

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.204

EFFECTIVE DATE: December 10, 2025

TITLE: Private Investments Asset Class
Investment Policy Statement

SUPERSEDES: May 22, 2024

BOARD ADOPTION: November 30, 2021

REVIEWED: December 10, 2025

I. Introduction

- A. The purpose of this policy is to provide a framework for the Private Investment Asset Class under the guidance of the Board.

II. Purpose

- A. The purpose of this policy is to:
1. Establish the investment objectives and performance standards of the Asset Class; and
 2. Provide diversified exposure to the Private Investments markets in a prudent and cost-effective manner.

III. Investment Objective

- A. Strategic - The objective of the Private Investments Asset Class is to attain the highest possible return within the parameters of the Investment Objective and Guidelines set forth below.

B. Performance

1. There is no generally accepted benchmark index for private investment performance comparisons. Characteristically, private partnership investments are impacted by the "J-curve" effect, in which fees and transaction costs create negative returns during the initial investment years before distributions are realized. Private investments require a long-time horizon to realize the value provided by the creation or restructuring of private companies.
2. The performance objective for the Private Investments Asset Class is the achievement of long-term net returns (after management fees and general partner's carried interest) above a benchmark reflecting public equity market returns.
3. Success in achieving this objective will be measured by comparing the net return of the Private Investments Asset Class to the weighted average of the MSCI USA Small Cap Index (Private Equity) and the S&P Leveraged Loan Index (Private Credit) (the Benchmark) on an annualized basis. Performance results will be monitored quarterly. However, the success in achieving the objective will be measured on a five (5) year and ten (10) year annualized basis.
4. The board's general consultant will use Cambridge Associates private investment benchmarks as a secondary measure of the Private Investments Asset Class returns against peer group data. This data will be provided in the quarterly performance reports.

C. Investment Guidelines

1. Staff will have full discretion to manage the Private Investments Asset Class consistent with this policy. Compliance with the following guidelines for permitted investments and other restrictions is the sole responsibility of the Staff. Any exceptions or compliance violations are to be reported to the Board at the next scheduled quarterly Board meeting.

2. Most of the Private Investments Asset Class investments will be managed by external investment managers via a partnership structure in which the Board will have a limited partnership interest.

D. Permitted Investments

1. The Private Investments Asset Class may invest only in the following:
 - a) Private Investment partnership interests. These private partnerships may be direct limited partnerships, limited liability companies, or vehicles that primarily invest in partnerships, including Fund-of-Funds and Secondary Funds;
 - b) Investments held in separate accounts or commingled funds managed by external investment managers and governed by their respective investment management contracts and investment guidelines;
 - c) The Private Investments Asset Class may co-invest with private investment managers in transactions that are suitable for inclusion into a private investment partnership;
 - d) Individual public or private securities received as distributions from funds;
 - e) Exchange-Traded Funds (ETFs) based on a public equity index that is approved by the CIO and purchased and monitored by Staff; and
 - f) Cash – either an investment in the STIP, a vehicle available through the Custodian, or an SEC registered money market fund that is considered a “US Treasury” or “US Government” money market fund per the SEC regulations.

E. Other Restrictions

1. The Montana Public Retirement Plan assets as a percentage of Net Asset Value invested in a single Direct Limited Partnership shall be no greater than two percent (2%).
2. No more than forty percent (40%) of the aggregate of the Private Investments Asset Class net asset value should be considered “Non-U.S.” exposure based on the primary objective of the Fund, Partnership, Separate Account, or Index.
3. No more than thirty five percent (35%) of the aggregate of the Private Investments Asset Class net asset value shall be invested in direct co-investments.
4. Individual public securities received as distributions will be liquidated over a reasonable time-period dependent on market conditions.

- F. The following table provides a guideline range with respect to Private Investments strategy diversification. These ranges reference the Private Investments Asset Class net asset value.

<u>Strategy</u>	<u>Policy Range</u>
Buyout and all other private equity related strategies not related to Venture Capital or Private Credit	50% - 100%
Venture Capital	0% - 25%
Private Credit	0% - 50%

1. For the purpose of the ranges provided above, funds will be classified in the category that is most reflective of the underlying investments in the funds.

- G. If at any time, due to market fluctuations or any other circumstances, any of the guidelines are not maintained, Staff will use its best efforts to conform to these limits in a timely manner, while considering current market conditions and the associated costs of rebalancing. At the Board's next regularly scheduled quarterly meeting, the CIO shall inform the Board of any situations where the Private Investments Asset Class allocations were outside of the limits and either inform the Board of the actions that were taken to return the Private Investments Asset Class back within guidelines or a plan to do so.

Authority: Montana Constitution, Article VIII, Section 13
Section 2-15-1808, MCA
Section 17-6-201, MCA
Sections 17-6-204 and -205, MCA
Section 19-2-504, MCA