

IDAHO ENDOWMENT FUND
INVESTMENT BOARD

State of Idaho Endowment Funds

FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

Administered by the Endowment Fund Investment Board



FINANCIAL STATEMENTS – JUNE 30, 2017
STATE OF IDAHO ENDOWMENT FUNDS

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INDEPENDENT AUDITORS' REPORT

Endowment Fund Investment Board
State of Idaho Endowment Funds
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Idaho Endowment Funds governmental fund and governmental activities administered by the Endowment Fund Investment Board (the EFIB), a component unit of the State of Idaho, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Idaho Endowment Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State of Idaho Endowment Funds governmental fund and governmental activities as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-matter

As discussed in Note 1, the financial statements of The State of Idaho Endowment Funds are intended to present the financial position and the changes in financial position of The State of Idaho Endowment Funds. The financial statements do not purport to, and do not, represent the financial position or changes in financial position, of the State of Idaho as of June 30, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Idaho Endowment Funds' basic financial statements. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules included on pages 36 and 37 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules included on pages 38-41 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2017, on our consideration of State of Idaho Endowment Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State of Idaho Endowment Funds' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

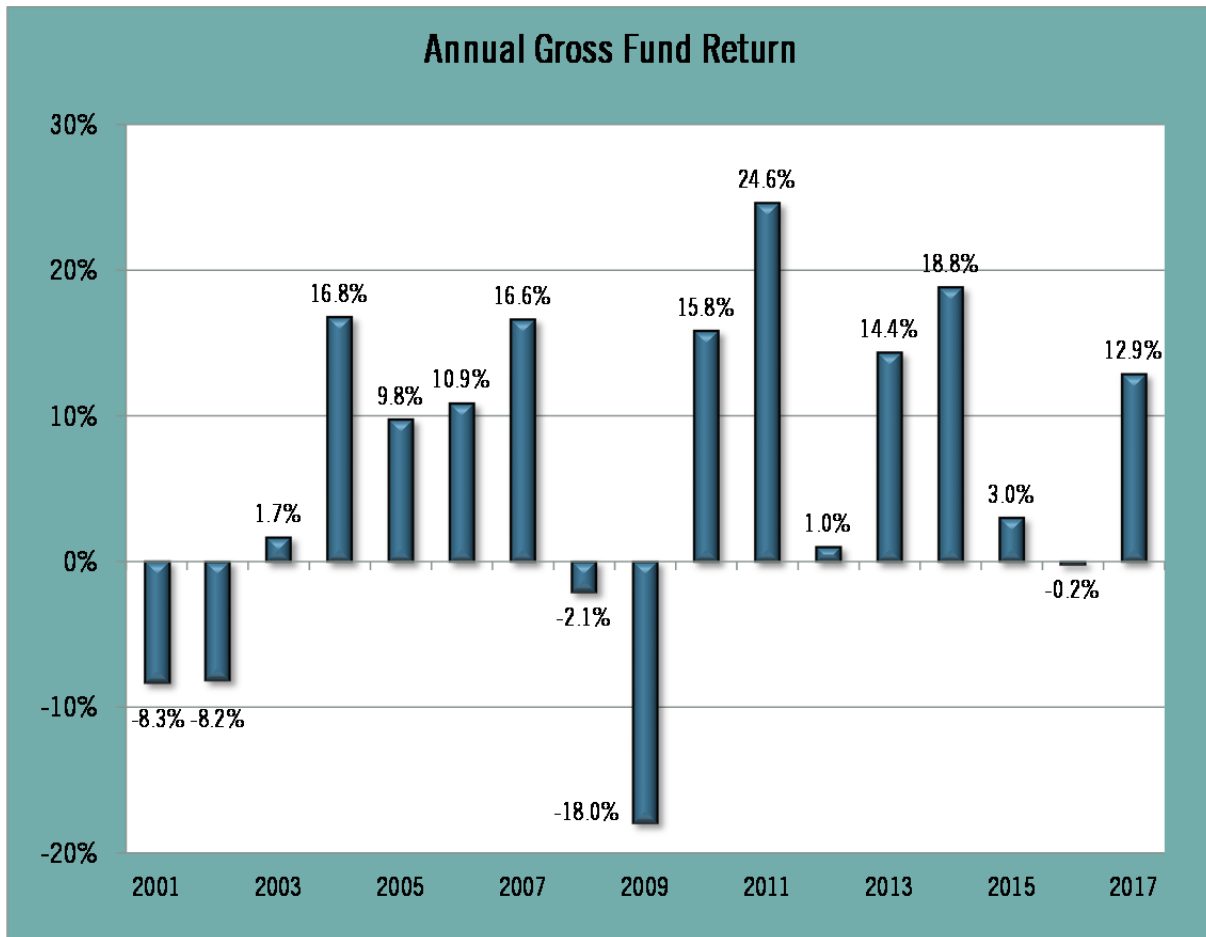
Boise, Idaho
August 18, 2017

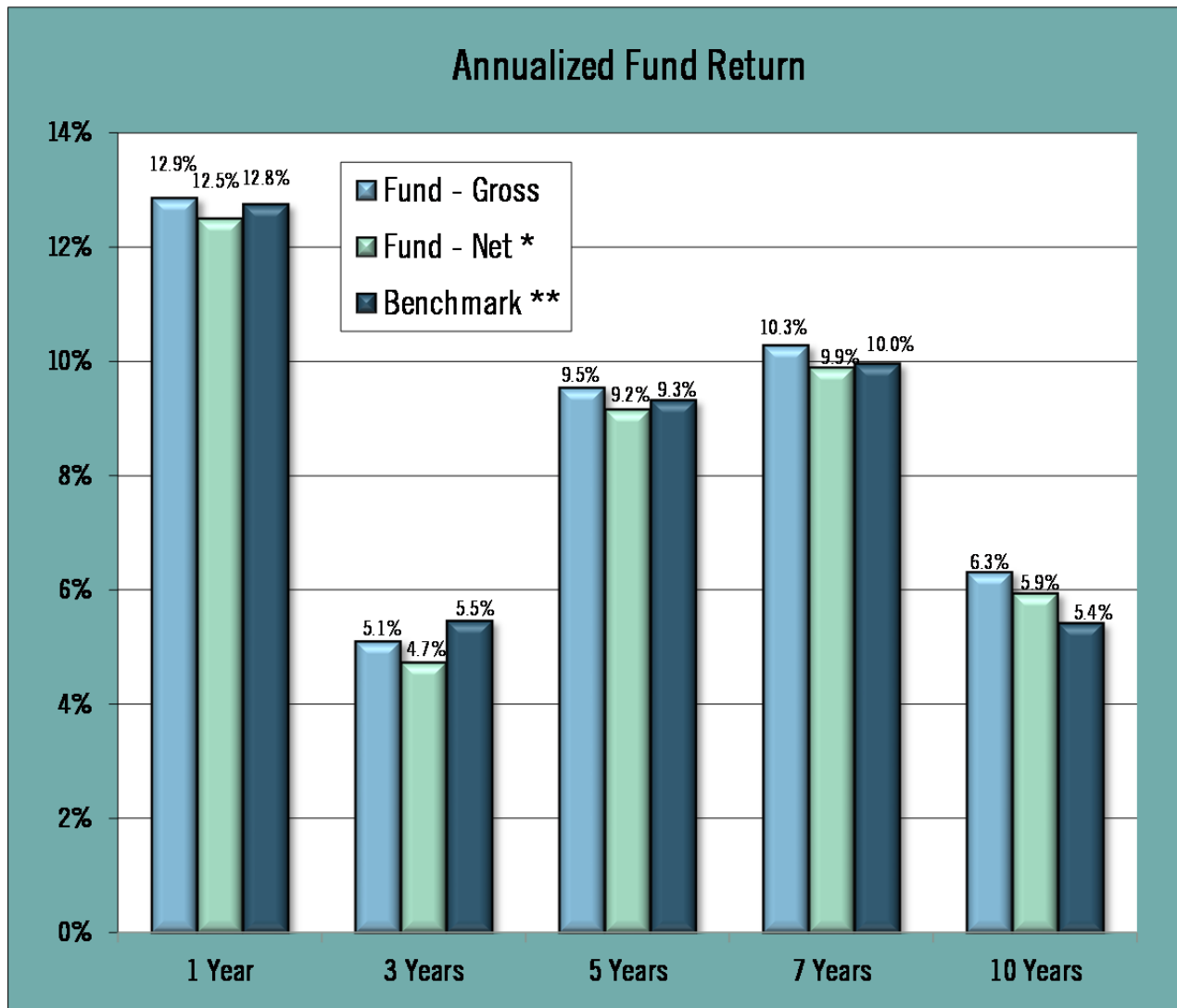
This discussion and analysis of the State of Idaho Land Grant Endowment Funds' (the Endowment Funds) financial performance provides a summary of the financial activities of the Endowment Funds, and its manager, the Endowment Fund Investment Board (the EFIB), for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

Total of the Endowment Funds

- Net position increased \$205.7 million, an 11.2 % increase from fiscal year 2016.
- Receipts to Earnings Reserves from endowment lands were \$70.7 million, a 9.6% decrease from fiscal year 2016.
- Net distributions to beneficiaries, excluding the Capitol Commission, increased 11.8% in fiscal year 2017 to \$63.2 million, from \$56.5 million in fiscal year 2016.
- Total investment return, before fees, was 12.9% in fiscal year 2017, compared to (0.2%) in fiscal year 2016.





*Net returns are net of outside investment manager fees (approximately 36 basis points in 2017). The ratio of total fiscal year 2017 EFIB expenses to year-end net position was 42 basis points.

** Benchmark consists of 42.3% Russell 3000 Index, 8.5% MSCI All-Country World Index (ACWI), 15.2% MSCI ACWI ex-US, 26% BBC U.S. Aggregate Index & 8% NCREIF ODCE.

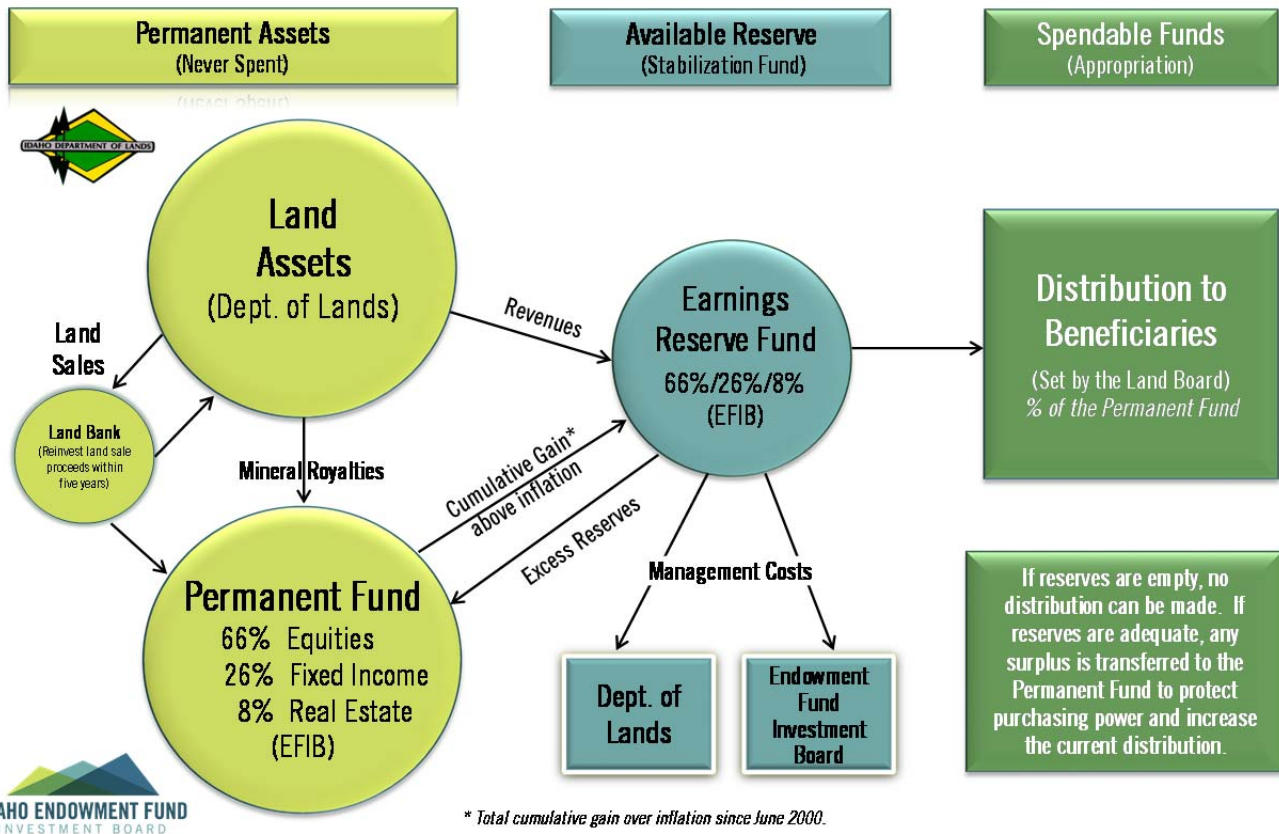
PURPOSE OF THE STATE OF IDAHO ENDOWMENT FUNDS

The purpose of the Endowment Funds is to manage and invest the revenues generated from the management and sale of endowment land assets of the State of Idaho (State).

Monies are generated from lands endowed to, and for the benefit of nine different endowments: Public School, University of Idaho Agricultural College, Charitable Institutions (Idaho State University, Juvenile Corrections Center, State Hospital North, Veterans' Home, School for the Deaf and Blind), Normal School (Idaho State University, Lewis-Clark State College), Penitentiary, University of Idaho School of Science, State Hospital South, University of Idaho and the Capitol.

The financial assets of all institutions are pooled for investment purposes and distributions are based on their proportionate share of the total pooled fund. Assets of the Public School endowment account for approximately two-thirds of the total of the Endowment Funds.

STRUCTURE OF IDAHO'S ENDOWMENT ASSETS



Rev 7/25/17

ROLE OF THE ENDOWMENT FUND INVESTMENT BOARD

The Endowment Fund Investment Board was created by the 1969 Idaho Legislature and charged with management responsibility of the permanent land grant endowment funds of the State of Idaho. In addition to managing the Endowment Funds, the EFIB also oversees the investments of the State Insurance Fund, the Ritter Island Endowment Fund, the Trail of the Coeur d'Alene's Endowment Fund, the Bunker Hill Water Treatment Endowment, and two Fish and Game wildlife habitat endowments.

USING THIS ANNUAL REPORT

The annual report consists of the independent auditors' report, the financial statements and the notes to the financial statements, supplemental schedules, and examination of management assertions. These statements are organized to give the reader a complete understanding of the total Endowment Funds, as a whole, along with the specifics of each individual endowment.

FINANCIAL STATEMENTS

The financial statements and notes to the financial statements are prepared by the Endowment Funds' management. The total of the Endowment Funds combines the assets of nine different endowments. The financial statements consist of a balance sheet, a statement of net position, a statement of revenues, expenditures and changes in fund balances, and a statement of activities. The notes to the financial statements are an integral part of the financial statements and provide additional information on the Fund and its operations.

DISTRIBUTIONS TO THE BENEFICIARIES

The Endowment Funds exist to provide perpetual distributions to their beneficiaries. For all endowments, except Capitol Permanent, the State Board of Land Commissioners has established a distribution policy. The current policy establishes distributions at a rate of 5% of the three-year moving average Permanent Fund balance (7% for State Hospital South) and allows for adjustments to the distributions based on factors including the amount in the Earnings Reserve and transfers to the Permanent Fund. The 2016 Idaho Legislature passed House Bill 546 to appropriate the fiscal year 2017 distributions to the beneficiary institutions. Distributions from the Capitol Maintenance Reserve Fund are determined by the Capitol Commission, subject to legislative appropriation, and in fiscal year 2017 the Commission requested a \$500,000 distribution.

Total Fund Distributions		
	2017	2016
Public School	\$ 36,724,800	32,758,800
Agricultural College	1,347,600	1,288,800
Charitable Institutions	5,544,000	4,500,000
Normal School	4,262,400	3,608,400
Penitentiary	1,965,600	1,872,000
School of Science	4,708,800	3,866,400
State Hospital South	4,562,400	4,562,400
University of Idaho	4,042,800	4,016,400
Subtotal	63,158,400	56,473,200
Capitol Maintenance	500,000	400,000
Total Distributions	\$ 63,658,400	\$ 56,873,200

Statement of Net Position		
	2017	2016
Total Assets	\$ 2,055,564,337	\$ 1,839,201,220
Total Liabilities	19,497,432	8,825,228
Net Position - Permanent Funds	1,466,404,767	1,385,976,459
Net Position - Earnings Reserve	569,662,138	444,399,533
Total Net Position	\$ 2,036,066,905	\$ 1,830,375,992

Statement of Activities		
	2017	2016
Program Revenues		
Receipts from Dept. of Lands		
Permanent Receipts	\$ 1,945,956	\$ 2,079,637
Earnings Reserve Receipts	70,667,488	78,181,606
Income from Investments	43,906,266	37,899,767
Increase (Decrease) in Value of Investments	189,899,612	(40,737,402)
Total Program Revenues	306,419,322	77,423,608
Program Expenses		
Distribution to Beneficiaries	63,658,400	56,873,200
Distribution for Expenses-Lands	29,237,693	25,328,075
Distribution for Expenses-EFIB	7,832,316	7,585,753
Total Program Expenses	100,728,409	89,787,028
Net Program Revenue/Change in Net Position	\$205,690,913	\$ (12,363,420)

The Fund's market value gains of \$189.9 million were due to a strong equity market performance.

Total expenses reflect distributions to beneficiaries as well as expenses paid. The fiscal year 2017 distribution to beneficiaries of \$63.7 million represented an 11.9% increase over the previous year.

The distributions for expenses reflect the expenses paid by the Endowment Funds to the Department of Lands for their expenditures associated with the management of the lands and to the EFIB for the management of the investments of the Funds.

FACTORS THAT MAY AFFECT FINANCIAL POSITION

With the exception of the Capitol Permanent Fund, each Endowment Fund is distinct in that it has a permanent corpus and an Earnings Reserve Fund. The permanent corpus, or Permanent Fund, is to remain intact while distributions are permitted from the Earnings Reserve Fund. Both the Permanent and Earnings Reserve Funds are affected by market gains and losses of the Fund.

Under legislation passed by the 1998 Idaho Legislature, an Earnings Reserve Fund was established to pay distributions to beneficiaries and expenses of the EFIB and the Department of Lands. Most land revenue is an addition to the Earnings Reserve Fund while Department of Lands and EFIB expenses, as well as distributions to beneficiaries, are depletions. Each June 30, the proportionate change in market value is allocated to each endowment's Earnings Reserve fund as well any real gain (cumulative total return above inflation) of its Permanent Fund. These allocation methodologies are specified in *Idaho Code* Section 57-720.

On July 1, 2004, the Capitol Permanent Fund was pooled with the other endowment funds for investment purposes. Additions to that fund include revenue from its lands as well as investment income. The EFIB authorizes distributions from the Permanent Fund to the Capitol Maintenance Reserve Fund, effective July 1 of each fiscal year. In May 2017, the EFIB authorized that a distribution of \$1,392,000 be made to the Capitol Maintenance Reserve Fund in July 2017, based on 5% of the value of the Capitol Permanent Fund.

For endowments other than the Capitol Permanent Fund, the Board of Land Commissioners has approved, and the legislature has appropriated in Senate Bill 1135, the following distributions to beneficiaries for fiscal year 2018.

	2018
Public School	\$ 47,049,600
Agricultural College	1,347,600
Charitable Institutions	5,544,000
Normal School	4,262,400
Penitentiary	1,965,600
School of Science	4,708,800
State Hospital South	4,562,400
University of Idaho	4,042,800
Total	\$ 73,483,200

Even if a distribution has been approved and appropriated, it cannot be paid if there are not sufficient funds in Earnings Reserve. A measure the EFIB uses to evaluate the adequacy of reserves is the "Coverage Ratio", (Annual Distribution divided by Reserves). Based on these coverage ratios, the EFIB believes that Earnings Reserves are sufficient to permit payment of approved distributions to all endowments in fiscal year 2018.

By the Board of Land Commissioners' Policy, the level of Earnings Reserves deemed adequate is five years for Charitable Institutions, State Hospital South, and Public School, six years for Normal Schools and seven years for Agricultural College, Penitentiary, School of Science and University. When reserves reach an adequate level, any excess may be transferred from the Earnings Reserve Fund to the corresponding Permanent Fund.

CHANGE IN FUND ASSET MIX

In fiscal year 2016 the EFIB approved an 8.0% allocation to U.S. core real estate implemented through two open-end, commingled funds. Some of the committed capital was drawn by the managers in FY16 with the balance in early FY17. With this investment, the new target asset mix for the Endowment Fund is 42.2% U.S. broad equity, 15.2% international equity, 8.5% global equity, 26.0% fixed income, and 8.0% U.S. core real estate.

TOTAL COST OF INVESTMENT MANAGEMENT

In fiscal year 2017, the EFIB had the following expenditures to manage the Endowment Funds.

Investment Management Operating Costs	Expense	Basis Points*
Internal investment oversight	\$ 303,621	2
Internal accounting	136,410	1
Outside investment manager and legal fees**	7,391,512	36
Custody expense	455,540	2
Consultant and auditor fees	261,256	1
Subtotal	<u>8,548,339</u>	42
Less manager fees deducted from NAV**	<u>765,658</u>	
Total cash expenditures	7,782,681	
Change in Manager Fee Accrual	49,635	
Total Accrual Basis Expense	<u><u>\$ 7,832,316</u></u>	

* Relative to total fiscal year end 2017 net position of \$ 2,036,066,905

** Fees for investments in mutual funds and one Real Estate fund are deducted directly from the fund by the investment manager. They are included in "Outside investment manager fees" but are not directly paid by the EFIB.



IDAHO ENDOWMENT FUND

INVESTMENT BOARD

FINANCIAL STATEMENTS
For the Fiscal Year Ended JUNE 30, 2017

STATE OF IDAHO ENDOWMENT FUNDS
**GOVERNMENTAL BALANCE SHEET AND STATEMENT OF NET POSITION –
 GOVERNMENTAL ACTIVITIES**
 JUNE 30, 2017



Assets:

Cash with the State Treasurer	\$ -
Investments, at Fair Value	2,026,026,928
Receivable for Unsettled Trades	10,796,964
Receivable From Idaho Department of Lands	7,996,077
Accrued Interest and Dividends Receivable	7,417,788
Prepaid Expenses to the Department of Lands	3,326,580
Total Assets	<u>\$ 2,055,564,337</u>

Liabilities:

Payable for Unsettled Trades	\$ 17,685,812
Investment Manager Expenses Payable	<u>1,811,620</u>
Total Liabilities	19,497,432

Fund Balances:

Nonspendable - Permanent Funds	1,466,404,767
Restricted - Earnings Reserve	<u>569,662,138</u>
Total Fund Balances	<u>2,036,066,905</u>

Total Liabilities and Fund Balances	<u>\$ 2,055,564,337</u>
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GASB 68, Accounting and Financial Reporting for Pensions, requires that governments disclose certain items, such as net pension liabilities, in the Statement of Net Position (shown below). The EFIB has no such liabilities, so the balances in the Statement of Net Position are the same as the fund balances in the Governmental Balance Sheet.

Statement of Net Position:

Restricted for Permanent Trust - Nonexpendable	\$ 1,466,404,767
Restricted for Permanent Trust - Expendable	<u>569,662,138</u>
Total Net Position - Governmental Activities	<u>\$ 2,036,066,905</u>

STATE OF IDAHO ENDOWMENT FUNDS
**GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN GOVERNMENTAL FUND BALANCE AND STATEMENT OF GOVERNMENTAL ACTIVITIES**
 JUNE 30, 2017



Revenues:

Receipts from the Department of Lands	\$ 72,613,444
Income from Investments	233,805,878
Total Revenues	<u>306,419,322</u>

Expenditures:

Department of Lands Expense	29,237,693
EFIB Expense	7,832,316
Total Expenditures	<u>37,070,009</u>

Revenues over Expenditures 269,349,313

Other Financing Uses

Distributions to Beneficiaries	63,658,400
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Net Increase in Fund Balance 205,690,913

Fund Balance - Beginning of Year 1,830,375,992

Fund Balance - End of Year \$ 2,036,066,905

There were no expenses which require the use of current financial resources. The amount for the Change in Net Position (shown below) is the same amount as shown above in the Governmental Statement of Revenues, Expenditures and Changes in Governmental Fund Balances.

Change in Net Position - Government Activities \$ 205,690,913

NOTE 1 - GENERAL DESCRIPTION OF THE FUNDS

The Endowment Fund Investment Board (the EFIB) is charged with the administration and investment of the Permanent Endowment and Earnings Reserve Funds of the State of Idaho (the State), comprised of the Public School, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and University of Idaho Endowment Funds, as well as the Capitol Permanent Fund and Capitol Maintenance Reserve Fund, all held for the benefit of certain State institutions.

The State of Idaho Endowment Funds (the Endowment Funds) is considered part of the State financial reporting entity and is included in the State Comprehensive Annual Financial Report (CAFR). The Endowment Funds are invested according to an investment policy established by the EFIB.

The EFIB has no jurisdiction over assets held by the Idaho Department of Lands (IDL) or other agencies; therefore, the EFIB gives accounting recognition only when a transaction related to endowment land assets has been completed by IDL.

The EFIB employs external investment managers for management of the Endowment Funds.

Endowment Funds Investment Reform Legislation

On July 1, 2000, the EFIB significantly changed operations and reporting of the Endowment Funds, under legislation enacted by the Idaho Legislature in 1998.

The legislation provides that:

- (1) The EFIB, as trustees, will control, manage and invest Endowment Funds according to policies established by the State Board of Land Commissioners.
- (2) The application of the Uniform Prudent Investor Act replaces the previous, more restrictive, investment criteria.
- (3) An Earnings Reserve Fund is established to create a buffer to preserve the Permanent Fund balances.
- (4) Administrative costs are to be paid from earnings of the Endowment Funds instead of from annual General Fund appropriations.
- (5) Distributions to beneficiaries are determined by the State Board of Land Commissioners and are to be paid from the Earnings Reserve Funds, which include investment earnings, net capital gains and certain receipts from IDL.

In March 2004, legislation was enacted which establishes an objective that the Permanent Funds of each endowment grow from June 2000 levels at least at the cumulative rate of inflation plus deposits. Further, it provides that any income and market appreciation of the Permanent Fund can only be transferred to the Earnings Reserve if that objective has been achieved.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The financial statements include all funds for which the EFIB is financially accountable, i.e., the land grant endowments of the State, and are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

The Endowment Funds are part of the State reporting entity based on certain GASB criteria. These statements present only the Endowment Funds and are not intended to present the financial position and results of operations of the State in conformity with generally accepted accounting principles in the United States of America.

Basis of Presentation

The Endowment Funds are accounted for and reported as a Permanent Fund as defined by GASB and use the modified accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenditures are recognized when they are incurred. The statement of net position and the statement of activities display information about the Endowment Funds and include the financial activity of the overall reporting entity. These statements report all activities of the Endowment Funds as a governmental type activity. Given the type of assets and liabilities held by Endowment Funds, there are no adjustments required to convert from modified accrual basis to full accrual basis as required by GASB.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

According to policies established by the State Board of Land Commissioners, the EFIB is authorized to invest the Endowment Funds in certain fixed income and equity investments as defined by the policy of the EFIB and consistent with *Idaho Code* Section 57-723. This section states in part, "The EFIB and its investment manager(s) or custodian(s) shall be governed by the Idaho Uniform Prudent Investor Act (Chapter 5, Title 68, *Idaho Code*), and shall invest and manage the assets of the respective trusts in accordance with that act and the Idaho constitution." In accordance with this code section, the EFIB's investment policy, specified that the Endowment Funds may be invested in equities (63% to 69% of the investment portfolio, with a target of 66%), fixed income (23% to 29% of the investment portfolio, with a target of 26%), and 8% real estate (diversified US commercial property).

The following is a list of investments by asset class allowed by the general investment policy:

- (1) Cash Equivalents: Treasury bills; money market funds; STIF funds; commercial paper; banker's acceptances; repurchase agreements; certificates of deposit.
- (2) Fixed Income: US government and agency securities; corporate notes and bonds; mortgage backed bonds; fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other "early tranche" CMO's; asset backed securities; or any other fixed income security eligible for inclusion in the BBC U.S. TIPS Index or BBC U.S. Aggregate Index.
- (3) Equities: Common stocks; convertible notes and bonds; convertible preferred stocks; American depository receipts (ADR's); stocks of non-US companies (ordinary shares); non-investment grade bonds.
- (4) Real Estate: Domestic, private, open-end, core comingled funds.

(5) **ETF's, Mutual or Collective Funds:** ETF's, Mutual Funds or Collective Funds may be used for the purposes of equitizing transactional cash. ETF's, Mutual Funds or Collective Funds which invest in securities as allowed in this statement are also permitted. In all cases, investment managers will advise the EFIB of their intent to utilize ETF's prior to their purchase, what specific ETF's they intend to use and the purposes they serve.

(6) **Futures, Options & certain Derivatives:** As described in Futures and Options section on the following page. Investment securities are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. Purchase and sale transactions are recorded on the trade date.

Derivatives are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include such things as futures contracts, swap contracts, option contracts, and foreign currency forwards.

In fiscal year 2017, the EFIB utilized equity and fixed income index futures for cash equitization and passive rebalancing. Index futures obligate the buyer to purchase an asset (or the seller to sell an asset) at a predetermined future date and price. Futures contracts detail the quality and quantity of the underlying asset and are standardized to facilitate trading on a futures exchange.

The table below summarizes the various contracts in the portfolio as of June 30, 2017. The notional value of these instruments is not recorded in the financial statements.

Futures	Expiration Date	Contracts	Notional Value	Unrealized (Loss)	Required Margin
10-Year Treasury Notes	Sept. 2017	331	\$41,491,093	(\$106,120)	\$380,103

Any idle monies after cash flow transactions are swept into the Idle Pool for overnight investment. The Idle Pool is managed by the State of Idaho Treasurer's office. The funds of the Idle Pool are invested pursuant to *Idaho Code* Sections 67-1210 and 67-1210A and invested in US Treasury and US Government Agency obligations, investment grade corporate obligations, high quality commercial paper, and bank Certificates of Deposit. For performance evaluation, the fund is compared to the 180-day Treasury constant maturity rate. The Idle Pool is not rated. All investments are held in trust by a safekeeping bank and an annual audit of the Idle Pool is conducted by an independent accountant.

Expendable and Nonexpendable Net Position

The net position of the Earnings Reserve Funds is the expendable assets of the Endowment Funds. These expendable assets are used for distributions to beneficiaries and distributions for expenses of the EFIB and the IDL. The net position of the Permanent Funds is the nonexpendable assets.

Income from Investments

Income from investments is recognized when earned and includes interest, dividends, other income, and market appreciation (realized and unrealized). Income from investments is allocated and distributed to each fund participating in the investment pool in the same ratio that each fund's average daily balance bears to the total daily balance of all participants' funds. Income from investments is recorded on an accrual basis.

Within each endowment, income from investments is further allocated to its Permanent Fund and Earnings Reserve Fund in accordance with *Idaho Code* Sections 57-723A and 57-724A. The definition of “income” to be allocated depends on whether or not the Permanent Fund portion of an endowment fund has exceeded, at the end of the fiscal year, its “Gain Benchmark” as defined in statute.

The Gain Benchmark, as specified in *Idaho Code* Section 57-724, represents the desired or targeted value of principal or corpus in each endowment fund (excluding Capitol Permanent). It is determined by starting with the balance at June 30, 2000 and adding deposits (mainly extracted minerals from endowment land), the annual impact of inflation (based on the Consumer Price Index – All Urban (CPI)), and certain reinvested income (transfers from Earnings Reserve designated by the Land Board as a permanent increase in corpus). The level of the Gain Benchmark determines whether income from investments in the Permanent Fund should be retained to offset inflation and previous losses or is eligible to be transferred to the Earnings Reserve as distributable income.

Losses in Principal of the Permanent Funds

At the end of each fiscal year, the EFIB is required to calculate whether the market values of the Permanent Funds are below the principal or Loss Benchmark level as defined in statute (June 2000 value adjusted for deposits – primarily revenues from extracted minerals and proceeds of land sales).

A loss in principal of the Public School Permanent Fund is made up as follows:

- (1) The State Board of Land Commissioners may transfer any funds in the Public School Earnings Reserve Fund that they determine will not be needed for administrative costs or scheduled distributions in the following fiscal year to the Public School Permanent Fund, to make up for any prior losses in value.
- (2) If funds transferred from the Earnings Reserve Fund are insufficient to make up all losses in value to the Public School Permanent Fund, the remaining loss shall be made up, within ten years, by legislative transfer or appropriation. If subsequent gains, as determined pursuant to the statute, or transfers from the Earnings Reserve Fund, make up for any remaining loss before this ten-year period expires, then no legislative transfer or appropriation shall be necessary.

At June 30, 2017, the market value of the Public School Permanent Fund was \$294.7 million above the loss benchmark as defined by statute.

A loss in principal of the Permanent Funds other than the Public School Permanent or Capitol Permanent Funds shall be made up from Earnings Reserve Fund monies that the State Board of Land Commissioners determines will not be needed for administrative costs or scheduled distributions to each endowment’s respective beneficiary.

Federal law requires that losses to the Agricultural College fund must be made up by the State, but the requirement to restore losses to that endowment has not been established in statute. As of June 30, 2017, the market value of the Permanent Fund portion of the Agricultural College endowment was \$13.0 million above the principal or Loss Benchmark level as defined in statute.

There is no statutory requirement to make up losses in the Capitol Permanent Fund, nor a requirement to calculate a Gain or Loss Benchmark.

Distributions to Beneficiaries

With the exception of the Capitol Funds, distributions to the other eight beneficiaries are authorized by the State Board of Land Commissioners and are made in equal installments on approximately the 10th of each month. Distributions to the Capitol Maintenance Reserve Fund from the Capitol Permanent Fund are authorized by the EFIB and distributed approximately July 1 of each fiscal year. Distributions from the Capitol Maintenance Reserve Fund are authorized by the Capitol Commission.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, see Note 10.

Other

Investments have risks that the other parties to securities transactions do not fulfill their contractual obligations. The EFIB attempts to minimize such risks by diversifying the portfolio investments, monitoring investment grade and quality, and purchasing only high-grade or government-backed securities in fixed income portfolios.

The EFIB does not intend to use market timing as an investment strategy. However, the investment policy provides the flexibility for tactical asset allocation using capitalizations, investment styles, sectors, and other factors.

NOTE 3 - INVESTMENTS

Investments at June 30, 2017:

Fund Investments	Cost	Fair Value
Aberdeen Asset Management	\$ 71,346,889	\$ 84,979,454
Allianz Global Investors	109,569,437	120,863,082
Barrow, Hanley, Mewhinney & Strauss	36,408,077	50,746,438
Boston Partners	96,790,536	118,232,591
Clearwater Advisors	1,383,894	1,383,894
Deutsche Asset Management	74,078,860	77,014,830
Eagle Asset Management	38,854,749	52,063,077
Lazard Asset Management	67,931,813	86,799,743
LSV Asset Management	88,071,129	115,536,601
Northern Trust Investments S&P 500 Index	180,209,760	261,658,627
Northern Money Market Fund*	12,914,920	12,914,920
Sands Capital Management	73,166,455	119,296,757
State Street Fixed Income Index Funds	484,553,274	474,261,378
State Street EAFE Index Funds	35,966,507	39,731,292
Systematic Financial Management	85,984,625	88,001,045
TimesSquare Capital Management	71,892,628	93,969,878
UBS Realty Investors	72,812,604	74,294,229
WCM Investment Management	118,940,026	147,390,243
Total Fund Investments	1,720,876,183	2,019,138,079
Pending Trades:		
Receivable for Investments Sold	(10,796,964)	(10,796,964)
Payable for Investments Purchased	17,685,812	17,685,812
Total Net Investments	\$ 1,727,765,031	\$ 2,026,026,928

* This is cash that is not allocated to an investment manager

CUSTODIAL CREDIT RISK - The EFIB minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to EFIB ownership and further to the extent possible, be held in the EFIB's name. At June 30, 2017, all of the Endowment Funds' investments were insured or registered investments, or investments held by the EFIB or their agent in the EFIB's name.

The State Treasurer, per the State Constitution, is the custodian of the investments of the Public School Endowment Fund. Investments for all endowment funds are held under a safekeeping agreement with the Trust Department of the Northern Trust Company.

CONCENTRATION OF CREDIT RISK – The EFIB minimizes exposure to concentration of credit risk by establishing concentration of credit risk limits in investment manager portfolio guidelines. As of June 30, 2017, the Endowment

Funds did not hold any credit positions exceeding 5% of the total portfolio, other than securities issued or guaranteed by the United States government.

INVESTMENT AND CREDIT RISK – The EFIB Investment Policy Statement permits investment in the following types of fixed income securities:

Cash Equivalents: Treasury bills, money market funds, STIF funds, commercial paper, banker's acceptances, repurchase agreements and certificates of deposit.

Fixed Income: US government and agency securities; corporate notes and bonds; mortgage backed bonds; fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other "early tranche" CMO's; asset backed securities; or any other fixed income security eligible for inclusion in the Barclays U.S. TIPS Index or Barclays Capital Aggregate Bond Index.

Restricted investments include interest-only (IO), principal-only (PO), residual tranche CMOs, naked options, and purchase of securities on margin and short-sale transactions.

The EFIB Investment Policy Statement further provides the following guidelines for fixed income and cash equivalent investments:

- Assets are to be invested only in investment grade bonds rated Baa3/BBB- (or equivalent) or better.
- Assets may be invested only in commercial paper rated A1 (or equivalent) or better.
- The fixed income weighted average portfolio maturity may not exceed that of the Barclays Capital Aggregate Bond Index by more than 0.5 years.
- Money market funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's (S&P) and/or Moody's.

As of June 30, 2017, the Endowment Funds held \$50.5 million in a comingled Treasury-only money market fund rated AAAM by S&P with a modified adjusted duration of years. This balance includes \$37.6 million of general cash and \$12.9 million of cash held in accounts allocated to the Funds' bond and equity managers.

As of the fiscal year end, the Endowment Funds' other fixed income investments had the following characteristics:

STATE OF IDAHO ENDOWMENT FUNDS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017



Credit Ratings Summary by Market Value-Moody's

Investment Type	Modified Duration	Moody's						Agy	NR/ Available	Not Total
		Aaa	Aa	A	Baa	Ba *				
Asset Backed Securities	2.2	\$ 794,073	\$ -	\$ -	\$ 17,659	\$ -	\$ -	\$ -	\$ 1,207,387	\$ 2,019,119
Commercial Mortgage-Backed	5.0	4,241,386	-	-	-	-	-	-	-	4,241,386
Corporate Bonds	7.4	2,869,308	10,200,666	38,510,682	49,149,775	2,967,943	-	-	1,112,686	104,811,060
Government Agencies	4.1	15,610,658	1,119,606	546,350	916,204	-	707,885	-	1,176,225	20,076,928
Government Bonds	6.3	143,437,739	248,621	1,952,804	2,113,334	-	247,900	-	-	148,000,398
Government Mortgage Backed Securities	4.5	-	-	-	-	-	110,187,797	-	4,160,102	114,347,899
Gov't-issued Comm. Mtg-Backed	2.4	1,004,043	-	-	-	-	1,807,167	-	-	2,811,210
Index Linked Government Bonds	7.8	71,802,828	-	-	-	-	-	-	-	71,802,828
Municipal/Provincial Bonds	10.1	380,801	2,093,928	1,334,950	67,312	-	-	-	277,065	4,154,056
Total		\$ 240,140,836	\$ 13,662,821	\$ 42,344,786	\$ 52,264,284	\$ 2,967,943	\$ 112,950,749	\$ 7,933,465	\$ 472,264,884	

*The Ba column includes bonds that are split rate and meet the minimum requirement of one of the two ratings agencies specified in the EFIB Statement of Investment Policy.

FOREIGN CURRENCY RISKS – The EFIB’s Investment Policy Statement permits investing approximately 19% of total investments in international equities. No foreign fixed income securities are permitted except currency. The Endowment Funds’ exposure to foreign currency risk is as follows:

Investment and Country	Currency	Fair Value
Equities and Cash		
Australia	AUD	\$ 13,434,707
Brazil	BRL	2,939,941
Canada	CAD	2,291,650
Denmark	DKK	13,660,844
European Monetary Union	EUR	76,415,393
Great Britain	GBP	53,173,203
Hong Kong	HKD	35,608,537
Indonesia	IDR	1,624,731
Israeli	ILS	2,697,378
Japan	JPY	46,590,846
Mexico	MXN	3,759,957
Malaysia	MYR	1,033,993
Norway	NOK	2,424,503
New Zeland	NZD	68,910
Singapore	SGD	1,317,443
South Africa	ZAR	1,942,028
South Korea	KRW	5,762,743
Sweden	SEK	8,252,450
Switzerland	CHF	22,791,644
Thailand	THB	1,358,213
Taiwan	TWD	2
Total Fund Investments		<u>\$ 297,149,116</u>

NOTE 4 – INCOME FROM INVESTMENTS

Per *Idaho Code* Section 57-724A, income distributed to the endowment’s Earnings Reserve would include the Permanent Fund’s total cumulative income (interest, dividends and market appreciation/depreciation) above its Gain Benchmark (original principal, adjusted for deposits and inflation). The Permanent Fund retains any income to the extent of inflation and any cumulative losses carried forward from the previous year.

The Components of income from investments for Fiscal Year 2017 and their allocation are shown below:

Permanent Fund Income

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses *	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ -	\$ 15,578,983	\$ -	\$ 15,578,983
Agricultural College	-	721,762	-	721,762
Charitable	-	2,722,127	-	2,722,127
Normal School	-	2,362,543	-	2,362,543
Penitentiary	-	1,052,458	-	1,052,458
School of Science	-	2,338,206	-	2,338,206
State Hospital South	-	2,198,323	-	2,198,323
University of Idaho	-	2,110,639	-	2,110,639
Capitol Permanent **	2,751,014	-	626,998	3,378,012
Total	\$ 2,751,014	\$ 29,085,041	\$ 626,998	\$ 32,463,053

* For all Permanent funds (except Capitol Permanent), any cumulative total income vs. the Gain Benchmark is allocated to the Earning Reserve Fund as part of Allocation of Permanent Fund Gain in the table below).

**The Capitol Permanent Fund retains its interest and dividends.

Earnings Reserve Fund Income

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Gain
Public School	\$ 24,914,486	\$ 27,139,512	\$ 76,583,219	\$ 128,637,217
Agricultural College	894,094	860,175	2,070,868	3,825,137
Charitable	2,793,737	3,126,285	8,065,664	13,985,686
Normal School	2,825,037	2,785,267	6,919,201	12,529,505
Penitentiary	1,515,204	1,262,471	3,020,983	5,798,658
School of Science	3,164,974	2,833,180	6,794,733	12,792,887
State Hospital South	3,126,591	2,680,874	6,258,951	12,066,416
University of Idaho	2,646,412	2,482,266	6,012,274	11,140,952
Capitol Maintenance **	457,129	109,238	-	566,367
Total	\$ 42,337,664	\$ 43,279,268	\$ 115,725,893	\$ 201,342,825

* All Endowments (except Capitol Permanent), are allocated the Permanent Fund's total cumulative income over the Gain Benchmark.

**The Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or decrease in fair value.

The components of Interest, Dividends and Other Income are shown below:

Income From Investments	
Interest, Other Income and Fees	\$ 18,488,588
Dividends	25,417,678
Total	\$ 43,906,266

NOTE 5 – CLIENT EXPENSES

Two clients, representing three additional perpetual funds, are included in the same comingled investment pool as the land grant endowments and their assets totaled \$82.6 million as of June 30, 2017.

In fiscal year 2017, expenses of the EFIB were paid from the Earnings Reserve Funds and by the EFIB’s other clients. The portions paid by the other clients were paid under investment management contracts and are not considered an expenditure of the Endowment Funds and are therefore not included as expenditures or as reimbursements in these financial statements. Total expenses for fiscal year 2017 paid by the other clients were as follows:

Clients	Total Funds Received	Direct Payments Received	EFIB Comingled Fund Fees	2017 % of Investment Pool
State Insurance Fund	\$ 91,356	\$ 91,356	\$ -	0.0%
Department of Environmental Quality	243,834	-	243,834	3.0%
Fish & Game - Stewardship Endowment	73,297	-	73,297	0.9%
Fish & Game - Trust Endowment	14,284	-	14,284	0.2%
Parks and Rec - Trail of the Coeur d' Alenes	3,000	3,000	-	0.0%
Parks and Rec - Ritter Island	3,000	3,000	-	0.0%
Total	\$ 428,771	\$ 97,356	\$ 331,415	

NOTE 6 – DISTRIBUTIONS

Pursuant to *Idaho Code* Section 66-1106, the Charitable Institutions Endowment Fund income is distributed to five institutions according to the factors shown below. Distributions to these sharing institutions for the year ended June 30, 2017, were as follows:

Charitable Institutions

Beneficiaries	Factor	Distribution	Lands Expenses	EFIB Expenses
Idaho State University Fund	8/30	\$ 1,478,400	\$ 447,924	\$ 148,873
State Juvenile Corrections Institutions Fund	8/30	1,478,400	447,924	148,873
School for the Deaf and Blind Fund	1/30	184,800	55,990	18,609
Veterans Home Fund	5/30	924,000	279,952	93,044
State Hospital North Fund	8/30	1,478,400	447,924	148,873
Total		\$ 5,544,000	\$ 1,679,714	\$ 558,272

Pursuant to *Idaho Code* Section 33-3301B, the Normal School Endowment Fund Income is distributed to the two institutions shown below. Distributions to these sharing institutions at June 30, 2017 were as follows:

Normal School

Beneficiaries	%	Distribution	Lands Expenses	EFIB Expenses
Idaho State University, Pocatello	50%	\$ 2,131,200	\$ 1,009,224	\$ 248,698
Lewis-Clark State College, Lewiston	50%	2,131,200	1,009,224	248,697
Total		\$4,262,400	\$2,018,448	\$497,395

NOTE 7 – CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICT BONDS

On July 1, 2002, the State of Idaho’s Credit Enhancement Program for school district bonds became effective. This program, in accordance with *Idaho Code* Section 57-728 and in conjunction with *Idaho Code* Chapter 53, Title 33, currently requires the Public School Endowment Fund to purchase up to \$300 million in notes of the State of Idaho that are issued to avoid the default of a voter-approved school district bond that has been guaranteed by the program.

The capacity of the School Bond Credit Enhancement Program to guaranty payments on general obligation school bonds is \$300 million and the bond principal that can be guaranteed is \$1.2 billion. The maximum available to any one district for bond principal is \$40 million.

\$539.3 million of bonds guaranteed by the Credit Enhancement Program remained outstanding as of June 30, 2017. Expected principal and interest payments in the coming year total \$52.5 million.

The Public School Endowment Fund would only be required to loan monies to the State to make payments on school bonds after several other potential funding sources have been exhausted. If a school district does not make timely prepayment of debt service on guaranteed bonds, the State Treasurer is required to make the payment, if possible, by intercepting monies due to that school district from the State, including General Fund payments and distributions from the Public School Endowment Fund. If these funds are not sufficient to meet the debt service payment, the State Treasurer is required to utilize any available funds from the state sales tax account. If all these sources prove insufficient to make the payment, the Treasurer may borrow the remaining amount from the Public School Endowment Fund, at a rate of 400 basis points above one-year Treasury Bills. This loan from the Endowment Fund would be repaid by the intercept of future state funds due to the school district and other sources.

Since July 2009, the EFIB has charged an application fee to offset administrative costs and a guaranty fee that is deposited in the Public School Endowment Fund for providing the ongoing credit enhancement. Application fees for fiscal year 2017 totaled \$5,000 and guaranty fees, included in Income from Investments, totaled \$41,365.

NOTE 8 – BUDGETARY COMPARISON

Budgets are adopted on a cash basis for the Endowment Funds. The budget for administrative expenses (personnel, operating and capital outlay) from the Earnings Reserve Funds is approved by the legislature on an annual basis. Expenses for consulting fees, bank custodial fees, and portfolio-related external costs are continually appropriated by the Idaho Legislature on an annual basis. The EFIB is not required by law to adopt or publish an overall budget for operations.

NOTE 9 – MISCELLANEOUS REVENUE

By law, certain miscellaneous State revenue is required to be deposited in the Public School Permanent Fund:

- Unclaimed estates, dividends and stock certificates from Idaho corporations (Idaho Constitution Section 4 Article IX)
- Five percent of federal land sales, net of sale expenses (Section 7 of the Idaho Admission Bill)
- Anonymous political contributions in excess of \$50 (*Idaho Code* Section 67-6610)
- Unqualified election expenses of political parties paid from state income tax funds (*Idaho Code* Section 34-2505)
- Royalties arising from extraction of minerals from navigable waterways (*Idaho Code* Section 58-104)

In fiscal year 2017, the Public School Permanent Fund received \$33,383 representing the net proceeds from the sale of federal land in Idaho. Also, in fiscal 2017, the Public School Permanent Fund received donations of \$1,372 from citizens choosing to give up their rights to certain unclaimed property per *Idaho Code* Section 14-524. These miscellaneous revenues are included in Receipts from the Department of Lands. There were no revenues from anonymous political contributions, unqualified election expenses, escheat estates, mineral royalties or unclaimed dividends and stock certificates.

The Capitol Maintenance Reserve Fund receives a portion of the additional fees charged for the special Idaho Capitol vehicle license plate (*Idaho Code* Section 49-420A). In fiscal 2017, this revenue totaled \$71,900 and is included in Receipts from Department of Lands.

NOTE 10 – PENSION AND OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Endowment Fund Investment Board (EFIB) contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the PERSI Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2017, it was 6.79%. The employer contribution rate is set by the Retirement Board and was of covered compensation. The EFIB's contributions were \$39,643 for FY2017, \$36,683 for FY2016; \$36,698 for FY2015; and \$35,966 for FY2014.

The EFIB portion of the net pension liability was calculated and determined to be immaterial to the financial statements and the EFIB has no legal obligation to fund this shortfall. The EFIB has determined to not include the net pension liability and associated deferred inflow and outflow of resources on its financial statements. The EFIB's proportionate share of the net pension liability can be found on the PERSI website.

NOTE 11 – LAND BANK

The Land Bank Fund was established under *Idaho Code* Section 58-133 to allow the State Board of Land Commissioners to hold proceeds from the sale of state endowment land pending the purchase of other Idaho land for the benefit of the beneficiaries of that endowment. These proceeds may be held for a period not to exceed five years from the effective date of the sale. Funds in the Land Bank are invested in the State Treasurer’s Idle Pool and any investment earnings are added to the original proceeds. Land Bank Fund assets are not included in the balances of the Endowment Funds since they are being held primarily for purchase of land that will be managed by IDL. The authority to acquire land using Land Bank assets rests with the State Board of Land Commissioners.

As of June 30, 2017, the Land Bank Fund balance, by endowment, was as follows:

FY Quarter Received	Public School	Normal School	State Hospital South	Total	FY Quarter Expires
2016-02	\$ 16,628,959	\$ 100,129	\$ 4,741,500	\$ 21,470,588	2021-02
2016-03	1,355,100	946,000	1,190,000	3,491,100	2021-03
2016-04	29,248	-	-	29,248	2021-04
2017-01	16,590,224	-	-	16,590,224	2022-01
2017-02	3,721,604	2,858,000	9,747,500	16,327,104	2022-02
2017-03	5,766,250	10,431,970	1,593,780	17,792,000	2022-03
2017-04	-	25,100	-	25,100	2022-04
Total Principal Remaining	44,091,385	14,361,199	17,272,780	75,725,364	
Interest	368,362	63,626	122,435	554,424	
Land Bank Cash Balance with Interest	\$ 44,459,747	\$ 14,424,825	\$ 17,395,215	\$76,279,788	

All of these balances relate to land sales made in fiscal years 2016 and 2017. If by the end of the fifth year, the proceeds from a land sale have not been spent or encumbered to purchase other land within the State, the proceeds are deposited in the Permanent Fund along with accumulated investment earnings.

NOTE 12— INVESTMENTS MEASURED AT FAIR VALUE

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement. There were no Level 3 assets to report.

	Fair Value Measurements Using			
	6/30/2017 (value before accruals)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Cash and Cash Equivalents	\$ 50,656,227	\$ 50,656,227	\$ -	\$ -
Debt Securities				
Asset-Backed Securities	2,019,119	-	2,019,119	-
Commercial Mortgage-Backed Securities	4,241,386	-	4,241,386	-
Corporate Bonds	104,811,060	-	104,811,060	-
Government Agencies	20,076,928	-	20,076,928	-
Government Bonds	148,000,398	-	148,000,398	-
Government Agency Mortgage-Backed Securities	114,347,899	-	114,347,899	-
Govt-Issued Commercial Mortgage-Backed	2,811,210	-	2,811,210	-
Index-Linked Government Bonds	71,802,828	-	71,802,828	-
Municipal/Provincial Bonds	4,154,056	-	4,154,056	-
Total Debt Securities	472,264,884	-	472,264,884	-
Equity Securities				
Consumer Discretionary	159,459,235	159,459,235	-	-
Consumer Staples	98,423,334	98,423,334	-	-
Energy	68,489,192	68,489,192	-	-
Financials	229,482,532	229,482,532	-	-
Health Care	184,644,577	184,644,577	-	-
Industrials	161,065,064	161,065,064	-	-
Information Technology	284,660,422	284,660,422	-	-
Materials	75,438,831	75,438,831	-	-
Other	34,089,421	34,089,421	-	-
Telecommunication Services	22,057,012	22,057,012	-	-
Utilities	28,219,532	28,219,532	-	-
Equity ETFs	2,320,953	2,320,953	-	-
Total Equity Securities	1,348,350,105	1,348,350,105	-	-
Derivatives				
Futures Contracts	(106,120)	(106,120)		
Preferred Stock Securities				
Consumer Staples	126,141	126,141	-	-
Consumer Discretionary	1,789,177	1,789,177	-	-
Information Technology	1,616,821	1,616,821	-	-
Materials	9,352	9,352	-	-
Other	11,282	11,282	-	-
Total Preferred Stock Securities	3,552,773	3,552,773	-	-
Total Investments by Fair Value Level	\$ 1,874,717,869	\$ 1,402,452,985	\$ 472,264,884	\$ -
Investments Measured at the Net Asset Value (NAV)				
Real Estate Investment Trust (private)	\$ 151,309,059			
Total Investments Measured at Fair Value	<u>\$ 2,026,026,928</u>			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is described below.

NET ASSET VALUE (NAV)

Real estate investment fund - This type includes two real estate funds; UBS TPI and DB RAR II invest primarily in U.S. commercial real estate. Net Asset Value (NAV) is determined in accordance with accounting principles generally accepted in the United States, NCREIF Real Estate Information Standards, and market-based accounting rules where appropriate and applicable. Net Asset Value (NAV) is based on the fund's gross asset value less the value of any debt or other outstanding liabilities, whether held directly or indirectly through another entity or entities, anticipated distributions and similar items, as determined by the Advisor at its discretion.

Investments Measured at the NAV:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 74,294,229	-	Quarterly	60 Days
DB RAR II	77,014,830	-	Quarterly	45 days
Total Investments measured at the NAV	\$ 151,309,059			

NOTE 13 - COMMITMENTS

For endowments other than the Capitol Funds, the Board of Land Commissioners has approved, and the legislature has appropriated, the following distributions to beneficiaries for FY 2018.

	FY 2018
Public School	\$ 47,049,600
Agricultural College	1,347,600
Charitable Institutions	5,544,000
Normal School	4,262,400
Penitentiary	1,965,600
School of Science	4,708,800
State Hospital South	4,562,400
University of Idaho	4,042,800
Total	\$73,483,200

The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund, effective July 1 of each fiscal year. For fiscal year 2018, the EFIB authorized a regular distribution of \$1,392,000, based on approximately 5% of the Capitol Permanent Fund balance.

NOTE 14— SUBSEQUENT EVENTS

For endowments other than the Capitol Funds, on August 15, 2017, the Board of Land Commissioners approved the following distributions to beneficiaries for FY2019. The fiscal year 2019 approved distributions have not yet been appropriated by the legislature and will be considered by the legislature in its 2018 session.

	<u>FY 2019</u>
Public School	\$ 50,325,600
Agricultural College	1,447,200
Charitable Institutions	5,754,000
Normal School	4,410,000
Penitentiary	2,193,600
School of Science	4,826,400
State Hospital South	5,024,400
University of Idaho	4,225,200
Total	<u>\$78,206,400</u>

On August 15, 2017, the Board of Land Commissioners also approved a \$129,468,000 transfer from Earnings Reserves of all endowment to their Permanent Fund, effective September 1, 2017.

	<u>FY 2019</u>
Public School	\$ 92,083,000
Agricultural College	1,531,000
Charitable Institutions	9,250,000
Normal School	6,337,000
Penitentiary	3,909,000
School of Science	6,943,000
State Hospital South	4,607,000
University of Idaho	4,808,000
Total	<u>\$129,468,000</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Endowment Fund Investment Board
State of Idaho Endowment Funds
Boise, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Idaho Endowment Funds administered by the Endowment Fund Investment Board (the EFIB), a component unit of the State of Idaho, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Idaho Endowment Funds' basic financial statements, and have issued our report thereon dated August 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Idaho Endowment Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Idaho Endowment Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Idaho Endowment Funds' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Idaho Endowment Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Idaho Endowment Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Boise, Idaho
August 18, 2017



IDAHO ENDOWMENT FUND
INVESTMENT BOARD



SUPPLEMENTAL SCHEDULES

STATE OF IDAHO ENDOWMENT FUNDS
SUPPLEMENTAL SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
 FOR THE YEAR ENDED JUNE 30, 2017



	Public School	Agricultural College	Charitable Institutions	Normal School
PERMANENT NET POSITION				
Permanent Net Position, beginning of year	\$ 847,412,996	\$ 27,147,006	\$ 104,851,786	\$ 90,158,144
Program Revenues:				
Receipts from Dept. of Lands	1,175,108	2,400	25,032	77,172
Income from Investments	15,578,983	721,762	2,722,127	2,362,543
Total Program Revenue	16,754,091	724,162	2,747,159	2,439,715
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	47,395,000	-	-	-
Increase in Net Position	64,149,091	724,162	2,747,159	2,439,715
Permanent Net Position, end of year	911,562,087	27,871,168	107,598,945	92,597,859
EARNINGS RESERVE NET POSITION				
Earnings Reserve Net Position, beginning of year	282,645,411	9,231,420	25,594,592	25,583,661
Program Revenues:				
Receipts from Dept. of Lands	41,357,872	418,303	6,221,281	5,873,780
Income from Investments	128,637,217	3,825,137	13,985,686	12,529,505
Total Program Revenues	169,995,089	4,243,440	20,206,967	18,403,285
Program Expenses:				
Distribution for Expenses-Lands	19,985,355	316,791	1,679,714	2,018,448
Distribution for Expenses-EFIB	4,823,826	153,301	558,272	497,395
Distributions to Beneficiaries	36,724,800	1,347,600	5,544,000	4,262,400
Total Program Expenses	61,533,981	1,817,692	7,781,986	6,778,243
Net Program Revenue	108,461,108	2,425,748	12,424,981	11,625,042
Transfer to Permanent Fund	(47,395,000)	-	-	-
Transfer from Permanent Fund	-	-	-	-
Increase in Net Position	61,066,108	2,425,748	12,424,981	11,625,042
Earnings Reserve Net Position, end of year	343,711,519	11,657,168	38,019,573	37,208,703
TOTAL NET POSITION	\$ 1,255,273,606	\$ 39,528,336	\$ 145,618,518	\$ 129,806,562

Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 39,600,483	\$ 88,746,026	\$ 82,209,410	\$ 78,962,016	\$ 26,888,592	\$ 1,385,976,459
727	42,642	10,567	7,372	604,936	1,945,956
1,052,458	2,338,206	2,198,323	2,110,639	3,378,012	32,463,053
1,053,185	2,380,848	2,208,890	2,118,011	3,982,948	34,409,009
-	-	-	-	(1,375,701)	(1,375,701)
-	-	-	-	-	47,395,000
1,053,185	2,380,848	2,208,890	2,118,011	2,607,247	80,428,308
40,653,668	91,126,874	84,418,300	81,080,027	29,495,839	1,466,404,767
12,199,038	30,671,267	28,679,099	26,110,626	3,684,419	444,399,533
4,192,830	4,032,383	5,728,898	2,770,241	71,900	70,667,488
5,798,658	12,792,887	12,066,416	11,140,952	566,367	201,342,825
9,991,488	16,825,270	17,795,314	13,911,193	638,267	272,010,313
733,123	1,553,174	1,652,289	1,148,914	149,885	29,237,693
225,100	505,594	478,069	443,510	147,249	7,832,316
1,965,600	4,708,800	4,562,400	4,042,800	500,000	63,658,400
2,923,823	6,767,568	6,692,758	5,635,224	797,134	100,728,409
7,067,665	10,057,702	11,102,556	8,275,969	(158,867)	171,281,904
-	-	-	-	-	(47,395,000)
-	-	-	-	1,375,701	1,375,701
7,067,665	10,057,702	11,102,556	8,275,969	1,216,834	125,262,605
19,266,703	40,728,969	39,781,655	34,386,595	4,901,253	569,662,138
\$ 59,920,371	\$ 131,855,843	\$ 124,199,955	\$ 115,466,622	\$ 34,397,092	\$ 2,036,066,905

STATE OF IDAHO ENDOWMENT FUNDS
 SCHEDULE OF EFIB EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2017



	Expenditures
PERSONNEL	
Regular Employee Salaries	\$ 350,440
Board/Commission Member Salaries	2,079
Total Benefits	<u>100,131</u>
Subtotal Personnel Expenditures	<u>452,650</u>
OPERATING	
Audit	44,750
Other Operating Expenses	<u>120,001</u>
Subtotal Operating Expenditures	164,751
CAPITAL OUTLAY	
Subtotal Capital Expenditures	<u>1,285</u>
Total Appropriated Expenses	618,686
Less Payments Made by Other Clients	<u>(133,904)</u>
Subtotal	484,782
CONTINUOUS APPROPRIATION —Consultant, Outside Counsel, Custodial and Manager Fees*	
Callan Associates	216,506
Cox, Castle, Nicholson	1,764
Aberdeen Global Equity	509,885
Allianz NFJ	714,005
Barrow, Hanley, Mewhinney & Strauss	304,001
Boston Partners	454,024
Clearwater Advisors	83,137
Eagle Asset Management	346,008
INTECH Investment Management	215,639
Lazard Asset Management	660,662
LSV Asset Management	503,751
Northern Trust	532,821
Sands Capital Management	633,491
State Street Global Advisors	195,380
Systematic Financial Management	417,270
TimesSquare Capital Management	687,958
UBS Realty Investors	319,253
WCM Investment Management	<u>797,211</u>
Total Consultant, Custodial, and Manager Fees	7,592,766
Less Payments Made by Other Clients in Endowment Pool	<u>(294,867)</u>
Total Consultant, Custodial, and Manager Fees without Other Clients	<u>7,297,899</u>
Total Endowment Cash Expenditures	7,782,681
Change in Manager Fee Accrual	<u>49,635</u>
TOTAL ACCRUAL BASIS EXPENSE - Endowment Funds	<u>\$ 7,832,316</u>

*Fees of \$ \$697,566, \$34,972 and \$33,120, were paid to Deutsche Bank, Capital International and Grantham Mayo respectively, on an indirect basis as deductions from Net Asset Value of their mutual funds and are not reported as EFIB expenditures.

STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF THE GAIN BENCHMARK
 JUNE 30, 2017



The table below summarizes the status of each endowment's Permanent Fund compared to its Gain Benchmark. See Note 4, *Income from Investments*, for more information on the methodology used to calculate the Gain Benchmark and the statutory provisions that govern its use.

<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2016	555,954,750	59,693,713	-	231,764,533	847,412,996
	2017	847,412,996	1,175,108	47,395,000	15,578,983	911,562,087
<i>Actual Permanent Fund Balance Under Benchmark at June 30, 2017</i>						-
Agricultural College	2001-2016	14,787,041	56,078	6,428,000	6,094,554	27,365,673
	2017	27,365,673	2,400	-	503,095	27,871,168
<i>Actual Permanent Fund Balance Under Benchmark at June 30, 2017</i>						-
Charitable Institutions	2001-2016	54,513,960	236,700	28,526,000	22,355,297	105,631,957
	2017	105,631,957	25,032	-	1,941,956	107,598,945
<i>Actual Permanent Fund Balance Under Benchmark at June 30, 2017</i>						-
Normal School	2001-2016	47,258,942	11,773,198	12,238,000	19,580,337	90,850,477
	2017	90,850,477	77,172	-	1,670,210	92,597,859
<i>Actual Permanent Fund Balance Under Benchmark at June 30, 2017</i>						-
Penitentiary	2001-2016	18,258,289	23,991	13,886,000	7,750,782	39,919,062
	2017	39,919,062	727	-	733,879	40,653,668
<i>Actual Permanent Fund Balance Under Benchmark at June 30, 2017</i>						-
School of Science	2001-2016	54,836,451	248,533	11,914,000	22,440,969	89,439,953
	2017	89,439,953	42,642	-	1,644,279	91,126,874
<i>Actual Permanent Fund Balance Under Benchmark at June 30, 2017</i>						-
State Hospital South	2001-2016	23,442,162	16,190,197	32,559,000	10,692,621	82,883,980
	2017	82,883,980	10,567	-	1,523,753	84,418,300
<i>Actual Permanent Fund Balance Under Benchmark at June 30, 2017</i>						-
University	2001-2016	42,442,536	261,106	19,401,000	17,504,466	79,609,108
	2017	79,609,108	7,372	-	1,463,547	81,080,027
<i>Actual Permanent Fund Balance Under Benchmark at June 30, 2017</i>						-

STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF WEIGHTED INVESTMENT RETURNS BY ASSET MANAGER
GROSS OF FEES
PERIOD ENDING JUNE 30, 2017



Gross of Fees	FY 2017	3-Yr. Annualized	5-Yr. Annualized	7-Yr. Annualized	10-Yr. Annualized
Total Plan	12.9	5.1	9.5	10.3	6.3
<i>Benchmark</i>	<i>12.8</i>	<i>5.5</i>	<i>9.3</i>	<i>10.0</i>	<i>5.4</i>
<i>Total fund benchmark: 42.3% Russell 3000, 8.5% MSCI ACWI, 15.2% MSCI ACWI ex-US, 26% BBC U.S. Aggregate, 8% ODCE.</i>					
Total Fixed Income	(0.4)	2.2	1.9	3.1	4.5
State Street Global Advisors	(0.4)	2.2	1.9	3.1	
<i>Fixed Income Benchmark</i>	<i>(0.4)</i>	<i>2.2</i>	<i>1.9</i>	<i>3.1</i>	<i>4.4</i>
<i>BBC U.S. Aggregate Index</i>	<i>(0.3)</i>	<i>2.5</i>	<i>2.2</i>	<i>3.2</i>	<i>4.5</i>
<i>BBC U.S. TIPS Index</i>	<i>(0.6)</i>	<i>0.6</i>	<i>0.3</i>	<i>2.9</i>	<i>4.3</i>
<i>Total fixed income benchmark: 85% BBC U.S. Aggregate & 15% BBC U.S. TIPS</i>					
Total Equity	19.0	6.1	12.5	12.9	6.4
<i>MSCI All Country World Index</i>	<i>18.8</i>	<i>4.8</i>	<i>10.5</i>	<i>10.5</i>	<i>3.7</i>
Total Domestic Equity	20.2	8.3	14.8	15.7	8.3
<i>Russell 3000 Index</i>	<i>18.5</i>	<i>9.1</i>	<i>14.6</i>	<i>15.3</i>	<i>7.3</i>
Large Cap Core	17.8	9.6	14.6	15.4	7.3
Northern Trust S&P 500 Index	17.8	9.6			
<i>S&P 500 Index</i>	<i>17.9</i>	<i>9.6</i>	<i>14.6</i>	<i>15.4</i>	<i>7.2</i>
Large Cap Growth	22.0	9.3	14.7	17.1	10.1
Sands Capital Mgt.	26.3	8.3	14.9	18.3	11.7
<i>Russell 1000 Growth Index</i>	<i>20.4</i>	<i>11.1</i>	<i>15.3</i>	<i>16.5</i>	<i>8.9</i>
Large Cap Value	20.6	7.8	15.4	15.5	7.3
LSV Asset Management	20.5	8.0	16.2	15.5	6.3
Boston Partners	20.8	7.6	14.6		
<i>Russell 1000 Value Index</i>	<i>15.5</i>	<i>7.4</i>	<i>13.9</i>	<i>14.3</i>	<i>5.6</i>
Mid Cap	17.8	6.2	13.6	14.1	7.1
Systematic Financial	18.6	4.5	12.5	13.2	7.2
TimesSquare	17.1	7.8	14.7	15.0	
<i>Russell Mid Cap Index</i>	<i>16.5</i>	<i>7.7</i>	<i>14.7</i>	<i>15.3</i>	<i>7.7</i>
Small Cap	25.1	8.7	15.9	16.1	10.3
Eagle Asset Management	23.6	9.5	15.0	15.7	
Barrow, Hanley	26.4	8.0	16.7	16.2	10.1
<i>Russell 2000 Index</i>	<i>24.6</i>	<i>7.4</i>	<i>13.7</i>	<i>14.4</i>	<i>6.9</i>
Global Equity	14.1	2.2	8.0	8.7	
Aberdeen	15.0	0.9	6.9	8.8	
Lazard	13.1	3.5	9.0	8.7	
<i>MSCI All Country World Index</i>	<i>18.8</i>	<i>4.8</i>	<i>10.5</i>	<i>10.5</i>	<i>3.7</i>
International Equity	18.2	1.7	7.9	6.5	2.3
WCM	18.1	8.0			
Allianz Global	16.9	(4.4)			
<i>MSCI ACWI ex-US Index</i>	<i>20.5</i>	<i>0.8</i>	<i>7.2</i>	<i>6.7</i>	<i>1.1</i>
Real Estate (net of fees)	5.3				
Deutsche Bank *	6.5				
UBS Realty Investors**	-				
<i>NCREIF ODCE</i>	<i>8.3</i>				

*Annual performance net of 0.95% mgr. fee.

** Performance history less than one year.

The actual returns of terminated managers are included in the Total Plan and the appropriate category sub-total.

Manager Changes in FY2017: Intech, GMO, and Capital International were terminated during FY2017. UBS Realty Investors was funded in October 2016.

STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF WEIGHTED INVESTMENT RETURNS BY ASSET MANAGER
NET OF FEES
PERIOD ENDING JUNE 30, 2017



Net of Fees	FY 2017	3-Yr. Annualized	5-Yr. Annualized	7-Yr. Annualized	10-Yr. Annualized
Total Plan	12.5	4.7	9.2	9.9	5.9
<i>Benchmark</i>	<i>12.8</i>	<i>5.5</i>	<i>9.3</i>	<i>10.0</i>	<i>5.4</i>
<i>Total fund benchmark: 42.3% Russell 3000, 8.5% MSCI ACWI, 15.2% MSCI ACWI ex-US, 26% BBC U.S. Aggregate, 8% ODCE.</i>					
Total Fixed Income	(0.5)	2.2	1.9	3.1	4.5
State Street Global Advisors	(0.5)	2.2	1.9	3.1	
<i>Fixed Income Benchmark</i>	<i>(0.4)</i>	<i>2.2</i>	<i>1.9</i>	<i>3.1</i>	<i>4.4</i>
<i>BBC U.S. Aggregate Index</i>	<i>(0.3)</i>	<i>2.5</i>	<i>2.2</i>	<i>3.2</i>	<i>4.5</i>
<i>BBC U.S. TIPS Index</i>	<i>(0.6)</i>	<i>0.6</i>	<i>0.3</i>	<i>2.9</i>	<i>4.3</i>
<i>Total fixed income benchmark: 85% BBC U.S. Aggregate & 15% BBC U.S. TIPS</i>					
Total Equity	18.4	5.6	11.9	12.3	5.9
<i>MSCI All Country World Index</i>	<i>18.8</i>	<i>4.8</i>	<i>10.5</i>	<i>10.5</i>	<i>3.7</i>
Total Domestic Equity	19.8	7.9	14.3	15.2	7.8
<i>Russell 3000 Index</i>	<i>18.5</i>	<i>9.1</i>	<i>14.6</i>	<i>15.3</i>	<i>7.3</i>
Large Cap Core	17.8	9.6	14.6	15.4	7.3
Northern Trust S&P 500 Index	17.8	9.6			
<i>S&P 500 Index</i>	<i>17.9</i>	<i>9.6</i>	<i>14.6</i>	<i>15.4</i>	<i>7.2</i>
Large Cap Growth	21.4	8.7	14.2	16.4	9.5
Sands Capital Mgt.	25.6	7.6	14.2	17.5	11.0
<i>Russell 1000 Growth Index</i>	<i>20.4</i>	<i>11.1</i>	<i>15.3</i>	<i>16.5</i>	<i>8.9</i>
Large Cap Value	20.2	7.3	14.9	15.0	6.8
LSV	19.9	7.5	15.7	15.0	5.8
Boston Partners	20.3	7.2	14.1		
<i>Russell 1000 Value Index</i>	<i>15.5</i>	<i>7.4</i>	<i>13.9</i>	<i>14.3</i>	<i>5.6</i>
Mid Cap	17.1	5.5	12.9	13.4	6.5
Systematic Financial	18.0	4.0	11.9	12.6	6.7
TimesSquare	16.2	7.0	13.8	14.1	
<i>Russell Mid Cap Index</i>	<i>16.5</i>	<i>7.7</i>	<i>14.7</i>	<i>15.3</i>	<i>7.7</i>
Small Cap	24.3	8.1	15.2	15.4	9.6
Eagle	22.8	8.7	14.2	14.9	
Barrow, Hanley	25.7	7.3	16.0	15.5	9.4
<i>Russell 2000 Index</i>	<i>24.6</i>	<i>7.4</i>	<i>13.7</i>	<i>14.4</i>	<i>6.9</i>
Global Equity	13.3	1.5	7.2	8.0	
Aberdeen	14.3	0.3	6.2	8.1	
Lazard	12.3	2.7	8.2	7.9	
<i>MSCI All Country World Index</i>	<i>18.8</i>	<i>4.8</i>	<i>10.5</i>	<i>10.5</i>	<i>3.7</i>
International Equity	17.5	1.1	7.2	5.9	1.7
WCM	17.2	7.2			
Allianz NFJ	16.1	(5.1)			
<i>MSCI ACWI ex-US Index</i>	<i>20.5</i>	<i>0.8</i>	<i>7.2</i>	<i>6.7</i>	<i>1.1</i>
Real Estate	5.3				
Deutsche Bank *	6.5				
UBS Realty Investors**	-				
<i>NCREIF ODCE</i>	<i>8.3</i>				

*Performance history less than one year.

The actual returns of terminated managers are included in the Total Plan and the appropriate category sub-total.

Manager Changes in FY2017: Intech, GMO, and Capital International were terminated during FY2017. UBS Realty Investors was funded in October 2016.