

Montana Board of Investments

Presentation to the State Administration and Veterans'
Affairs Interim Committee

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David Ewer, Executive Director
Joe Cullen, Chief Investment Officer

Montana Board of Investments

- Nine-member Board appointed by the Governor with professional investment staff.
- Invests all state monies under Constitution's Unified Investment Program.
 - Pension assets, over \$10 billion
- Operates under prudent expert principle in a fiduciary capacity.

Key Points Regarding Pension Investments

- Pension investing requires a long-term outlook.
- It involves taking substantial risk to generate strong returns.
- Over the long-term, investors have been paid for taking risk if done prudently. Asset Allocation remains critical to the pension plans' long-term success.
- Greater than 70% of the pension assets are invested in some form of equity, compared to debt or cash investments.
- Paying pension benefits requires maintaining adequate liquidity.
- Diversification improves the stability of overall investment returns.
- Over time, nearly every asset type has either been at the top or bottom of the year's performance relative to other asset classes.

Periodic Table of Annual Returns

FY7	FY8	FY9	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Intl Equity 31.5%	Prvt Equity 9.6%	Fixed Inc 2.5%	Prvt Equity 18.2%	US Equity 31.9%	Real Estate 11.5%	US Equity 22%	US Equity 25.2%	Real Estate 13.1%	Real Estate 12.1%
Prvt Equity 23.4%	Fixed Inc 5.8%	Cash 1.7%	US Equity 15.9%	Intl Equity 30.6%	Prvt Equity 11.1%	Intl Equity 14.4%	Intl Equity 21.7%	Prvt Equity 8.4%	Fixed Inc 6%
US Equity 19.5%	Real Estate 4.6%	PERS -20.7%	Fixed Inc 14.4%	PERS 21.8%	Fixed Inc 8.1%	PERS 13%	PERS 17.2%	US Equity 7.3%	Prvt Equity 5.8%
PERS 18%	Cash 4.3%	Prvt Equity -24.3%	PERS 12.9%	Prvt Equity 21.5%	US Equity 3%	Prvt Equity 12.6%	Prvt Equity 16.5%	PERS 4.6%	PERS 2.1%
Fixed Inc 6.9%	PERS -4.9%	US Equity -27.3%	Intl Equity 9.9%	Real Estate 16.5%	PERS 2.4%	Real Estate 8.5%	Real Estate 11.7%	Fixed Inc 2.3%	US Equity 1.7%
Cash 5.6%	Intl Equity -9.3%	Real Estate -28%	Cash 0.3%	Fixed Inc 6.8%	Cash 0.3%	Fixed Inc 1.6%	Fixed Inc 5.2%	Cash 0.1%	Cash 0.4%
Real Estate 4.9%	US Equity -13%	Intl Equity -35.3%	Real Estate -17.3%	Cash 0.3%	Intl Equity -15.5%	Cash 0.2%	Cash 0.1%	Intl Equity -4.2%	Intl Equity -8.9%

Periodic Table of Annualized Returns

Trailing As of September 30, 2016

	1 YR	3 YR	5 YR	7 YR	10 YR
Beginning	9/30/2015	9/30/2013	9/30/2011	9/30/2009	9/30/2006
Ending	9/30/2016	9/30/2016	9/30/2016	9/30/2016	9/30/2016
US Equity	13.9%	Real Estate	US Equity	Prvt Equity	Prvt Equity
		12.1%	16.1%	13.1%	9.1%
Real Estate	10.3%	US Equity	Real Estate	US Equity	US Equity
		10.3%	11.1%	13%	7%
Intl Equity	10%	Prvt Equity	Prvt Equity	PERS	PERS
		10.2%	10.5%	9.2%	5.8%
PERS	9.5%	PERS	PERS	Real Estate	Fixed Inc
		7.3%	10.2%	8.5%	5.6%
Fixed Inc	5.8%	Fixed Inc	Intl Equity	Fixed Inc	Real Estate
		4.5%	6.7%	5.5%	2.8%
Prvt Equity	4.1%	Intl Equity	Fixed Inc	Intl Equity	Intl Equity
		1.0%	4.3%	4%	1.6%
Cash	0.5%	Cash	Cash	Cash	Cash
		0.3%	0.3%	0.3%	1.2%

Current Asset Allocation

Pension Fund Asset Allocations & Board Approved Ranges As of 9/30/16			
Asset Class	Current	Range Low	Range High
Domestic Equities	38	28	44
International Equities	16	14	22
Private Equity	11	9	15
Real Estate	9	6	10
Fixed Income	23	22	30
Cash	3	1	5
Total			
¹ Existing Policy allows total equity range of 58% - 72% and Timber may not exceed 2% of total pension assets.			