



Final Minutes

Endowment Fund Investment Board
Regular Board Meeting
February 16, 2023

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 a.m. MST. The Chairman recognized that a quorum was present.

Member’s Present:

Tom Wilford
Jerry Aldape
Bob Donaldson
Joe Forney
Steven Harris
Irv Littman
Richelle Sugiyama
Senator Charles Winder
Brian Yeargain

Member’s Absent:

None

Staff Present:

Chris Anton
Chris Halvorson (Zoom)
Kathy Van Vactor (Zoom)
Liz Wieneke

Legal Counsel:

Julie Weaver

Guests:

Janet Becker-Wold, Callan
Nicolas Choumenkovitch, Wellington (Zoom)
Tara Stilwell, Wellington (Zoom)
Matt McKenna, Wellington (Zoom)
Molly Conway, Wellington (Zoom)
Bill Haagenon, IDL
Sara Browning, Schroders
Rhet Hulbert, Clearwater Advisors
Justin Slaughter, NP News (Zoom)
Karen de Vera, S&P Global (Zoom)
Keven Balaod, With.Intelligence (Zoom)

Board materials were distributed, and a meeting notice and agenda were posted on EFIB’s website and office door on February 8, 2023.

Board Meeting Minutes:

Mr. Aldape moved to approve the minutes from the regular meeting held on November 16, 2022. The motion was seconded by Mr. Yeargain and approved unanimously.

Presentation by Wellington Management (Nicolas Choumenkovitch, Tara Stilwell, Matt McKenna, Molly Conway)

EFIB invests in Wellington’s Global Opportunities strategy that seeks to outperform the MSCI All Country World Index consistently over rolling 3-year periods. Mr. Choumenkovitch and Ms. Stilwell, who are co-portfolio managers for the strategy, described their methodology. Their primary investment consideration is a company’s ability to generate a strong return on capital. They look for companies that will improve faster than

anticipated or have stronger than anticipated sustainability of returns. They consider companies with strong cash generation and look for management teams that are adept at capital allocation. They evaluated the macro dynamics associated with specific industries and use ESG as a risk mitigation tool.

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

Ms. Becker-Wold reviewed Callan's 2023 capital market assumptions. Equity and fixed income markets both declined significantly in 2022 as the Federal Reserve hiked interest rates to fight inflation. These declines resulted in more attractive equity valuations and higher bond yields and set the stage for higher future investment returns. Callan's 2023 capital markets assumptions reflect higher return expectations in nearly every asset category and boosted the expected average annual return of EFIB's portfolio over the next ten years from 5.8% in 2022 to 7.0% in 2023.

Callan analyzed both EFIB and SIF's asset allocations using the new capital market assumptions. Callan's analysis and modeling suggests that while the current asset mix is close to being an optimal portfolio (near the efficient frontier), the EFIB could achieve a similar return with a slight reduction in risk by reducing its public equity allocation and increasing its allocation to real assets (real estate and/or infrastructure). Callan and staff recommended increasing the allocation to real assets from 10% to 14%, funded from public equities. They recommended no changes to the SIF portfolio.

The Board acknowledged the proposed asset mix is anticipated to achieve an expected return similar to the current portfolio with a slight decrease in volatility or standard deviation. The Board discussed the purpose of the earnings reserve balances and financial assets of the Land Board and expressed concerns regarding other risk including headline, timing and lock-up/liquidity risks.

Mr. Aldape moved to retain both EFIB and SIF's existing asset allocation. The motion was seconded by Mr. Forney and approved unanimously.

Endowment Fund Performance (Janet Becker-Wold, Callan)

The Endowment Fund has investment returns of 7.6% and -14.4% during the quarter and twelve months ended December 31, 2022. The Fund's performance ranked in the 8th and 77th percentile in the Callan Public Funds Sponsor Database during these periods. Performance was 0.7% better than the benchmark during the quarter and 0.8% worse than the benchmark over the last twelve months.

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

SIF had investment returns of 2.5% and -10.8% during the quarter and during twelve months ended December 31, 2022.

Recent IDL Land Acquisition (Bill Haagenson)

Mr. Haagenson indicated that the Idaho Department of Lands recently purchased 18,050 acres of timberland spread across five counties in northern Idaho. The acquisition is anticipated to generate ongoing revenue for endowment beneficiaries, support the forest products sector of Idaho's economy and preserve public lands for recreation. The purchase was approved by the Land Board in November of 2022.

EFIB Staff Reports

- Mr. Anton presented the gift log.
- Ms. Van Vactor presented the financial update.
- Mr. Anton presented the budget update.

- Ms. Wieneke presented Luma update.
- Mr. Anton presented the annual independence statements.
- Mr. Anton reviewed the schedule for upcoming meetings.

Adjournment

The meeting adjourned at 12:15 p.m.