



**STATE OF WYOMING
STATE LOAN AND INVESTMENT BOARD**

MASTER INVESTMENT POLICY and SUB-POLICIES

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SECTION 1. INTRODUCTION

The purpose of this document is to establish the Master Investment Policy and Sub Investment Policies for the State of Wyoming State Loan and Investment Board (the "Board"). The Board is comprised of five elected officials: Wyoming's Governor as chairman of the Board, Secretary of State, State Auditor, State Treasurer and State Superintendent of Public Instruction.

The Board is responsible for the fiduciary oversight of these invested public funds. The Board has chosen these policies as the most appropriate policies to achieve the investment objectives described below. Wyoming Statute (W.S.) 9-4-716 states that the Board shall adopt investment policy statements for Wyoming State funds and shall review these policy statements at least annually.

SECTION 2. INVESTMENT OBJECTIVES AND ACHIEVING RETURN OBJECTIVES

2.1 Investment Policy. It is the investment policy for the Board to invest public funds of the State of Wyoming (the "State") in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity.

2.2 Investment Objectives and Priorities. The current State portfolio consists of the following Permanent and Non-Permanent Funds:

a) Permanent Funds

- i. Permanent Mineral Trust Fund;
- ii. Common School Permanent Land Fund;
- iii. Permanent Land Fund;
- iv. University Permanent Land Fund;
- v. Hathaway Scholarship Fund;
- vi. Higher Education Endowment Fund; and
- vii. Workers' Compensation Fund.

b) Non-Permanent Funds

- i. Tobacco Settlement Trust Fund;
- ii. State Agency Pool; and
- iii. Wyoming State Treasurer's Asset Reserve (WYO-STAR).

These objectives and priorities apply to the State funds as a whole. Specific objectives and priorities are further delineated in the sub-policies below. Specific objectives and priorities for individual asset managers are delineated by mandate.

All available State funds shall be invested with the following objectives and priorities:

- a) Safety of principal. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio;
- b) Liquidity requirements of anticipated and unanticipated expenditures;
- c) Yield;
- d) Recognition of differing objectives and needs of various fund portfolios;
- e) Conformance with State law and other pertinent legal restrictions;
- f) Maximization of the total rate of return on investment consistent with the foregoing objectives; and
- g) Diversification by asset type, security and investment manager in order to smooth the volatility of quarterly returns.

SECTION 3. STANDARDS OF CARE

3.1 Prudence. All participants in the investment process shall act responsibly as custodians of the public trust. The standard of prudence to be applied by the officers of the State Treasurer's Office and external service providers shall be as required under W.S. 9-4-715(d). The Board, the State Treasurer, all designees of the State Treasurer and any other fiduciary appointed by the State Treasurer shall exercise the judgment and care of a prudent investor as required under the prudent investor rule set forth in the Uniform Prudent Advisor Act, W.S. 4-10-901 to 4-10-913 (the "Prudent Investor Rule"). This Act states that "[a] trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust." W.S. 4-10-901. Investments or groups of investments shall not be evaluated in isolation but in the context of the entire investment portfolio and as part of an overall investment strategy of the trust or fund from which the investment is derived, consistent with the policies for such trust or fund established under W.S. 9-4-716 by the Board.

The purchase of a security or the making of any direct investment by the State Treasurer or the State Treasurer's designee in a security shall not constitute a delegation of the State Treasurer's duties. The State Treasurer may delegate investment and management functions that a prudent investor of comparable skills could properly delegate under the circumstances. The State Treasurer shall exercise reasonable care, skill and caution in:

- a) Selecting an agent;
- b) Establishing the scope and terms of the delegation, consistent with the purposes and terms of the trust; and
- c) Periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

3.2 Ethics and Professionalism.

- a) **General.** Members of the Board, its staff, the State Treasurer's Office and the Consultant (as hereinafter defined) responsible for investment decisions or who influence investment decisions ("Individuals") shall be held to the highest standards of professional and ethical conduct and should be committed to a culture of honesty, integrity and accountability. Individuals shall not engage in any professional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on their honesty, trustworthiness or professional competence. Individuals shall be governed by applicable State statutes, including without limitation W.S. 6-5-118, W.S. 9-13-101 et seq. and W.S. 16-6-118.
- b) **Compliance with Laws, Rules, Regulations and Policies.** Individuals must comply with both the letter and spirit of all applicable laws, rules and regulations and the terms and provisions of this policy.
- c) **Conflicts of Interest.** Individuals have a duty to avoid financial, business or other relationships which might cause a conflict with the performance of their duties or could reasonably be expected to interfere with their duties or their ability to make unbiased and objective recommendations and decisions. Individuals should conduct themselves in a manner that avoids even the appearance of conflict between their personal interests and their duties as a public official or employee of the State. Conflicts of interest may arise in many ways. Examples include, but are not limited to:
 - i. Acceptance of gifts, payments or services from those seeking to do business with the State as described in more detail in Section 3.3 below;
 - ii. Placement of business with an entity owned or controlled by an Individual or an Individual's family;
 - iii. Ownership of, or personal interest in, a company which is a vendor of the State;

- iv. Ownership of, or personal interest in, any security purchased directly by the State through the State Treasurer's Office or at the direction of the Board; and
 - v. Compensation to an Individual by a vendor or potential vendor of the State.
- d) Confidentiality.** Individuals shall not disclose to any other person official information which Individuals obtain through or in connection with their duties, unless the information is available to the general public or unless the disclosure is authorized by law.
- e) Proper Use of Assets.** Individuals shall endeavor to protect the State's assets and ensure their efficient use. State assets, such as funds and equipment, may only be used for legitimate State purposes.
- f) Fair Dealing.** Individuals should endeavor to deal fairly with the State's investment managers and vendors. Individuals should not take unfair advantage of anyone through illegal conduct, manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

3.3 Gifts, Benefits or Favors. The work of the Board and its staff should always be free from even the inference or perception that favorable treatment was sought, received or given on the basis of the furnishing or receipt of gifts, benefits, entertainment, favors, hospitality or other gratuities. In furtherance of this goal, the following guidelines should be observed:

- a) Individuals may not accept a gift from a vendor unless the gift has a known or apparent value of \$250 or less;
- b) Printed informational, educational, advertising or promotional material shall not be considered a gift;
- c) In no event shall gifts of cash ever be accepted in any amount;
- d) Individuals may accept meals and attend receptions in connection with business discussions at which the host is present;
- e) Individuals may accept invitations to attend activities, events and entertainment in connection with business discussions at which the host is present with a known or apparent value of \$250 or less;
- f) Individuals may not accept multiple gifts and/or invitations for activities, events or entertainment from one vendor in a consecutive 12 month period if the total known or apparent value of all such gifts, activities, events and entertainment is more than \$250;
- g) Individuals may accept travel, registration and lodging paid by someone other than the State for meetings or educational seminars which are necessary or relevant to the operations of the State's investment program; and
- h) Loans from vendors may not be accepted in amounts in excess of \$250 except for loans by recognized banks and financial institutions which are generally available at market rates and terms.

Vendor is defined as an existing or prospective provider of investment related services to the Board and/or the State Treasurer's Office including, but not limited to, brokers, investment managers, custodian bank representatives and consultants.

It is important that Individuals who make or influence investment decisions act objectively without interference from any conflict of interest. Therefore, should an Individual violate any guidelines described above in Sections 3.2 or 3.3, or otherwise have a conflict of interest, then that Individual shall be forced to abstain from any discussions, recommendations and votes involving that vendor at Board meetings or investment working meetings.

3.4 Disclosure. All Individuals must reaffirm their understanding and compliance with the policies contained in Sections 3.2 and 3.3 above in the form of an annual disclosure report to the Office of State Lands and Investments. Such disclosure shall comply fully with the

provisions of W.S. 6-5-118 and shall be made a part of the minutes of the Board. The format and timing of such annual disclosure shall be as determined by the Office of State Lands and Investments. While disclosure shall be conducted on an annual basis, compliance with the policies stated in Sections 3.2 and 3.3 above is a continuing obligation and so, if a conflict of interest or other instance of non-compliance should arise at any time during the year, the Individual shall be responsible for reporting such instance to the Office of State Lands and Investments immediately.

SECTION 4. AUTHORITY AND RESPONSIBILITIES

4.1 Board Responsibilities. The Board responsibilities shall include but not be limited to the following:

- a) Advisor/investment consultant selection;
- b) Annual review of master investment policy and sub policies;
- c) Termination and hiring of investment managers;
- d) Quarterly review of the performance of the investment portfolio; and
- e) Approval of investments for Local Government Entities (as hereinafter defined).

The Board may sue and be sued in the name of the Wyoming State Loan and Investment Board in the courts of this State and in no other jurisdiction on any mortgage, contract of sale or lease issued by the Board. The Governor is Chairman of the Board but in his absence from any meeting any of the Board members may act as Chairman Pro Tempore and preside at meetings. The Director of the State Land and Investment Office is the Chief Executive Officer of the Board. Prior to April 1, 1997, the Board was known and referred to as the Farm Loan Board.

4.2 Appropriation. The Board shall receive an appropriation directed to the Office of State Land and Investments to be used to compensate an investment consultant (the "Consultant") for its services to the State.

4.3 State Treasurer Responsibilities. The State Treasurer's responsibilities are detailed in the following statutes:

- a) The State Treasurer's responsibilities are detailed in the following statutes:
 - i. W.S. 9-4-715 Permissible Investments;
 - ii. W.S. 9-4-716 State Investment Policy; Investment Consultant;
 - iii. W.S. 9-4-717 Additional Investment Matters;
 - iv. W.S. 9-4-718 Investment Managers; and
 - v. W.S. 9-4-831 Investment of Public Funds
- b) The State Treasurer shall have the authority to invest as follows:
 - i. Designate in writing those Treasury Office personnel authorized to invest on behalf of the State. Authority to manage the investment program is granted to the State Treasurer derived from the above statutes;
 - ii. Establish and carry out written procedures and internal controls for the operation of the State investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements, banking services contracts, and portfolio rebalancing;
 - iii. Conform State investment transactions as provided under the terms of this policy and the procedures established by the State Treasurer;
 - iv. Be responsible for all transactions undertaken by the State and shall establish a system of controls to regulate the activities of subordinate officials;
 - v. Monitor the commission recapture and discount brokerage programs and issue directed brokerage letters (limited to the commission recapture program) to the investment managers on an annual basis;

- vi. Monitor the quality of investment manager trade execution through a trading cost evaluation survey;
 - vii. Monitor performance reports from the Consultant;
 - viii. Select and review the State custodian and securities lending agent(s); and
 - ix. Recommend termination to the Board of State investment managers when appropriate
- c) Internal Controls. The State Treasurer shall establish a system of internal controls and shall monitor such controls periodically. The controls shall be designed to prevent losses of funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by staff. Such controls shall provide for but are not limited to:
- i. Separation of transaction authority;
 - ii. Appropriate segregation of other related duties;
 - iii. Custodial safekeeping of securities;
 - iv. Holding of bearer form securities;
 - v. Clear delegation of investment authority;
 - vi. Frequent reconciliation of investment and accounting records;
 - vii. Written confirmation of transactions;
 - viii. Supervisory controls;
 - ix. Control of collusion;
 - x. Development of electronic fund transfer agreements with lead banks and/or third party custodians; and
 - xi. Conduct regular staff training to help assure and support internal controls.
- d) The State Treasurer shall retain and authorize staff to support and maintain the integrity of the State investment program. In striving for management quality, it is the policy of the State Treasurer to attract and retain qualified investment staff and to promote, encourage, and provide continuing education for the staff.

4.4 Treasurer's Office Staff Responsibilities. The State Treasurer's Office staff responsibilities shall be to monitor the State investment program. Those responsibilities shall include:

- a) Investment research;
- b) Monitoring of Consultant recommendations;
- c) Monitor trade execution; and
- d) Developing and recommending policy, asset allocation, portfolio structure.

4.5 Consultant Responsibilities. Duties of the State's Consultant shall include, but not be limited to the following:

- a) Make recommendations to the State Treasurer and Board regarding investment policy and strategic asset allocation. The recommendations regarding reaffirmation and modification of these policies shall be at least on an annual basis;
- b) Prepare a quarterly performance report to include performance attributions on all State investment managers and total assets, including a check on guideline compliance and adherence to investment style and discipline;
- c) Assist the State Treasurer and the Board in the selection and of qualified State investment managers, and assist in the oversight of existing managers, including monitoring changes in personnel, ownership and the investment process;
- d) Assist the State Treasurer in:
 - i. The selection of a qualified custodian(s) and a securities lending agent(s) for the State;
 - ii. Negotiating fee arrangements and other contract terms with the investment managers on behalf of the State; and
 - iii. Negotiating and arranging for brokerage and custodial services for the State;

- e) Render special projects at the discretion of the Board;
- f) Handle certain other matters, primarily reporting, as described elsewhere in these policies; and
- g) The State's Consultant must be independent with no conflicts of interests with any current or prospective service providers to the State.

4.6 Custodian Responsibilities. Duties of the custodian shall include, but not be limited to the following:

- a) Provide complete custody and depository services for the designated State accounts;
- b) Within 10 days after month-end, provide a monthly report of the investment activities conducted by the investment managers for the State;
- c) Provide monthly and year-end accounting statements for all State funds, including all transactions; and
- d) Collect all interest income, dividends, and principal realization for the State accounts and properly report it on monthly statements.

4.7 Internal and External Investment Manager Responsibilities. Duties of the State investment managers shall include, but not be limited to the following:

- a) Adhere to the investment management style, concepts and principles for which they were hired by the State;
- b) Execute all transactions for the benefit of the State with brokers and dealers qualified to execute institutional orders on an ongoing basis seeking the best cost of execution for the State and where appropriate, facilitate the recapture of commissions on behalf of the State; and
- c) Reconcile monthly accounting, transaction and asset summary data with custodian valuations and communicate and resolve any significant discrepancies with State's Consultant and custodian.

External investment managers for the State (not employees of the State of Wyoming) responsibilities shall also include:

- d) Provide the State Treasurer's Office with a written agreement to invest within the guidelines established in these policies and corresponding sub-policies. Alternative Investment managers will provide appropriately comparable documents, such as limited partnership agreements;
- e) Provide the State Treasurer's Office with proof of liability and fiduciary insurance coverage;
- f) Be recognized as providing demonstrated expertise over a number of years in the management of institutional assets;
- g) Maintain frequent and open communication with the State Treasurer, State Treasurer's staff, and the State's Consultant on all significant matters pertaining to its firm's ownership, investment style and philosophy, changes in personnel, significant client departures and periods of underperformance; and
- h) Be a registered investment advisor under the Investment Advisers Act of 1940 as amended, if required to be registered by the terms of such Act.

4.8 State Auditor Responsibilities. Duties of the State Auditor shall include, but not be limited to the following:

- a) Maintain the State's accounting records, vouchers, documents, contracts and fiscal accounts;
- b) Order all payments into and out of the funds held in the State Treasury;
- c) Serve as the State's controller, chief accountant, chief fiscal officer, and State payroll officer and to supervise the issuance of all warrants (W.S. 9-1-402);
- d) Audit and settle all claims against the State;
- e) Draw all warrants upon the State Treasury;

- f) Provide an annual financial report to the fiscal affairs of the State, prepared in conformance with generally accepted accounting principles (W.S. 9-1-403); and
- g) The State Auditor's Office is required by the 1993 Session Law, Chapter 225, to have an audit resulting in the completion of the Wyoming Comprehensive Annual Financial Report (CAFR). In addition, the State Auditor's Office shall coordinate the single audit of the State's federal programs to comply with federal requirements.

SECTION 5. CASH HOLDINGS

Equity managers for the State shall be fully invested at all times, except in anticipation of large withdrawals instructed by the State Treasurer's Office. Equity managers should maintain less than 5% of their portfolios in cash equivalents except for periods of short-term portfolio repositioning not to exceed 5 trading days, unless the contract with the equity manager specifically provides otherwise. Fixed income managers for the State may maintain higher cash balances. An exception shall be made for Alternative Investments.

SECTION 6. PUBLIC PURPOSE INVESTMENTS

Public Purpose Investments (PPIs) are a category of investments authorized by the Legislature committing State funds to projects or programs specifically chosen by the Legislature to further various public purposes or benefits for the State and its citizens. The array of these legislatively designated investments fall into two broad categories: those in which statute commits funds to specific investments and those where statute directs State agencies to exercise judgment for programs authorized by the Legislature. This latter group can be further subdivided into programs where the State Treasurer's Office has specific responsibilities and those where other agencies bear the bulk of those responsibilities.

The State Treasurer's Office, as well as other agencies with programmatic responsibilities, has unique rubrics and processes guiding the evaluation of investment opportunities. Successful candidates are evaluated and awarded pursuant to authorizing statutes including in some cases the Prudent Investor Rule. Nevertheless, Public Purpose Investments are not generally chosen for their contribution to the portfolio's performance or its safety. Moreover, owing to the fact these investments are unique in nature, they are not easily judged against peers and therefore do not lend themselves to treatment in an index or against other more traditional metrics. Accordingly, their inclusion in either permanent or non-permanent portfolios adds an element which is difficult to classify and which can detract from performance as well as add risk. PPI's are capped at \$600,000,000 across all portfolios. PPIs are not included in annual portfolio analysis as there are no appropriate indices which can provide a context for peer review.

SECTION 7. POOLED/COMMINGLED INVESTMENTS

7.1 Commingled Investments. Commingled investments may be made by the State in cases where there is an operational efficiency, fee advantage, or other demonstrable benefit to the portfolio gained through such an investment.

7.2 Restricted Securities. Investments in mutual or commingled funds which invest in securities which the State could not own directly are permitted, so long as the overall characteristics of the mutual or commingled fund are generally consistent with this policy. While it is not expected that mutual or commingled fund guidelines will align perfectly with this policy, it is expected that mutual or commingled funds will be vetted to ensure a reasonably high degree of consistency with this policy before an investment is made. All diversified money market funds shall comply with W.S. 9-4-831(g), Investment of Public Funds.

7.3 Mutual Fund Investments. With the approval of the Board, the State Treasurer may invest in a diversified mutual fund as long as it is registered under the Securities Act of 1933 and Investment Company Act of 1940, as amended, and has qualified under state registration

requirements, if any, to sell shares in this State. The diversified mutual fund must be purchased at the current net asset value.

SECTION 8. PERMISSIBLE INVESTMENTS BY THE STATE TREASURER'S OFFICE

8.1 Statutory Provisions. The investment of State funds by the State Treasurer's Office and investment managers shall comply with applicable statutory provisions. Some of these statutes are listed below:

- a) W.S. 2-3-301 Standard for Fiduciaries;
- b) W.S. 9-4-715 Permissible Investments;
- c) W.S. 9-4-716 State Investment Policy; Investment Consultants;
- d) W.S. 9-4-717 Additional Investment Matters;
- e) W.S. 9-4-718 Investment Managers;
- f) W.S. 9-4-831 Investment of Public Funds; and
- g) Title 9, Chapter 4, Article 11 Tax and Revenue Anticipation Notes.

8.2 Public Equity Security Restrictions. All public equity investments, over-the-counter (OTC) securities, and other equity related securities held by the State shall be limited to securities that are actively traded on U.S. exchanges or Non-U.S. exchanges including the NASDAQ. Public equity holdings shall be restricted to companies which have a history of more than 3 years continuous operation (current firm and/or predecessor firm), unless the contract with the investment manager specifically provides otherwise. Furthermore, securities that are acquired as the result of corporate actions are permitted. Pursuant to W.S. 9-4-715(b), the State Treasurer may invest monies of the permanent funds in equities.

8.3 Alternative Investment Restrictions. Alternative Investments which the State obtains in the form of a security shall follow the process outlined in W.S. 9-4-715(a). Alternative Investments and strategies encompass a broad range of securities and investments. No specific restrictions are made except that leverage, if utilized, must be limited to less than 50% at the limited partnership level in which the State is an investor; provided, however, for core real estate investments, leverage should not exceed 40% across the entire portfolio and there are no specific limits on leverage for non-core real estate managers.

SECTION 9. PROHIBITED INVESTMENTS FOR SEPARATE ACCOUNT SITUATIONS

The following investments are prohibited in separate account situations (i.e., where the investment manager can tailor the investment portfolio to comply with State guidelines and the securities are not commingled with those of other clients):

9.1 Self-Dealing Transactions. Investment managers cannot purchase or hold any security that is issued by a corporation where the investment management firm may have any type of ownership relationship. An example of an exception can be found in the case where an investment manager is attempting to replicate an index in which the investment manager's firm or parent's security is represented. Since the investment manager is simply attempting to replicate the index, such holding does not represent a self-dealing transaction. Another exception may be made for Alternative Investment managers where investments may be made in vehicles by the investment managers for the managers' account and/or the managers' professionals and/or families.

9.2 Floating Rate Securities. Floating rate securities, the interest rate of which does not reset as a result of changes in one or more reference interest rates, are prohibited. Examples of prohibited floating rate securities are those whose interest rate reset is based on an index of commodities or equity securities. Reverse floaters are also prohibited.

9.3 Individual Certificates of Deposit and Time Deposits. Individual certificates of deposit and time deposits may not exceed \$250,000 unless they are 100% collateralized by eligible securities or fully covered by a surety bond.

9.4 Letter Stock. Letter stock and other unregistered equity securities are prohibited.

9.5 Real Estate. Real Estate, either private or public, is prohibited. An exception is made if an external investment manager that has been retained as a dedicated real estate investment manager manages the account, if the investment is part of an Alternative Investment or as provided in W.S. 9-4-715(k), or if Real Estate Investment Trusts (REITs) are included in the composition of the investment manager's stated benchmark.

9.6 Short Sales and Margin Transactions. Short sales and margin transactions are prohibited except as detailed in Section 10.

SECTION 10. DERIVATIVES POLICY

Derivative instruments may be used selectively by external investment managers for the State in lieu of physical securities, when derivatives offer better liquidity (lower transaction costs), offer greater precision for the purposes of managing a portfolio's duration, yield curve exposure, prepayment or credit risk or to hedge foreign currency risk. Derivatives will be used primarily to reduce risk exposures, but may also be employed to increase exposure to a certain risk factor if that desired exposure is not easily obtained via physical securities. Permissible derivative instruments include futures, forwards, options and swaps. Warrants are only permitted when attached to securities authorized for investment.

Currency forward and/or swap contracts are permitted for the purpose of hedging foreign currency exposure by investment managers that have received permission from the Board. Foreign exchange (FX) risk occurs when adverse movements in foreign exchange rates create a negative currency return. Investment managers must review their use of derivatives with the State Treasurer prior to employing derivative tactics. Further, investment managers should not materially alter their portfolio risk profile beyond that which is implied by their investment style. Under no circumstances should leverage be employed in the purchase of securities with a possible exception for Alternative Investment portfolios. Each permitted investment manager utilizing derivative securities shall prepare, maintain, and periodically deliver a written derivatives policy to the State Treasurer's Office and the Board.

Derivatives may be utilized within Alternative Investment portfolios provided that the instruments and strategies utilized are consistent with the investment policy of the Alternative Investment vehicle and that the State's Consultant has reviewed, approved, and is monitoring their use. The State's Consultant shall monitor these instruments and strategies used to ensure that they are not expected to materially or adversely alter the portfolio risk profile in any given market cycle.

SECTION 11. PORTFOLIO GUIDELINES

11.1 Pertaining to the Overall Investment Program (exceptions may apply to Alternative Investments as detailed in their respective contracts).

- a) A maximum of 1% of the outstanding common shares of any corporation shall be owned by the State. An exception is made for Alternative Investments and for companies with a market capitalization below \$5 Billion as described in Section 11.2(a)(ii).
- b) A maximum of 1.5% of the total book value of permanent funds shall be invested in the common stock of any corporation.
- c) The State Treasurer or designee can invest in any class of security not otherwise authorized by law, provided the security was authorized by law at the time it was acquired and the total book value of all securities not authorized by law shall not exceed

1% of the total book value of the permanent fund accounts, and provided further that any such investment shall be in accordance with the fiduciary standards specified in W.S. 2-3-301.

- d) A maximum of 55% of the total book value of permanent funds shall be invested in common stock;
- e) Security selection, portfolio structure and timing of purchase and sales are delegated to the investment manager.
- f) The Board is concerned with terrorism and human rights violations occurring worldwide, yet recognizes its fiduciary responsibility to invest only in the best economic interest of the portfolio. While the Board cannot make investments based on social or political objectives, it does consider the economic effects of social and humanitarian issues in the analysis of investments. The Board seeks to avoid investments that support terrorism or the violation of human rights. As such, the Board shall require its investment managers to acknowledge that they will seek to avoid such investments. Specifically, investment managers are required to check portfolio holdings no less frequently than quarterly against the companies listed on the Specially Designated Nationals List and the countries listed on the Lists of Sanctioned Countries, maintained by the U.S. Treasury Department Office of Foreign Assets Control ("OFAC"), to ensure that the companies or countries on the list are not represented in the portfolios. If a current holding appears on the list at the time of the quarterly check, the investment manager will eliminate the position from the portfolio within a reasonable period of time and will not make additional purchases unless the issuer is removed from the OFAC list.
- g) Commodities, commodity contracts, natural resource properties are generally discouraged owing to Wyoming's native correlative exposure to natural resource development. Any investment in commodities, commodity contracts, or natural resource property such as oil or timber must take into consideration overall exposure to natural resources and commodities including Wyoming's general economy. An exception is made if the investment is part of an Alternative Investment.

11.2 Pertaining to Individual Investment Managers. The following guidelines apply to internal and external investment managers, unless the contract with the investment manager specifically provides otherwise. External investment firms shall have a demonstrated record in managing institutional portfolios of strategies for which they were hired by the State.

For all fixed income credit rating guidelines, Standard and Poor's, Fitch, or Moody's ratings are acceptable. If the issue is rated by more than one rating agency, the lower rating shall apply. Securities that are not rated will be, in the judgment of the investment manager, of credit quality equal or superior to the standards described below.

- a) **Public Equity Managers.** The objectives of the State's public equity investments are to provide the State with total return, capital appreciation, protection against inflation risk and consistent returns as measured by the appropriate stock index. The State shall employ diversification by investment style (value versus growth) and capitalization (small, mid, large).

The guidelines in this section apply to all public equity managers, which are diversified across the following strategies:

- a. All-Cap U.S. Equity
- b. Small-Cap U.S. Equity
- c. Global Equity
- d. International Equity
- i. A maximum of 5% or the benchmark weighting + 2%, whichever is greater, of the total stock portfolio of the investment manager be invested in any one security.

- ii. A maximum of 1% of the outstanding float of shares shall be held in companies with market capitalizations of \$5 Billion or greater at the time of purchase. For companies with market capitalizations of less than \$5 Billion, a maximum of 5% shall apply.
- iii. The maximum allowable in any sector, as defined by Global Industry Classification System Level 1, is 2.5 times the respective benchmark weighting.
- iv. A minimum number of 20 securities shall be held.

b) Internally Managed International Equity ETF Portfolio. The objectives of the State's internally managed international equity exchange traded fund ("ETF") investments are to provide the State with total return, capital appreciation, protection against inflation risk and consistent returns as measured by the MSCI ACW Ex US Index. The portfolio will primarily invest in ETFs.

c) Internally Managed University of Wyoming Portfolio Management Program. The objectives of the State's internally managed equity investments are to provide the State with total return, capital appreciation, protection against inflation risk and consistent returns as measured by the S&P 500 Index. The funds shall be managed by the University of Wyoming's Portfolio Management Program as a separate operating agency of the State of Wyoming and the funds for the portfolio shall come exclusively from the University Permanent Land Fund.

- i. A maximum of 5% or the benchmark weighting + 2%, whichever is greater, of the total stock portfolio of the investment manager be invested in any one security.
- ii. A maximum of 1% of the outstanding float of shares of one company may be held in companies with market capitalizations of \$5 Billion or greater at the time of purchase. For companies with market capitalizations of less than \$5 Billion, a maximum of 5% shall apply.
- iii. The maximum allowable in any sector, as defined as Global Industry Classification System Level 1, is 2.5 times the respective benchmark weighting.
- iv. A minimum number of 20 securities shall be held or represented by a corresponding exchange-traded fund.
- v. American Depository Receipts cannot exceed 15% of the portfolio at any one time.

d) Private Equity Managers. The objectives of the State's private equity investments, which are considered to be Alternative Investments, are to provide the State with total return, capital appreciation, protection against inflation risk and competitive returns as measured by the appropriate index. The funds shall be actively managed. The State may employ diversification by sub-asset class (private equity vs. venture capital vs. special situations) and investment style (early vs. late stage, mid-market vs. large cap market).

- i. At the time of purchase, a maximum of 25% of the value of any private equity partnership may be invested in any one company or security issued by any one company. An exception may be made when a special purpose vehicle is set up as part of an overall pool where the overall pool satisfies this requirement.
- ii. At the time of purchase, each investment vehicle (e.g. limited partnership) shall, when fully drawn, invest directly or indirectly in a minimum of 12 underlying companies.

e) Real Estate Managers. The objectives of the State's real estate investments, which are considered to be Alternative Investments, are to provide the State with total return, including income and capital appreciation, as well as protection against inflation risk and consistent returns as measured by the appropriate real estate index.

- i. The core portfolio shall consist of well-leased, high quality, income producing institutional properties.
 - ii. The core portfolio shall be adequately diversified by geographical region, as well as by property type.
 - iii. The non-core portfolio may consist of properties of varying quality, investment size, property type and geographic concentration.
- f) Absolute Return Managers.** The objectives of the State's absolute return investments, which are considered to be Alternative Investments, are to provide the State with total return, capital appreciation, moderate levels of volatility with low correlation to traditional financial assets and consistent returns measured by the appropriate index.
- i. The portfolio shall be diversified across underlying hedge fund strategies and hedge fund managers.
- g) Core Fixed Income Managers.** The objectives of the State's core fixed income investments are to provide stable income to the State, yield enhancement and diversification of the State's fixed income portfolios, safety of principal and consistent returns above the fixed income market as measured by the Barclays U.S. Aggregate Bond Index. The funds will be actively managed.
- i. Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies are eligible without limit.
 - ii. All other issuers are subject to a 5% per issuer limit excluding investments in commingled vehicles.
 - iii. Non-U.S. dollar denominated securities are permitted, but shall comprise no more than 10% of the portfolio market value.
 - iv. Private mortgage-backed and asset-backed securities are limited to 10% of the portfolio market value.
 - v. Commercial mortgage-backed securities are permitted but shall comprise no more than 10% of the portfolio market value.
 - vi. Commercial paper of all issuers shall not exceed \$500,000,000.
 - vii. Duration must fall in the range of +/- 20% of the Barclays U.S. Aggregate Bond Index.
 - viii. Minimum Issue Credit Rating at time of purchase shall be:
 - a. A1 or equivalent for commercial paper;
 - b. BBB- for corporate bonds, Mortgage-Backed Securities, Commercial Mortgage-Backed Securities, Asset Backed Securities, Non-U.S. Dollar-Denominated Securities and Dollar-Denominated Emerging Market Securities.
 - ix. Average portfolio credit quality must be A- or better.
 - x. Dollar denominated emerging market securities are permitted, but shall comprise no more than 10% of the portfolio market value.
 - xi. A minimum number of 25 securities shall be held.
 - xii. Investments in mortgage interest only and principal only securities or their derivations are permitted, but shall comprise no more than 5% of the portfolio market value.
 - xiii. Private placements, including 144A securities are not permitted.
- h) Credit Fixed Income Managers.** The objectives of the State's credit fixed income investments are to provide stable income to the State, yield enhancement and diversification of the State's fixed income portfolios, safety of principal, and consistent returns above the State's custom benchmark as measured by 20% Barclays U.S. Credit Index, 20% BofA Merrill Lynch U.S. High Yield Master II Constrained Index and 60% S&P/LSTA Leveraged Loan Index. The funds will be actively managed and the investment managers shall have the flexibility to tactically allocate around the strategic targets.

- i. Duration must not exceed + 2 years of the Custom Credit Index.
 - ii. Minimum issue credit rating for commercial paper will be A1.
 - iii. Average portfolio credit quality must be B or better.
 - iv. Obligations of specific issuers are subject to a 5% per issuer limit, excluding investments in commingled vehicles.
 - v. Standalone purchases of private placements, including 144A securities, are not permitted.
- Investment Grade Credit Sleeve:**
- vi. Minimum Issue Credit Rating at the time of purchase shall be:
 - a. BBB- for individual securities
 - vii. Between 10% and 60% of the total portfolio shall be invested in investment grade rated securities.
- High Yield Sleeve:**
- viii. Minimum Issue Credit Rating at the time of purchase shall be:
 - a. CCC- for individual securities
 - b. Securities that are not rated shall be, in the judgment of the investment manager, of credit quality equal or superior to the standards described above.
 - ix. A maximum of 40% of the total portfolio shall be invested in high yield bonds.
- Bank Loan Sleeve:**
- x. Minimum Issue Credit Rating at the time of purchase shall be:
 - a. CCC for individual securities
 - b. Securities that are not rated shall be, in the judgment of the investment manager, of credit quality equal or superior to the standards described above.
 - xi. Between 40% and 80% of the total portfolio shall be invested in bank loans.

i) Opportunistic Fixed Income Managers. From time to time, investments may be made in opportunistic fixed income investments. The objective of such investments by the State shall be to return enhancement through opportunities that present themselves due to stressed conditions in fixed income markets. The guidelines for such investments shall be determined by the investment management agreement or appropriate offering documents in the case of commingled or partnership investments.

j) Emerging Markets Debt (Local Currency) Fixed Income Managers. The objectives of the State's emerging market fixed income investments are to provide yield enhancement and diversification of the State's fixed income portfolios, and consistent returns above the emerging fixed income market as measured by the JP Morgan GBI-EM Global Diversified Un-hedged Index.

- i. Duration must be +/- 20% of the index.
- ii. Minimum Issue Credit Rating at the time of purchase shall be:
 - a. A1 or equivalent for commercial paper;
 - b. B- for individual securities
 - c. Where a security is not rated at the issue level, the issuer rating shall be relied upon.
- iii. Average portfolio credit quality must be BB+ or better.
- iv. Obligations of individual sovereign/quasi-sovereign issuers are subject to a 25% per issuer limit.
- v. Private placements, including 144A securities are not permitted.
- vi. The investment manager, as part of managing the account, can take net investment positions of up to 20% of the portfolio in currency and currency forwards.

- k) U.S. Treasury Inflation-Protected Securities (“TIPS”).** The objectives of the State’s U.S. treasury inflation protected fixed income investments are to provide stable income to the State, diversification of the State’s fixed income portfolios, safety of principal, protection against increases in the rate of inflation, and returns consistent with the U.S. treasury inflation fixed income market as measured by the Barclays U.S. TIPS Index (Series B). The funds shall be passively managed.
- i. Performance on a gross-of-fees basis should track the index with minimal tracking error over a reasonable time period.
- l) Internally Managed Fixed Income Portfolio.** The objectives of the State’s internally managed fixed income investments are to provide stable income to the State, diversification of the State’s fixed income portfolios, safety of principal, liquidity as needed, and returns consistent with the government fixed income market as measured by the Barclays U.S. Intermediate Government Bond Index.
- i. Duration should not exceed + 2 years of the index.
 - ii. The emphasis of the internal portfolio is on safety and liquidity, and as such should primarily invest in U.S. Government securities such as Treasuries and Agencies.
 - iii. Non-U.S. Government securities are allowed, up to a maximum of 20% of the portfolio.
- m) Internally Managed U.S. Fixed Income Indexed Portfolio.** The objectives of the State’s internally managed fixed income index investments are to provide the State with total return, capital appreciation, protection against inflation risk and consistent returns as measured by the Barclay U.S. Aggregate Bond Index. The portfolio will primarily invest in ETFs, mutual funds, and other indexed investment vehicles.
- n) Cash and Extended Cash Managers.**
- i. A maximum of 10% of total assets shall be placed in securities of one issuer except for government securities.
 - ii. Investment in any single issuer must not exceed 5% of the outstanding issues of that issuer.

SECTION 12. RISK MANAGEMENT

12.1 Issuer or Secondary Source Failure. The State Treasurer shall seek to control the risk of loss due to the failure of a security issuer or secondary source. Such risk shall be controlled by constructing investment portfolios using the prudent investor rule, by ensuring adequate portfolio diversification, by collateralization as required by law and by statutory guidelines.

12.2 Policy Exceptions. Investment managers are responsible for managing the assets under their care on behalf of the State in accordance with the guidelines established in this policy. From time to time, it is possible that market conditions or other events outside the control of the investment manager may cause portfolios for various reasons to fall out of compliance. It is generally expected that investment managers will review any events outside their control that cause the portfolio to fall out of compliance with the best interest of the State’s portfolio in mind, and provide a written recommended course of action to the State Treasurer’s Office. The State Treasurer’s Office shall review these written requests and may grant an exception to the investment policy guidelines if it is believed to be in the best interest of the portfolio. No investment manager is allowed to make new security purchases that would cause the portfolio to fall out of compliance or further out of compliance than it is at the time of purchase. All policy exceptions that are granted shall be documented in a quarterly investment policy compliance review, which shall be part of the quarterly investment report provided to the State Loan and Investment Board.

SECTION 13. SAFEKEEPING

The State Treasurer shall contract with an authorized safekeeping agent for safekeeping securities owned by the State as part of its investment portfolio or held as collateral to secure certificates of deposits or repurchase agreements. All securities transactions shall be conducted on a delivery versus payment basis to the State Treasurer's safekeeping bank or to the State Treasurer's Office. The State Treasurer's Office or custodian shall have custody of all securities purchased or held and all evidence of deposits and investments of public funds.

SECTION 14. VOTING OF PROXIES

The Board allows investment managers to vote proxies with the parameter that (i) the investment managers keep the State Treasurer's Office apprised of and annually provide their general proxy policy to the State Treasurer's Office and (ii) the investment managers notify the State Treasurer's Office of controversial proxies. Investment managers are expected to vote proxies in a way that is generally consistent with the whole of this document.

SECTION 15. SECURITIES LENDING

As part of this investment strategy, the State Treasurer may retain the services of a custodial bank or an independent securities lending agent to supervise a program of securities lending in exchange for a fee or other consideration. Supervision of the program shall include:

- a) Procedures to review the creditworthiness of all borrowers;
- b) Requirements for full collateralization of all loans; and
- c) Other methods and procedures required by the Board for securing the lending program.
(W.S. 9-4-717(d) Securities Lending)

SECTION 16. COMMISSION RECAPTURE PROGRAM

The State Treasurer's Office shall monitor the commission recapture and discount brokerage programs to insure that investment managers provide the best effort to meet their commission recapture guidelines (i.e., requested amount of commission recaptured). The State Treasurer shall issue directed brokerage letters (limited to the commission recapture program) to the investment managers on an annual basis. In determining the amount to be directed, consideration should be given to the type of investment manager (i.e., small capitalization investment managers may not be able to direct as much as large capitalization managers) and the amount of external research the investment manager buys. The quality of execution should never be jeopardized and the State Treasurer's Office should periodically monitor the quality of execution investment managers are achieving through a trading cost evaluation survey.

SECTION 17. LIQUIDITY

Liquidity shall be achieved by investing in securities with active secondary markets with the exception of Alternative Investments. A security may be liquidated to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or to otherwise adjust the portfolio. Sufficient liquidity must be maintained to ensure payment to the State of the interest received from investments and any capital gains which occur from trading in the portfolio. This liquidity is the responsibility of the investment manager.

SECTION 18. TRADES AND EXCHANGES

18.1 Allowance to Sell or Exchange Securities. Investment managers and the State Treasurer may sell or exchange securities in the course of daily management of specific funds. Such trades may be executed to raise cash, to shift maturity, to change asset mix, to enhance yield and to improve quality. The goal of all such trades is to maximize portfolio performance while minimizing risk.

- a) **Security Swaps.** The State Treasurer and all investment managers will take advantage of security swap opportunities to improve portfolio yield. A swap which

improves portfolio yield may be selected even if the transaction results in an accounting loss but only if such transaction complies with the requirements of W.S. 9-4-717(c).

- b) Marking to Market.** To account for market fluctuations and volatility, the State Treasurer's Office or its agent (independent pricing agent) shall mark to market all securities at least monthly to the extent possible with exceptions made for Alternative Investments where values are reflected as available. If a significant market event takes place during the month that impacts the value of the portfolio, the State Treasurer's Office or its agent shall mark the portfolio to market to determine the impact on the portfolio. State officials responsible for investment portfolio reporting should determine the market value of all securities in the portfolio on at least a quarterly basis to the extent possible with exceptions made for Alternative Investments where values are reflected as available. These values should be obtained from a reputable and independent source where possible with some exceptions made for Alternative Investments and a report made to the Board at least quarterly by the State's Consultant. It is recommended that the report include the market value, book value and unrealized gain or loss of the securities in the portfolio.

18.2 Best Price and Execution. Transactions shall be executed on the basis of "best price and execution" for the sole benefit of the State and other limited partners in the case of investments made through limited partnership vehicles. Any violation of these guidelines is to be corrected immediately upon discovery and reported to the State Treasurer and the State's Consultant. A realized loss to the State resulting from a violation of these guidelines shall require reimbursement to the State. Other remedies may be sought if investments are made through limited partnership vehicles.

SECTION 19. PROCEDURES FOR SELECTING AND REVIEWING INVESTMENT MANAGERS AND ALTERNATIVE FUND INVESTMENTS

19.1 Investment Manager Review Process. When an investment manager is to be hired for the State, the State Treasurer shall conduct all necessary and appropriate due diligence including issuing a request for proposal and working with the Consultant or, if appropriate, other suitable consultants. The State Treasurer will confer with other members of the Board and familiarize them with the extent of that due diligence. The State Treasurer will present a finalist or finalists to the Board at a public meeting. The finalist or finalists shall make an oral presentation to the board at the meeting before their selection. Evaluation factors shall include 1-year, 3-year, 5-year and if available 10-year performance records, the associated risks taken to achieve the returns, the quality and stability of the investment personnel of each company, adherence to philosophy and style, and the fees charged by each company. The State Treasurer shall only consider investment firms that have a verifiable 5-year Chartered Financial Analyst Institute compliant track record with respect to the type of investments regarding which the manager will provide services or investment managers employed by an organization and chartered bank trust company with trust assets in excess of \$1,000,000,000. An exception may be made for Alternative Investments.

19.2 Investment Manager Selection Process. The Board shall make a selection based upon the interview and the State Treasurer shall submit a contract for review by the Attorney General. The contract shall provide for its termination by the State with 30 day notice to the investment manager. An exception may be made for Alternative Investments.

19.3 Alternative Investments. When an Alternative Investment is to be made, the State Treasurer's Office shall provide the Board with a summary of all the material terms and conditions of the documents governing the investment. Pursuant to W.S. 9-4-715(c), the State Treasurer shall obtain the Board's approve of all material terms of the instruments governing the Alternative Investment prior to the investment of funds. In addition, after such Alternative

Investment is made, any material adverse change to the terms of the instruments governing the investment must be approved by the Board.

19.4 Performance Monitoring. Each investment manager for the State shall, at least quarterly, provide a report to the State Treasurer describing the investment manager's performance relative to mutually agreed upon industry indices and reflecting all brokerage fees and other fees or expenses paid by or fees earned by the investment manager, which are paid by the State under the contract with such investment manager. The State Treasurer shall monitor monthly statements and receive quarterly performance reports from the State's Consultant. The State's Consultant shall monitor at least quarterly the State's investment record for each investment manager under contract to determine whether or not that investment manager is performing up to the standard required by the benchmark of performance specified in the investment manager's contract and report to the Board. If at any time the standard required is not being met, the State Treasurer shall report to the Board and provide a recommendation. The Board shall then determine what action will be taken by the State Treasurer.

19.5 Policy Monitoring. Each investment manager shall file a quarterly investment policy compliance report with the State's Consultant.

19.6 Manager Alerts. Investment managers for the State are required to apprise the Board and to keep the State Treasurer's Office and the State's Consultant informed of any material changes in their respective firms (i.e., change in personnel, ownership and policy).

19.7 Other Considerations. In addition to achieving benchmark expectations as described in Section 20, investment managers for the State shall be reviewed for consistency of style and client service.

19.8 Termination. The decision to terminate an investment manager for the State shall be by majority vote of the Board (W.S. 9-4-718(a)(iv)). The State Treasurer may recommend the termination of an investment manager to the Board.

19.9 Transition Management. The State Treasurer may retain the services of a firm providing transition management products to effect transitions from active external investment managers to successor investment managers. Total transition charges shall be considered in the selection and evaluation of these vendors including both commission and market impact costs.

SECTION 20. SUB-POLICY ON NOMINAL RETURN BENCHMARKS

Below are the benchmarks for the asset classes listed. Investment performance shall be evaluated against these standards over a full market cycle, approximated by the most recent 5-year period. Where applicable and as indicated below, investment managers for the State shall meet or exceed the top 40th percentile of a peer investment manager universe as measured by the State's Consultant, gross of fees.

Asset Class	Market Index, net of fees (unless otherwise indicated)	Measurable Peer Universe, gross of fees (unless otherwise indicated)
All-Cap U.S. Equity	Russell 3000 Index	Yes

Asset Class	Market Index, net of fees (unless otherwise indicated)	Measurable Peer Universe, gross of fees (unless otherwise indicated)
Custom Indexed All-Cap U.S. Equity	Meet performance of Custom Index comprised of 69% Russell 3000 Index, 24% FTSE RAFI US 1000 Index and 7% MSCI USA Minimum Volatility Index, gross of fees	N/A
Small-Cap U.S. Equity	Russell 2000 Index	Yes
Global Equity	MSCI ACW Index	Yes
International Equity	MSCI ACW Ex US Index	Yes
Internal International Equity ETF Portfolio	MSCI ACW Ex US Index, gross of fees	N/A
Private Equity	S&P 500 Index by 500 basis points, both gross and net of fees (including underlying fund investment manager fees)	Yes, net of fees
Core Real Estate	NCREIF Fund Index – Open-End Diversified Core Equity (NFI-ODCE)	Yes, net of fees
Non-Core Real Estate	NCREIF Property Index (NPI) by an appropriate risk premium. This risk premium shall vary depending on investment manager strategy and should be consistent with the objectives stated in the investment manager’s offering documents	Yes, net of fees
Absolute Return	90-Day T-Bills by 500 basis points, net of all fees (including underlying fund investment manager fees)	Yes, net of fees
	HFN Fund of Funds Multi-Strategy Index, net of all fees (including underlying fund investment manager fees)	
Convertible Securities	BofA ML All Convertibles All Quality Index	N/A
Core Fixed Income	Barclays U.S. Aggregate Bond Index	Yes
Credit Fixed Income	Custom Credit Index comprised of 20% Barclays U.S. Credit Index, 20% BofA ML U.S. High Yield Master II Constrained Index and 60% S&P/LSTA Leveraged Loan Index	Yes

Asset Class	Market Index, net of fees (unless otherwise indicated)	Measurable Peer Universe, gross of fees (unless otherwise indicated)
Opportunistic Fixed Income	Custom Opportunistic Index specific to the investment opportunity	N/A
Emerging Markets (Local Currency) Fixed Income	JP Morgan GBI-EM Global Diversified Un-Hedged Index	Yes
U.S. Treasury Inflation Protected Securities ("TIPS")	Barclays U.S. TIPS Index (Series B), gross of fees	N/A
Internal Fixed Income Portfolio	Barclays U.S. Intermediate Government Bond Index	N/A
Internal U.S. Fixed Income Indexed Portfolio	Barclays U.S. Aggregate Bond Index, gross of fees	N/A
Cash	Monitored Repurchase Agreement	N/A
	90-Day T-Bills for cash equivalents allocation	
Extended Cash	Equal-weighted blend of the BofA ML 1-3 Year Agency, 1-3 Year Treasury, and 0-3 Year Mortgage Indices	N/A

SECTION 21. SUB-POLICES ON FUNDS

21.1 Permanent Funds – Permanent Mineral Land Trust Fund, Common School Permanent Land Fund, Permanent Land Fund, University Permanent Land Fund, Hathaway Scholarship Fund and Higher Education Endowment Fund

1. **Fund Descriptions.** This sub-policy applies to the Permanent Funds of the State Loan and Investment Board administered by the State Treasurer. These funds dispense income and capital gains.
2. **Philosophy and Investment Strategy.** The corpus of the Permanent Funds must be held inviolate and cannot be spent but only invested for income and capital gains. The main objectives of the Funds are to produce maximized long-term investment income and capital gains while providing appropriate liquidity. The primary investment goals are capital appreciation, total return, and protection against inflation.
 - a) **Permanent Mineral Trust Fund.** The Wyoming State Legislature has allocated, at times, a large portion of it to PPIs. Therefore, only the remaining portion is available for discretionary investments by the State Treasurer's Office. The fund must be managed to allow an extensive range of investment maturities that provide for funds availability for PPIs as they come into existence as mandated by the Legislature. These funds are to be invested for the long term to produce a higher return without the cash flow or PPIs.
 - b) **Common School Permanent Land Fund.** The Common School Permanent Land Fund cannot be spent but only invested for income and capital gains. There is a requirement for liquidity in this pool.

- 3. Target Asset Allocation.** The asset allocation is restricted by State statutes to a common stock cap. The target asset allocations are as follows:

	Permanent Mineral Trust Fund	Common School Permanent Land Fund	Permanent Land Fund	University Permanent Land Fund	Hathaway Scholarship Fund	Higher Education Endowment Fund
All Cap U.S Equity	15.1%	15.1%	15.1%	15.1%	14.9%	14.9%
Passively Managed	11.5%	11.5%	11.5%	11.5%	11.3%	11.3%
Actively Managed	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Small Cap U.S. Equity	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Global Equity	3.1%	3.1%	3.1%	3.1%	3.0%	3.0%
International Equity	11.5%	11.5%	11.5%	11.5%	11.2%	11.2%
Private Equity	4.0%	4.0%	4.0%	4.0%	N/A	N/A
Real Estate	7.5%	7.5%	7.5%	7.5%	7.3%	7.3%
Absolute Return	7.5%	7.5%	7.5%	7.5%	7.3%	7.3%
Convertibles	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Fixed Income*	45.0%	45.0%	43.0%	43.0%	48.0%	48.0%
Core	31.4%	31.4%	30.1%	30.1%	33.7%	33.7%
Credit	4.5%	4.5%	4.3%	4.3%	4.8%	4.8%
Opportunistic	1.4%	1.4%	1.3%	1.3%	1.4%	1.4%
EMD-Local	2.3%	2.3%	2.2%	2.2%	2.4%	2.4%
TIPS	3.6%	3.6%	3.4%	3.4%	3.8%	3.8%
Internal Portfolio	1.8%	1.8%	1.7%	1.7%	1.9%	1.9%
Cash Equivalents	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%

*The total Fixed Income allocation is reduced by Public Purpose Investments.

The targets established above represent the long-term asset allocation objectives for the Funds. However, the State Treasurer's Office shall have the right to make periodic adjustments to the above-listed allocations as they see fit, commensurate with the economic environment, ongoing cash flow activity, and the liquidity needs of the funds. It is also understood that the strategic allocation to alternative assets may differ from the outlined targets for limited periods of time, due to the illiquid nature of these asset classes. Further, during the initial implementation of alternative asset classes, the allocation shall fall below the target until the program can be fully established.

- 4. Liquidity Requirements.** Liquidity shall be maintained to facilitate trading, to move money between asset classes, and to meet cash needs as determined by the State Treasurer's Office. Liquidity must be maintained to move income and capital gains generated during the year out of the funds.
- 5. Maturity.** The average duration of the portfolio should be +/- 20% of the duration of the Barclays U.S. Aggregate Bond Index or Custom Index, whichever is applicable.
- 6. Diversification.** The State Treasurer shall diversify the securities held in this fund to avoid a concentration of any single security type.
- 7. Risk.** The funds have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return. The common stock cap also prohibits exacerbated levels of risk in the funds.

8. **Return Expectations.** The long-term return expectations shall be 400 basis points above inflation, as measured by the CPI.
9. **Benchmark.** Custom Index weighting the U.S. equity allocation by the Russell 3000 Index, the global equity allocation by the MSCI ACW Index, the international equity allocation by the MSCI ACW Ex US Index, the private equity allocation (if applicable) by the State's actual private equity investment returns, the core real estate allocation by the NCREIF Fund Index – Open-End Diversified Core Equity, the non-core real estate allocation by the NCREIF Property Index, the absolute return allocation by the HFN Fund of Funds Multi-Strategy Index, the convertibles allocation by the BofA ML All Convertibles All Quality Index, the fixed income allocation by the Barclays U.S. Aggregate Bond Index, and the State Agency Pool allocation by the State Agency Pool Custom Index as defined in Section 21.4 Sub-Section 9.
10. **Spending Policy.** The spending policy for the Permanent Mineral Trust Fund and Common School Permanent Land Fund set by legislative determination is 5% of the trailing 5 year average market value of the fund, calculated on the first day of the fiscal year. Amounts spent must be sourced from investment income (interest and dividends) and realized capital gains. Earnings in excess of the spending policy are appropriated from the general fund to the reserve account. When the reserve account reaches a balance that exceeds percent 90% of the current fiscal year's spending policy, the excess funds shall be transferred from the reserve account to corpus.

21.2 Permanent Funds – Workers' Compensation Fund

1. **Fund Description.** This sub-policy applies to the Workers' Compensation Fund of the State Loan and Investment Board administered by the State Treasurer. This fund retains income and capital gains.
2. **Philosophy and Investment Strategy.** This is a specially managed fund of which the corpus is long-term Workers' Compensation funds. These funds are to be invested for the very long-term to produce a situation in which the Workers' Compensation fund is self-funding or nearly self-funding in order to substantially reduce or eliminate the need for employer contributions. These funds are managed for long-term return with cash flow necessary only in the case of a disaster. The primary investment goals are safety of capital, yield and capital appreciation.
3. **Target Allocation.** The asset allocation is restricted by State statutes to a common stock cap. The target asset allocation is as follows:

	Workers' Compensation Fund
All Cap U.S Equity	9.2%
Passively Managed	7.0%
Actively Managed	2.2%
Small Cap U.S. Equity	0.8%
Global Equity	1.9%
International Equity	7.1%
Real Estate	4.0%
Absolute Return	7.0%
Convertibles	3.0%
Fixed Income*	62.0%
Core	43.3%
Credit	6.2%
Opportunistic	1.9%
EMD-Local	3.1%
TIPS	5.0%
Internal Portfolio	2.5%
Cash Equivalents	5.0%

*The total Fixed Income allocation is reduced by Public Purpose Investments.

The target established above represents the long-term asset allocation objective for the Workers' Compensation Fund. However, the State Treasurer's Office shall have the right to make periodic adjustments to the above-listed allocations as they see fit, commensurate with the economic environment, ongoing cash flow activity, and the liquidity needs of the fund. It is also understood that the strategic allocation to alternative assets may differ from the outlined targets for limited periods of time, due to the illiquid nature of these asset classes. Further, during the initial implementation of alternative asset classes, the allocation shall fall below the target until the program can be fully established.

4. **Liquidity Requirements.** Liquidity shall be maintained to facilitate trading, to move money between asset classes and to meet cash needs. The exact cash level for the Workers' Compensation Fund shall be determined by the Workers' Compensation staff and dependent on the liquidity needs of the fund, and those cash estimates shall be presented to the State Treasurer's Office on an annual basis.
5. **Maturity.** This fund is designed to be a long-term investment pool with the main objective to grow the capital over time. The average duration of the portfolio should be +/- 20% of the duration of the Barclays U.S. Aggregate Bond Index or Custom Index, whichever is applicable.
6. **Diversification.** The State Treasurer shall diversify the securities held in this fund to avoid a concentration of any single security type.
7. **Risk.** The funds have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return.
8. **Return Expectations.** The long-term return expectations shall be 300 basis points above the CPI.

- 9. Benchmark.** Custom Index weighting the U.S. equity allocation by the Russell 3000 Index, the global equity allocation by the MSCI ACW Index, the international equity allocation by the MSCI ACW Ex US Index, the core real estate allocation by the NCREIF Fund Index – Open-End Diversified Core Equity, the non-core real estate allocation by the NCREIF Property Index, the absolute return allocation by the HFN Fund of Funds Multi-Strategy Index, the convertibles allocation by the BofA ML All Convertibles All Quality Index, the fixed income allocation by the Barclays U.S. Aggregate Bond Index, and the State Agency Pool allocation by the State Agency Pool Custom Index as defined in Section 21.4 Sub-Section 9.

21.3 Non-Permanent Funds – Tobacco Settlement Trust Fund

- 1. Fund Description.** This sub-policy applies to the Tobacco Settlement Trust Fund of the State Loan and Investment Board administered by the State Treasurer. This fund retains income and capital gains.
- 2. Philosophy and Investment Strategy.** This fund is to be managed for investment of payments received pursuant to the Master Settlement Agreement. The primary investment goals are safety of capital, yield and liquidity.
- 3. Target Allocation.** Please see Section 21.5 for the target asset allocation.
- 4. Liquidity Requirements.** Liquidity shall be maintained to facilitate trading, to move money between asset classes and to meet cash needs as determined by the State Treasurer's Office.
- 5. Maturity.** The average duration of the portfolio should be +/- 20% of the duration of the Barclays U.S. Aggregate Bond Index or Custom Index, whichever is applicable.
- 6. Diversification.** The State Treasurer shall diversify the securities held in this fund to avoid a concentration of any single security type. The fund is expected to contain a majority of longer-term U.S. Treasuries, government agencies and corporate bonds.
- 7. Risk.** The funds have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return.
- 8. Return Expectations.** The long-term return expectations shall be 225 basis points above inflation, as measured by the CPI.
- 9. Benchmark.** Custom Index weighting the convertibles allocation by the BofA ML All Convertibles All Quality Index, the fixed income allocation by the Barclays U.S. Aggregate Bond Index, and the State Agency Pool allocation by the State Agency Pool Custom Index as defined in Section 21.4 Sub-Section 9.

21.4 Non-Permanent Funds – State Agency Pool

- 1. Fund Description.** This sub-policy applies to the State Agency Pool administered by the State Treasurer. This fund dispenses income and capital gains.
- 2. Philosophy and Investment Strategy.** The State Agency Pool consists of a pooling of money from many different agencies which are not specifically invested for that agency. The monies are invested throughout the spectrum of investment maturities. There is a requirement for liquidity from this pool to meet the day-to-day cash flow needs of the

State. Cash is invested in a cash portfolio and an extended cash portfolio. The State Treasurer's Office handles the actual cash management, determining what amounts are available to invest. The primary investment goals are safety of capital, yield and liquidity.

3. **Target Allocation.** Please see Section 21.4 for the target asset allocation.
4. **Liquidity Requirements.** Liquidity shall be maintained to facilitate trading, to move money between asset classes and to meet cash needs as determined by the State Treasurer's Office.
5. **Maturity.** The average duration of the portfolio should be +/- 20% of the duration of the Barclays U.S. Aggregate Bond Index or Custom Index, whichever is applicable. Cash in this fund shall be invested in a cash portfolio and an extended cash portfolio. If an instrument is subject to an unconditional put or unconditional demand feature, its final maturity shall be the earlier of the date noted on the face of the instrument as the date on which the principal amount must be paid or the date on which the principal amount of the instrument can be recovered through demand. Sinking fund securities and asset backed issues with periodic principal repayment shall be measured by their anticipated weighted average cash flows for the purpose of calculating their duration.
 - a) **Cash Portfolio.** The portfolio's weighted average maturity shall not exceed 90 days. All securities shall have a maximum maturity of 365 days. The maximum average cash flow weighted duration of the portfolio shall not exceed 90 days. The market value of the portfolio shall remain within +/- 0.5% of 1.0% of amortized cost.
 - b) **Extended Cash Portfolio.** Maximum average cash flow weighted duration is not to exceed 3 years. Individual securities must not exceed a cash flow weighted duration of 5 years. The extended portion of the cash portion of the account may not exceed 35% of the market value of the portfolio at the time of purchase.
6. **Diversification.** The diversified bond portfolio part of the fund is expected to contain a majority of longer-term U.S. Treasuries, government agencies and corporate bonds.

The rest of this fund's diversification Section refers to the cash portfolio and extended cash portfolio in the State Agency Pool.

Currency must be in U.S. dollar denomination only. The cash portfolios shall seek to be invested fully in permissible investments as of the close of business on each day. The account may only purchase securities issued or guaranteed by a corporation or other entity organized under the laws of a State of the United States and only securities of this type referred to in the first clause of Section 3(a)(2) of the Securities Act of 1933 as amended.

The cash portfolio and extended cash portfolios' permissible investments are the following securities:

- a) Asset-Backed Securities: Limited to automobile receivables, credit receivables, collateralized mortgage obligations (CMO) or pass-throughs, the collateral for which is securities issued by GNMA, FNMA, FHLMC or notes fully guaranteed as to principal and interest by the Small Business Administration;
- b) Master Notes;
- c) Bank Notes;
- d) Medium Term Notes;

- e) Bankers' Acceptances;
- f) Municipal Bonds;
- g) Certificates of Deposit;
- h) Municipal Notes;
- i) Commercial Paper, including unregistered Promissory Notes;
- j) Called for Commercial Paper;
- k) Repurchase Agreements (including term repurchase agreements)-Permitted collateral: Government securities. The minimum collateral required is 102%;
- l) Corporate Bonds;
- m) Time Deposits - Restricted to obligations of financial institutions approved by Wyoming's Board of Deposits;
- n) Corporate Notes;
- o) U.S. Government Securities;
- p) Floating Rate Notes including Obligations of the U.S. Treasury and Obligations of U.S. Government Agencies;
- q) Floating rate Certificates of Deposit;
- r) Guaranteed Investment Contracts (GICs) or synthetic GICs; and
- s) Instruments bearing floating or fixed interest rates.

Commercial paper must be rated A1+ or P1 by at least one Nationally Registered Statistical Rating Organization (NRSRO) (split ratings being permitted). The minimum long-term rating for bonds and notes is BBB/Baa2. Such ratings, however, may decline thereafter without per se requiring the sale of the security. GICs must be rated AAA or equivalent by Moody's, Standard and Poor's or Fitch, or rated A+ by A.M. Best. A security without its own rating will be considered to be rated if its user's comparable securities are rated. In addition, long term ratings shall be used only if the security is not rated and no security of the same issuer that is comparable in priority with such security is rated.

- 7. **Risk.** The funds have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return.
- 8. **Return Expectations.** The long-term return expectations shall be 200 basis points above inflation, as measured by the CPI.
- 9. **Benchmark.** Custom Index weighting the fixed income allocation by the Barclays U.S. Aggregate Bond Index, the cash equivalents allocation by 90-Day U.S. T-Bills and the extended cash allocation by an equal-weighted blend of the BofA ML 1-3 Year Agency, 1-3 Year Treasury and 0-3 Year Mortgage Indices.

21.5 Non-Permanent Funds – Target Asset Allocation

- 1. The target asset allocations for the above two Non-Permanent Funds are as follows:

	Tobacco Settlement Fund	State Agency Pool
Convertibles	3.0%	3.0%
Fixed Income*	94.0%	88.0%
Core	65.8%	61.7%
Credit	9.4%	8.8%
Opportunistic	2.8%	2.6%
EMD-Local	4.7%	4.4%
TIPS	7.5%	7.0%
Internal Portfolio	3.8%	3.5%
Cash Equivalents	3.0%	9.0%

*The total Fixed Income allocation is reduced by Public Purpose Investments.

The targets established above represent the long-term asset allocation objectives for the Funds. However, the State Treasurer’s Office shall have the right to make periodic adjustments to the above-listed allocations as they see fit, commensurate with the economic environment, ongoing cash flow activity, and the liquidity needs of the funds.

21.6 Non-Permanent Funds – Wyoming State Treasurer’s Asset Reserve (WYO-STAR)

1. **Fund Description.** This sub-policy applies to the funds of the WYO-STAR account, a local government investment pool administered by the State Treasurer’s Office.
2. **Philosophy and Investment Strategy.** This fund administers the short-term cash deposits made with the State by local entities. The actual investments are administered to provide liquid cash reserves, placing the majority portion in a cash portfolio and the rest in an extended cash portfolio according to specified guidelines. The disbursement of interest income and return of principal to the participants is managed in the State Treasurer’s Office. The State of Wyoming WYO-STAR account (the “WYO-STAR Account”) shall pursue a short-term and extended-term, fixed income strategy designed to optimize the yield on cash by investing in eligible securities that satisfy these guidelines.
3. **Target Allocation.** 100% of the fund is comprised of short-term bonds and cash as denoted in Section 21.6 entitled Diversification/Permissible Investments.
4. **Liquidity Requirements.** Liquidity shall be maintained to facilitate trading, to move money between asset classes, and to meet cash needs as determined by the State Treasurer’s Office. The percent invested in the extended portion of the WYO-STAR Account shall be directed by the State Treasurer’s Office, consistent with Sub-Section 5 below entitled Maturity.
5. **Maturity.** If an instrument is subject to an unconditional put or unconditional demand feature, its final maturity shall be the earlier of the date noted on the face of the instrument as the date on which the principal amount must be paid or the date on which the principal amount of the instrument can be recovered through demand. Sinking fund securities and asset backed issues with periodic principal repayment shall be measured by their anticipated weighted average cash flows for the purpose of calculating their

duration. The extended portion of the WYO-STAR Account may not exceed 35% of the market value of the portfolio at the time of purchase.

- a) **Cash Portfolio.** The portfolio's weighted average maturity is not to exceed 90 days. All securities must have a maximum maturity of 365 days. The maximum average cash flow weighted duration of the portfolio must not exceed 90 days. The market value of the portfolio must remain within +/- 0.5% of 1% of amortized cost.
 - b) **Extended Cash Portfolio.** Maximum average cash flow weighted duration is not to exceed 3 years. Individual securities must not exceed a cash flow weighted duration of 5 years. The extended portion of the WYO-STAR Account may not exceed 35% of the market value of the portfolio at the time of purchase.
- 6. Diversification/Permissible Investments.** The WYO-STAR Account is permitted to purchase the following securities:
- a) Asset-Backed Securities, limited to CMOs or pass-throughs; the collateral for which is securities issued by GNMA, FNMA, FHLMC or notes fully guaranteed as to principal and interest by the Small Business Administration. Automobile receivables and credit receivables shall also be considered permissible investments.
 - b) Repurchase Agreements
 - c) Government Securities, including obligations of the U.S. Treasury and Obligations of U.S. Government Agencies or Instruments, bearing floating or fixed interest rates.
 - d) Currency: U.S. dollar denomination only.
- 7. Risk.** The funds have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return.
- 8. Limitations on Amounts Invested Cash Reserve; Permitted Borrowing.** The WYO-STAR Account shall seek to be invested fully in permissible investments at the close of business on each day.
- 9. Repurchase Agreements (including term repurchase agreements).** Permitted Collateral: Government securities. The minimum collateral required is 102%.
- 10. Benchmarks.** For the cash portfolio, Monitored Repurchase Agreement Rate plus 15 basis points and the cash equivalents allocation by the 90-Day T-Bills. For the extended cash portfolio, an equal-weighted blend of the BofA Merrill Lynch 1-3 Year Agency, 1-3 Year Treasury, and 0-3 Year Mortgage Indices.

SECTION 22. LOCAL GOVERNMENT INVESTING

Effective July 1, 2016, the Wyoming Legislature expanded the list of permissible investments for the treasurers of any political subdivision, municipality or special district of Wyoming and the various boards of trustees and boards of directors of county hospitals, airports, fairs and other duly constituted boards and commissions (collectively, "Local Government Entities") to include those authorized or approved by the Board. (W.S. 9-4-831(a)(xxvii)) Thus, along with the investments already approved by the Wyoming Legislature in W.S. 9-4-831 (a)(i)-(xxvi), the Board authorizes and approves the following investment for Local Government Entities as of July 1, 2016:

- 1. Corporate Bonds:** Local Government Entities may invest in non-levered investment grade corporate bonds through a separate account arrangement or through a mutual

fund or exchange traded fund that invests in investment grade corporate bonds but such account or fund must satisfy the following requirements:

- a) For investment in non-levered investment grade corporate bonds through a separate account arrangement:
 - i. Must be through an investment management agreement with an SEC registered investment company or a bank exempt from registration;
 - ii. Investment advisor must agree in writing to act in a fiduciary capacity with regards to the assets of the account;
 - iii. The account must be diversified by issuer, with no more than 5% of account assets invested with a single issuer, with an exception made for obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations;
 - iv. The effective duration of the account can be no greater than the duration of the Barclays U.S. Aggregate Bond Index by more than 0.5 years; and
 - v. Only SEC registered investment grade securities are allowed for purchase.
- b) For investment in mutual funds or exchange traded funds that invest in investment grade corporate bonds:
 - i. The fund must be registered with the SEC;
 - ii. The fund must be a "diversified" fund as defined by the SEC;
 - iii. At time of purchase, the fund's assets must be invested in investment grade corporate bonds or other securities permitted for Local Government Entities;
 - iv. The effective duration of the fund at time of purchase cannot be greater than the Barclays Aggregate Bond Index by more than 0.5 years at time of purchase;
 - v. Average credit quality of the fund must be A- or better at time of purchase;
 - vi. The net expense ratio of the fund, as defined by the fund's most recent prospectus, cannot be greater than 0.5% annually (50 basis points), and cannot be greater than the fund's category average as defined by a nationally recognized provider of mutual fund data such as Morningstar or Lipper; and
 - vii. Shares of the fund must be purchased and sold at the net asset value of the fund. Purchase and sales loads are not allowed.

When approving, acquiring, investing, reinvesting, exchanging, retaining, selling and managing investments in corporate bonds as described above, the treasurers of Local Government Entities, their designees or any other fiduciaries appointed by the treasurers shall exercise the judgment and care of a prudent investor as specified by the Uniform Prudent Investor Act, W.S. 4-10-901 through 4-10-913.

SECTION 23. GLOSSARY OF TERMS

"**Alternative Investments**" are inclusive of investments that have either the qualities of return potential in excess of traditional investments and/or low correlation with traditional investments. For purposes of this policy, the following investments are included in this definition:

- Distressed Debt
- Private Equity
- Venture Capital
- Special Situations
- Real Estate
- Absolute Return (Hedge Fund of Funds)

“Commingled Investment” is an instrument where there is a pooling of securities owned by multiple clients for diversification and cost benefits. With commingled investments, investment managers cannot tailor the portfolio to suit client-specific guidelines.

“Derivative” is a contract or security whose value is based on the performance of an underlying financial asset, index, or other investment. The following are common types of derivatives used in the execution of fixed income strategies:

- **Future** – An agreement to buy or sell a specific amount of a specific security or currency at a specified price and on a specified future date. Futures contracts contain standardized terms, trade on a formal exchange, are regulated by overseeing agencies, and are guaranteed by clearinghouses.
- **Forward** – An agreement which obligates one party to buy and another party to sell a specific security or currency at a specific future date, at a price agreed upon at the time of the initial transaction. Forward contracts are privately negotiated and are not standardized or transferable. Mortgage TBAs (To Be Announced) and Forward Currency trades are examples of forward transactions.
- **Option** – An agreement which conveys the right, but not the obligation, to buy (call option) or sell (put option) a specific security at a stipulated price and within a stated period of time. If the option is not exercised during that time, the money paid for the option is forfeited.
- **Swap** – An agreement between two parties to exchange one set of future cash flows for another based on a specified principal amount. Swaps are utilized as an efficient means of obtaining a desired exposure, which commonly include the exchange of interest payments, currencies, credit exposure, or specific bond characteristics such as yield, quality, or maturity. Swaps trade over the counter and can be customized in any number of ways.

"Duration" is expressed in years. It is a measure of a bond's price change with change in yield, and is calculated by averaging the time to each interest and principal payment, weighted by each payment's present value.

“Exchange Traded Fund (ETF)” is a marketable security that tracks an index, commodity, bonds, or a basket of assets. ETFs trade on a stock exchange and experience price changes throughout the trading day as they are bought and sold.

"Investment Company Act of 1940" is an Act that regulates the organization of companies, including mutual funds, that engage primarily in investing, reinvesting, and trading in securities, and whose own securities are offered to the investing. The Act requires these companies to disclose their financial condition and investment policies to investors when stock is initially sold and, subsequently, on a regular basis.

"Investment Advisers Act of 1940" is an Act that regulates investment advisers. With certain exceptions, this Act requires that firms or sole practitioners compensated for advising others about securities investments must register with the SEC and conform to regulations designed to protect investors.

“Margin Transaction” is a technique involving buying or selling short securities using money borrowed from a broker. Margin is the collateral that the holder of the position is required to deposit to cover the broker against a potential loss.

"**Public Purpose Investment**" is an investment either mandated or permitted by the Wyoming State Legislature for the benefit of the State of Wyoming.

"**Risk**" shall be the measurable possibility of losing or not gaining value.

"**Securities Act of 1933**" is the Federal law which requires registration of securities and disclosure of financial information for potential investors.

"**Short Sale**" is a transaction where the seller sells a security not owned on the expectation that the market price will fall and the seller will be able to buy the security at a price lower than that at which it was sold.

"**Total Return**" shall be calculated to include all dividend and income as well as realized and unrealized capital appreciation or depreciation.

SECTION 24. INDEX DEFINITIONS

R 3000: The **Russell 3000 Index** is a market-capitalization weighted index of 3,000 widely held equity securities designed to measure performance of the entire U.S. stock market.

FTSE RAFI US 1000: The **FTSE Research Affiliates Fundamental Index US 1000 Index** is designed to measure the performance of the largest U.S. equity securities, selected on four fundamental measures of firm size: book value, cash flow, sales, and dividends. The 1,000 securities with the highest fundamental strength are weighted by their fundamental scores.

MSCI USA Minimum Volatility: The **MSCI USA Minimum Volatility Index** measures the performance of a minimum variance strategy applied to the mid- and large-cap segment of the U.S. equity market. The index is calculated by optimizing the MSCI USA Index, its parent index, for the lowest absolute risk (with a given set of constraints).

S&P 500: The **S&P 500 Index (Cap Wtd)** is a commonly recognized, market-capitalization weighted index of 500 widely held equity securities designed to measure broad U.S. equity performance.

R 2000: The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity market. It includes approximately 2000 of the smallest securities by market cap from the Russell 3000 Index.

MSCI World: The **MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index consists of the following developed market countries: *Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.*

MSCI ACW: The **MSCI ACW Index** is designed to measure equity market performance in global developed and emerging markets. The 23 underlying developed countries are: *Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.* The 23 emerging market countries are: *Brazil, Chile, China, Columbia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.*

MSCI ACW Ex U.S.: The **MSCI ACW (All Country World Index) Ex U.S. Index** is designed to measure equity market performance in global developed and emerging markets, excluding the US. The 22 underlying developed countries are: *Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.* The 23 emerging market countries are: *Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.*

MSCI ACW Ex U.S. Value: The **MSCI ACW (All Country World Index) Ex U.S. Value Index** is identical to the MSCI ACWI Ex U.S. with the exception that it focuses specifically on the value segment of global developed and emerging markets.

MSCI EAFE: The **MSCI EAFE (Europe, Australasia, Far East) Index** is designed to measure equity market performance of 21 developed countries, excluding the U.S. & Canada: *Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.*

NCREIF ODCE: The **NCREIF ODCE (Open End Diversified Core) Index** is an index of investment returns reporting on both a historical and current basis the results of 16 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NCREIF ODCE Index is capitalization-weighted and performance is time-weighted.

NCREIF Property: The **NCREIF Property Index** prepared by the National Council of Real Estate Investment Fiduciaries is a quarterly time series composite return measure for over 6,000 individual commercial real estate properties acquired in the private market for investment purposes. Total performance represents returns from appreciation and income, and includes multi-family, office, retail, and industrial properties.

HFN FOF Multi Strat: The **HFN FOF (Fund of Funds) Multi-Strategy Index** average is created by HedgeFund.net and contains over 1,600 funds of hedge funds that are each invested in multiple investment strategies.

BofA ML All Convertibles: The **BofA Merrill Lynch All Convertibles Index (All Qualities)** is a market capitalization-weighted index of domestic corporate convertible securities that are convertible to common stock.

Barclays U.S. Agg Bond: The **Barclays U.S. Aggregate Bond Index** covers the U.S. dollar-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities: U.S. Treasury and agency bonds, domestic corporate debt, and mortgage-backed securities.

Barclays U.S. Credit: The **Barclays U.S. Credit Index** covers publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

BofA ML U.S. High Yield: The **BofA Merrill Lynch U.S. High Yield Master II Constrained Index** consists of U.S. dollar-denominated, below investment-grade rated corporate debt publically issued in the U.S. domestic market.

S&P/LSTA Leveraged Loan: The **S&P/LSTA Leveraged Loan Index** reflects the market-weighted performance of institutional leveraged loans in the U.S. loan market.

JP Morgan GBI-EM Global Diversified Un-hedged: The **JP Morgan GBI-EM Global Diversified Index** is a global emerging markets index that consist or regularly traded, liquid fixed-rate, domestic currency government bonds.

Barclays U.S. TIPS: The **Barclays U.S. Treasury: U.S. TIPS Index** is an unmanaged index that consists of inflation-protected securities issued by the U.S. Treasury.

Barclays U.S. Intermediate Gov't Bond: The **Barclays U.S. Intermediate Government Bond Index** covers public U.S. government obligations with remaining maturities of between three and five years.

BofA ML 3 Mo U.S. T-Bill: The **BofA Merrill Lynch 3-Month U.S. T-Bill Index** consists of newly issued 90-day Treasury bills.

JP Morgan Blended Index: The **JP Morgan Blended Index** consists of an equal-weighted allocation to the BofA ML 1-3 Year U.S. Treasury Index, BofA ML 1-3 Year Agencies Index, and BofA ML 0-3 Year Weighted Average Life Mortgage Index.

Consumer Price Index: The **Consumer Price Index** (CPI) is a widely used measure of inflation and measures changes in the prices paid by urban consumers for a representative basket of goods and services in the U.S.