

January 2018

Legislative Budget Hearing



State of Utah
School & Institutional Trust Funds Office

Introduction - Background

- Formed in 2015 to institutionalize the investment management of the earnings generated by SITLA
 - \$2.5 billion in assets
 - 11 trust funds, not just the “School Fund”
- Self-funding
 - Operations are funded through the earnings of the trust, not tax revenues

“The director shall deposit into the account an amount of money from the earnings from trust fund assets equal to the annual appropriation that the Legislature makes to the office, to pay for the office’s operating costs.” 53D-1-203

Introduction - Resources

- The Board of Trustees consists of the State Treasurer (Chairperson) and four additional members with expertise in institutional investment management
- The staff consists of 3.5 (FTE) persons and intern(s):
 - Director, Chief Investment Officer
 - Senior Investment Analyst
 - Administrative Analyst
 - Assistant Administrative Analyst (part-time)
 - Intern(s) (TBD)
- Important advisory relationships:
 - Primary investment advisor
 - Best in class fund managers
 - Custodian bank
 - Research and risk management

Budget Request

- Requesting \$36,700 increase to \$950,000 total
- Primary purpose is to manage for growth and retain talent
- Secondary purpose is uncertainty of costs given relatively new agency
- FY19 requested budget represents 0.04% of the total assets managed

	FY 18 Budget	FY 19 Budget
AA Personnel Services	\$ 688,483.03	\$ 705,749.62
BB Travel/In State	\$ 500.00	\$ 500.00
CC Travel/Out of State	\$ 55,500.00	\$ 55,500.00
DD Current Expense	\$ 143,620.00	\$ 146,970.00
EE Data Processing Current Expense	\$ 23,000.00	\$ 26,500.00
GG Capital Expenditure	\$ 2,000.00	\$ 2,000.00
TOTAL INCOME	\$ 913,300.00	\$ 913,300.00
TOTAL EXPENSE	\$ 913,103.03	\$ 937,219.62
DIFFERENCE	\$ 196.97	\$ (23,919.62)

Appendix – Board of Trustees

DAVID DAMSCHEN - *Chair, Board of Trustees*

David became the Utah State Treasurer after serving seven years as the Chief Deputy State Treasurer. Previously, he lead treasury management efforts at AmericanWest Bank and U.S. Bank for almost 20 years. David is veteran of the U.S. Coast Guard, and holds a Certified Treasury Professional (CTP) credential.

KENT A. MISENER - *Vice Chair, Board of Trustees*

Kent serves as VP of Finance for the Great Salt Lake Council of the BSA. He managed \$9 billion in benefits-related assets as the Chief Investment Officer of Desert Mutual Benefit Administrators (DMBA). Kent has an MBA in Business Administration, and operates Verapath Global Investing LLC.

DAVID R. NIXON - *Board of Trustees*

David worked at Coopers & Lybrand and as Assistant Treasurer and Director of Global Investments at EDS, responsible for assets totaling \$15 billion. David has an accounting MBA. His extensive international experience includes work in both developed and emerging markets and living in Colombia, Belgium, and England.

JOHN LUNT - *Board of Trustees*

John serves on the investment committee for the \$8 billion Utah Educational Savings Plan (UESP) and was board president of Utah Retirement Systems (URS), a \$20 billion pension fund. He has an MBA in Finance and International Business and is the Founder and President of Lunt Capital Management, Inc.

DUANE MADSEN - *Board of Trustees*

Duane serves on the UVU Foundation's Investment Committee and chairs the Center for Law and Religious Studies at BYU's J. Reuben Clark Law School. He has an MBA and worked as the Vice President and Executive Director of Goldman-Sachs Private Wealth Management.

Appendix – SITFO Staff

PETER MADSEN - *Director, Chief Investment Officer*

Peter was brought on by SITFO in 2015, and has been critical in establishing the direction of the organization. Working in the investment management industry since 1999, his most recent experience includes Managing Director of Cube Capital, an investment group in London. His career includes a range of experience in global investing for large institutional clients such as pension funds and endowments, as well as permanent school fund experience from another state. Peter holds a Bachelor of Arts degree from the University of Utah in International Political Economy and Russian. He also holds an MBA focused in International Finance from the Middlebury Institute of International Studies.

BRIAN SCOTT - *Senior Investment Analyst*

Brian joined SITFO in 2017, bringing valuable expertise in research, portfolio management, and computer science. Preceding SITFO Brian was a quantitative analyst and software developer at Aspen Partners, an alternative investment manager and index provider. Prior to Aspen Brian was credit analyst with Wells Fargo Energy Group, where he covered E&P reserve based lending. Brian has a Master's of Science in Financial Engineering from Claremont Graduate University, a Bachelor's from Colorado State University, and is currently a CFA Level I candidate.

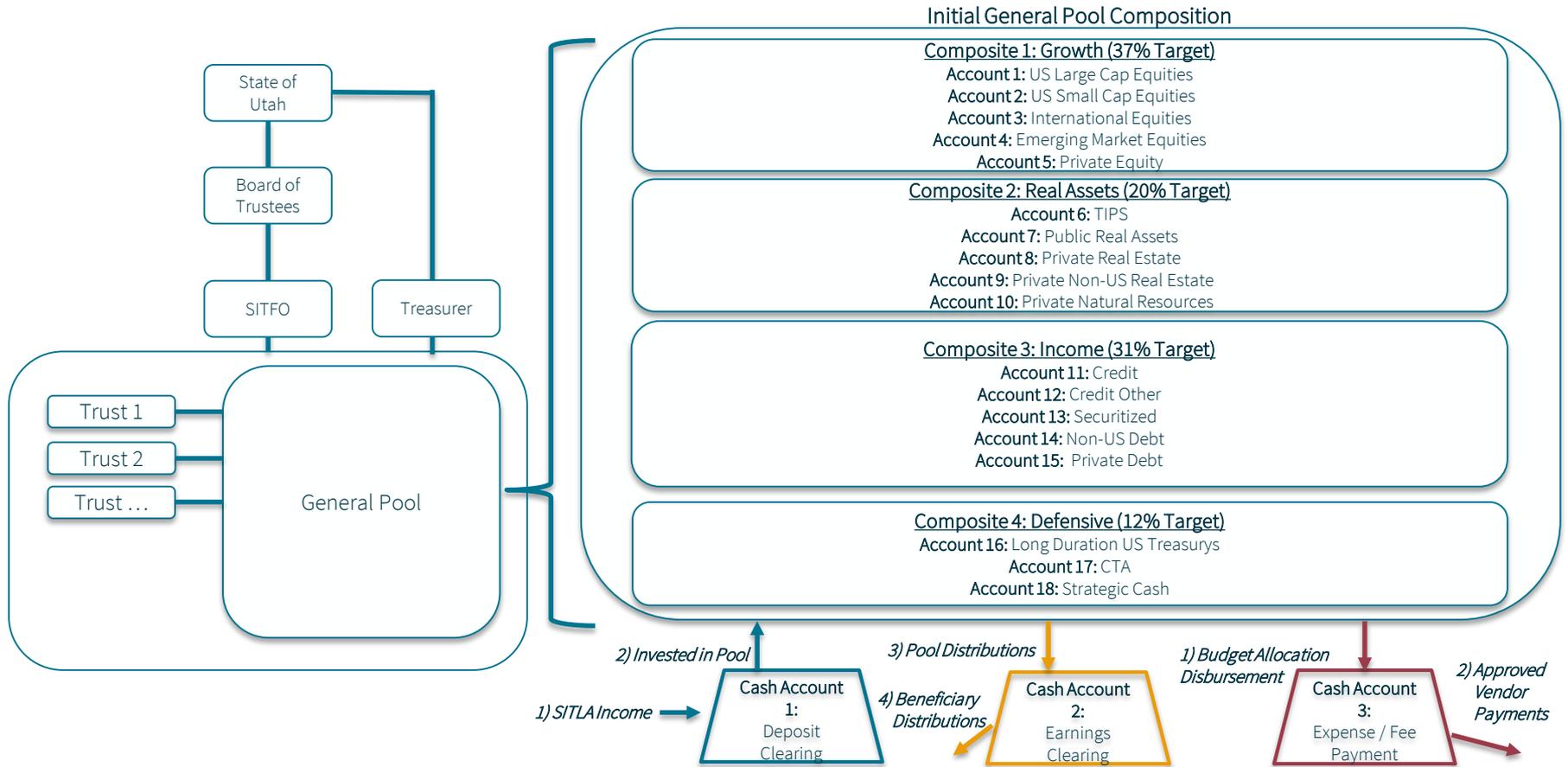
RYAN KULIG - *Administrative Analyst*

Ryan joined SITFO in 2016 to help manage office operations, portfolio administration, and investment analysis. Before joining SITFO, he worked for Sax Angle Partners, specializing in fundamental and technical analysis of equity investment opportunities. Prior to that, he performed financial analysis of federal grant activity at MRK Advisors. Ryan earned his Bachelor of Business Administration in Global Business with an Emphasis in Finance and a Minor in Economics from the University of Portland.

ANNA DAVENPORT - *Assistant Administrative Analyst*

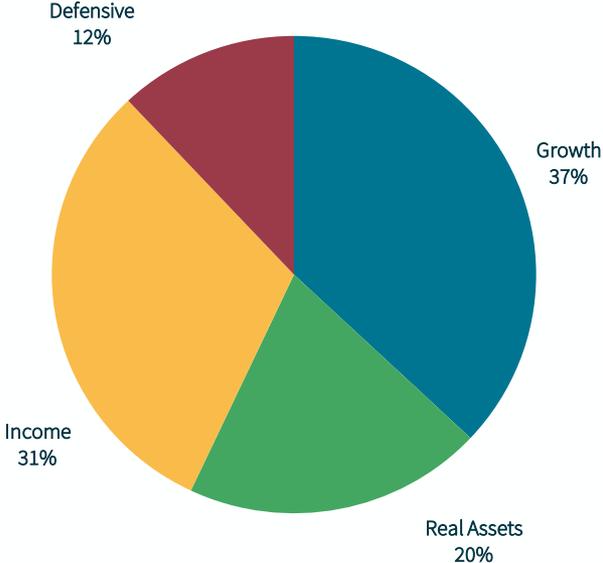
Anna joined SITFO in 2017 to assist in managing office operations. Before joining SITFO, she worked as the marketing and content strategist for Simply Peanut Allergenic Solutions. Prior to that, Anna worked at Goldman Sachs for five and a half years as a Compliance officer developing risk and control self-assessments, establishing a regulatory updates and policy framework and monitoring employee conduct. Anna earned her Bachelors of Arts in International Politics and Russian from the Pennsylvania State University.

Appendix – Portfolio Operations



Appendix – Asset Allocation

GRID Level - Asset Allocation Target



Strategy – Asset Allocation Target



Appendix – Portfolio Construction

	Min	Target	Max	Market Value	Weight (%)
Growth	25	37	50	\$ 958,309,922	39.0
US Equity	9	15	21	\$ 413,526,995	16.8
US Large Cap	4.5	7.5	10.5	\$ 252,235,058	10.3
Vanguard 500 Index				\$ 44,982,229	1.8
Parametric US VMP Large Cap				\$ 207,252,829	8.4
US Small Cap	4.5	7.5	10.5	\$ 161,291,936	6.6
Parametric US VMP Small Cap				\$ 146,264,690	6.0
BMO US Micro Cap				\$ 15,027,246	0.6
International Equity	9	15	21	\$ 516,204,836	21.0
International Developed Equity	4.5	7.5	10.5	\$ 263,918,580	10.7
Parametric International				\$ 263,918,580	10.7
Emerging Markets Equity	4.5	7.5	10.5	\$ 252,286,256	10.3
Parametric Emerging Markets				\$ 184,443,394	7.5
SR Global Fund				\$ 38,630,296	1.6
Taiyo India				\$ 29,212,566	1.2
Private Equity	4	7	10	\$ 28,578,092	1.2
Gladius Venator				\$ 4,310,574	0.2
Huron Fund V				\$ -	0.0
Summit Growth Equity IX				\$ 4,206,966	0.2
Varsity Healthcare Partners II				\$ 1,694,021	0.1
WCP NewCold				\$ 14,414,682	0.6
Kickstart Seed IV				\$ 2,951,849	0.2
Real Assets	15	20	25	\$ 794,018,092	32.3
TIPS	0	3	6	\$ 334,676,301	13.6
Vanguard Inflation-Protected Sec.				\$ 334,676,301	13.6
Vanguard ST Inflation-Protected Sec.				\$ -	0.0
Public Real Assets	1	4	7	\$ 114,542,246	4.7
Harvest MLP Income Fund				\$ 59,833,499	2.4
Private Real Estate	6	9	12	\$ 67,304,957	2.7
UBS Trumbull Property Income Fund				\$ 42,304,957	1.7
Colony Realty Partners III				\$ 25,000,000	1.0
Colony Realty Partners IV				\$ -	0.0
LaSalle Income & Growth Fund V				\$ -	0.0
LaSalle Income & Growth Fund VI				\$ -	0.0
LaSalle Asia Opportunity V				\$ -	0.0
Fidelity Real Estate Growth Fund III				\$ -	0.0
Long Wharf Real Estate Partners IV				\$ -	0.0
Long Wharf Real Estate Partners V				\$ -	0.0
Fundamental Partners III				\$ -	0.0
Varde Eur. RE				\$ -	0.0
Private Natural Resources	1	4	7	\$ 29,042,413	1.2
Rockland Power Partners III				\$ 14,821,210	0.6
Cordillera Investment Fund I				\$ 8,267,214	0.3
Income				\$ 794,018,092	32.3
Credit				\$ 334,676,301	13.6
Higher Credit Quality				\$ 334,676,301	13.6
Vanguard Short-Term Inv. Grade				\$ 160,300,556	6.5
Loomis Full Spectrum SMA				\$ 114,542,246	4.7
Bramshill Income SMA				\$ 59,833,499	2.4
Other Income				\$ 67,304,957	2.7
DW Value Fund				\$ 42,304,957	1.7
Securis Event Fund				\$ 25,000,000	1.0
Securitized				\$ 199,806,329	8.1
Higher Credit Quality				\$ 151,037,356	6.1
Putnam Mortgage Opportunity				\$ 151,037,356	6.1
Lower Credit Quality				\$ 48,768,972	2.0
Waterfall Eden				\$ 48,768,972	2.0
Non-US				\$ 133,087,365	5.4
PIMCO EM Local				\$ 108,087,365	4.4
Franklin Templeton Global Macro				\$ 25,000,000	1.0
Private Debt				\$ 59,143,140	2.4
LibreMax Value Fund				\$ 29,042,413	1.2
Ares ICOF III				\$ 14,821,210	0.6
BPC Opportunities III				\$ 8,267,214	0.3
Crestline Credit Opp III				\$ 7,012,303	0.3
Credit Suisse ILS				\$ -	0.0
Defensive				\$ 287,940,188	11.7
Long US Treasury				\$ 59,580,982	2.4
Vanguard Ext. Duration Treasury Index				\$ 59,580,982	2.4
CTA				\$ 166,229,317	6.8
Man FRM				\$ 166,229,317	6.8
Cash				\$ 62,129,889	2.5
Total Fund				\$ 2,457,946,830	

Appendix – Performance

SITFO Summary of Investment Performance Report For Periods Ending December 31, 2017

	Current %	Market Value	Annualized							Since Inception	Date
			Month	Qtr	1Yr	3Yr	5Yr	10Yr			
Total Fund		2,476,995,352	1.3	2.6	10.2	6.0	9.3	6.1	7.0	5/04	
CPI + 5%			0.4	1.7	7.0	6.6	6.4	6.6	7.1		
Policy Index			1.0	2.0	11.6	6.6	9.2	5.8	7.5		
Difference			0.3	0.6	-1.4	-0.6	0.1	0.2	-0.4		
Active Index			1.2	2.7	12.2	6.9	-	-	8.6		
Difference			0.1	0.0	-2.0	-0.9			-1.6		
<u>School Fund</u>	95.6%	2,367,016,758	1.3	2.6	10.2	6.0	9.3	6.1	7.0	5/04	
<u>Deaf School</u>	0.1%	2,328,376	1.3	2.6	10.3	5.9	9.2	5.6	6.8	5/04	
<u>Industrial School</u>	0.1%	1,312,808	1.2	2.6	10.3	6.0	9.4	5.6	6.8	5/04	
<u>Institute for the Blind</u>	0.9%	21,772,789	1.2	2.6	10.3	6.1	9.6	6.2	7.2	5/04	
<u>Miners Hospital</u>	2.2%	55,459,926	1.2	2.6	10.3	6.2	9.6	6.5	6.7	5/04	
<u>Normal School</u>	0.2%	5,226,460	1.3	2.6	10.3	5.9	9.2	5.7	6.8	5/04	
<u>Reservoirs Fund</u>	0.3%	7,356,676	1.2	2.6	10.3	5.9	9.2	5.9	6.9	5/04	
<u>School of Mines</u>	0.2%	3,814,573	1.3	2.6	10.3	6.0	9.3	5.9	7.0	5/04	
<u>University of Utah</u>	0.2%	5,895,249	1.2	2.6	10.3	5.8	9.1	5.6	6.8	5/04	
<u>Utah State Hospital</u>	0.1%	3,443,024	1.3	2.6	10.3	5.9	9.3	5.9	7.0	5/04	
<u>Utah State University</u>	0.1%	3,368,714	1.2	2.6	10.3	5.9	9.2	5.6	6.7	5/04	