



Final Minutes
Endowment Fund Investment Board
Regular Board Meeting
February 17, 2022

A regular meeting of the Endowment Fund Investment Board (“Board”) was held in the conference room at 816 W. Bannock Street, Suite 301, Boise, Idaho and via Zoom teleconference starting at 9:00 am MST. The Chairman recognized that a quorum was present.

Member’s Present:

Tom Wilford
Jerry Aldape
Bob Donaldson
Joe Forney
Representative Steven Harris (In Session;
attended intermittently via Zoom Conferencing)
Irv Littman
Richelle Sugiyama
Senator Charles Winder
Brian Yeargain

Member’s Absent:

None

Staff Present:

Chris Anton
Chris Halvorson
Kathy Van Vactor
Liz Wieneke

Legal Counsel:

Absent

Guests:

Jan Mende, Callan
Janet Becker-Wold, Callan
Perry Hopper, Callan
Nadim Rizk, StonePine
Thomas Clancy, StonePine
Jim Bolante, Fiera Capital
Bill Haagenson, IDL
Chris Farnsworth, SIF
Matt Orem, DEQ
Rhet Hulbert, Clearwater Advisors
Mike Barela, Voya
Justin Slaughter, NPNews
Joe Ebisa, Journalist
Alex Schneider, J.P Morgan
Larry Johnson, Retired
Barb Ziegler, DoubleLine

Board materials were distributed and a meeting notice and agenda were posted on EFIB’s website and office door on February 10th.

Board Meeting Minutes:

Mr. Littman moved to approve the minutes from the regular meeting held on November 16, 2021. The motion was seconded by Mr. Forney and approved unanimously.

Infrastructure Investment Opportunities (Jan Mende, Callan)

Ms. Mende discussed the characteristics of an infrastructure investment and highlighted potential risks and rewards. Infrastructure investments are typically in physical long-life assets related to communication, power, water, transportation, energy, or public facilities. They provide essential economic or social services, are monopolistic in nature, provide stable cash flows and use leverage. Most infrastructure investments have long-term contracts and cash flows tend to be sensitive to inflation.

Annual Capital Market Assumptions and Asset Allocation Review (Janet Becker-Wold, Callan)

Ms. Becker-Wold reviewed Callan's 2022 Capital Markets Assumptions. Investment return expectations over the next ten years changed as follows; cash return increased 0.2%, inflation assumptions increased from 2.00% to 2.25%, TIPS and high yield returns were lowered by 0.45% and there were no changes for public equity, core and short-duration fixed income, private equity, and core real estate. The average annual expected returns for EFIB's portfolio remained at 5.8% with a slight increase in risk to 13.1%.

EFIB Asset Allocation (Janet Becker-Wold, Callan)

Callan's modeling suggests that an increase in the real asset allocation of the portfolio could modestly improve future returns and yield with limited additional risk. Real assets have merit given the volatility characteristics and stable cash flow, current equity valuations and duration risk currently associated with bonds. Ms. Becker-Wold indicated that an increase in the real asset allocation could be implemented with real estate and infrastructure investments.

Based upon a recommendation from Callan and staff, Ms. Sugiyama moved to increase the real asset allocation from 8% to 10% utilizing real estate only. The funding for the increase comes from the elimination of the 4% TIPS allocation with 2% moving into real assets (real estate) and the other 2% into fixed income. The motion was seconded by Mr. Aldape and approved unanimously.

SIF Asset Allocation (Janet Becker-Wold, Callan)

SIF currently has an allocation of 6% to real estate, with a statutory limit of no more than 5% with an individual manager. Callan and EFIB staff recommended that the EFIB Board make a recommendation to the SIF Board to increase in the real estate allocation from 6% to 8% with it split evenly between two managers.

Mr. Littman moved to approve a recommendation to the SIF Board to increase the real estate allocation in the SIF portfolio from 6% to 8%. The funds for the increase will come from core fixed income. The motion was seconded by Mr. Yeargain and approved unanimously.

Core Real Estate Search Update (Janet Becker-Wold, Callan)

On November 16, 2021, the Board decided to sell its position in the UBS Trumbull Property Income Fund ("TPI"). The Callan Real Estate Consulting team conducted a core real estate manager search to replace TPI and complement the DWS RREEF America REIT II Fund. Ten strategies were presented to Callan's Manager Search Committee and they narrowed the list to four candidates: CBRE Core Partners Fund, Clarion Properties Fund, Morgan Stanley Prime Property Fund and the PGIM PRISA Fund. Callan and EFIB staff interviewed the four finalists and recommended to the Board that EFIB retain CBRE.

Ms. Sugiyama moved to approve Callan and EFIB Staff's recommendation to retain CBRE. The motion was seconded by Mr. Yeargain and approved unanimously.

Endowment Fund Performance (Janet Becker-Wold, Callan)

The Endowment Fund had investment gains of 4.3% and 14.6% for the quarter and twelve months ended December 31, 2021. The fund's performance ranked in the top 42nd and 39th percentiles in the Callan Public Fund Sponsor Database during these periods and performance was -0.4% and 1.4% better than the benchmark.

Idaho State Insurance Fund ("SIF") Performance (Janet Becker-Wold, Callan)

SIF had investment returns of 0.9% and 2.1% during the quarter and twelve months ended December 31, 2021, and performance was -0.1% and 0.2% better than benchmark.

January 2022 Performance (Chris Anton)

Mr. Anton informed the Board that the Endowment Fund was down 4.4% during the month of January as the Federal Reserve accelerated plans to unwind monetary support, inflation remained unchecked, geopolitical tensions related to Ukraine escalated and the Omicron variant of COVID-19 continued to surge.

Fiera/StonePine Asset Management (Thomas Clancy and Nadim Rizk, StonePine and Jim Bolante, Fiera)

Mr. Clancy and Mr. Rizk indicated that their entire investment team had conducted an amicable "spin out" of Fiera into StonePine. Fiera will continue to coordinate client relationships and perform trading and back-office functions. There is no change to client fees. The investment team at StonePine will continue to make all investment recommendations. Fiera has been a manager for four years and has had consistently strong performance.

Land Board Asset Allocation Study * (Chris Anton, Janet Becker-Wold)

Approximately every eight years, the Land Board conducts an asset allocation study for the entire trust to determine the long-term strategic allocations to meet risk/return objectives. The study was last conducted in November 2014. Mr. Anton recommended that the EFIB Board support the Land Board's decision to engage Callan to update the Asset Allocation Study.

Mr. Littman moved that EFIB support the Land Boards decision to engage Callan to conduct a new Asset Allocation Study. The motion was seconded by Mr. Yeargain and approved unanimously.

EFIB Staff Reports

Mr. Anton presented the gift log.

Ms. Van Vactor presented the financial performance.

Mr. Anton presented the budget update.

Mr. Anton presented the rule update.

Mr. Anton presented the annual independence statements.

Mr. Anton presented upcoming meetings.

EFIB Committee Appointments (Tom Wilford, Chairman)

Mr. Forney was appointed to the Compensation Committee.

Adjournment

Mr. Aldape moved to adjourn the meeting at 1:26 p.m. The motion was seconded by Mr. Donaldson and approved unanimously.