and Coal Development Trust includes gross production tax, oil extraction tax and coal severance tax distributions which are received two months after production date.

NORTH DAKOTA
BOARD OF UNIVERSITY AND SCHOOL LANDS

Financial Position Report
(Unaudited)

For period ended March 31, 2023

DEPARTMENT OF
ND TRUST LANDS
INVESTING FOR EDUCATION

Board of University and School Lands

Comparative Financial Position (Unaudited)

Schedule of Net Assets

Assets by Trust:	March 31, 2023	March 31, 2022
Common Schools	$6,033,400,930	$5,900,133,370
North Dakota State University	90,489,237	87,918,065
School for the Blind	15,565,651	15,475,912
School for the Deaf	23,639,477	24,184,382
State Hospital	15,462,903	16,121,688
Ellendale *	29,005,039	28,287,388
Valley City State University	15,857,726	15,386,341
Mayville State University	11,790,986	10,851,847
Youth Correctional Center	31,851,576	31,157,297
State College of Science	21,760,957	22,063,158
School of Mines **	27,495,543	27,049,914
Veterans Home	5,726,337	5,955,341
University of North Dakota	44,325,532	41,944,063
Capitol Building	7,507,564	5,879,863
Strategic Investment and Improvements	1,456,815,418	689,043,594
Coal Development	72,023,743	71,367,068
Indian Cultural Education Trust	1,345,607	1,416,643
Theodore Roosevelt Presidental Library	52,594,283	55,762,068
Total	$7,956,658,507	$7,049,998,001

Assets by Type:		
Cash	$452,374,691	$397,580,738
Receivables	11,176,928	7,776,059
Investments ***	7,287,873,428	6,556,961,454
Office Building (Net of Depreciation)	207,224	264,332
Farm Loans	3,892,313	4,741,374
Energy Development Impact Loans	8,394,178	9,196,672
School Construction Loans (Coal)	27,167,754	29,495,505
Due From Other Trusts and Agencies	165,571,991	43,981,867
Total	$7,956,658,507	$7,049,998,001

<u>* Ellendale Trust</u>

The following entities are equal beneficiaries of the Ellendale Trust:

Dickinson State University	School for the Blind
Minot State University	Veterans Home
Dakota College at Bottineau	State Hospital
State College of Science - Wahpeton	

<u> School of Mines</u>**

Benefits of the original grant to the School of Mines are distributed to the University of North Dakota.

<u>* Investments</u>**

Includes available cash available for loans, investments, abandoned stock and claimant liability.

Board of University and School Lands

Comparative Financial Position (Unaudited)

Common School Trust Fund

	March 31, 2023	March 31, 2022
Balance Sheet		
Assets:		
Cash	$40,970,685	$86,947,003
Interest Receivable	8,585,638	6,270,155
Investments	5,961,912,963	5,778,715,447
Farm Loans	3,585,003	4,367,164
Accounts Receivable	-	-
Due from Other Agencies	18,139,417	23,569,269
Office Building (Net of Depreciation)	207,224	264,332
Total Assets	$6,033,400,930	$5,900,133,370
Liabilities:		
Unclaimed Property Claimant Liability	$22,357,233	$16,461,434
Due to Other Funds	4,448	5,506
Accounts Payable	-	-
Total Liabilities	22,361,681	16,466,940
Equity:		
Fund Balance	5,655,342,237	5,736,576,918
Net Income/(Loss)	355,697,012	147,089,512
Total Liabilities and Equity	$6,033,400,930	$5,900,133,370
Income Statement		
Income:		
Investment Income	$104,243,858	$138,547,063
Realized Gain/(Loss)	(68,062,707)	129,396,997
Unrealized Gain/(Loss)	213,038,037	(184,342,792)
Royalties - Oil and Gas	174,140,234	150,379,926
Royalties - Coal	269,921	260,699
Royalties - Aggregate	327,582	122,601
Bonuses - Oil and Gas	2,825,120	1,302,993
Bonuses - Coal	-	-
Rents - Surface	11,574,938	12,560,468
Rents - Mineral	239,258	84,513
Rents - Coal	50,329	46,527
Rents - Office Building	83,327	71,982
Encumbrances - Surface	316,113	74,070
Sale of Capital Asset	-	644
Miscellaneous Income	-	9,700
Oil Extraction Tax Income	98,589,665	83,109,854
Unclaimed Property Income	14,532,058	11,601,953
Total Income	552,167,733	343,227,198
Expenses and Transfers:		
Investment Expense	5,793,832	5,409,550
In-Lieu and 5% County Payments	194,099	206,047
Administrative Expense	3,303,158	3,340,004
Operating Expense - Building	59,632	62,085
Transfers to Beneficiaries	187,120,000	187,120,000
Total Expense and Transfers	196,470,721	196,137,686
Net Income/(Loss)	$355,697,012	$147,089,512

COMMON SCHOOL TRUST FUND

Monthly Income and Expenses

Unaudited Supplemental Information

	January 2023	February 2023	March 2023
Income			
Investment Income	$12,957,163	$3,183,208	$15,322,669
Net increase(decrease) in fair value of investments	190,496,474	(80,894,453)	45,855,148
Loan Income - Farm Loan Pool	24,945	22,632	25,202
Bonus	-	-	1,639,271
Royalty	24,918,599	21,616,870	21,053,983
Rent	2,517,676	255,552	457,362
Miscellaneous	-	-	(20)
Tax Income - Oil Extraction	9,050,252	8,835,261	9,304,156
Capital Asset - Sale	-	-	-
Unclaimed Property Holder Receipts	415,120	360,204	223,534
	$240,380,229	($46,620,726)	$93,881,305
Expenses			
Investment Expense	637,872	207,195	1,351,413
Salaries and Operating	435,856	423,442	288,879
Transfer to State Tuition Fund	23,390,000	23,390,000	23,390,000
In Lieu Property Tax & County Payments	-	-	194,099
Unclaimed Property Paid Claims	1,158,346	1,381,737	829,805
	25,622,073	25,402,374	26,054,196
ENDING NET ASSETS (year to date)	$6,037,596,921	$5,965,573,821	$6,033,400,930

Board of University and School Lands

Comparative Financial Position (Unaudited)

Combined - Other Permanent Trusts

	March 31, 2023	March 31, 2022
Balance Sheet		
Assets:		
Cash	$14,476,551	$10,765,551
Interest Receivable	592,396	454,468
Investments	317,594,704	314,801,167
Farm Loans	307,310	374,210
Accounts Receivable	-	-
Total Assets	$332,970,961	$326,395,396
Liabilities:		
Due to Other Funds	$381	$471
Accounts Payable	-	-
Total Liabilities	381	471
Equity:		
Fund Balance	316,615,628	320,987,436
Net Income/(Loss)	16,354,952	5,407,489
Total Liabilities and Equity	$332,970,961	$326,395,396
Income Statement		
Income:		
Investment Income	$6,073,721	$7,632,939
Realized Gain/(Loss)	(4,009,050)	7,198,235
Unrealized Gain/(Loss)	11,867,642	(10,160,696)
Royalties - Oil and Gas	13,913,156	12,071,754
Royalties - Coal	9,303	12,708
Royalties - Aggregate	-	5,000
Bonuses - Oil and Gas	206,389	402,153
Bonuses - Coal	8,010	-
Rents - Surface	1,142,064	1,118,590
Rents - Mineral	15,502	3,761
Rents - Coal	801	400
Encumbrances - Surface	-	-
Sale of Capital Asset	-	-
Miscellaneous Income	-	4,950
Total Income	29,227,538	18,289,794
Expenses and Transfers:		
Investment Expense	316,570	295,192
In-Lieu and 5% County Payments	58,876	57,192
Administrative Expense	244,640	277,421
Transfers to Beneficiaries	12,252,500	12,252,500
Total Expense and Transfers	12,872,586	12,882,305
Net Income/(Loss)	$16,354,952	$5,407,489

Board of University and School Lands

Comparative Financial Position (Unaudited)

Coal Development Trust

	March 31, 2023	March 31, 2022
Balance Sheet		
Assets:		
Cash	$1,137,908	$123,487
Interest Receivable	331,653	501,221
Investments	34,764,010	31,794,371
Coal Impact Loans	8,394,178	9,196,672
School Construction Loans	27,167,754	29,495,505
Due from other Trusts and Agencies	228,240	255,811
Total Assets	$72,023,743	$71,367,067
Liabilities:		
Due to Other Trusts and Agencies	$159,768	$179,067
Equity:		
Fund Balance	70,463,180	71,117,671
Net Income	1,400,795	70,329
Total Liabilities and Equity	$72,023,743	$71,367,067
Income Statement		
Income:		
Investment Income	$378,032	$243,438
Interest on School Construction Loans	274,638	$493,595
Realized Gain/(Loss)	152,324	27,412
Unrealized Gain/(Loss)	434,033	($916,722)
Coal Severance Tax Income	341,309	$348,046
Total Income	1,580,336	195,769
Expenses and Transfers:		
Investment	10,517	15,534
Administrative	2,000	2,392
Transfers to General Fund	167,024	107,514
Total Expense and Transfers	179,541	125,440
Net Income/(Loss)	$1,400,795	$70,329

Board of University and School Lands

Comparative Financial Position (Unaudited)

Capitol Building Trust

	March 31, 2023	March 31, 2022
Balance Sheet		
Assets:		
Cash	$2,598,792	$2,169,729
Interest Receivable	25,466	18,173
Investments	4,883,306	3,691,960
Accounts Receivable	-	-
Total Assets	$7,507,564	$5,879,862
Liabilities:		
Due to Other Trusts and Agencies	$0	$0
Accounts Payable	-	-
Total Liabilities	$0	$0
Equity:		
Fund Balance	6,772,499	3,462,488
Net Income	735,065	2,417,374
Total Liabilities and Equity	$7,507,564	$5,879,862
Income Statement		
Income:		
Investment Income	$114,296	$24,602
Realized Gain(Loss)	44,482	2,483
Unrealized Gain/(Loss)	108,861	(95,102)
Royalties - Oil and Gas	1,796,289	2,327,856
Bonuses - Oil and Gas	38,563	-
Bonus - Coal	-	-
Rents - Surface	165,625	174,632
Rents - Mineral	1,593	802
Encumbrances - Surface	8,283	18,385
Royalties - Aggregate	-	-
Total Income	2,277,992	2,453,658
Expenses and Transfers:		
Investment Expense	2,385	(2,520)
In-Lieu and 5% County Payments	3,704	3,897
Administrative Expense	36,838	34,907
Transfers to Facility Management	1,500,000	-
Transfers to Legislative Council	-	-
Transfer to Supreme Court	-	-
Total Expense and Transfers	1,542,927	36,284
Net Income/(Loss)	$735,065	$2,417,374

Board of University and School Lands

Comparative Financial Position (Unaudited)

Strategic Investment and Improvements Fund

	March 31, 2023	March 31, 2022
Balance Sheet		
Assets:		
Cash	$393,177,297	$297,554,363
Accounts Receivable	2	-
Interest Receivable	1,700,241	591,193
Investments	914,733,544	370,741,249
Due from other Trusts or Agencies	147,204,334	20,156,787
Total Assets	$1,456,815,418	$689,043,593
Liabilities:		
Accounts Payable	$0	$0
Equity:		
Fund Balance	1,045,209,177	860,465,447
Net Income	411,606,241	(171,421,854)
Total Liabilities and Equity	$1,456,815,418	$689,043,593
Income Statement		
Income:		
Investment Income	$6,025,174	$2,611,138
Realized Gain/(Loss)	2,078,785	299,323
Unrealized Gain/(Loss)	7,807,324	(9,747,515)
Interest on Fuel Prod Facility	230,313	70,433
Interest - Miscellaneous	4,803,486	142,379
Interest and Penalty	537,304	920,557
Royalties - Oil and Gas	148,936,026	103,216,932
Bonuses - Oil and Gas	798,490	(15,945,602)
Royalties - Coal	60,203	119,271
Rents - Mineral	141,988	15,219
Tax Income - Oil Extraction & Production Distribution	463,277,206	20,156,787
Total Income	634,696,299	101,858,922
Expenses and Transfers:		
Administrative	1,604,062	1,401,317
Investment Expense	211,634	120,922
Transfer to Agriculture Department (HB 1009)	-	5,000,000
Transfer to ND Insurance Commissioner (SB 2287)	-	200,000
Transfer to Office of Management & Budget (HB 1015)	205,000,000	205,000,000
Transfer to Council on the Arts (HB 1015)	1,000,000	-
Transfer to Office of Management & Budget (HB 1015)	71,055	-
Transfer to North Dakota State University	225,000	-
Transfer to Office of the Adjutant General (HB 1016)	-	1,000,000
Transfer to Innovation Loan Fund (HB 1141)	-	15,000,000
Transfer to ND University System (SB 2003)	-	19,000,000
Transfer to Office of Management & Budget (SB 2014)	-	9,500,000
Transfer to Department of Commerce (SB 2018)	14,000,000	15,000,000
Transfer From Department of Commerce - Return	(2,632)	-
Transfer to Upper Great Plains Transportation (SB 2020)	-	2,073,000
Transfer from General Fund	-	(14,463)
Transfer to Dept of Human Services	980,939	-
Total Expense and Transfers	223,090,058	273,280,776
Net Income/(Loss)	$411,606,241	($171,421,854)

As of March 31, 2023 the SIIF had a fund balance of $1,456,815,418. The fund balance is made up of two parts. The committed fund balance is that portion of the fund that has either been set aside until potential title disputes related to certain riverbed leases have been resolved or appropriated by the legislature. The uncommitted fund balance is the portion of the fund that is unencumbered, and is thus available to be spent or dedicate to other programs as the legislature deems appropriate. The uncommitted fund balance was $1,343,448,878 as of March 31, 2023.

Board of University and School Lands

Comparative Fiduciary Statements (Unaudited)

Indian Cultural Trust

	March 31, 2023	March 31, 2022
Fiduciary Net Position		
Assets:		
Cash	$2,776	$421
Interest receivable	1,675	976
Investments	1,341,156	1,415,246
Total Assets	$1,345,607	$1,416,643
Liabilities:		
Accounts payable	-	-
Total Liabilities	-	-
Net Position:		
Net position restricted	1,345,607	1,416,643
Total Net Position	$1,345,607	1,416,643
Changes in Fiduciary Net Position		
Additions:		
Contributions:		
Donations	$0	$0
Total Contributions	-	-
Investment Income:		
Net change in fair value of investments	35,779	(13,182)
Interest	26,177	34,791
Less investment expense	1,457	1,343
Net Investment Income	60,499	20,266
Miscellaneous Income	2,450	2,458
Total Additions	62,949	22,724
Deductions:		
Payments in accordance with Trust agreement	46,052	46,052
Administrative expenses	1,088	1,088
Total Deductions	47,140	47,140
Change in net position held in Trust for:		
Private-Purpose	15,809	(24,416)
Total Change in Net Position	15,809	(24,416)
Net Position - Beginning of Fiscal Year	1,329,798	1,441,059
Net Position - End of Month	$1,345,607	$1,416,643
Net Position - End of Fiscal Year		$1,329,798

Board of University and School Lands

Comparative Fiduciary Statements (Unaudited)

Theodore Roosevelt Presidential Library

	March 31, 2023	March 31, 2022
Fiduciary Net Position		
Assets:		
Cash	$10,682	$20,182
Interest receivable	(60,142)	(60,128)
Investments	52,643,743	55,802,014
Total Assets	$52,594,283	$55,762,068
Liabilities:		
Accounts payable	-	-
Total Liabilities	-	-
Net Position:		
Net position restricted	52,594,283	55,762,068
Total Net Position	$52,594,283	$55,762,068
Changes in Fiduciary Net Position		
Additions:		
Contributions:		
Donations	$0	$17,500,000
Total Contributions	-	17,500,000
Investment Income:		
Net change in fair value of investments	1,083,943	(511,513)
Interest	612,495	1,354,772
Less investment expense	36,575	52,297
Net Investment Income	1,659,863	790,962
Miscellaneous Income	432	54
Total Additions	1,660,295	18,291,016
Deductions:		
Payments in accordance with Trust agreement	1,409,458	912,215
Administrative expenses	500	63,428
Total Deductions	1,409,958	975,643
Change in net position held in Trust for:		
Private-Purpose	250,337	17,315,373
Total Change in Net Position	250,337	17,315,373
Net Position - Beginning of Fiscal Year	52,343,946	38,446,695
Net Position - End of Month	$52,594,283	$55,762,068
Net Position - End of Fiscal Year		$52,343,946

NORTH Dakota | Trust Lands
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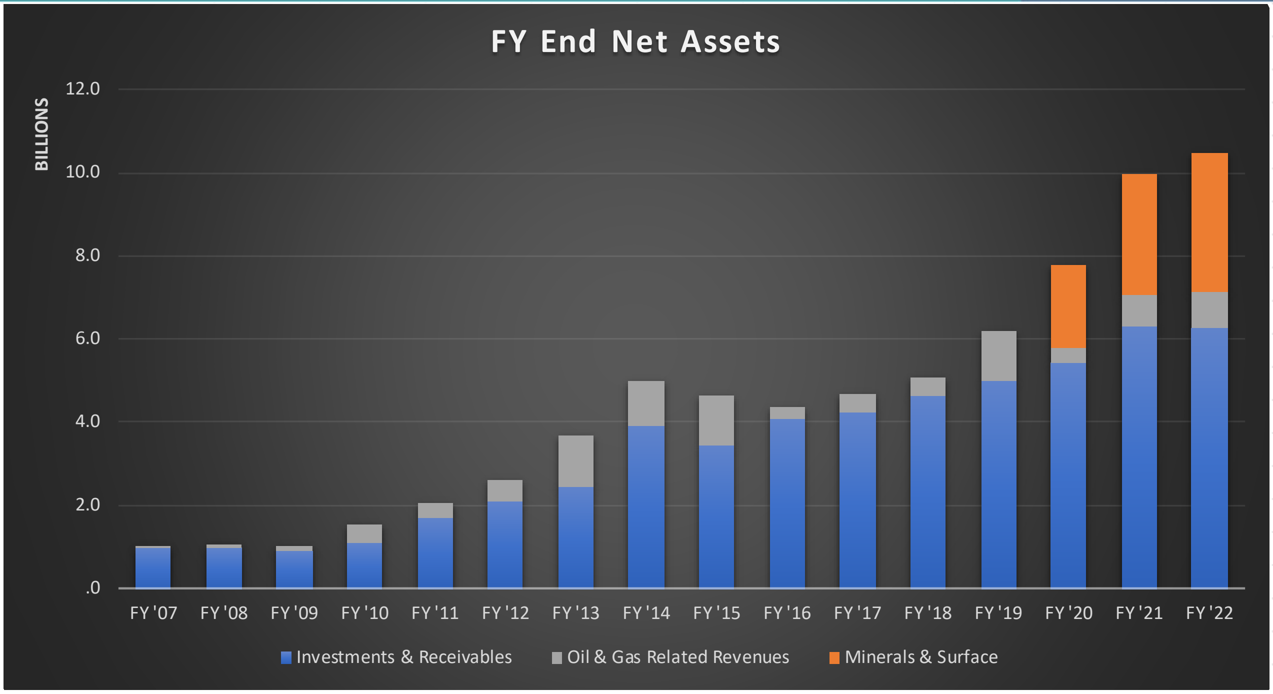
RE: Executive Estimate of Board Assets
(No Action Requested)

EXECUTIVE ESTIMATE OF ASSETS
NORTH DAKOTA DEPARTMENT OF TRUST LANDS
As of May 31, 2023

		MOM$	MOM%	YOY$	YOY%
	5/31/2023 Value	4/30/2023 Value	Change	5/31/2022 Value	Change
Cash	647,131,545	545,653,407		445,793,880	
Investments[1]	7,243,220,738	7,286,203,524		6,422,782,468	
Tax Receivables[2]	-	-		193,820,370	
Loans[3]	38,084,527	38,175,596		43,182,871	
Receivables[4]	8,684,512	8,508,502		7,088,924	
Sub-Total Net Assets	***$7,937,121,322***	***7,878,541,028***	***0.74%***	***$7,112,668,513***	***11.59%***
Mineral Rights[5]	2,813,480,347	2,813,480,347		2,813,480,347	
Surface Rights[6]	518,077,274	518,077,274		511,088,869	
Building Value[7]	1,015,196	1,015,196		264,332	
Total Net Assets	***$11,269,694,139***	***$11,211,113,845***	***0.52%***	***$10,437,502,061***	***7.97%***

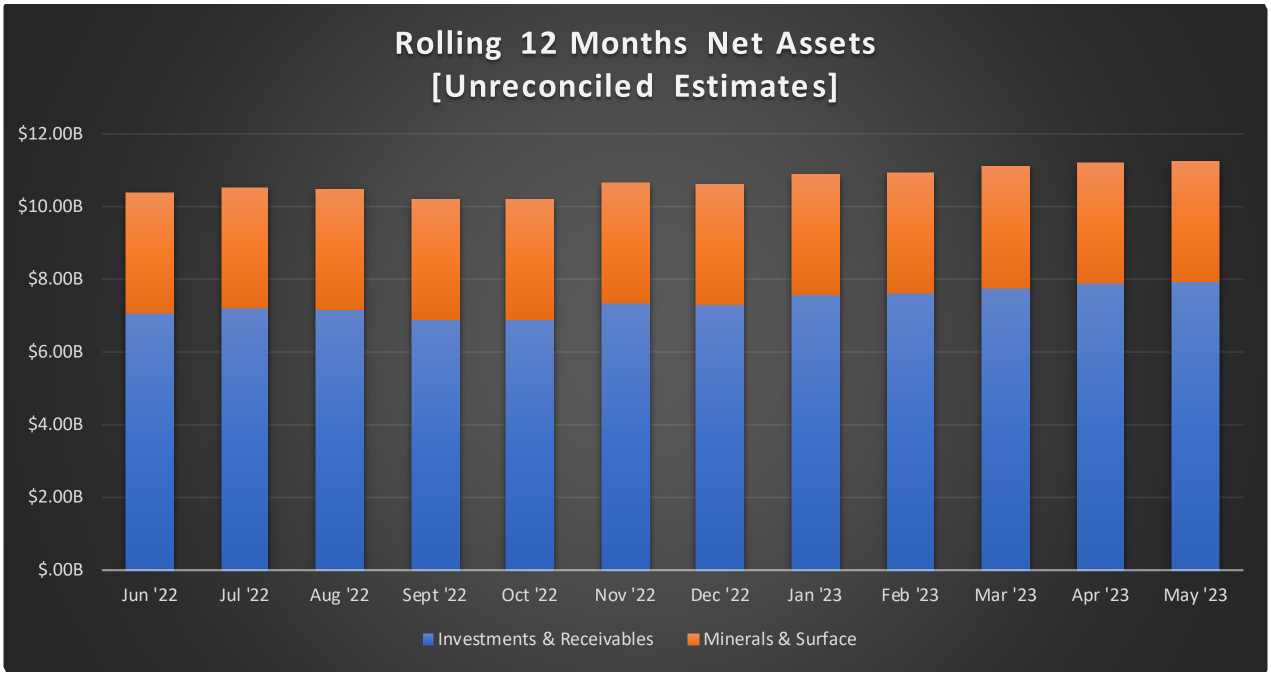
[1] Approximately 60% of the portfolio is publicly traded for which values are current to the as of date. The remaining 40% is private assets, the values of which are updated as the mangers provide them, typically 30-60 days after the end of each quarter.
[2] Estimated value of production, extraction, and severance tax payments not yet received by the Department because they are not distributed until two months after production date.
[3]Various loan programs funded with trust assets.
[4] Loans and investments interest accrued, but not yet paid.
[5] Valued annually via contract with Mineral Tracker. Valuation as of December 31, 2021.
[6] Valued annually via Department fair market value policy. Valuation as of March 2023, based off agricultural values.
[7] Updated annually via broker price opinion. Valuation as of Sept. 15,2022.



[1] FY End 2020 - included intial Mineral valuations as of 12/31/19 amounting to $1,449,002,408 and surface fair market value as of 12/31/19 amounting to $538,179,773.

[2] FY End 2021 - included new Mineral valuations as of 12/31/20 amounting to $2,391,439,503. and surface fair market value as of 12/31/20 amounting to $523,938,730.

[3] FY End 2022 - included most recent Mineral valuations as of 12/31/21 amounting to $2,813,480,347 and surface fair market value as of 12/31/21 amounting to $511,088,869.



[1] Dec 2021 includes mineral rights value of $2,813,480,347

[2] Sep 2022 includes appraised building value of $1,015,196

[3] Mar 2023 includes surface rights value of $518,077,274

RE: Investment Updates
(No Action Requested)

Q3 Pipeline

Public Equity: Education session on 130/30 active extension strategies and manager recommendations for the public equity portfolio
Public Credit: bond overlay manager recommendation
Absolute Return: multi-strategy hedge fund recommendation
Real Estate: total portfolio restructuring recommendation

Portfolio Rebalancing Updates

Capital Calls Funded and Pending:
05/05 GCM Grosvenor Secondary Opportunities Fund III $9.5M
06/21 Ares Pathfinder Fund $6.0M
06/22 GCM Grosvenor Private Equity $3.45M
07/06 Owl Rock Diversified Lending $7.5M

Total Unfunded Commitments Remaining $488M (as of May 31, 2023):

1. Private Credit, $112M
   i. *Ares Pathfinder Fund, $39M*
   ii. *Owl Rock Diversified Lending, $52.5M*
   iii. *Varde Dislocation Fund, $20.5M*

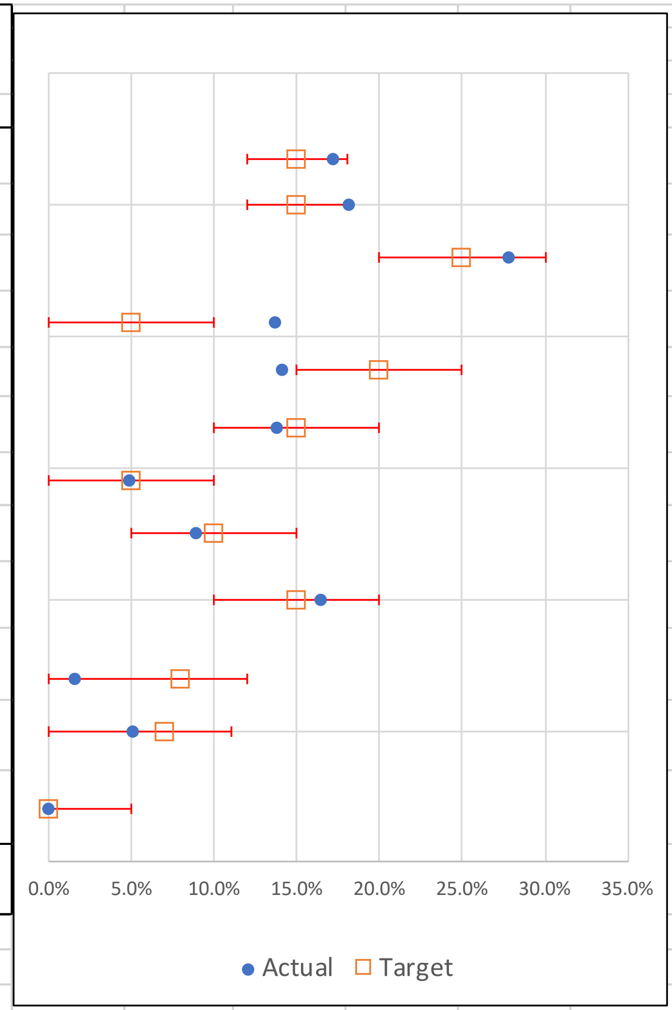
2. Private Equity, $216M
   i. *GCM Grosvenor Private Equity, $98M*
   ii. *GCM Grosvenor Secondary Opportunities Fund III, $106.5M*
   iii. *Morgan Stanley Ashbridge TS Fund II, $11.5M*

3. Private Infrastructure, $10M
   i. *Hamilton Lane Infrastructure Opportunities Fund, $10M*

4. Absolute Return, $150M
   i. *Millennium USA LP (Hedge Fund), $150M*

Current Asset Allocation (unaudited)

As of **May 31, 2023**	Market Value $	Actual	Target	Lower Range	Upper Range
Broad US Equity	1,083,694,952	17.2%	15.0%	12.0%	18.0%
Broad Int'l Equity	1,144,472,624	18.1%	15.0%	12.0%	18.0%
Fixed Income	1,754,277,856	27.8%	25.0%	20.0%	30.0%
Public Credit	*862,876,443*	*13.7%*	*5.0%*	*0.0%*	*10.0%*
Private Credit	*891,401,413*	*14.1%*	*20.0%*	*15.0%*	*25.0%*
Absolute Return	870,841,921	13.8%	15.0%	10.0%	20.0%
Global Tactical Asset Alloocation	*307,783,229*	*4.9%*	*5.0%*	*0.0%*	*10.0%*
Multi-Strategy Hedge Fund	*563,058,692*	*8.9%*	*10.0%*	*5.0%*	*15.0%*
Real Estate	1,040,454,061	16.5%	15.0%	10.0%	20.0%
Private Equity	96,029,316	1.5%	8.0%	0.0%	12.0%
Private Infrastructure	321,464,980	5.1%	7.0%	0.0%	11.0%
Opportunistic Investments	-	0.0%	0.0%	0.0%	5.0%
Portfolio Total	6,311,235,710	100.0%			



Hypothetical Asset Allocation (after funding all commitments)

As of May 31, 2023	Market Value $	Actual	Target	Lower Range	Upper Range
Broad US Equity	985,694,952	15.6%	15.0%	12.0%	18.0%
Broad Int'l Equity	1,026,472,624	16.3%	15.0%	12.0%	18.0%
Fixed Income	1,754,277,856	27.8%	25.0%	20.0%	30.0%
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Absolute Return	870,841,921	13.8%	15.0%	10.0%	20.0%
Global Tactical Asset Alloocation	*157,783,229*	*2.5%*	*5.0%*	*0.0%*	*10.0%*
Multi-Strategy Hedge Fund	*713,058,692*	*11.3%*	*10.0%*	*5.0%*	*15.0%*
Real Estate	1,030,454,061	16.3%	15.0%	10.0%	20.0%
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Private Infrastructure	331,464,980	5.3%	7.0%	0.0%	11.0%
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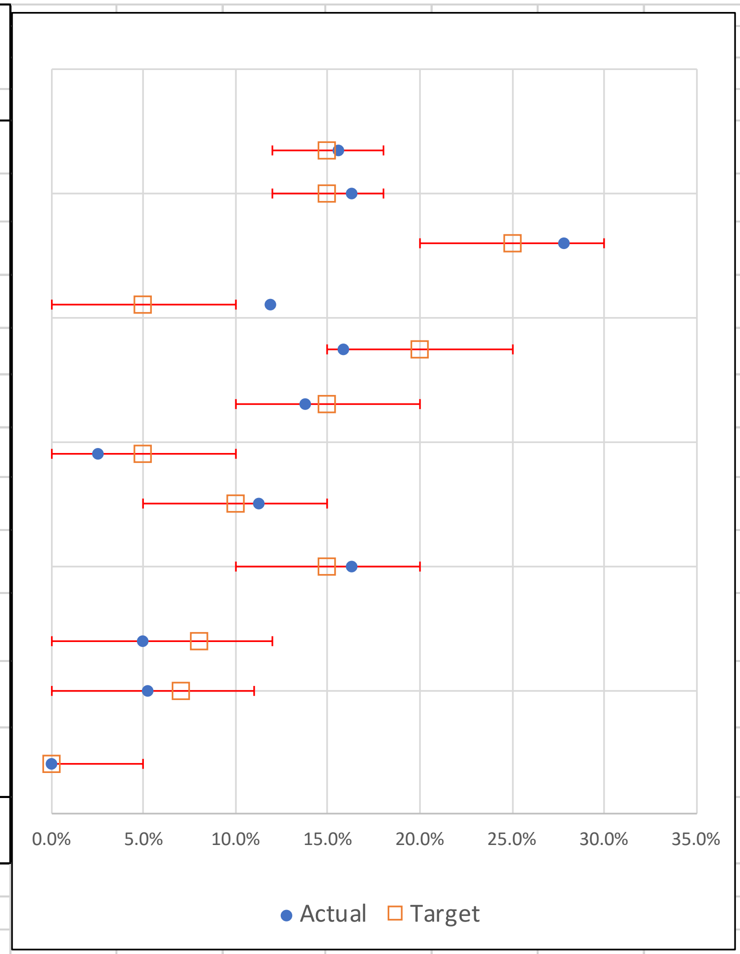


Assumptions: No other new cash is expected to fund calls. No redemption proceeds or distributions were received. All capital calls came in at the same time.

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS
June 29, 2023

RE: Private Equity – Venture Capital

In October 2022, the Board of University and School Lands (Board) reviewed the Private Markets Pacing Analysis by RVK. Assuming 5 years to reach our 8% target allocation for private equity, the pacing plan recommends $110M per year in private equity commitments for the next 5 years to manage capital calls / distributions and benefit from vintage year diversification.

Staff recommends building a venture capital allocation within the private equity portfolio. Venture capital is a way to gain early exposure to companies with potential to deliver higher returns than private equity leveraged buyout. Potential for outsized returns does not come without risk and because of the higher volatility profile of venture capital, allocations must be sized prudently. Staff recommends venture capital represent no more than 1/3 of the private equity allocation. This results in a venture capital pacing recommendation of up to $40M per year.

The current macroeconomic environment could be well-timed to build a venture capital portfolio. Series C and D valuations have declined by more than 50% from 2021 peak valuations. Peer allocators with mature private market portfolios have slowed allocations as their portfolios were impacted by the denominator effect, a phenomenon where private market portfolios become overweight due to public market selloffs. This will allow the Board to build relationships with top performing managers going into what may become the best vintage years of the next decade.

Staff began a manager search by reaching out to a list of top performing venture capital firms. After interviewing and conducting due diligence on potential venture capital managers, Staff and RVK recommend making a commitment to Khosla Ventures (KV).

KV was founded in 2004 by Vinod Khosla. The firm has grown to over $14B in assets across 300 companies. The team is known for holding advanced technical degrees, which allow them to source opportunities in deep tech sectors such as robotics, epigenetics and artificial intelligence. For diversification purposes, KV invests across a broad array of industries with concentration limits on any one sector or company.

The commitment will be allocated across three different funds – Seed Fund F targets seed rounds, KV VIII (main fund) targets Series A-B rounds and Opportunity Fund 2 targets Series C-D rounds.

Recommendation: **The Board approve $35M commitment to Khosla Ventures, subject to standard legal review/documentation.**

Attachment 1: RVK Executive Summary
Attachment 2: Khosla Ventures Presentation

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Howe					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Wrigley					
Governor Burgum					

KHOSLA VENTURES VIII, LP
KHOSLA VENTURES SEED F, LP
KHOSLA VENTURES OPPORTUNITY II, LP

Executive Summary of the Investment Opportunity

Khosla Ventures	Investor Contact
2128 Sand Hill Road	Arash Rebek
Menlo Park, CA 94025	Partner
	650-376-8559
	ar@khoslaventures.com

Khosla Ventures ("Khosla" or "the Firm") is a venture capital investment firm headquartered in Menlo Park, California. The Firm was founded in 2004 and has more than $7 billion in commitments since 2009. The Firm's strategy focuses on investing in seed, early, and later-stage technology companies. Khosla seeks to invest in companies that can de-risk technology challenges early in their lives; the Firm expects to build a broad portfolio of 100-200 companies per vintage family. The Firm aims to find transformative technologies that will disrupt whole industries, capturing significant economic value along the way. Khosla's strategy centers around being bold (looking for revolutionary technologies), early (investing in earlier stages and financing rounds), and impactful (category defining companies). Khosla is led by Founding Partners Vinod Khosla, Samir Kaul, and David Weiden. Additional managing directors include Sven Strohband and Peter Buckland.

Khosla is currently raising the Firm's eighth flagship fund, Khosla Ventures VIII, L.P. ("Khosla VIII", "Fund VIII", or "the Fund"), in conjunction with companion funds Khosla Ventures Seed F, LP and Khosla Ventures Opportunity II, LP (together "Khosla Ventures VIII and the companion funds" or "the Funds"). The Firm will continue to execute its investment strategy through focusing on tech and deeptech investments including AI, manufacturing & robotics, sustainability & cleantech, and health-related sectors such as medtech & diagnostics, digital health, and therapeutics.

INVESTMENT RECOMMENDATION

RVK, Inc. recommends that North Dakota Board of University and School Lands invest $35 million in Khosla Ventures VIII and the companion funds as the Fund represents an attractive opportunity to access early stage technology investments in the United States and global markets. Khosla is actively involved in the management of portfolio companies and seeks companies that can de-risk technology challenges early in their lives. Over 18 years, the Firm has developed a suite of operating capabilities and other resources to help startups achieve long-term growth and outsize returns. The Firm is driven by an 18 member investment team and an 11 member operating group, who have helped drive outsize revenue and earnings growth in portfolio companies. Since 2004, Khosla has leveraged their industry experience in addition to their differentiated investment strategy to stand out against peers, which RVK expects to continue to contribute to the investment process going forward. The Firm's Founding Partner, Vinod Khosla, remains with the Firm and is expected to continue to lead Khosla Ventures' investment and business processes.

RVK recommends clients invest in this strategy due to the expected ability of the Fund to contribute to private equity outperformance relative to public markets. Khosla VIII is expected to provide access to multi-stage traditional venture and "deeptech" investments that are not commonly found in the public equity markets. Relative to other private equity alternatives, RVK believes Khosla's differentiated strategy, long tenured professionals, and internal expertise are likely to continue to drive excess value creation.

In the context of this recommendation, it is important to consider the risks inherent to private investments, equity investments in general, and the risks associated with this specific investment in Khosla VIII. Private investments may include additional illiquidity risk and, given the equity nature of Khosla Ventures VIII's expected investments, investors will gain exposure to small, unprofitable companies that may be less durable in the event of a recession. Khosla Ventures VIII and the companion funds are blind pools: the companies that will ultimately comprise the Fund are yet to be determined.

Portfolio Context

Khosla VIII will provide exposure to traditional venture commitments and "deeptech" investments within seed, early, and later-stage (but not pre-IPO) companies. The Fund offers exposure to private companies domiciled largely in United States with smaller exposure to global companies. Venture capital represents the highest risk segment of private equity broadly, with the greatest fund dispersion and longest time to liquidity; as such, Khosla Ventures VIII should be part of a broadly diversified private equity and venture capital portfolio. Khosla VIII is well suited to complement other venture capital funds that focus on later stage companies or other, different venture capital segments.

data collection

thought leadership

societal impact

business model

ai computing

transportation

creating opportunities

innovation

digital health

financial services

black swan

space

bold

khosla ventures

early

enterprise

category leadership

food

health

impactful

new technologies

societal reinvention

unique partnerships

biology

NORTH Dakota Be Legendary.™

ambition

June 29, 2023

khosla ventures

- founded by Vinod Khosla (formerly Kleiner Perkins and co-founder of Sun Microsystems)
- $14.5B AUM
- diversified portfolio of approximately 300 companies
- differentiated deep tech and biotech capabilities
- early stage investor
- menlo park, ca
- md stability and consistency; highly technical investment team; been through multiple downturns
- established track record
    - six flagship funds (currently investing out of viii)
    - six seed funds (currently investing out of f)
    - two opportunity funds (currently investing out of ii)

bold


artificial intelligence to benefit all of humanity
OpenAI


$100 DNA sequencing platform
ULTIMA GENOMICS


3d printing an entire building with a single machine
MIGHTY BUILDINGS

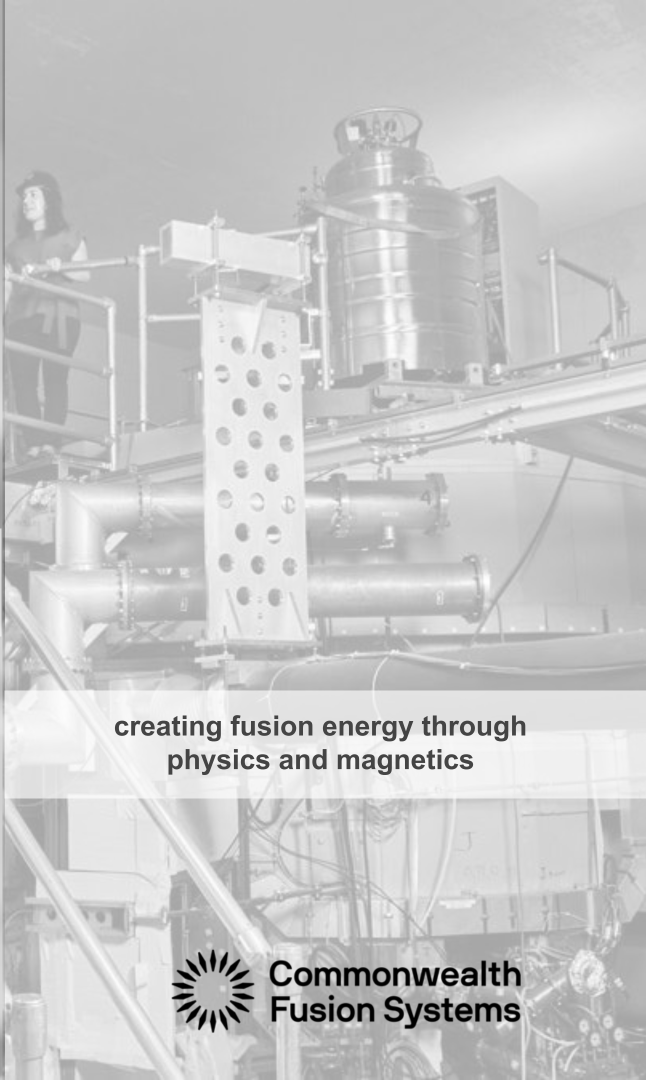
early

meat experience from plants
for non-vegetarians

IMPOSSIBLE™

powering payments and operations for
millions of businesses

Square



creating fusion energy through
physics and magnetics

Commonwealth
Fusion Systems

team: deeply technical, well coordinated, complementary

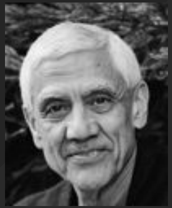
- working together for 17 years
- produced returns in difficult environments
  - 2008, cleantech, 2013 & covid
- analytical and technical, better due diligence and sourcing
  - 10 Ph.D., 3 M.D., 10 advanced technical degrees
- multi-sector, multi-stage

investment team


David Weiden
md


Samir Kaul
md


Sven Strohband PhD
md


Vinod Khosla
md


Peter Buckland
coo


Adina Tecklu
consumer


Alex Morgan MD, PhD
health


Alice Brooks
food & manufacturing


Ece Wyrick
fintech


Jessy Rivest PhD
sustainability


Jon Chu
enterprise


Jun Jeon MD
health


Kanu Gulati PhD
enterprise / ai


Nikita Shamgunov PhD
enterprise / crypto


Nabeel Quryshi
health


Rajesh Swaminathan
sustainability


Sandhya Venkatachalam
enterprise / ai

operating team


Amar Ghodasara PhD
pharma


Brian Byun
product


Bruce Armstrong
sales & go to market


Evan Moore
fintech


Irene Au
design


Kelly Kinnard
talent


Luis Bacalao
legal


Nessan Bermingham PhD
pharma


Robbie Schwietzer
consumer / health


Ryno Blignaut
tech / opportunity


Shernaz Daver
marketing


Uri Greenwald MD
ip strategy

platform team

Arash Rebek
capital formation

Keith Janosky
cfo, ir

Sanh Hong
finance

John Demeter
general counsel

Ben Hinshaw
assistant general counsel

category creation: consistently starting trends

kv iii / seed a — kv iv / seed b — kv v / seed c — kv vi / seed d

2008 — 2010 — 2012 — 2014 — 2016 — 2018 — 2020

climate

fintech

digital health

food

space

robotics

ai

3d printing

construction

manufacturing

aging

cellular therapy

ai drug discovery

neuroscience

epigenetics

Page 034

with more re-inventing to come

transportation

aging

synthetic media

new medicine

inverted supply chain

robotics

2022

remote work

construction

local manufacturing

agi

…what of the current environment?

- often good companies start in hard times when most large companies pull back on advanced projects
- there is less funding for startups, so less competition: capital use becomes more efficient
- keeping our portfolio companies funded is harder
    - takes selecting certain types of companies
    - takes careful management of burn rates and more support
    - experience and operating team helps

data collection

business model

creating opportunities

financial services

bold

enterprise

health

societal reinvention

biology

thought leadership

ai computing

innovation

black swan

early

category leadership

business model

exceptional entrepreneurs

technology differentiated bets

societal impact

transportation

digital health

space

impactful

food

new technologies

unique partnerships

ambition

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Past performance is not indicative of future results, which may vary. An investment with khosla ventures is speculative and involves significant risks, including the potential loss of all or a substantial portion of invested capital, the use of leverage, and the lack of liquidity of an investment. Any investment is subject to various risks, none of which are outlined herein. There is no assurance that khosla ventures will achieve its investment objectives or that the strategies described herein will be successful.

Khosla ventures believes it is important to communicate estimates of its potential returns to existing and prospective investors. However, because the results are estimates, actual results may differ materially from those expressed or implied. Unless otherwise noted, the valuations of investments contained within this presentation are based upon information and data available as of the date these materials were prepared. The actual realized return on all unrealized investments will depend on valuation of the investment at the time of disposition, any related transfer costs, and the manner of sale. Market conditions may limit the liquidity of unrealized investments.

This presentation contains forward looking statements. The opinions, forecasts, projections or other statements, other than statements of historical fact, are forward looking statements. Due to various risks and uncertainties, actual events or results or the actual performance may differ materially from those reflected or contemplated in such forward looking statements. Prospective investors should pay close attention to the assumptions underlying the analyses and forecasts contained in this presentation, which are based on assumptions believed to be reasonable in light of the information presently available. Such assumptions (and the resulting analyses and forecasts) may require modification as additional information becomes available and as economic and market developments warrant. Nothing contained in this presentation may be relied upon as a guarantee, promise, assurance or a representation as to the future. These forward looking statements have not been reviewed by anyone outside of khosla ventures and while khosla ventures believes these statements are reasonable, they do involve a number of assumptions, risks and uncertainties.

Not all investments have been presented in this presentation. Given the large number of investments made over time, only a representative sampling of our main investment sectors has been presented. Please contact us for a complete list of all investments.

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS
June 29, 2023

RE: Strategic Asset Allocation Study and Recommended Changes

The Investment Policy Statement (IPS) requires a formal asset allocation review at least once every four years; the last study was completed June 2022. Based on rapidly changing macroeconomic conditions and at the request of the Department Investment Staff (Staff), RVK conducted a Strategic Asset Allocation (SAA) study for the Permanent Trust Funds (PTFs). RVK used 2023 capital market assumptions, which updated their long-term expectations for investment returns and risk across all major asset classes. RVK ran these assumptions through their optimization model and Monte Carlo simulations. Based on the study, Staff and RVK recommend the following SAA changes:

• **Increase Public Credit.** Bonds have returned to favor as the Federal Reserve raised interest rates at its fastest pace in 40 years, increasing Fed Funds Rate from 0.00-0.25% in March 2022 to 5.00-5.25% in May 2023. Cash and Treasuries are generating a meaningful and attractive yield.

• **Decrease Real Estate.** 2023 capital market assumptions see real estate as one of the only asset classes with lower expected returns. A lagged asset class, real estate is starting to show cracks as certain subsectors (office and retail) meaningfully underperform. It may take considerable time for the asset class to recover from the higher interest rate environment.

• **Increase Multi-Strategy Hedge Funds.** Long-short, relative value and market neutral sub-strategies have proven to be effective diversifiers. They exhibit uncorrelated returns and stay true to the goal of Absolute Return – delivering consistent positive returns throughout the market cycle – from the ability to take short positions during market selloffs and crisis periods.

• **Remove Global Tactical Asset Allocation (GTAA).** GTAA's diversification benefits are minimal as the strategy invests in redundant asset classes, such as long-only stocks and bonds, which exhibit higher correlation to broad equity and bond market indices. Without the tools to trade against the market (go short), GTAA is not as effective as Multi-Strat Hedge Funds at staying true to the goal of Absolute Return – delivering consistent positive returns throughout the market cycle.

• **Add Portfolio Leverage.** A larger hedge fund allocation can drag the portfolio during expansion phases. Introducing a modest amount of leverage to a lower volatility asset class, such as core bonds (public credit), can help improve portfolio efficiency over the long run. Introducing guidelines now will allow Staff to implement the strategy when appropriate.

Recommendation: **The Board approve changes to the Strategic Assets Allocation (SAA) as indicated by the Candidate Portfolio in the attached RVK Asset Allocation Overview and authorize Staff to begin investment manager searches to meet the new SAA.**

Attachment 1: Proposed Asset Allocation Snapshot
Attachment 2: RVK Asset Allocation Overview

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Howe					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Wrigley					
Governor Burgum					

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Proposed Asset Allocation (unaudited)

As of **May 31, 2023**	Market Value $	Actual	Target	Lower Range	Upper Range
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Private Credit	*891,401,413*	*14.1%*	*20.0%*	*10.0%*	*25.0%*
Cash / Implied Leverage	*-*	*0.0%*	*-5.0%*	*-10.0%*	*5.0%*
Absolute Return	870,841,921	13.8%	15.0%	10.0%	20.0%
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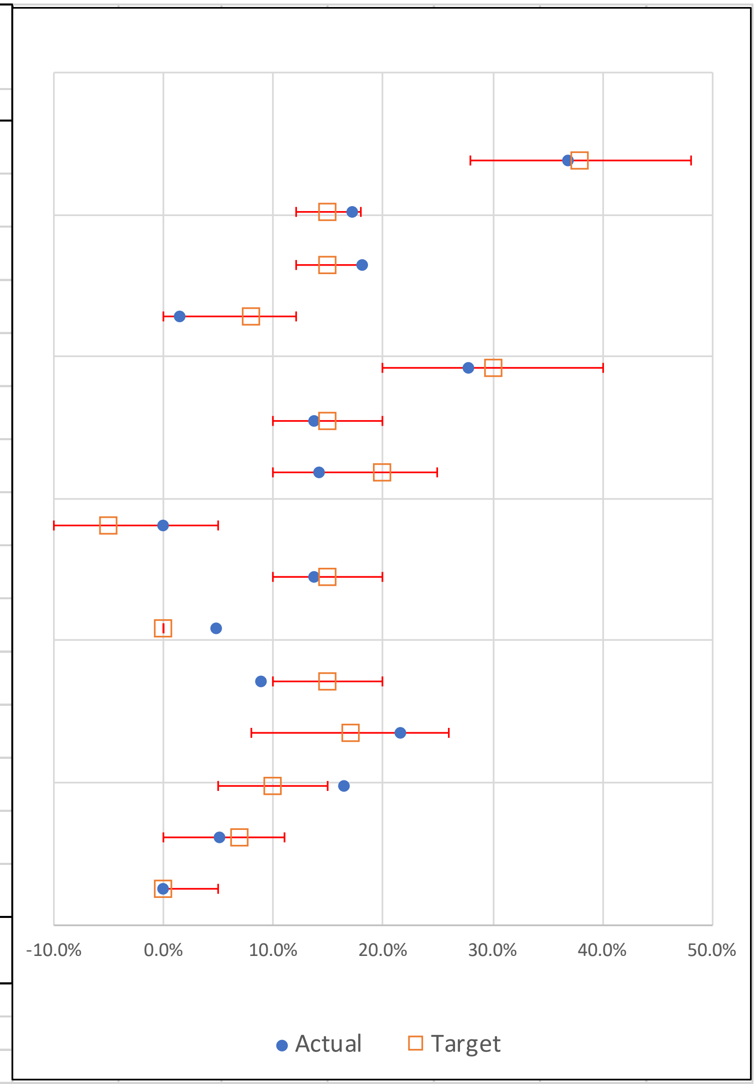

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Proposed Hypothetical Asset Allocation (after funding all commitments)

As of May 31, 2023	Market Value $	Actual	Target	Lower Range	Upper Range
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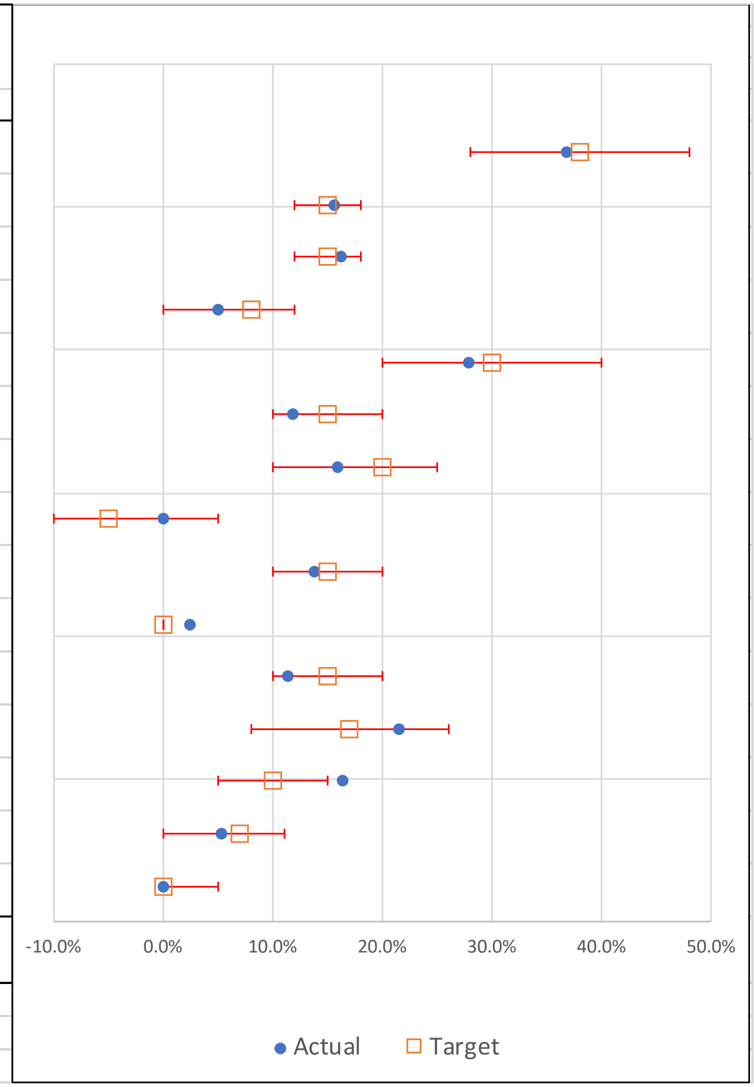


Assumptions: No other new cash is expected to fund calls. No redemption proceeds or distributions were received. All capital calls came in at the same time.

June 2023

North Dakota Board of University and School Lands

Asset Allocation Overview

Table of Contents

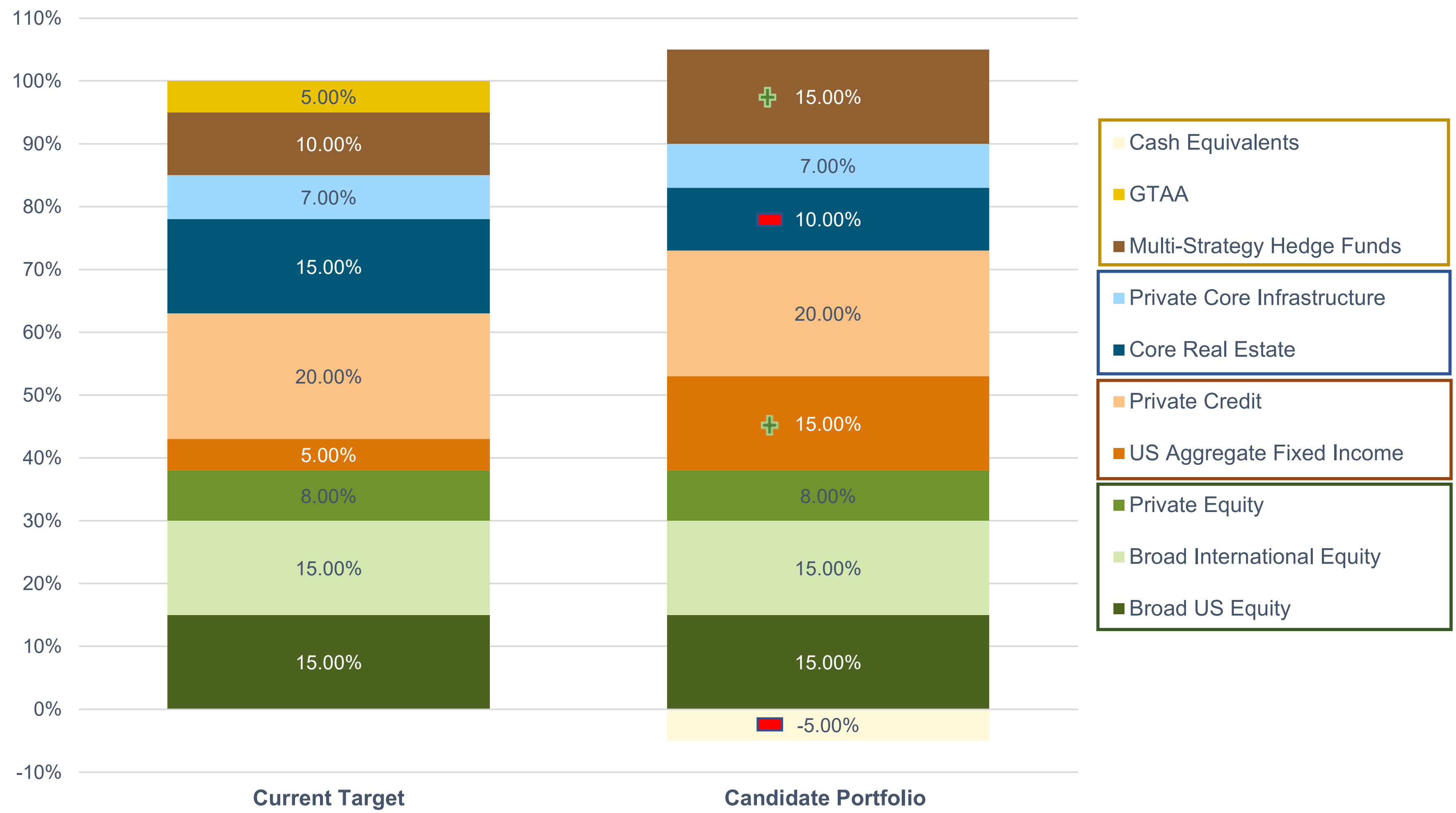
Overview & Recommendation

Overview and Recommendation

- RVK conducted a formal asset allocation study for the Permanent Trust Funds (“the PTFs) updated with RVK’s 2023 capital market assumptions.
  - A formal asset allocation study was previously completed for the PTFs in 2022.
- RVK and Staff evaluated the PTFs’ current target portfolio and potential portfolios that could improve the PTF’s long-term expected risk/return profile, including considering increased allocations to public credit and multi-strategy hedge funds and decreased allocations to GTAA and Core Real Estate. Leverage was also introduced into the potential portfolios.
- RVK and Staff recommend the PTFs’ asset allocation targets be modified to reflect a new candidate portfolio identified in this presentation. The candidate portfolio shows the following characteristics relative to the current policy:
  - Similar expected compound long-term returns and lower volatility compared to the current target portfolio
  - Improved risk/return efficiency
  - Higher allocations to public credit and multi-strategy hedge funds, lower allocations to GTAA and core real estate and the introduction of modest leverage
- RVK and Staff further recommend additional pacing analysis and development of a thoughtful approach to building out the expanded positions.

Overview and Recommendation

- Candidate Portfolio
  - decrease allocation to GTAA and core real estate
  - increase allocation to multi-strategy hedge funds and public credit



Overview and Recommendation

- Compared to the current target portfolio, the candidate portfolio would:
  – Reduce long-term expected volatility, while maintaining a similar long-term expected return
  – Remove allocation to GTAA from the portfolio. Reduce allocation to core real estate. Expand allocation to US aggregate fixed income and multi-strategy hedge funds.
  – Introduce leverage into the portfolio

	Current Target	Candidate Portfolio	Candidate Portfolio vs. Current Target
Broad US Equity	15.00%	15.00%	0.00%
Broad International Equity	15.00%	15.00%	0.00%
US Aggregate Fixed Income	5.00%	15.00%	10.00%
Private Credit	20.00%	20.00%	0.00%
Core Real Estate	15.00%	10.00%	-5.00%
Private Core Infrastructure	7.00%	7.00%	0.00%
Multi-Strategy Hedge Funds	10.00%	15.00%	5.00%
GTAA	5.00%	0.00%	-5.00%
Private Equity	8.00%	8.00%	0.00%
Cash Equivalents	0.00%	-5.00%	-5.00%
Total	100%	100%	--
Expected Return	7.27%	7.24%	**-0.03%**
Risk (Standard Deviation)	10.97%	10.60%	**-0.37%**
Risk/Return Ratio	0.66	0.68	0.02
RVK Liquidity Metric	47	47	0

RVK

Asset Allocation Study

Asset Allocation Inputs

- Key Inputs in the asset allocation setting process include:
  - Return objectives
    - Long-term preservation of purchasing power (spending rate + inflation)
  - Capital Markets Assumptions
    - Projected long-term return, risk, and correlation behavior of the various capital markets and investment categories
  - Updated Qualitative Preferences of the Board/Staff
    - Tolerance for illiquid investments and leverage
  - Other Considerations
    - Relationship between income sources and investment portfolio exposures

RVK Capital Markets Assumptions Overview

Capital Market (CM) assumptions are forward-looking estimates of the behavior of asset classes.

- The asset class behaviors that we attempt to estimate in our CM assumptions – **risk**, **return** and **correlation** – are widely accepted as the most powerful drivers of the total fund return over the long run.
- Forecast Horizon: CM forecasts are virtually never less than three years, and even forecasts of five years are rare. Typically, the outlook is 10 years or more. Economic forecasts typically center around 12 months.
- We deploy a team of RVK professionals each year to focus on each asset class and we ensure that all of our consultants formally review, critique, and ultimately support our CM assumptions.
- RVK's CM assumptions have a time horizon of 10-20 years.
- Annual updates are typically gradual and incorporate historic performance, current valuations, as well as the overall economic environment.
- The modeling assumes passive index returns for traditional asset classes. Additional alpha can be achieved through active management in select asset classes.

2023 vs 2022 Capital Market Assumptions

Asset Class	2022 Nominal Return (Arith.)	2022 Risk (St. Dev.)	2022 Nominal Return (Geo.)	2023 Nominal Return (Arith.)	2023 Risk (St. Dev.)	2023 Nominal Return (Geo.)	Change Nominal Return (Arith.)	Change Risk (St. Dev.)	Change Nominal Return (Geo.)
Large/Mid Cap US Equity	5.75%	16.00%	4.56%	6.75%	16.00%	5.57%	1.00%	0.00%	1.01%
Small Cap US Equity	6.25%	19.00%	4.59%	7.25%	19.00%	5.61%	1.00%	0.00%	1.01%
Broad US Equity	5.80%	16.00%	4.61%	6.80%	16.10%	5.61%	1.00%	0.10%	1.00%
Dev'd Large/Mid Cap Int'l Equity	7.50%	17.00%	6.18%	8.50%	17.00%	7.19%	1.00%	0.00%	1.01%
Dev'd Small Cap Int'l Equity	8.00%	20.00%	6.19%	9.25%	20.00%	7.46%	1.25%	0.00%	1.27%
Emerging Markets Equity	10.25%	25.00%	7.52%	11.25%	25.00%	8.54%	1.00%	0.00%	1.02%
Broad International Equity	8.35%	18.65%	6.78%	9.35%	18.70%	7.79%	1.00%	0.05%	1.01%
Global Equity	6.80%	16.40%	5.56%	7.85%	16.40%	6.62%	1.05%	0.00%	1.06%
US Aggregate Fixed Income	2.50%	5.00%	2.38%	4.00%	5.00%	3.88%	1.50%	0.00%	1.50%
Non-US Dev'd Sovereign Fixed Income UH	1.25%	8.50%	0.90%	2.25%	8.50%	1.90%	1.00%	0.00%	1.00%
Emerging Markets Debt Hard Currency	6.00%	10.00%	5.53%	7.50%	10.00%	7.04%	1.50%	0.00%	1.51%
Emerging Markets Debt Local Currency	5.75%	11.50%	5.13%	6.50%	11.50%	5.88%	0.75%	0.00%	0.75%
TIPS	2.00%	5.50%	1.85%	4.00%	5.50%	3.85%	2.00%	0.00%	2.00%
Low Duration Fixed Income	2.00%	2.50%	1.97%	3.25%	2.50%	3.22%	1.25%	0.00%	1.25%
Long Duration Fixed Income	2.75%	10.00%	2.27%	5.00%	10.00%	4.53%	2.25%	0.00%	2.26%
High Yield	5.50%	10.00%	5.03%	7.25%	10.50%	6.74%	1.75%	0.50%	1.71%
Bank Loans	5.00%	8.00%	4.70%	6.50%	8.50%	6.16%	1.50%	0.50%	1.47%
Core Real Estate	6.00%	12.50%	5.27%	5.75%	12.50%	5.02%	-0.25%	0.00%	-0.25%
Global REITs	6.50%	21.00%	4.49%	7.75%	21.00%	5.76%	1.25%	0.00%	1.27%
MLPs	8.75%	23.00%	6.40%	8.25%	23.00%	5.89%	-0.50%	0.00%	-0.51%
Funds of Hedge Funds	4.25%	9.50%	3.82%	5.00%	9.50%	4.57%	0.75%	0.00%	0.75%
Multi-Strategy Hedge Funds	5.00%	8.50%	4.66%	5.75%	8.50%	5.41%	0.75%	0.00%	0.75%
GTAA	5.00%	9.00%	4.62%	6.00%	9.00%	5.62%	1.00%	0.00%	1.00%
Private Credit	7.25%	13.00%	6.47%	8.00%	13.00%	7.23%	0.75%	0.00%	0.76%
Senior Secured Direct Lending	6.00%	9.00%	5.62%	7.00%	9.00%	6.62%	1.00%	0.00%	1.00%
Private Equity	9.00%	22.00%	6.85%	10.00%	22.00%	7.86%	1.00%	0.00%	1.02%
Commodities	5.50%	17.50%	4.08%	6.00%	17.50%	4.58%	0.50%	0.00%	0.51%
Diversified Inflation Strategies	4.70%	11.55%	4.07%	5.90%	11.60%	5.27%	1.20%	0.05%	1.20%
US Inflation	2.50%	2.50%	2.47%	2.50%	2.50%	2.47%	0.00%	0.00%	0.00%
Cash Equivalents	1.50%	2.00%	1.48%	2.50%	2.00%	2.48%	1.00%	0.00%	1.00%

Asset Allocation Study
Key Inputs

Long-Term Return and Risk Assumptions

Asset Class	Arithmetic Return Assumption	Standard Deviation Assumption
Broad US Equity	6.80	16.10
Broad International Equity	9.35	18.70
Private Equity	10.00	22.00
US Agg Fixed Income	4.00	5.05
Private Credit	8.00	13.01
GTAA	6.00	9.07
Multi-Strategy Hedge Funds	5.75	8.50
Core Real Estate	5.75	12.50
Private Core Infrastructure	7.25	15.00
Cash Equivalents	2.50	2.05

Index	Longest Historical Time Frame	Annualized Arithmetic Return	Annualized Standard Deviation
Russell 3000	Jan 1979 - Dec 2022	11.58	16.79
MSCI ACW Ex US IMI (Gross)	Jun 1994 - Dec 2022	5.15	20.89
Cambridge US Private Equity Index	Jan 1987 - Dec 2021	14.64	13.06
Bloomberg US Agg Bond	Jan 1980 - Dec 2022	6.76	7.39
--	--	--	--
Custom GTAA Index*	Dec 1988 - Dec 2022	6.57	11.70
HFRI RV Multi-Strategy	Jan 1990 - Dec 2022	7.07	8.47
NCREIF ODCE (Gross) (AWA)	Mar 1978 - Sep 2022	8.55	9.34
--	--	--	--
BofA ML 3 Mo US T-Bill	Jan 1978 - Dec 2022	4.56	4.05

2023 RVK Capital Market Assumptions.
Custom GTAA Index is comprised of 30% MSCI ACWI IMI, 25% BB US Agg, 5% FTSE Non-US Wrld Gov Bond, 10% JPM EMBI Gbl Dvf'd, 10% BB US TIPS, 10% BB US Corp HY, and 10% BB Cmdty.
A return premium is added onto the standard Infrastructure assumption to reflect the additional expected return of the private asset class.

Asset Allocation Study
Key Inputs

Correlations

	Broad US Equity	Broad International Equity	Private Equity	US Agg Fixed Income	Private Credit	GTAA	Multi-Strategy Hedge Funds	Core Real Estate	Private Core Infrastructure	Cash Equivalents
Broad US Equity	1.00	0.85	0.78	0.21	0.70	0.85	0.60	0.29	0.09	-0.01
Broad International Equity	0.85	1.00	0.77	0.12	0.80	0.92	0.69	0.32	0.11	-0.08
Private Equity	0.78	0.77	1.00	-0.06	0.84	0.76	0.71	0.54	0.08	-0.20
US Agg Fixed Income	0.21	0.12	-0.06	1.00	-0.17	0.37	0.16	-0.01	-0.12	0.26
Private Credit	0.70	0.80	0.84	-0.17	1.00	0.81	0.76	0.39	0.09	-0.12
GTAA	0.85	0.92	0.76	0.37	0.81	1.00	0.74	0.39	0.05	-0.04
Multi-Strategy Hedge Funds	0.60	0.69	0.71	0.16	0.76	0.74	1.00	0.23	0.07	0.02
Core Real Estate	0.29	0.32	0.54	-0.01	0.39	0.39	0.23	1.00	0.25	0.02
Private Core Infrastructure	0.09	0.11	0.08	-0.12	0.09	0.05	0.07	0.25	1.00	-0.21
Cash Equivalents	-0.01	-0.08	-0.20	0.26	-0.12	-0.04	0.02	0.02	-0.21	1.00

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Asset Allocation Study
Efficient Portfolio

In conducting the Asset Allocation study, RVK and Staff considered expanded potential allocations to public credit and multi-strategy hedge funds and decreasing potential allocations to GTAA and Core Real Estate. Leverage was also introduced.

0% Leverage Frontier

	Min	Max	1	2	3	4	5	6	7	8	9	10	Current Target	Actual Alloc	Cand Portfolio
Broad US Equity	**15**	**50**	15	15	15	15	15	15	15	16	21	33	15	17	15
Broad International Equity	**15**	**50**	15	15	15	15	15	15	15	16	21	33	15	18	15
Private Equity	**0**	**10**	0	0	0	0	1	6	10	10	10	10	8	1	8
US Agg Fixed Income	**10**	**30**	30	30	29	24	20	20	18	10	10	10	5	14	15
Private Credit	**0**	**20**	0	9	11	16	20	20	20	20	20	10	20	14	20
GTAA	**0**	**15**	0	0	0	0	0	0	0	0	0	0	5	7	0
Multi-Strategy Hedge Funds	**0**	**15**	15	8	11	11	10	7	5	9	5	5	10	7	15
Core Real Estate	**0**	**15**	13	11	12	12	12	11	10	11	6	0	15	17	10
Private Core Infrastructure	**0**	**7**	7	7	7	7	7	7	7	7	7	0	7	5	7
Cash Equivalents	**0**	**5**	5	5	0	0	0	0	0	0	0	0	0	0	-5
Total			100	100	100	100	100	100	100	100	100	100	100	100	100
Capital Appreciation			30	39	41	46	51	56	60	63	72	85	58	50	58
Capital Preservation			35	35	29	24	20	20	18	10	10	10	5	14	10
Alpha			15	8	11	11	10	7	5	9	5	5	15	14	15
Inflation			20	18	19	19	19	18	17	18	13	0	22	22	17
Expected Arithmetic Return			**5.87**	**6.07**	**6.28**	**6.49**	**6.70**	**6.90**	**7.11**	**7.32**	**7.53**	**7.74**	**7.27**	**6.78**	**7.24**
Expected Risk (Standard Deviati			**7.25**	**7.59**	**8.00**	**8.50**	**9.05**	**9.68**	**10.35**	**11.10**	**11.97**	**14.17**	**10.97**	**9.81**	**10.60**
Expected Compound Return			**5.62**	**5.80**	**5.98**	**6.15**	**6.32**	**6.46**	**6.61**	**6.75**	**6.87**	**6.82**	**6.71**	**6.33**	**6.72**
Expected Return (Arithmetic)/Risk R			0.81	0.80	0.79	0.76	0.74	0.71	0.69	0.66	0.63	0.55	0.66	0.69	0.68
RVK Expected Eq Beta (LCUS Eq =			0.39	0.42	0.44	0.46	0.49	0.53	0.56	0.60	0.67	0.83	0.58	0.53	0.57
RVK Liquidity Metric (T-Bills = 100)			68	66	62	58	54	53	51	48	54	71	47	59	47

Constraints – US Equity > International Equity. Real Assets < 22% Total Portfolio. Absolute Return < 20% Total Portfolio. Fixed Income > 20% and < 40% Total Portfolio. Multi-Strategy > Negative Cash + 5%. US Agg > 2x Negative Cash.

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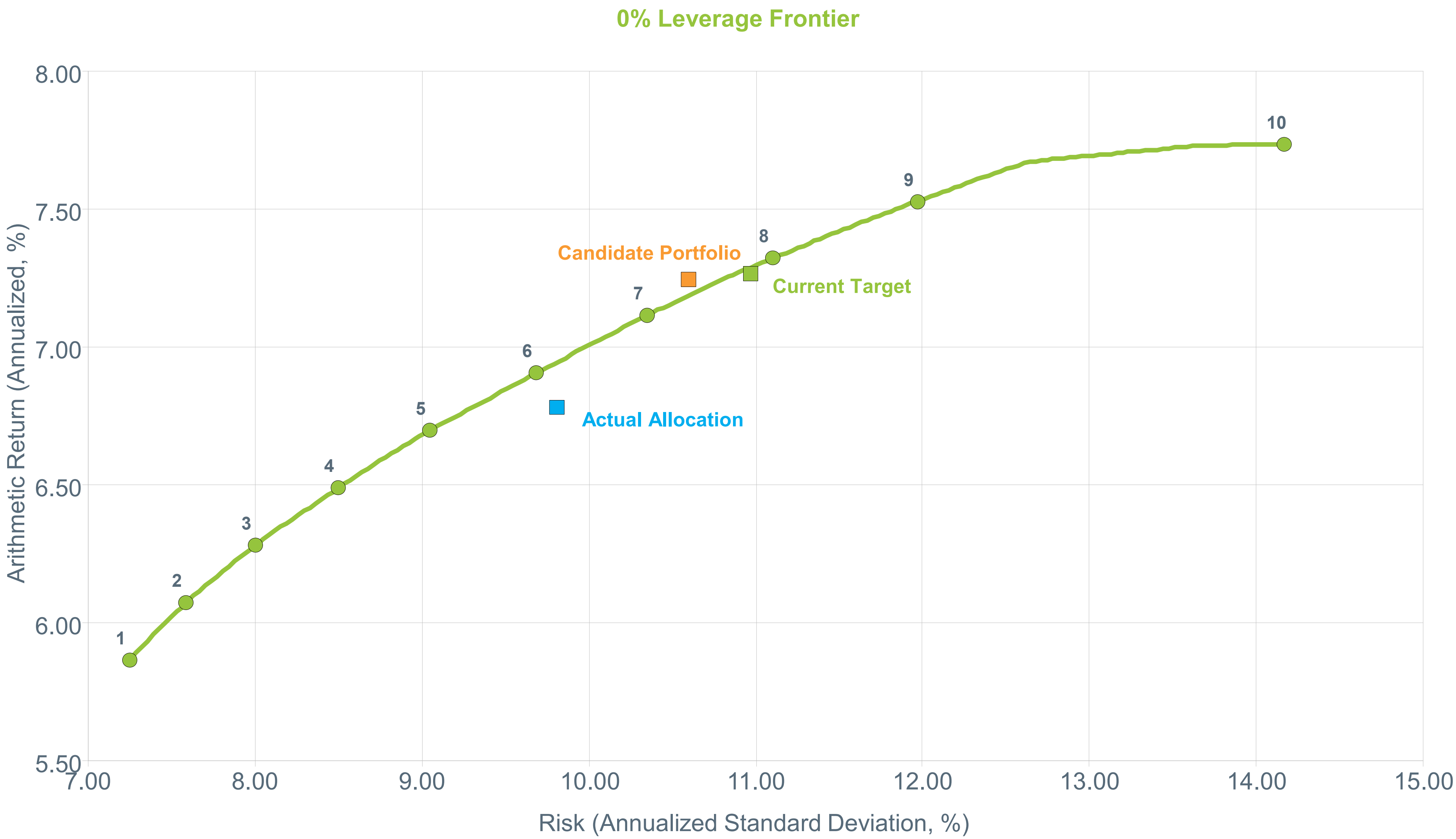
Asset Allocation Study
Efficient Frontier

The figure below illustrates the relationship between risk and return. The line connecting the points represents all the optimal portfolios subject to the given constraints and is known as the "efficient frontier“.

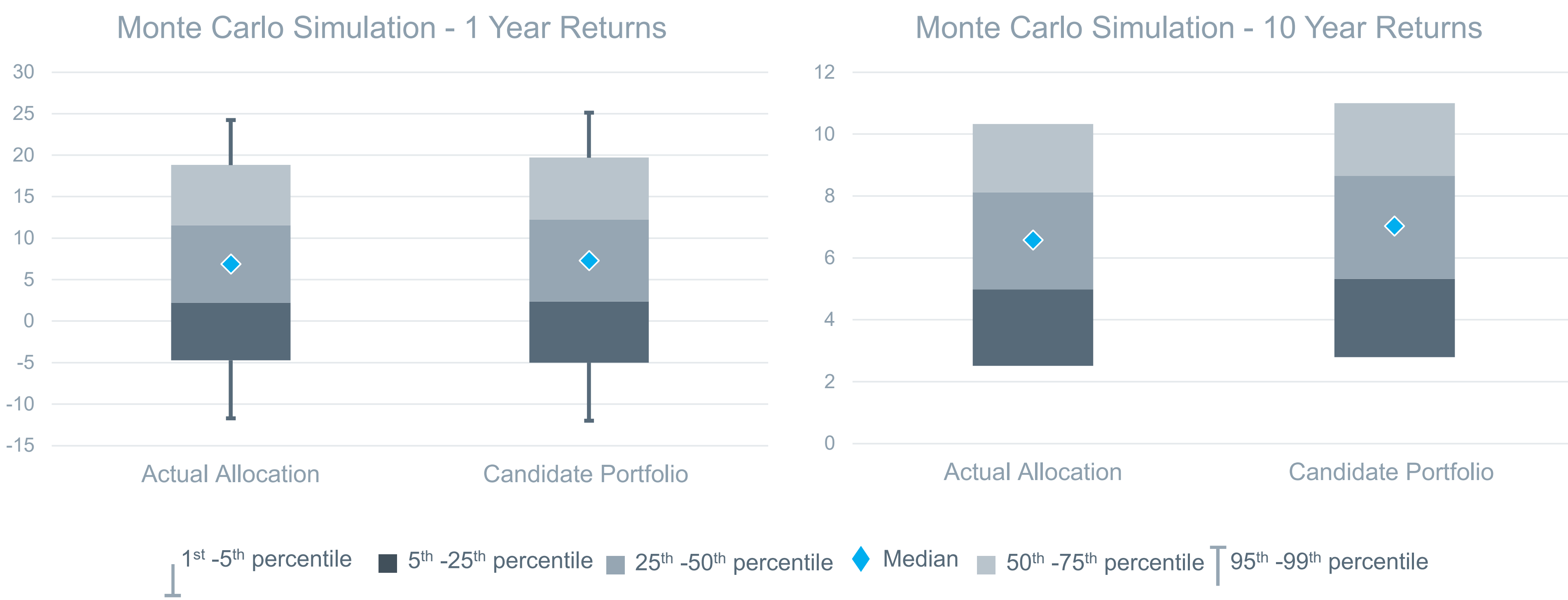


Scenario Analysis

Monte Carlo Simulation – Expected Returns

Actual vs. Proposed

The charts below show the expected return by percentile for the Actual Allocation and Candidate Portfolio for the 1 and 10 year periods.



Percentile	1 Year Actual Allocation	1 Year Candidate Portfolio	1 Year Candidate vs. Current	10 Years Actual Allocation	10 Years Candidate Portfolio	10 Years Candidate vs. Current
99th	24.18	25.12	0.94	11.86	12.59	0.73
95th	18.81	19.70	0.89	10.33	11.00	0.67
75th	11.55	12.26	0.71	8.12	8.65	0.53
Median	6.90	7.31	0.41	6.58	7.03	0.45
25th	2.20	2.35	0.15	4.98	5.32	0.34
5th	-4.71	-5.00	-0.29	2.51	2.79	0.28
1st	-11.54	-11.97	-0.43	0.71	0.86	0.15

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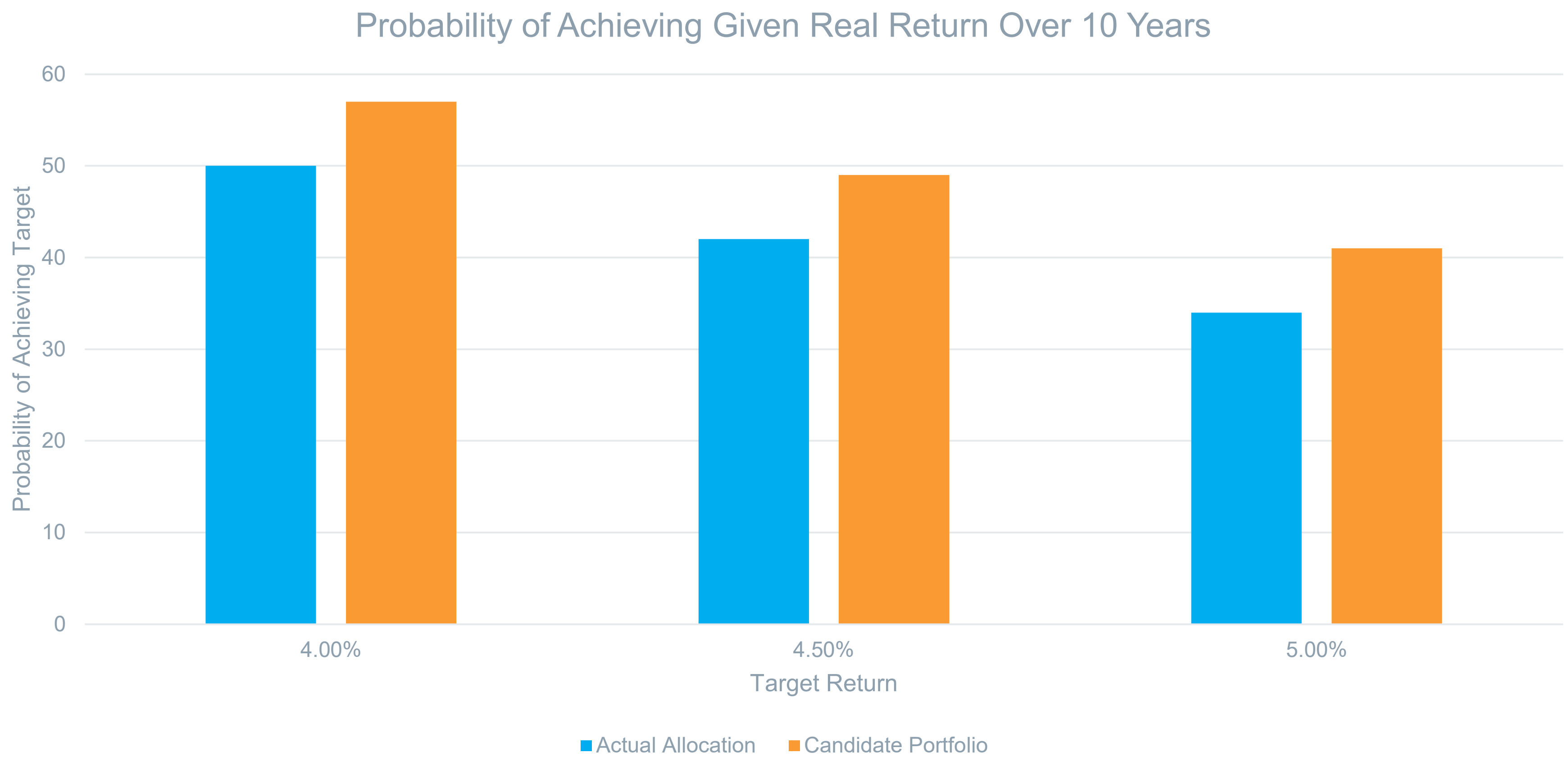
Monte Carlo Simulation – Probability of Achieving Set Returns

Actual vs. Candidate Portfolio

The chart below shows the percentage chance of achieving or exceeding the given real return for the Current and Candidate Portfolio over the 10 Year period.



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MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS
June 29, 2023

RE: Investment Policy Statement – First Reading
(No Action Requested)

The Board of University and School Lands (Board) Investment Policy Statement (IPS) must be updated to reflect the Board's new Strategic Asset Allocation (SAA) for the Permanent Trust Funds.

The substantive changes to the IPS are as follows (see attachment):

1. Update Strategic Asset Allocation targets and ranges (pages 17-18).
2. Update Benchmark indices and targets (page 19).
3. Update Permitted Investments language under Fixed Income, Absolute Return and Total Portfolio Leverage sections (page 21-22).

Attachment: Investment Policy Statement redline

ND Board of University and School Lands Investment Policy Statement

An Investment Management Framework for North Dakota's Permanent Trust Funds, the Capitol Building Fund, the Strategic Investment and Improvements Fund, the Coal Development Trust Fund, the Indian Cultural Education Trust, and the Theodore Roosevelt Presidential Library and Museum Endowment Fund

Revised 06~~8~~/29~~5~~/2023~~2~~

TABLE OF CONTENTS

Mission Statement

The mission of the Board of University and School Lands is to manage the assets of the permanent trusts in a manner that preserves the purchasing power of the funds and maintains stable distributions to fund beneficiaries and to manage all other assets and programs entrusted to the Board in a prudent, professional manner, in accordance with the Constitution of North Dakota and applicable state law.

General Authority

On February 22, 1889 Congress passed the Enabling Act, dividing Dakota Territory into two states and authorizing the people to form the constitution and government of the state of North Dakota. This act granted a significant amount of land to support common schools, colleges, universities, the state capitol, and other public institutions. North Dakota Constitution article IX, which became effective at statehood on November 2, 1889, entrusted the management of these lands to the "board of university and school lands" (the Board). The Board is made up of the governor as chairman, the secretary of state as vice-chair, the attorney general, superintendent of public instruction, and the state treasurer.

Investment Authority

The North Dakota Constitution states that the Board "has control of the appraisement, sale, rental, and disposal of all school and university lands, and the proceeds from the sale of such lands shall be invested as provided by law."[1] State law further requires that the Board "shall apply the prudent investor rule in investing the permanent funds under its control."[2]

Purpose of This Policy

This Investment Policy Statement (Policy) governs the investment of assets for the thirteen Permanent Trust Funds, the Strategic Investment and Improvements Fund (SIIF), the Capitol Building Fund, the Coal Development Trust Fund, the Indian Cultural Education Trust, and the Theodore Roosevelt Presidential Library and Museum Endowment Fund (collectively, Funds). It is established to provide a framework for the management of those assets and sets forth the Board's investment objectives, philosophy, guidelines, and practices. The Policy is not intended to be a static, one-time document but is designed to capture investment opportunities while providing parameters that ensure prudence and care in the execution of the investment program. No investment or action pursuant to an investment may be taken unless permitted by this Policy or by action of the Board; any exceptions must be approved by the Board.

The Policy provides guidance for fiduciaries which include the Board, the Commissioner of University and School Lands (Commissioner), investment managers, investment consultants, and custodians. It is the intent of the Policy to provide the foundation for management of the Funds' assets in a prudent manner including

[1] N.D. Const. art. IX, § 3

[2] N.D.C.C. § 15-03-04

the standards by which the Board can evaluate the Commissioner, investment managers, investment consultants, custodians and other service providers.

This Policy is supplemented by the Commissioner's operating procedures and policies, as well as detailed information within contractual agreements with investment managers.

Investment Philosophy

In order to meet the above investment objectives, the Board has adopted the following principles:

- Strategic asset allocation is a fiduciary duty and allocation across asset classes is the most important determinant of return variability and long-term total return.
- Risk is an unavoidable component of investing and is a major factor that must be taken into account in assessing investment policy and strategy.
- Diversification by asset class and within asset classes is a primary risk control element.
- Each trust or fund invested by the Board shall have a strategic asset allocation and investment strategy that is appropriate given its specific requirements for return, risk, time horizon, and liquidity.

Capital Markets Theory

Return

In order to meet the objective of the Funds, the Board strives to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. The Board's mechanism for setting return goals will be accomplished by selecting specific benchmarks that match the objective and time horizon of each fund. The Funds will have a goal for long-term returns to meet or exceed its formal benchmark over a full market cycle, while minimizing the costs associated with implementation of the asset allocation through efficient use of internal and/or external resources.

Risk

The investment risk philosophy for the Funds is based on the principles of capital market theory that are generally accepted and followed by institutional investors, who by definition are long-term oriented investors. This philosophy holds that:

- Increasing risk is rewarded with compensating returns over time; therefore prudent risk taking is a necessary element of long-term investing.
- Risk can be mitigated through diversification of asset classes and investment approaches, as well as diversification of individual securities.
- The primary determinant of long-term investment performance is the strategic or long-term allocation of assets among various asset classes.
- Relative performance of various asset classes is unpredictable in the short-term and attempts to shift tactically between asset classes or implementation strategies shall not be undertaken by the Board.

Given these principles, the Board has established a long-term asset allocation policy for each fund that balances the returns needed to meet the fund's objectives and the risk level that is appropriate for that fund under existing and anticipated circumstances. In determining its risk posture, the Board has considered each fund's purpose and characteristics, current and projected financial condition, liquidity needs, sources of contribution, income, and general economic conditions.

Diversification

The Board will choose an investment strategy for each Fund utilizing an appropriate long-term, diversified asset allocation approach. Diversification distributes a portfolio across many investments to avoid excessive exposure to any one source of risk. Other considerations in asset allocation modeling should take into account the purpose of the fund, the size and financial condition of the fund, and general economic conditions. These factors are not intended to be limiting; rather, they are outlined as a general indication of the importance of diversification to proper asset allocation. Under such an allocation, each Fund's assets may be invested by active and/or passive managers, and by diverse investment strategies and styles within each asset class. The Board will determine the proper allocation among asset classes and investment managers, based on advice and analysis provided by the Commissioner and/or Consultants.

Formal Review Schedule

The Board recognizes that though the investments are subject to short-term volatility, the Board shall maintain a long-term investment focus. This prevents ad-hoc revisions to the philosophy and policies in reaction to either speculation or short-term market fluctuations. In order to preserve this long-term view, the Board has adopted the following formal review schedule:

Formal Review Agenda Item	Formal Review Schedule
Asset Allocation Policy	At least every four years
Manager Structure Policy	At least every four years
Investment Policy	At least every four years
Total Fund Performance	At least quarterly
Asset Class Composite Performance	At least quarterly
Investment Manager Performance	At least quarterly

Roles and Responsibilities

The Board

The Board of University and School Lands is the primary body charged with overseeing investment activities relating to the Funds. Members of the Board are fiduciaries subject to the statutory and common law duties of a fiduciary.

The Board's mandate, in turn, is to manage each fund entrusted to it ethically and optimally, working to achieve the highest level of investment performance within acceptable levels of risk. The Board is responsible for prudent investment of the Funds. The Board will operate the investment program in compliance with all applicable federal and State laws and regulations. The Board is responsible for establishing and maintaining all policies and guidelines by which the Funds are managed, and by which the Commissioner operates.

The Board relies on the Commissioner and any external contractors to properly administer the Funds and implement the Funds' investment strategies. The roles of each party as fiduciaries must be clearly identified; such identification increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

The Commissioner

The Board of University and School Lands is required to appoint a commissioner to act on its behalf.[3] The office of the Commissioner of University and School Lands (the Commissioner)[4] has a primary responsibility to manage the permanent educational trust funds and assets under the Board's control as outlined in law. When used in this Policy, the term Commissioner is inclusive of the Department of Trust Lands' Chief Investment Officer and investment staff. State law also gives the office of the Commissioner the responsibility for managing the state Unclaimed Property Division, and the Energy Infrastructure and Impact Office.

The Commissioner is responsible for implementing Board policy, the day to day management of the investment program, and implementing a process for selection and termination of investment managers that is sufficiently transparent for the Board to understand the process and provide meaningful oversight.

Investment Consultant

The Investment Consultant (Consultant) is hired by and reports directly to the Board. The Consultant's duty is to assist the Board in oversight, and the Commissioner in managing the investment process. This includes regular meetings with the Board to provide an independent perspective on the Funds' goals, structure, performance, and managers. The Consultant will render investment advice to the Board regarding such matters as investment policy, strategy, overall portfolio monitoring and composition, and diversification of investments. The Consultant will conduct ongoing due diligence of external investment managers. The Consultant does not have any discretionary authority with respect to investments; the Board makes all final decisions regarding any investments.

Investment Managers

Investment managers (Managers) are hired by and serve at the pleasure of the Board. The Commissioner will provide the Managers with explicit written investment guidelines[5] which detail permissible securities, investment strategies, and performance evaluation criteria. Each Manager will select, buy, and sell specific securities or investments within the parameters specified in their investment guidelines and in adherence to this Policy or to other policies set forth by the Board. Managers will construct and manage investment

[3] N.D.C.C. § 15-02-01; Specific responsibilities of the Board and the Commissioner are set out in N.D.C.C. ch. 15-01 through 15-08.1.

[4] Commissioner of University and School Lands is the statutory name; in 2011 the Board adopted *The Department of Trust Lands* as the common reference to the agency.

[5] In cases where the Board has selected investments in commingled or mutual funds, the offering document becomes the specific investment guidelines.

portfolios that are consistent with the investment philosophy and disciplines for which they were hired. Managers will provide performance reporting at intervals specified by the Commissioner.

Custodian

A custodian bank is a specialized financial institution hired by the Board to safeguard the Funds' financial assets; they are a third party that operates separately from Managers. The custodian(s) will collect income and safely keep all cash and securities, process all transactions, and provide monthly accounting/investment reports to the Commissioner and Consultant. The custodian may also provide securities lending, commission recapture, transition management, securities litigation monitoring, or other services for the Funds.

The Prudent Investor Rule

North Dakota statute dictates that the Board apply the prudent investor rule in investing the Permanent Trust Funds under its control. The law states:

> The "prudent investor rule" means that in making investments the board shall exercise the same judgment and care, under the circumstances then prevailing and limitations of North Dakota and federal law, 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 investment returns.[6]

It is the Board's intent to invest all of the Funds in accordance with the Prudent Investor Rule.

Social and Economically Targeted Investing

Social investing is defined as the practice of aligning one's investment policies with social responsibility. Some of the issues and topics addressed by social investing promoters include environmental causes, avoidance of tobacco producers, avoidance of politically sensitive parts of the world, and workers' rights. With different sets of values, what one investor may deem irresponsible, another may consider good policy.

The Board shall not use the Funds to participate in activist efforts to implement a social agenda regarding ownership of specific securities or efforts of shareholders to bring about social change.

Economically targeted investing is defined as an investment designed to create economic benefits for a targeted geographic area, group of people, or sector of the economy. Economically targeted investing is barred when investing the Permanent Trust Funds, the Capitol Building Fund, the Indian Cultural Education Trust, and the Theodore Roosevelt Presidential Library and Museum Endowment Fund, unless the investment meets the Exclusive Benefit Rule.

[6] N.D.C.C. § 15-03-04

Exclusive Benefit Rule

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

- The cost does not exceed the fair market value at the time of investment.
- The investment provides an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- Sufficient liquidity is maintained to permit timely distributions.
- The safeguards and diversity to which a prudent investor would adhere are present.

Economically targeted investing is allowed within the Coal Development Trust Fund and the Strategic Investment and Improvement Fund, if the investment meets the purpose of the fund and is directed by law.

Conflicts of Interest

Members of the Board, the Commissioner, employees of the Commissioner, Managers, Consultants, and custodians involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the Board's investment program, or that could impair their ability to make impartial recommendations and decisions. These parties are required to reveal all relationships that could create or appear to create a conflict of interest in their unbiased involvement in the investment process.

Manager Selection and Evaluation

When analyzing and evaluating any Manager, the Board believes it is important to review the Manager within the context of the structure of the entire asset class and portfolio, and not in isolation. A key to portfolio construction is diversification, not just by asset class but within each asset class. The goal of diversification is to be exposed to different investment strategies, which will have different performance and risk patterns. Diversification is optimal when strategies are complementary.

Search and Selection

The Board has established the following guidelines for hiring Managers. In establishing these guidelines, it is the Board's intention to assure all interested parties that decisions made in carrying out these actions occur in a full disclosure environment characterized by competitive selection, objective evaluation, and proper documentation. Any action to hire a manager should be based on one or more of the following observations:

- Identification of a new asset class or approach which has been approved in advance by the Board
- A need for diversification of managers and styles within an existing asset class
- A need to replace an investment manager
- A need to retain additional managers in order to reach an asset class structure target

The selection of new Managers will adhere to a consistent process to ensure a competitive and transparent search involving proper evaluation and due diligence of candidates, and selection of Managers that best demonstrate the characteristics sought in a specific search. The Commissioner will ensure that the objectives for the mandate are clearly articulated and that pricing is reflective of the market. The evaluation process may be conducted by the Commissioner or the Consultant and will include but not be limited to the following steps:

1. Establish investment manager selection criteria
2. Identify qualified candidates through minimum qualification screening
3. Quantitative screening
4. Qualitative screening
5. Manager interviews
6. Analysis of quantitative and qualitative factors including portfolio fit and structure

The Commissioner will prepare documentation of the search process; this documentation will include disclosure of all relevant issues and related due diligence. When reviewing the documentation, the Board shall ensure that decisions were well reasoned, thoroughly considered, and prudent.

Monitoring, Evaluation, and Termination of Managers

The decision to retain a Manager can have the same potential impact on the returns of an asset class composite as manager selection decisions and should be given the same degree of attention. The Board recognizes investment and management decisions directed at individual managers must be evaluated not in isolation but in the context of the overall structure of the asset class and the Fund's portfolio as a whole. To maintain the discipline necessary for a long-term focus, the Board will monitor and evaluate the performance of Managers and identify the specific problems and concerns that may affect returns, with the following objectives:

- Foster a long-term approach to manager evaluation
- Provide a review of the manager's "fit" in the overall asset class composite
- Provide a logical and statistically valid framework for manager skill evaluation
- Promote timely and appropriate responses to actual and potential performance issues
- Provide flexibility to allow application across all asset classes, management styles and market environments

Monitoring and evaluation relies on a process that includes:

1. Monthly reports from the custodian and Managers to the Commissioner
2. Quarterly performance reports from the Commissioner and Consultant for the Board. These reports will detail performance of the Funds, asset class composites, and the performance of individual managers against established benchmarks, as well as peer ranks for each category
3. Qualitative analysis generated in the course of regular, on-going contact between a Manager, the Commissioner, and the Consultant

Manager Termination Guidelines

From time to time it will be necessary for the Board to terminate a contractual relationship with a Manager; these actions must be viewed in the context of the entire portfolio and as a business decision. The Board has established guidelines to assist in making these termination decisions. The overriding consideration with respect to all decisions is that they shall be made solely in the best interest of the beneficiaries of the Funds.

Any action to terminate a manager should be based on one or more of the following criteria:

1. Significant changes in firm ownership and/or structure
2. Loss of one or more key personnel
3. Significant loss of clients and/or assets under management
4. Shifts in the firm's philosophy or process
5. Significant and persistent lack of responsiveness to client requests
6. Changes in the Board's investment strategy eliminating the need for a particular style or strategy
7. Violations of the Investment Policy or guidelines
8. Unsatisfactory investment performance
9. Identification of a new asset class or approach which has been approved in advance by the Board
10. Need for diversification of styles within an existing asset class
11. Need to reduce exposure to a single manager
12. Any other issue or situation of which the Commissioner, Consultant, and/or Board become aware that is deemed material

Prior to the termination decision, all relevant considerations and issues should be identified and documented in Board meeting minutes and supporting documents. It is the Board's intent to have a plan in place before termination of a Manager. The Commissioner will redeploy the assets of a terminated manager's portfolio in an expedient and prudent manner, which may involve hiring a third party to facilitate the transition or liquidation of assets.

General Investment Restrictions and/or Guidelines

1. All investments made shall be subject to the quality and diversification restrictions established by the Prudent Investor Rule.
2. According to North Dakota law, the Board may not purchase as sole owner commercial or residential real property in the State.[7]
3. Assets may be held in commingled funds and/or privately managed separate accounts. Exposure through commingled funds and mutual funds shall be evaluated on a case-specific basis through analysis of that fund's offering document. Upon review by the Commissioner and approval by the Board, this offering document becomes the specific investment guidelines for that allocation.
4. No more than 5% of the stock of any corporation may be purchased.
5. The securities representing debt and equity of any one company shall not exceed 6% of the market value of any Manager's portfolio without prior approval from the Commissioner; such approval shall be reported to the Board.

[7] N.D.C.C. § 15-03-04

6. Cash equivalents held by Managers can be disruptive to the allocation process. Unless otherwise authorized, Managers are expected to be fully invested in the types of securities for which they have responsibility.
7. Any use of leverage will be consistent with the strategy for which the Board hired the Manager. Use of leverage will be controlled as appropriate in the Manager's specific guidelines.
8. The Board recognizes that the Funds are exposed to currency risk through international equity, fixed income, and absolute return mandates; the Board prefers to utilize unhedged benchmarks and does not require its Managers to hedge the currency exposure in their portfolios.

Securities Litigation and Shareholder Legal Activism

In carrying out its fiduciary duties to prudently invest and manage the assets entrusted to it, the Board invests in the securities of various public companies, or issuers. From time to time, class action lawsuits are brought against the issuers, directors, and/or officers for alleged violations of federal and state securities laws relating to various disclosure obligations and other breaches of fiduciary or other duties. As shareholders, the trust funds under the Board's control are putative members of the alleged classes.

At the present time, the Board relies on a designated agent to monitor settled class action securities litigation where the Funds have an interest. In resolved litigation, unless directed otherwise, the designated agent files proofs of claim on behalf of the Funds and posts disbursements or settlements to the appropriate portfolios as litigation settlement proceeds are received. The designated agent will provide the Department with its most current class action procedures and will follow such procedures on behalf of the Department. The designated agents class action procedures shall include reviewing various information sources for notification of class action suits, identifying transactions within the class period for the security involved and determining account eligibility and filing proof of claim and supporting documentation.

Department Investment staff will monitor the designated agent's compliance with the Securities Litigation Policy. Investment staff will review all notices and information concerning potential or pending class action litigation that are received by the Department. The Commissioner will report periodically to the Board on recoveries realized as a result of class action participation.

Although there may be value in influencing an eventual settlement or in pursuing a separate legal action in a lawsuit, the administration and opportunity costs can be substantial. The Board uses a monitoring approach to securities litigation to avoid the diversion of staff, financial, and legal resources in building and applying collective plaintiffs' arguments through depositions, discovery, and documentation. Serving as the lead plaintiff does not obtain any additional financial benefit, but rather a lead in a class action suit shares any final judgment or settlement with the class members on an equal, per share basis.[8] Opting out of a "class" or objecting to the terms of a proposed settlement and pursuing independent legal remedies may also be pursued although the administration and opportunity costs can be substantial and involve significant attorney's fees, costs, and expenses which may or may not be recovered.

[8] The lead plaintiff may recover attorney's fees, costs, and expenses if the lawsuit is successful or a settlement is obtained.

The Commissioner will initiate active participation in securities cases only upon prior approval by the Board. Prior to bringing any recommendation to the Board, the Commissioner will assess the merits and prospects for active participation by reference to the criteria and factors outlined below. The Board, in consultation with the Attorney General, may consider more active forms of legal engagement in cases where:

1. Where the action is in the US, and the estimated loss is a minimum of $5,000,000 of assets under management of the Board, or from the combined assets under management of the Board and the North Dakota State Investment Board; and
2. the trust funds are among the largest shareholders of the defendant issuer; and
3. service as a lead plaintiff or opting out of a proposed settlement to the "class" of claimants would be in the best interest of the Funds
4. the prima facia merits of the claim for loss, and the factual basis for the action, recognizing that the full discovery process will not commence until the class has been certified by the court in which such case is to be filed.
5. The potential that any defendants or insurers will be able to pay an adequate recovery to the class, without impairing the value of any current security holdings of the Board may yet hold in issuer in the portfolio.
6. Potential costs that may be incurred. Special consideration must be given to any case that must be filed in a non-U.S. venue under the "Morrison" criteria established by the U.S. Supreme Court in a 2010 decision, since costs of litigation and potential liabilities of unsuccessful claims may be significant.

The Board may engage one or more legal firms that specialize in prosecuting security class action cases; any such engagement is subject to special appointment requirements of N.D.C.C. § 54-12-08. For these purposes only, such firm(s) may be granted ongoing access to security holdings information through the custodian bank or designated agent.

The Board may contract with firms that provide securities litigation monitoring/tracking services if it determines it is prudent. In August of 2018 the Board approved the hiring of a securities litigation monitoring and claims filing firm; that firm is currently being brought onboard. In addition to providing litigation monitoring and claims filing services, the firm will work the Commissioner to develop a revised securities litigation policy for the Board.

- NON-U.S./CANADA PASSIVE CLASS AND GROUP RECOVERY EFFORTS: The Board has engaged a securities litigation monitoring and claims filing firm to identify and submit claims in non-U.S./Canada matters that involve passive claim filing regardless of loss size. To the greatest extent possible, the participation process will be automated. Our funds may serve as lead or representative plaintiffs in passive participation matters if the factors specified below for active participation have been met; or if there are other overriding considerations. The current "Passive" International Jurisdictions include Australia, Dutch Foundations and United Kingdom Regulatory Action Compensation Schemes.
- NON US/CANADA GROUP OPT-IN LITIGATION: The risks associated with direct litigation outside of the U.S. vary by country and our participation will need to be evaluated on a matter-by-matter basis. However, countries can be grouped into three risk profile categories - low, medium, and high - with

minimum damages thresholds set for each risk group to limit consideration to those matters where our funds' losses exceed these amounts.

The Board has engaged a securities litigation monitoring and claims firm to (a) identify "opt in" or group litigation, arbitration, settlement and/or other recovery efforts outside of the U.S. and Canada for which they may be eligible and provide damages estimates based on the methodologies accepted under local law, if they exist and recognizing that this will often be uncertain. The Board will compare those damages estimates against pre-defined loss thresholds below and, if damages exceed threshold amounts, evaluate whether participation in the matter will be in the Fund's best interest.

The following initial damages thresholds are based on perceived risks associated with recovery efforts in each country. The Board will periodically review these thresholds and make any necessary adjustments based on experience, updated information about specific risks, and other factors.

Jurisdictional Description	**Damages Threshold**
<u>Low risk</u> jurisdictions including Japan	To be inserted Ranges to be considered from $100k to $500k
<u>Medium risk</u> jurisdictions including Germany, Austria, Belgium, Switzerland, Denmark, Spain, Finland, France, Hong Kong, Indonesia, Ireland, Italy, Korea, Luxembourg, Malaysia, Norway, New Zealand, Portugal, Sweden, and Thailand	To be inserted $1 mil to $5 mil
<u>High risk</u> jurisdictions including Taiwan[9] and the United Kingdom	To be inserted Greater than $7.5

When losses exceed threshold amounts, our funds should consider the following:

- The merits of the case in light of the remedies available under local law.
- Their expected losses and percentage recoveries or results from past matters in that country, if available.
- The process and administrative burden to joining a particular litigation or settlement effort.
- The costs associated with involvement including attorney fees, litigation expenses, and any other potential expense covered by the litigation funder without recourse to the funds.
- How the organizers intend to protect our funds from the risk of adverse party cost shifting.

[9] While Taiwan is among the most active non-US/Canada jurisdictions, our funds are not likely to have eligibility and given the risks involved, they should limit their participation to situations where money has already been recovered.

- If the litigation or settlement is funded, the identity of the funder, the percentage and cost reimbursement the funder will take from the recovery if the efforts succeed.
- The lawyers handling the case including their reputation, past results, and terms of representation like fee structures, expenses, and contingencies.
- The registration requirements, the potential evidentiary and/or discovery burdens to the funds, and any other administrative burden that may be required from them including any obligation to travel.
- The extent to which the funds' involvement will be disclosed to opposing parties and/or the public.
- Any other reasonable considerations.

Securities Lending

The objective of the securities lending program is to generate incremental income from overnight and certain term loans of securities. The Funds may participate in a securities lending program.

The program will utilize a high-quality and conservative collateral re-investment approach that safeguards the return of principal and maintains adequate daily liquidity to support trade settlement activity and portfolio restructuring activities. Each securities lending agent will ensure that specific guidelines are in place as to the quality, duration, liquidity and diversification of securities lending collateral.

The Board requires collateral for loans. The use of assets in any securities lending engagements should:

1. Earn a competitive market return through conservative securities lending practices, consistently with the preservation of capital.
2. Minimize risk with respect to both the borrower and the collateral,
3. Operate the securities lending program so that it will not interfere with the management of overall investment portfolio and strategies.

Unless explicitly exempted by the Board, the lending agent shall provide indemnification against losses arising from borrower default, insolvency, and failure to comply with the terms and conditions of the lending agreements.

The Commissioner shall provide a report to the Board annually, outlining the performance and status of the securities lending program.

Proxy Voting

The Board believes that proxies should be voted in a manner consistent with the long-term interests and objectives of the investment program set forth herein, unless it is in the best interest of the Board not to vote. The Board delegates authority to vote shares to each Manager and expects Managers to vote shares. The principle behind this policy is that Managers have specific reasons for holding shares and will vote shares in a way the Manager believes will best add value to those shares. Managers shall submit written reports to the Commissioner by January 31 of each year advising of the manner in which each proxy was voted during the preceding calendar year and notify the Commissioner of controversial matters which may be subject to proxy voting.

Notwithstanding the forgoing, intangible factors such as social and environmental issues are increasingly being incorporated into proxy voting. The Board expects voting of social and environmental proposals will be based solely on enhancing or protecting long-term value to the assets under its control and not on establishing or endorsing social policy. As part of its fiduciary duty, the Board expects Managers to consider only those factors that relate to the economic value of the Board's investments and shall not subordinate the interests of the Funds to unrelated objectives.

It is the policy of this Board that the Commissioner shall regularly review related proxy votes by the Managers. Any proxy votes deemed by the Commissioner to be contrary to the interests of the Funds under the Board's responsibility, shall be fully explained by the Manager in writing and brought to the Board for its review. An exception to the above policy regarding voting of proxies is for shares held by the Board on behalf of holders of unclaimed property. As a passive holder of these particular shares the Board chooses not to exercise voting rights on the owners' behalf.

Funds Administered by the Board

The pages that follow describe the various funds administered by the Board.

Permanent Trust Funds

On February 22, 1889, Congress passed "An act to provide for the division of Dakota [Territory] into two states, and to enable the people of North Dakota, South Dakota, Montana and Washington to form constitutions and state governments . . . ." This Act is commonly known as the Enabling Act. This act granted land to the new states "for the support of common schools," which in North Dakota's case totaled more than 2.5 million acres. Further land grants in this legislation provided for the support of colleges, universities, the state capitol, and other public institutions. These additional grants totaled approximately 668,000 acres, bringing the grand total of Enabling Act land grants to nearly 3.2 million acres.

Purpose

The land grant from the federal government at statehood[10] and the state constitution[11] both provide that the Board of University and School Lands manage the trust land and minerals and associated proceeds, for the exclusive benefit of education and institutional support. In accordance with Article IX of the North Dakota Constitution as well as federal law[12], the perpetual trust funds must be managed to:

1. Preserve purchasing power
2. Maintain stable distributions to trust beneficiaries

Chapter 15-03 of the North Dakota Century Code governs the management of the Permanent Trust Funds, including the requirement that any investments conform to the prudent investor rule.

Listing of Permanent Trust Funds

The following are the beneficiaries of the Permanent Trust Funds described in Article IX of the North Dakota Constitution:

1. Common Schools (K-12)
2. North Dakota State University
3. University of North Dakota
4. Mayville State University
5. ND Youth Correctional Center
6. Ellendale State College[13]
7. Valley City State University
8. State College of Science
9. School for the Blind
10. School for the Deaf
11. State Hospital
12. School of Mines (UND)
13. Veterans Home

[10] The Enabling Act of February 22, 1889 (25 Stat. 676, ch. 180)
[11] N.D. Const. art. IX, §§ 2, 3
[12] 7 U.S.C. § 309 and 25 Stat. 676, ch. 180
[13] Beneficiaries of the Ellendale permanent trust are now Dickinson State University, Minot State University, Dakota College at Bottineau, Veterans Home, School for the Blind, State Hospital, and the State College of Science as directed in 1973 N.D. Sess. Laws ch. 176.

Funding Sources

Funding Sources Common to All Permanent Trust Funds

Each permanent trust individually owns surface land tracts and mineral rights that provide revenue from agricultural leases, oil and gas royalties and lease bonuses, as well as other productive uses of the surface and mineral lands owned by each trust.

Common Schools

The Common Schools Trust Fund is the largest of the Permanent Trust Funds administered by the Board. In addition to the revenues from the surface lands, minerals, and investments that the Permanent Trust Funds own, the Common Schools Trust Fund also receives funding from the following sources:

1. 10 percent of the oil extraction taxes collected by the state[14]
2. Net unclaimed property proceeds collected by the Department[15] until such time that property may be reunited with its owner.

Distribution Policy

Article IX, Section 2 of the North Dakota Constitution states:

> Distributions from an educational or charitable institution's trust fund must be faithfully used and applied each year for the benefit of the institution and no part of the fund may ever be diverted, even temporarily, from this purpose or used for any purpose other than the maintenance of the institution, as provided by law.

The distribution formula[16] is also described in Article IX , Section 2:

> [B]iennial distributions from the perpetual trust funds must be ten percent of the five-year average value of trust assets, excluding the value of lands and minerals. The average value of trust assets is determined by using the assets' ending value for the fiscal year that ends one year before the beginning of the biennium and the assets' ending value for the four preceding fiscal years. Equal amounts must be distributed during each year of the biennium.

The year-end values used to calculate permanent trust distributions, as described in Article IX above, is the fund balance of each trust found in the Board's audited financial statements. When determining biennial distributions for the permanent trusts, annual distributions for each trust are rounded to the nearest one thousand dollars.

By statute, distributions from the Common Schools Trust Fund are paid to school districts monthly, from August to April of each fiscal year, through the state tuition fund.[17] . At the request of the Office of

[14] N.D. Const. art. X, § 24
[15] N.D.C.C. § 47-30.1-23 and N.D. Const. art. IX, § 1
[16] This distribution formula is the result of a constitutional amendment that was approved by North Dakota voters on November 7, 2006. This constitutional change was validated at the federal level by the passing of the Omnibus Public Land Management Act of 2009 (Pub. L. No. 111-11, 123 Stat. 1446) which amended the First Morrill Act (The Act of July 2, 1862 [7 U.S.C. 301 et seq.]) and the Enabling Act of February 22, 1889 (25 Stat. 676, ch. 180). Prior to these changes, distributions for the Permanent Trust Funds were based on projections of interest and income for the funds; distributions could only be paid out of interest earned.
[17] N.D.C.C. § 15.1-28-01

Management and Budget, effective fiscal year 2018, distributions from the Common Schools Trust Fund will be made in relatively equal amounts from August to April of each fiscal year.

Distributions from the other 12 Permanent Trust Funds are made in equal amounts during January and June of each fiscal year and are distributed directly to the benefitting institutions.

Investment Objective

The assets of the Permanent Trust Funds are invested with a perpetual time horizon, in a manner that seeks to balance the longer-term goal of preserving the purchasing power of the trusts with the shorter-term goal of maintaining a stable stream of distributions to beneficiaries. The long-term nature of the funds, combined with a disciplined investment approach, provide the ability to the Permanent Trust Funds to withstand short-term volatility, to profit from periods of elevated risk aversion, and to be rewarded for providing liquidity.

The Permanent Trust Funds are invested by the Board in a single comingled pool, along with the Indian Cultural Education Trust and the Theodore Roosevelt Presidential Library and Museum Endowment Fund (described further on pages 29 and 29).

Strategic Asset Allocation

The Board recognizes that the most important determinant of long-term return and risk is the asset allocation decision. The asset allocation decision is intended to reflect the return objective and risk tolerance expressed in this Investment Policy Statement. It is designed to provide the highest probability of meeting the Funds' objectives at a level of risk and liquidity that is acceptable to the Board. In establishing its risk tolerance, the Board considers the Funds' ability to withstand short- and intermediate-term volatility in investment performance and fluctuations in financial condition of the Funds.

To determine the strategic asset allocation target, the Board, with assistance from the Commissioner and Consultant, examines the historical and projected risk and return of the approved asset classes, the correlation among these asset classes as well as the effect the expected investment performance will have on the obligations of the Funds. Based on its long-term return expectations and its determination of the appropriate risk tolerance for the Funds, the Board has chosen the following strategic asset allocation policy for the Permanent Trust Funds:

Asset Class	Strategic Asset Allocation Target	Minimum	Maximum
Equity	**38%**	**28%**	**48%**
Broad US Equity	15%	12%	18%
Broad International Equity	15%	12%	18%
Private Equity	8%	0%	12%
Real Assets	**17%**	**8%**	**26%**
Real Estate	10%	5%	15%
Private Infrastructure	7%	0%	11%
Absolute Return	**15%**	**10%**	**20%**

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Multi-Strategy Hedge Funds	15%	10%	20%
Opportunistic Investments	0%	0%	5%
Fixed Income[1]	**30%**	**20%**	**40%**
Private Credit	20%	10%	25%
Public Credit	15%	10%	20%
Cash / Implied Leverage	-5%	-10%	5%
~~**Fixed Income**~~	~~125%~~	~~120%~~	~~30%~~
~~***Public Credit***~~	~~5%~~		
~~**Private Credit**~~ ~~***Private Credit [1]***~~	~~20%~~	~~0%~~	~~22%~~
~~**Multi-Strategy Hedge Funds Absolute Return**~~	~~15%~~	~~10%~~	~~20%~~
~~***Global Tactical***~~	~~5%~~		
~~***Multi-Strategy Hedge Funds***~~	~~10%~~		
~~**Real Estate**~~	~~105%~~	~~510%~~	~~1520%~~
~~**Private Equity**~~	~~8%~~	~~0%~~	~~102%~~
~~**Private Infrastructure**~~	~~7%~~	~~0%~~	~~11%~~
~~**Opportunistic Investments**~~	~~0%~~	~~0%~~	~~5%~~
~~**Cash Equivalents**~~	~~-5%~~	~~-5%~~	~~5%~~

[1] Private Credit includes hybrid public/private strategies.

The Board and the Commissioner will review the strategic asset allocation policy at least annually for reasonableness relative to significant economic and market changes or to changes in the Funds' long-term goals and objectives. A formal asset allocation study will be conducted at least every four years to verify or amend the targets.

Recognizing that a long-term target allocation utilizing alternative asset classes can take a matter of years to implement prudently, the Board delegates implementation of strategic asset allocation policy to the Commissioner including funding of alternative asset classes and setting interim asset allocation targets.

In addition, during the implementation of a change to or modification of the asset allocation, some strategies may fall outside the allowable allocation ranges until the revised asset allocation is fully implemented.

Opportunistic investments do not have a specified target allocation, as the availability of opportunities is episodic in nature, and the best opportunities tend to appear during periods of market stress. Opportunistic investments are allowable up to a maximum of 5% measured at the time of commitment.

Rebalancing

Rebalancing is the term that describes the periodic movement of funds from one asset or asset class to another in order to realign assets to the strategic asset allocation target. A rebalancing strategy is an important element of asset allocation policy. Systematic rebalancing can reduce portfolio volatility and increase portfolio return over the long-term. However, frequent rebalancing resulting from excessively tight ranges can lead to unnecessary transaction costs.

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The Commissioner is responsible for developing and implementing a rebalancing plan that is appropriate for existing market conditions, with a primary objective of minimizing transaction costs, market impact, opportunity costs and portfolio disruptions. To the extent possible, cash flows and revenues will be used to maintain the strategic target allocation. The Commissioner may make minor changes among asset classes and within individual asset classes to more effectively maintain proper exposure to the strategic asset allocation and asset class portfolio structures.

Recognizing that at times it may be impractical or costly to reallocate assets when an upper or lower limit is breached, the asset class will be rebalanced to within its strategic asset allocation range as soon as is practically possible, subject to reasonable transaction costs.

Benchmarks

One return objective to be considered when evaluating the Funds' performance is measured by applying the investment performance of the asset class benchmarks to the Funds' strategic asset allocation target. The Policy Index permits the Board to compare the Funds' actual performance to its total fund benchmark, and to measure the contribution of active investment management and policy adherence.

The Board has selected the following Policy Index for the Permanent Trust Funds:

Asset Class	Policy Index	Strategic Asset Allocation Target
Broad US Equity	Russell 3000 Index	15%
Broad International Equity	MSCI ACWI Ex USA IMI	15%
~~Public Credit~~Fixed Income	Barclays US ~~Universal~~ Aggregate Index	15%
Private Credit	CS Leveraged Loans Index + 1.5%	20%
~~Global Tactical~~	~~Global 60/40~~ [1]	~~5%~~
Multi-Strategy Hedge Funds	HFRI RV Multi-Strategy Index	15~~0~~%
Real Estate	NCREIF ODCE Index	10~~5~~%
Private Equity	Cambridge US Private Equity Index	8%
Private Infrastructure	MSCI World Infrastructure Index	7%
Cash / Implied Leverage	90-Day T-bills	-5%

[1] ~~Global 60/40 Index: 60% Equity (MSCI All Country World IMI), 40% Fixed Income (Barclays US Aggregate Bond Index)~~

Recognizing that a long-term target allocation to alternative asset classes can often take a matter of years to implement prudently, the Board will also review an Interim Policy benchmark which will be adjusted as the Commissioner makes progress towards its long-term strategic asset allocation target.

Permitted Investments[18]

The Board may invest in the following securities and investment activities as long as such investments comply with the Prudent Investor Rule[19]. Fund of Fund strategies are allowable in any of the asset classes.

[18] Investments listed here are for general information purposes only. Each manager retained by the Board will be given specific guidelines with regard to permissible investments relevant to their mandate.

[19] N.D.C.C. § 15-03-04. See page 5 for more about the Prudent Investor Rule.

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All investments are subject to approval of the Board and satisfactory legal review of applicable contractual terms and conditions.

Equity

1. Preferred stock, common stock, initial public offerings, Real Estate Investment Trusts (REIT's), securities of foreign issuers listed on U.S. Exchanges, and any security convertible to common stock or American Depository Receipts (ADR's) that are registered by the U.S. Securities and Exchange Commission (SEC) of any corporation whose securities are listed on at least one U.S. stock exchange that has been approved by or is controlled by the SEC or on the National Association of Securities Dealers (NASD). Global mandates may be considered.
2. Preferred stock, common stock, and convertible issues of any non-U.S. Corporation; which may be denominated in non U.S dollars, provided that the securities are traded on one or more national stock exchanges or included in a nationally recognized list of stocks; and the Board shall not be invested in more than ten percent of the voting stock of any company.

Fixed Income (Public and Private)

1. Bonds, notes, or other obligations of the United States government, its agencies, government-sponsored enterprises, corporations, or instrumentalities for which the credit of the United States government is pledged for the payment of the principal and interest. Global mandates may be considered.
2. Bonds, notes or other obligations issued by a state, its municipalities, or other political subdivisions, that have received an investment grade bond rating.
3. Bonds, notes, commercial paper or other obligations of any corporation organized and operating within the United States.
4. Debt obligations of non-U.S. governmental or quasi-governmental entities, these may be denominated in foreign currencies; obligations, including but not limited to bonds, notes or commercial paper with an investment grade rating (unless otherwise approved by the Board) of any corporation organized outside of the United States. Currency transactions, including spot or cash basis currency transactions, forward contracts and buying or selling options or futures on foreign currencies, shall be permitted.
5. Collateralized obligations, including but not limited to mortgages, held in trust that: (1) are publicly traded and are registered by the SEC or other Self-Regulatory Organization (SRO) and (2) have underlying collateral that is either an obligation of the United States government or else has a credit rating above or equal to BBB according to the Standard and Poor's rating system or Baa according to the Moody's investors rating system or their equivalent by a national statistical ratings organization (NSRO) registered with the SEC(unless otherwise approved by the Board).
6. Derivatives including forwards, futures, options, mortgage derivatives, structured notes, and swaps.
7. High yield fixed income securities rated below 'BBB' according to the Standard and Poor's rating system and below 'Baa' according to the Moody's investors rating system.
8. Private Debt strategies approved by the Board.
9. Loans, warrants and other forms of debt approved by the Board, and managed in conjunction with the Bank of North Dakota, such as farm loans and energy construction loan, as long as the investment meets the Exclusive Benefit Rule described on page 7 of this Policy.

10. A negative cash, or implied leverage position may be made with the assistance of a prime brokerage relationship or professional overlay manager via US Treasury Futures or total return swaps on the Barclays US Aggregate. The level of implied leverage shall never exceed half of the total allocation to core fixed income.

~~9.~~

Absolute Return

~~1. Liquid multi-asset/global tactical asset allocation (GTAA) funds that have the ability to shift capital tactically based on relative valuations, providing broad diversification across a range of global investments.~~

~~2.~~1. Multi-Strategy Hedge Funds approved by the Board.

Real Estate

Real Estate Partnerships, including investments in private vehicles through limited partnerships or limited liability companies that have an ownership interest in direct real estate properties, whether income-producing or non-income producing. The investment strategies may include "core" and "value added" strategies, which derive their return from both income and appreciation. As well as, Real Estate Investment Trusts (REIT's) and other real estate securities and related index strategies for rebalancing tools.

Private Equity

Private Equity Partnerships, including investments in private vehicles through limited partnerships or limited liability corporations, which have an ownership interest in any type of security across a company's capital structure. The investment strategies may include "buyout", "growth", "venture capital" and "special situations" that are in the business of providing capital for start-up, expansion, buyout/acquisition, recapitalization, debt financing (including distressed debt) and similar business purposes.

Private Infrastructure

Private Infrastructure Partnerships, including investments through limited partnerships or limited liability companies that have ownership interests in assets or properties where the majority of value of the investment is derived from revenue sources that have contractual linkages to inflation, implicit linkages to inflation and/or focus on the provision of services with low demand elasticity.

Opportunistic Investments

From time to time, Permanent Trust Funds investments may be made in opportunistic investments. The objective of such investments shall be to enhance returns through opportunities that present themselves due to stressed conditions in the markets or other unique opportunities. The guidelines for such investments shall be determined by the investment management agreement or appropriate offering documents in the case of commingled or partnership investments. An opportunistic investment would occur in a situation where it is deemed the potential return would exceed the Total Fund performance excluding opportunistic returns, or another benchmark as deemed appropriate by the Commissioner and approved by the Board.

~~Implied~~Total Portfolio Leverage

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A negative cash, or implied leverage position may be utilized in certain areas of the portfolio. ~~made with he assistance of a professional overlay manager via US Treasury Futures or total return swaps on the Barclays US Aggregate.~~ The objective of such investments is to improve overall portfolio efficiency and enhance returns through the modest application of leverage when it is appropriate to do so. The level of implied leverage shall never exceed ~~half of the total allocation to core fixed income.~~ 10% of the total portfolio.

Cash Investment Guidelines

The Commissioner will focus on quality when investing cash positions. Cash is an asset class that should emphasize minimal risk. Cash positions will be kept to the minimum necessary for liquidity, distributions and ongoing investment activities. Eligible securities include:

1. Repos secured by U. S. obligations or other securities backed by the U.S., A1 or P1 commercial paper, corporate obligations rated AA or better and maturing in five years or less, or asset-backed securities rated AAA. All repo collateral must have a market value of at least 102% of the market value of the contract;
2. Commercial paper issued by corporations organized and operating within the U.S. and rated “prime” quality by a national rating service;
3. Prime bankers’ acceptances issued by money center banks;
4. Funding agreements rated at least AA by a nationally recognized rating agency. As used in this paragraph, "funding agreement" means a floating or variable rate insurance company contract that is a general obligation of an insurance company organized and operating within the United States and that is senior to all other debt issued by the company;
5. Time deposits, with banks incorporated in the United States or time deposits that are fully guaranteed by banks incorporated in the United States.

Strategic Investment and Improvements Fund (SIIF)

Fund Purpose

The Strategic Investment and Improvements Fund (SIIF), was created July 1, 2011 with merger of the Lands and Minerals Trust Fund and the Permanent Oil Tax Trust Fund.[20] The SIIF holds the assets and collects the revenues earned from State owned mineral acres. The SIIF also receives a substantial portion of the oil and gas production and extraction taxes collected by the State. The Board is responsible for managing the physical and financial assets of the SIIF.

The purpose of the SIIF is to provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve efficiency and effectiveness of state government.

Funding Sources

The SIIF collects the revenues earned from the mineral acres owned by the State, including those formerly owned by the Bank of North Dakota and State Treasurer, as well as the sovereign minerals located under navigable rivers and lakes. The SIIF also receives a portion of the oil and gas production and extraction taxes collected by the State.[21] Legislative changes to the oil tax revenue allocations are common and can have a major impact on the timing and amount oil taxes collected by the SIIF each biennium.

Distribution Policy

There is no explicit distribution policy or objective; rather the Board is responsible for making sure funds are available to distribute or transfer when needed and as appropriated. The SIIF can be appropriated or obligated by the Legislature every two years, though State law dictates that the SIIF should be appropriated only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized.[22]

Investment Objective

State law provides no guidance as to how the assets of the SIIF should be invested; however, due to the short-term nature of spending decisions and the uncertainty of the fund's mineral based revenues, the Board invests the SIIF with a focus on principal preservation and liquidity. The Board has adopted an investment objective for the SIIF that provides for a diversified portfolio of fixed income securities that will exceed on a multi-quarter basis, net of fees, the return of the benchmark described below.

Strategic Asset Allocation

Due to the expendable nature of the SIIF, the strategic asset allocation for the fund is 100% low duration investment grade fixed income investments.

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[20] N.D.C.C. § 15-08.1-08 and § 61-33-07
[21] N.D.C.C. § 57-51.1-07.5
[22] N.D.C.C. § 15-08.1-08

Investment Guidelines

The SIIF will be invested in a high quality portfolio that includes a combination of Treasuries, corporate bonds, asset and mortgaged backed securities, and commercial paper and will adhere to the following guidelines:

- Minimum average quality of AA
- Minimum quality for any security of BBB (limited to 10%)
- Neutral weighted average maturity of 1 year, range of 6 months to 1.5 years
- Maximum maturity: 3 years for fixed rate, 5 years for floating rate
- No more than 50% in investment grade corporate and agency backed securities
- Not more than 2% of the fund will be invested with any single issuer

Benchmark

The benchmark is composed of 50% of the three-month U.S. Treasury Bill and 50% Barclays 1 – 3 Year Gov't Corp Index.

Capitol Building Fund

Fund Purpose

The Capitol Building Fund was created at statehood with a grant of land from the federal government. The purpose of the fund, as described in the Enabling Act of 1889, is to provide for "public buildings at the capital".[23] The Capitol Building Fund was created under Article IX of the North Dakota Constitution; however, unlike the other trusts, this fund is not permanent in that the entire fund is subject to legislative appropriation each biennium.

The Capitol Grounds Planning Commission is responsible for managing all of the assets of the Capitol Building Fund.[24] The Board's role is to invest and manage the various assets of the fund, as directed by the Capitol Grounds Planning Commission. These roles are statutory, not constitutional in nature; the law specifically states:

> The capitol grounds planning commission shall have general powers to superintend the administration of the capitol building fund, its interest and income fund, and its investments and properties. It may cause any lands now held in such funds to be sold at market value, direct the conversion of any securities now held by such funds to cash, approve expenditures from such funds subject to law and legislative appropriations, and to do all other things necessary to carry out the intent and purposes of this section. The board of university and school lands or its designee, on the commission's behalf, shall see to the investment and management of the capitol building fund and its interest and income fund and shall account to the commission concerning these funds at the commission's request.[25]

Funding Sources

The Capitol Building Fund generates revenues from the almost 10,000 surface acres and more than 27,000 mineral acres, which provide revenue from agricultural leases, mineral royalties and lease bonuses.

Distribution Policy

Since the Capitol Building Fund is a fully expendable fund, there is no distribution policy or objective; rather the Board is responsible for making sure funds are available to distribute or transfer when needed and as appropriated.

State law provides a continuing appropriation of up to $175,000 per biennium that is available to the Capital Ground Planning Commission without requiring a legislative appropriation for a given biennium.[26] Historically, the legislature has also included a $25,000 biennial appropriation for the operations of the Capitol Grounds Planning Commission.

[23] The Enabling Act of February 22, 1889 (25 Stat. 676, chapter 180)
[24] N.D.C.C. § 48-10-02
[25] N.D.C.C. § 48-10-02
[26] N.D.C.C. § 48-10-02

Investment Objective

Due to the fact that the entire balance of this fund can be appropriated by the legislature each biennium and the uncertainty of the fund's mineral based revenues, the Board has adopted an investment objective with a focus on principal preservation and liquidity.

Strategic Asset Allocation

Due to the expendable nature of the Capitol Building Fund, the Capital Grounds Planning Commission has adopted a strategic asset allocation for the fund that is 100% fixed income investments.

Investment Guidelines[27]

The Capital Grounds Planning Commission has adopted guidelines to invest the fund in a high quality portfolio that includes a combination of Treasuries, corporate bonds, asset and mortgaged backed securities, and commercial paper and will adhere to the following guidelines:

- Minimum average quality of AA
- Minimum quality for any security of BBB (limited to 10%)
- Neutral weighted average maturity of 1 year, range of 6 months to 1.5 years
- Maximum maturity: 3 years for fixed rate, 5 years for floating rate
- No more than 50% in investment grade corporate and agency backed securities
- Not more than 2% of the fund will be invested with any single issuer

Benchmark

The benchmark is composed of 50% of the three-month U.S. Treasury Bill and 50% Barclays 1 – 3 Year Gov't Corp Index.

[27] Due to the common investment objectives, strategic asset allocation, and investment guidelines, the assets of the Capitol Building Fund may be pooled with the SIIF for investment purposes.

Coal Development Trust Fund

Fund Purpose

The Coal Development Trust Fund is a permanent trust established under Article X, Section 21 of the North Dakota Constitution. The primary purpose of the fund is to provide loans to coal-impacted counties, cities, and school districts and to provide construction loans to school districts; any money that is not in use for loans may be invested by the Board. The trust fund must be perpetual and held in trust as a replacement for depleted natural resources.[28] Both the Constitution and state law mandate that the income earned by the fund be used first to replace any uncollectable loans and the balance must be deposited into the General Fund.[29]

Funding Sources

State law provides that 15% of coal severance tax revenues be deposited into the fund.[30] The Constitution provides that up to 70% of the taxes deposited into the fund each year may be appropriated by the legislature for lignite research, development, and clean coal demonstration projects approved by the industrial commission.[31] Thus, the Coal Development Trust Fund retains only 30% of the money deposited into the fund, which averages about $500,000 per year.

Distribution Policy

The income earned by this fund each year must be used first to replace uncollectible loans made from the fund and the balance must be deposited in the State's general fund. The estimated fiscal year income for this fund is distributed in June of each year; any difference between estimated and actual income is distributed in November or December of each year, once final audited financial statements have been received.

Investment Objective

Preservation of capital and added value over the benchmark over a full market cycle through active management of the portfolio subject to the investment guidelines set forth below.

Strategic Asset Allocation

Due to the expendable nature of the income earned by the Coal Development Trust Fund, and the provision in state law about replacing any lost principal with income, the strategic asset allocation for the fund is 100% fixed income investments.

Investment Guidelines

The Coal Development Trust will be invested in a high quality portfolio that includes a combination of Treasuries, corporate bonds, asset and mortgaged backed securities, and commercial paper and will adhere to the following guidelines:

- Minimum average quality of AA

[28] N.D.C.C. § 57-62-02
[29] N.D. Const. art. X, § 21 and N.D.C.C. § 57-62-02
[30] N.D.C.C. § 57-62-02
[31] N.D. Const. art. X, § 21

- Minimum quality for any security of BBB (limited to 10%)
- Neutral weighted average maturity of 1 year range of 6 months to 1.5 years
- Maximum maturity: 3 years for fixed rate, 5 years for floating rate
- No more than 50% in investment grade corporate and agency backed securities
- Not more than 2% of the fund will be invested with any single issuer

Benchmark

The benchmark is composed of 50% of the three-month U.S. Treasury Bill and 50% Barclays 1 – 3 Year Gov't Corp Index.

Indian Cultural Education Trust

Fund Purpose

The Indian Cultural Education Trust was created in 2003 for the purpose of generating income to benefit Indian culture.[32] State law authorizes the Board to accept donations of money or land for this trust to be managed in the same manner that it manages its other trust land and financial assets, subject to state law and a required donor agreement with one or more federally recognized Indian tribes located in North Dakota, South Dakota, Montana, Minnesota, or Wyoming.

Three Affiliated Tribes Cultural Education Account

The Three Affiliated Tribes Cultural Education Account is the sole account in the trust, which serves to benefit the Mandan, Hidatsa & Arikara Nation Cultural Education Foundation. Under an agreement signed by the tribe, North American Coal, and the Commissioner, the Board must manage and invest this account exactly as the Permanent Trust Funds are managed and invested.

Funding Sources

Initial funding of the account was a result of donations of both money and land by North American Coal to the cultural education account. Revenue earned from the donated lands is deposited into the account. Further donations of land or money from Individuals or organizations may provide additional funding to the account.

Distribution Policy

The distribution calculation for the Indian Cultural Education Trust is identical to that of the Permanent Trust Funds as detailed on page 16, however, the specific donor agreement for an account may dedicate a portion of the amount available to distribute to principal.[33]

The Three Affiliated Tribes Cultural Education Account donor agreement has mandated that no less than 25% of the annual amount available to distribute go to principal. Each year, the Commissioner notifies the Mandan, Hidatsa & Arikara Nation Cultural Education Foundation as to the amount eligible for disbursement. If written request for the disbursement is received by the Commissioner by March 31st, all or a portion of that amount shall be distributed as specified in the donor agreement.

Investment Objective, Strategic Asset Allocation, and Investment Guidelines

Like the Permanent Trust Funds, the investment objective is to preserve purchasing power and maintain stable distributions with a long-term investment horizon. The assets of the Indian Cultural Education Trust are pooled with the Permanent Trust Funds. The strategic asset allocation, benchmarks, and investment guidelines are identical to those of the Permanent Trust Funds, which can be found in the corresponding sections beginning on page 17 of this Policy.

[32] N.D.C.C. ch. 15-68
[33] N.D.C.C. § 15-68-04

Theodore Roosevelt Presidential Library and Museum Endowment Fund

Fund Purpose

The Theodore Roosevelt Presidential Library and Museum Endowment Fund was created in 2019 during the 66th North Dakota Legislative Session as a permanent endowment for grants to support the operation and maintenance of the Theodore Roosevelt Presidential Library and Museum.[34] State law authorizes the Board to accept donations of money for this trust to be managed in the same manner that it manages its other trust land and financial assets, subject to state law.

Funding Sources

Initial funding of the account was a result of appropriation of money by 66th North Dakota Legislative Assembly and money borrowed from the Bank of North Dakota. Further appropriations from the North Dakota Legislature or donations of money from Individuals or organizations may provide additional funding to the account.

Distribution Policy

The distribution calculation for the Theodore Roosevelt Presidential Library and Museum Endowment Fund is calculated and paid as follows[35]:

Annual distributions to the Theodore Roosevelt Presidential Library and Museum from the Theodore Roosevelt Presidential Library and Museum Endowment Fund in an amount equal to 4.0% of the Fund's trailing net average value calculated over the previous three (3) fiscal years shall be paid on or before December 31st of each year at the request of Theodore Roosevelt Presidential Library Foundation.

Investment Objective, Strategic Asset Allocation, and Investment Guidelines

Like the Permanent Trust Funds, the investment objective is to preserve purchasing power and maintain stable distributions with a long-term investment horizon. The assets of the Theodore Roosevelt Presidential Library and Museum Endowment Fund are pooled with the Permanent Trust Funds. The strategic asset allocation, benchmarks, and investment guidelines are identical to those of the Permanent Trust Funds, which can be found in the corresponding sections beginning on page 17 of this Policy.

[34] N.D.C.C. § 54-07-12

[35] Pursuant to the Agreement between the State of North Dakota and the Theodore Roosevelt Presidential Library Foundation executed June 30, 2020.

History

Adopted:	08/27/2015
Revised:	09/29/2016
Revised:	10/26/2017
Revised:	09/26/2019
Revised:	12/18/2019
Revised:	01/21/2020
Revised:	04/30/2020
Revised:	02/24/2022
Revised:	08/25/2022
Revised:	06/29/2023

RE: Litigation Update
(No Action Requested)

- MHA (Missouri riverbed ownership) – Appealed D.C. Federal District Court denial of Board's motion to intervene; oral arguments were held February 1st; D.C. Circuit Court of Appeals issued judgment in Board's favor April 21st reversing trial court and allowing Board to intervene; parties are now in discussion regarding next steps in this litigation with next status report due to the Court by July 10th

- EEE (OHWM title dispute / takings claim) – ND Federal District Court issued order May 31, 2022 granting Board's motion to dismiss on all counts: federal preemption, sovereign immunity, takings; Plaintiffs appealed to 8th Circuit; briefing complete and oral arguments were held March 16th; awaiting court decision

- Leland/Whiting (OHWM river island ownership) – Watford City trial September 12-16, 2022; currently in post-trial briefing stage

- Continental Interpleader (OHWM fed/state dispute) – ND Federal District Court issued opinion March 21st granting Board's motion for partial summary judgment on "Acquired Federal Lands" issue; this means the Wenck survey controls for establishing the historical ordinary high-water mark of the Missouri River in areas where the uplands were acquired by the federal government, and not original "public domain lands"; federal government appealed and we filed cross appeal

- Whitetail Wave (OHWM title dispute / takings claim) – ND Supreme Court issued opinion on September 29th dismissing appeal and sending back to trial court for further quiet title actions on at issue parcels; district court signed stipulated order and judgment on remaining claims February 1st; currently waiting for appeal status pending resolution of attorney fees issues between the other parties

Procedures for Executive Session regarding Attorney Consultation and Consideration of Closed Records

Overview

1) The governing body must first meet in open session.

2) During the meeting's open session the governing body must announce the topics to be discussed in executive session and the legal authority to hold it.

3) If the executive session's purpose is attorney consultation, the governing body must pass a motion to hold an executive session. If executive session's purpose is to review confidential records a motion is not needed, though one could be entertained and acted on. The difference is that attorney consultation is not necessarily confidential but rather has "exempt" status, giving the governing body the option to consult with its attorney either in open session or in executive session. Confidential records, on the other hand, cannot be opened to the public and so the governing body is obligated to review them in executive session.

4) The executive session must be recorded (electronically, audio, or video) and the recording maintained for 6 months.

5) Only topics announced in open session may be discussed in executive session.

6) When the governing body returns to open session, it is not obligated to discuss or even summarize what occurred in executive session. But if "final action" is to be taken, the motion on the decision must be made and voted on in open session. If, however, the motion would reveal "too much," then the motion can be abbreviated. A motion can be made and voted on in executive session so long as it is repeated and voted on in open session. "Final actions" DO NOT include guidance given by the governing body to its attorney or other negotiator regarding strategy, litigation, negotiation, etc. (*See* NDCC §44-04-19.2(2)(e) for further details.)

Recommended Motion to be made in open session:

Under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2, the Board close the meeting to the public and go into executive session for purposes of attorney consultation regarding:

- **Mandan, Hidatsa, and Arikara Nation v. United States Department of Interior – Case No. 20-1928**

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Howe					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Wrigley					
Governor Burgum					

Statement:
"This executive session will be recorded and all Board members are reminded that the discussion during executive session must be limited to the announced purpose for entering into executive session, which is anticipated to last approximately one hour.

The Board is meeting in executive session to provide guidance or instructions to its attorneys regarding the identified litigation. Any formal action by the Board will occur after it reconvenes in open session.

Board members, their staff, employees of the Department of Trust Lands and counsel with the Attorney General staff will remain, but the public is asked to leave the room.

The executive session will begin at: ______AM, and will commence with a new audio recording device. When the executive session ends the Board will reconvene in open session."

Statements upon return to open session:

State the time at which the executive session adjourned and that the public has been invited to return to the meeting room.

State that the Board is back in open session.

State that during its executive session, the Board provided its attorney with guidance regarding litigation relating to the sovereign lands' minerals claims.

[The guidance or instructions to attorney does not have to be announced or voted upon.]

State that no final action will be taken at this time as a result of the executive session discussion

-or- .

Ask for a formal motion and a vote on it.

Move to the next agenda item.