



Panel Discussion: Optimal Fund Structures
Wyoming State Treasurer's Annual Investment Conference
August 29, 2022

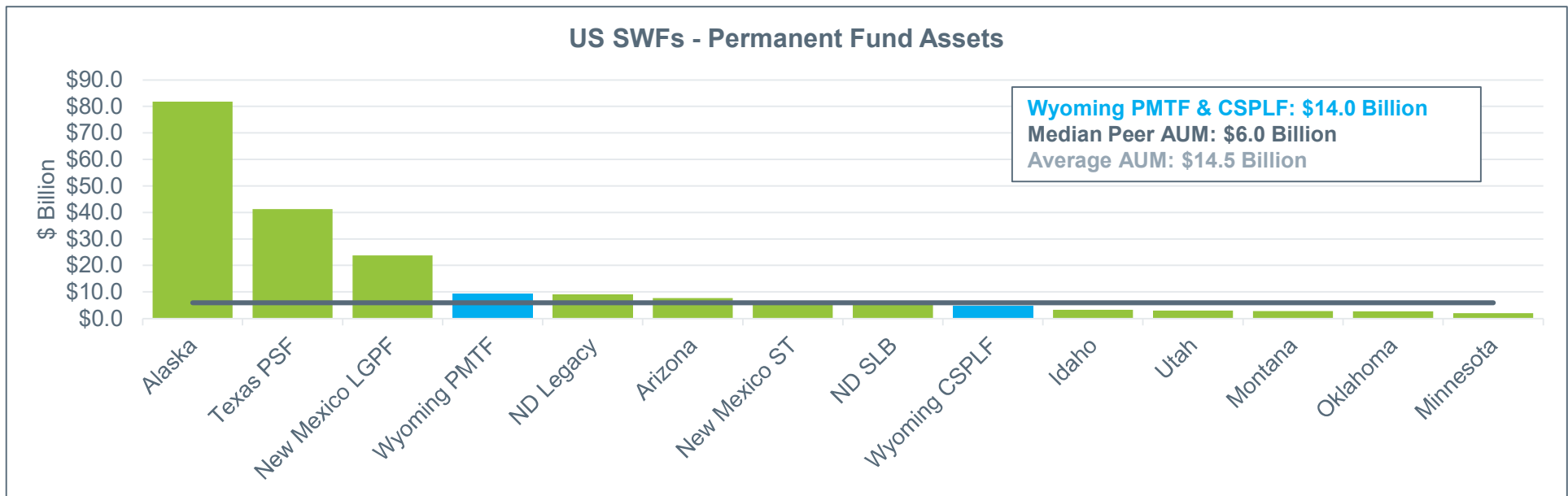
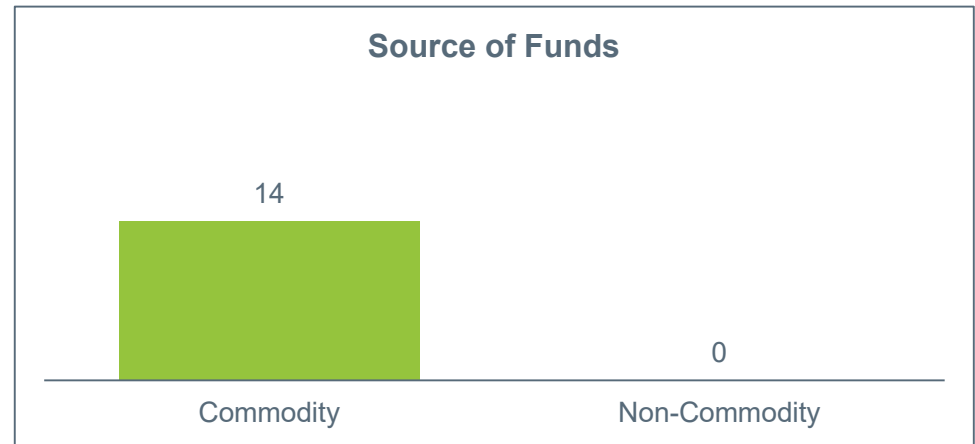
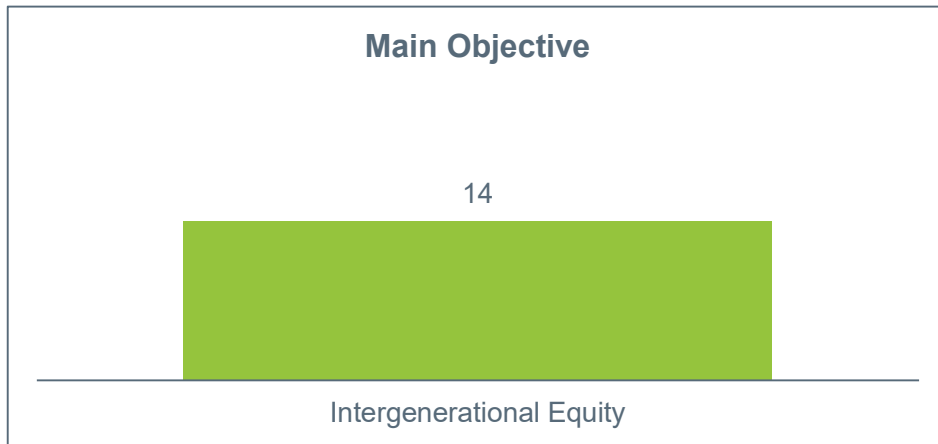


Overview of Peer Survey

- ❖ RVK conducts an annual survey of US Sovereign Wealth Funds (SWFs) in order to provide insight on asset allocation, performance, and periodically other unique aspects of these funds.
- ❖ This presentation includes information gathered by RVK via surveys and interviews with senior investment staff across the various funds, RVK consulting teams that serve those funds, and publicly available performance and asset allocation data
- ❖ The following pages are excerpts taken from the survey for the Fiscal year ended June 30, 2021.

Overview of Peer Survey

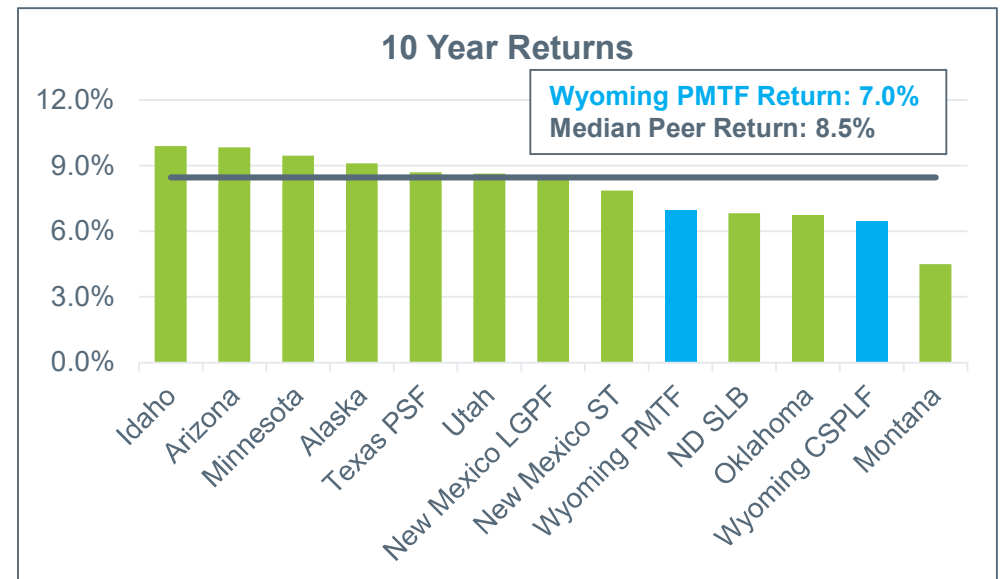
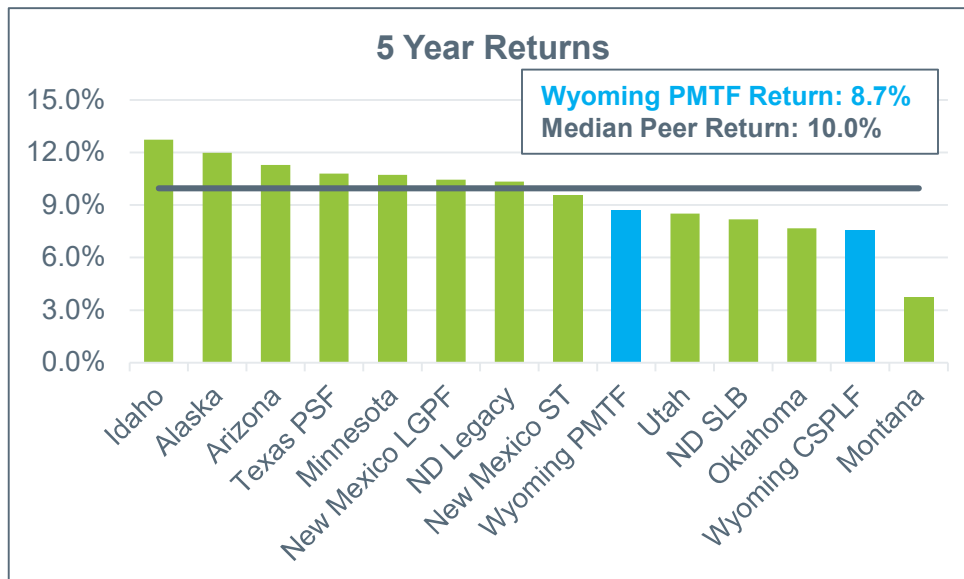
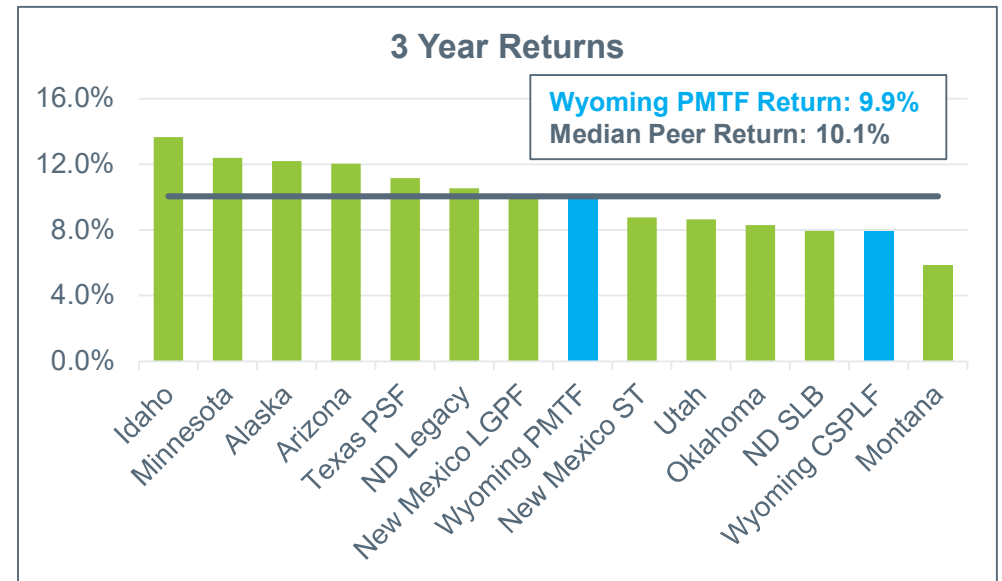
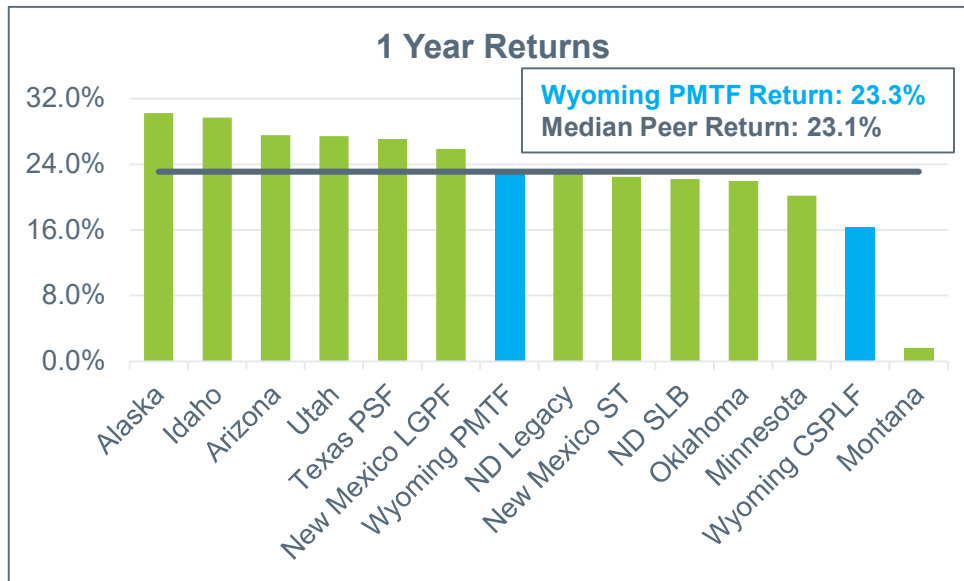
Universe Summary and Characteristics



Data is as of June 30, 2021. Assets reflect permanent fund assets only and may differ from total AUM reported by the entity.

Investment Performance

Historical Fund Performance



All data is as of June 30, 2021 and is gross of fees.

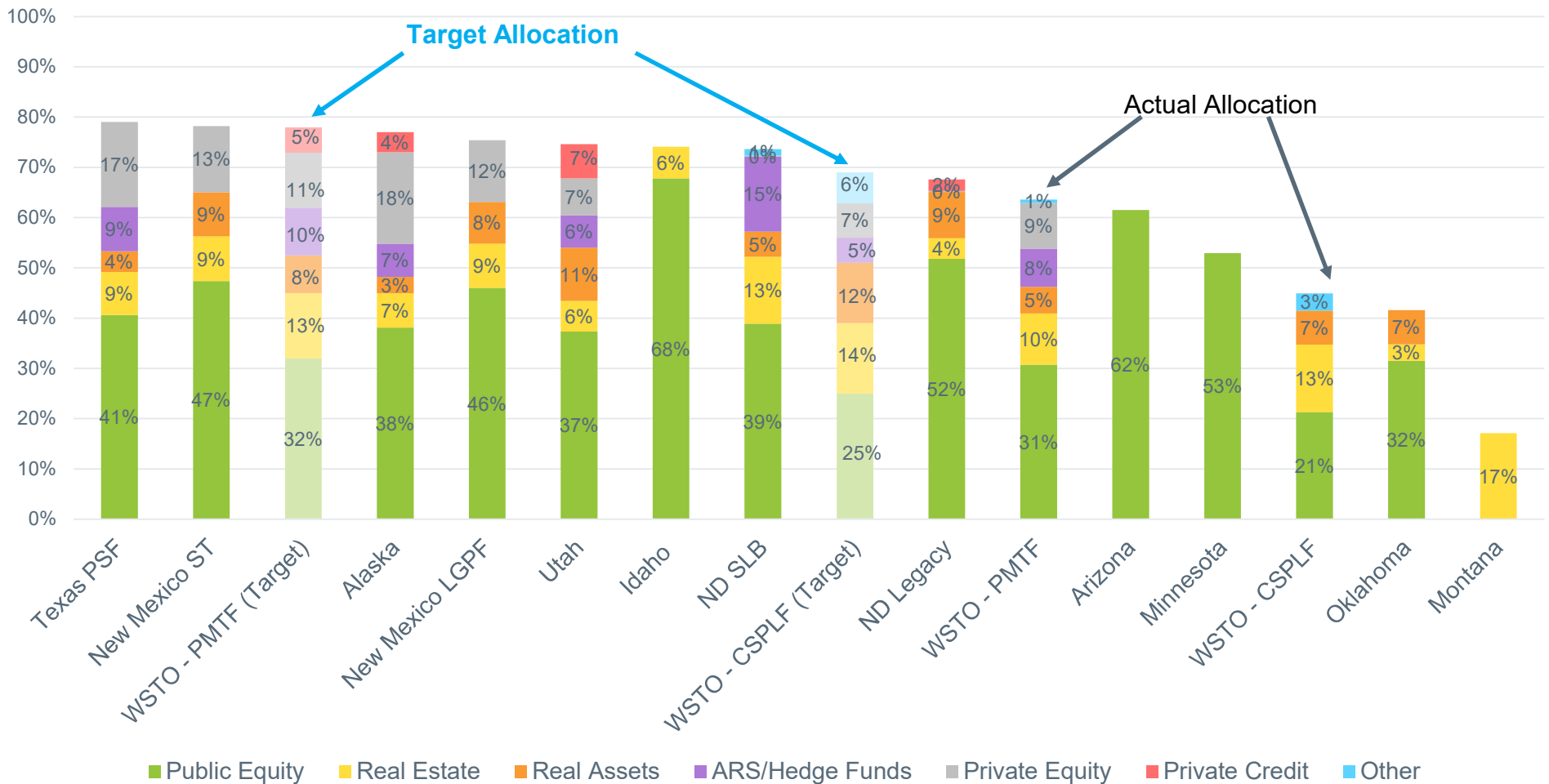
Utah SITFO performance is estimated using net-of-fees performance and an annual investment management fee of 0.56% (prior to 2021).



Asset Allocation

- ❖ WSTO's has less allocated to risk assets currently, but Targets that are being implemented contain meaningful increases.

Allocation to Risk Assets as of June 30, 2021



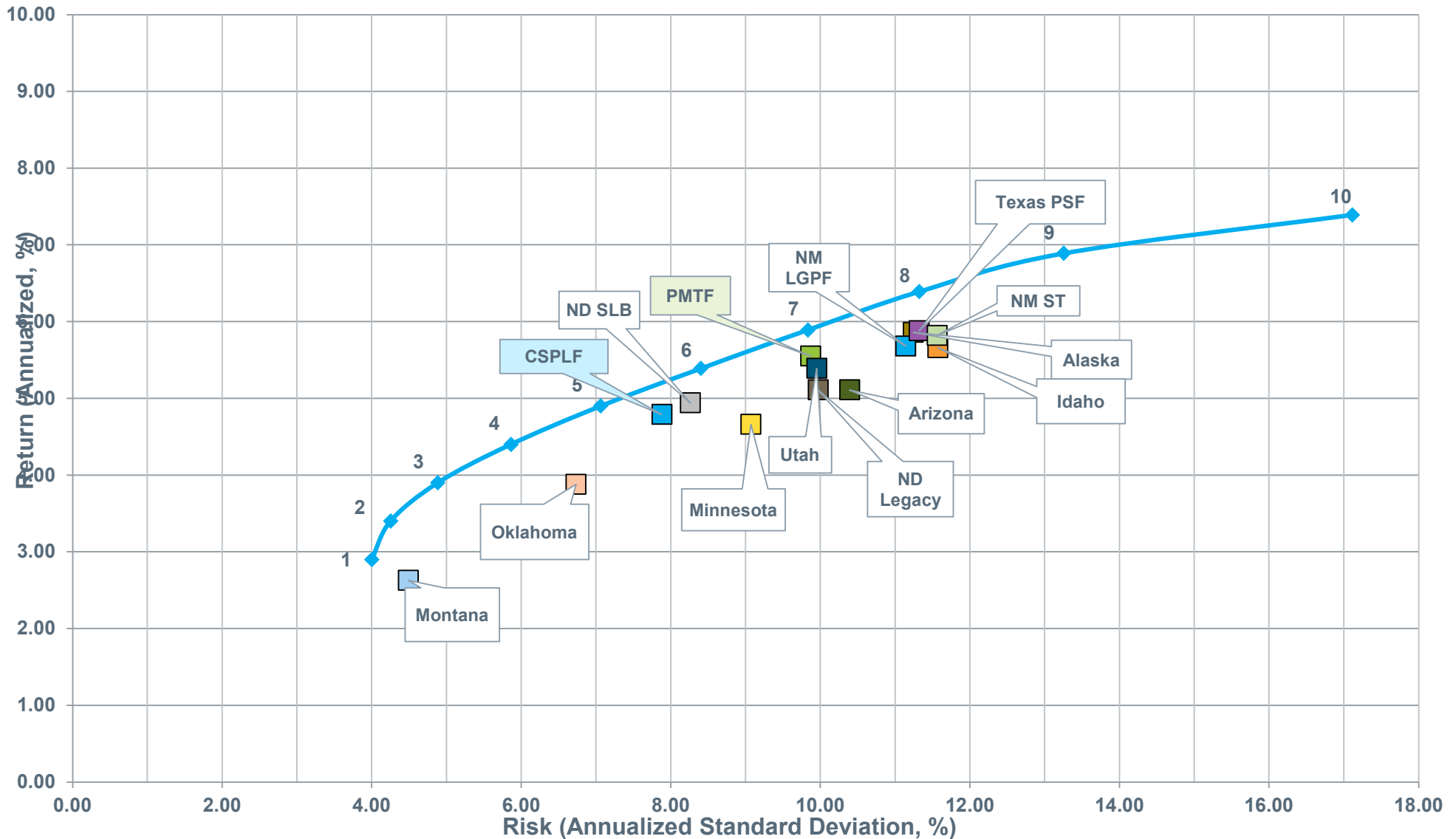
Allocation to "Other" includes opportunistic investments and preferreds.

Light shade bars for Wyoming PMTF and CSPLF represent the approved long-term target allocation.



Asset Allocation – 2021 Assumptions

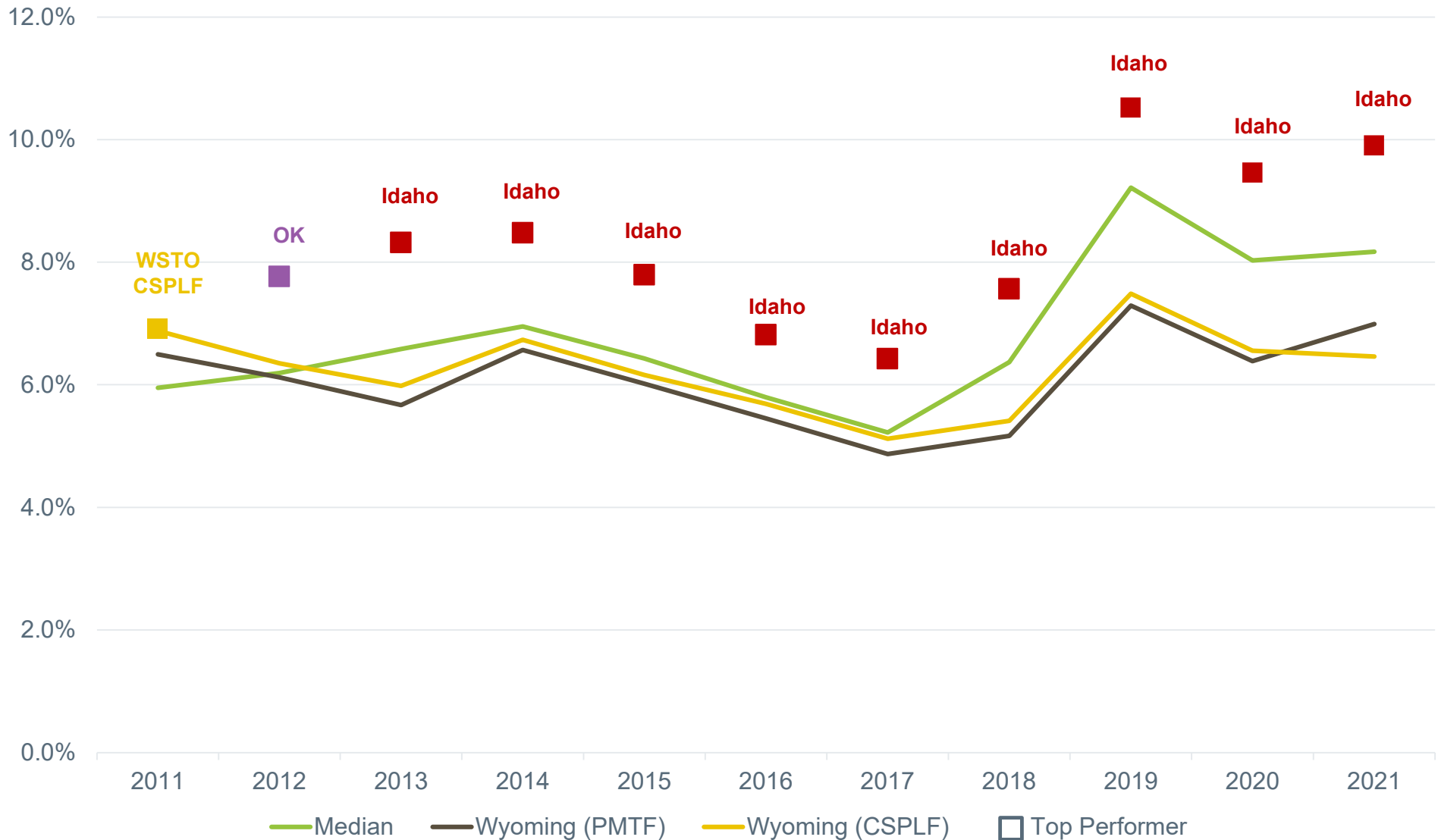
- ❖ The expected risk and return of each US SWF is modeled below using RVK’s 2021 capital markets assumptions, and Fund asset allocations as of June 30, 2021.



Rolling 10 Year Returns

❖ Significant allocation to public equities has been a helpful return tailwind for several 10-year periods.

10-Year Rolling Performance



Performance is gross of fees.
 Utah SITFO performance is estimated using net-of-fees performance and an annual investment management fee of 0.56% (prior to 2021).
 Performance for North Dakota SLB is net of fees prior to 2010.



Fund Summary

	Wyoming STO (PMTF)	Utah SITFO	Idaho EFIB
Spending Policy	5% of trailing 5-year average market value (4.75% in FY 2023, 4.50% in FY 2024 and thereafter).	Consists of the average of: <ul style="list-style-type: none"> • 4% of the trailing 3-year average market value; • Prior year's distribution increased by the prior year changes in the percentage of student enrollment growth and CPI. 	5% of trailing 3-year average market value.
Can Corpus be Spent?	No	No	No
Spending Methodology	All income is distributed (interest, dividends, and net realized capital gains).	Spending is paid out of the "distributable assets pool" (Utah tracks the value of corpus and spendable assets separately, though both are invested in same manner).	Spending is calculated annually, funded by the reserve fund (distribution is not paid if reserves are not adequate). Reserve fund holds 600% - 700% of annual spending amount to ensure stable and predictable distributions.
Inflation Protection	Excess reserve funds are credited back to corpus as an inflation protection mechanism. Additionally, asset allocation and spending policy analyses incorporate long-term inflation assumptions to address the objective of preserving purchasing power.	Inflation is taken into account in both the primary return objective (CPI + 5%) and spending policy (annual spending may not exceed 4% of the average market value over the past 12 quarters and growth in the consumer price index).	Funds only flow from the permanent fund to the reserve account in excess of the annual rate of inflation.

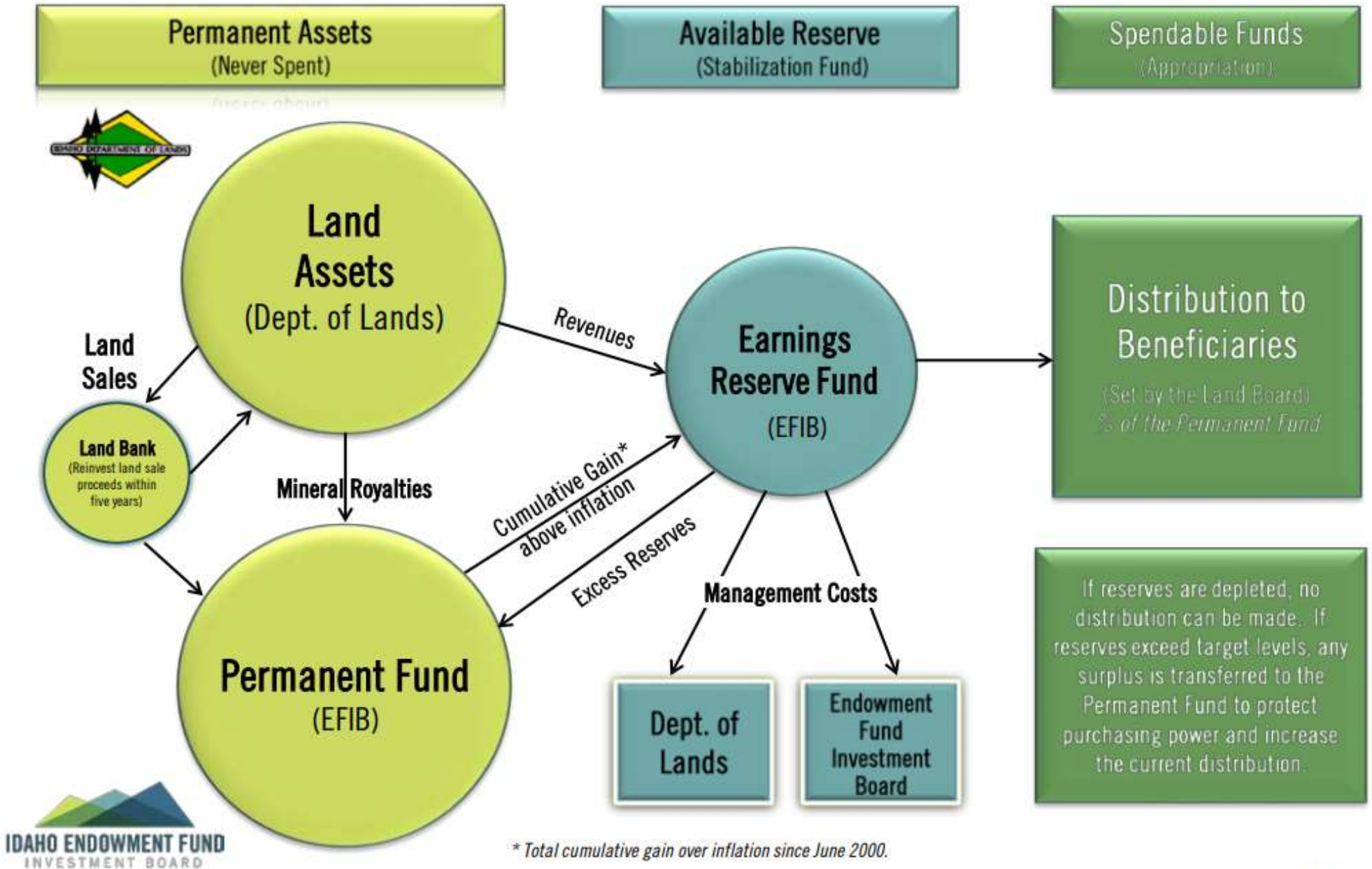
Fund Summary

	Wyoming STO (PMTF)	Utah SITFO	Idaho EFIB
Overview	Income in excess of spending policy is appropriated to the reserve account.	Earnings reserve (i.e. spendable assets) and corpus are commingled, with values accounted for to ensure corpus is not spent.	Earnings in excess of annual inflation flow from the permanent fund to the reserve fund. Land revenues also flow directly to the reserve fund.
Earnings Reserve	Maximum Size Any excess of over 150% of the spending policy amount is directed back to the corpus.	No maximum size.	Target level of earnings reserve is 600% - 700% of annual distribution amount. When earnings reserves exceed the target levels, excess amounts may be transferred back into permanent funds.
Investment	Fixed income	Same as corpus	Same as corpus
Can the reserve be appropriated by legislature?	Yes	No	Yes

Observations

- ❖ ***There is a clear and positive relationship between investment risk and long-term returns.***
 - For the decade ended 6/30/21, simple portfolios with higher allocations to domestic equity exposure benefitted from persistent market tail winds. With a shift from easy to tighter monetary policy this has not been the case in 2022 and we believe is less likely to be the case over the next market cycle.
 - We continue to believe that long-term investors should be oriented toward return-seeking assets, but diversification of those assets is likely to be more important in the next market cycle than the last.
- ❖ ***Requirements to preserve corpus and only distribute income can skew asset allocation choices towards safer (less volatile) allocations*** that will produce more consistent income but will likely produce lower long-term growth in asset values.
- ❖ ***The Utah and Idaho School Funds are illustrative*** examples of ***peer funds with similar history*** to the Wyoming Common School Permanent Land Fund (lands granted at statehood to provide for education) that are ***still required to preserve corpus*** but have amended their acts of admission/enabling acts and state constitutions to ***remove income distribution requirements***.
 - This has in turn enabled both to deal in terms of “total return” as they fund their distribution policies and removed artificial barriers to optimal portfolio construction.

Idaho EFIB – Structure of Endowment Assets



Rev 7/31/18



PORTLAND

BOISE

CHICAGO

NEW YORK

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