

Callan



May 11, 2026

Alaska Mental Health Trust Authority

Asset Management Policy
Statement Work Session

Steve Center, CFA
Fund Sponsor Consulting

Important Disclosures regarding the use of this document are included at the end of this document. These disclosures are an integral part of this document and should be considered by the user.

Introduction

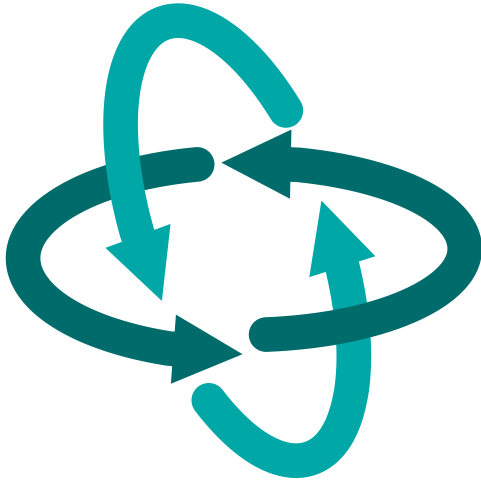
Presenters



Steve Center, CFA

- 16th year with Callan, 27th Year in the industry
- Senior Vice President, West Coast Consulting Team
- Callan Shareholder
- Manager Search Committee Member
- MBA, University of Washington
- BA, University of California, Irvine

Today's Agenda



Asset Management Policy Statement Work Session

- Quick AMPS Approvals
 - Necessary Updates & Revisions
 - Formatting & Structure Changes
- Proposed Revisions
 - Roles and Responsibilities
 - Statement of Asset Management Philosophy
 - Guidelines and Investment Policy
- Key Changes in the AMPS
 - Revised Budget Reserves Split
 - Removal of Central Facilities Fund
- Discussion of Additional Board Member Edits

Callan

High-Level AMPS Revisions

Proposed Revisions to the Asset Management Policy Statement

Some Changes to the AMPS are Necessary

Due to changes to the Trust, the following revisions to the AMPS are necessary:

- Specify that the Commercial Real Estate (“CRE”) portfolio is now explicitly managed by the Trust’s Chief Executive Officer, rather than the Trust Land Office. This results in numerous revisions throughout the AMPS.
- Clarify areas where third-party experts may be engaged, including:
 - Asset allocation and spending analysis
 - Management of CRE properties
 - Assistance with evaluating potential TLODA-funded projects
 - Future AMPS revisions
- New Mission Statement has been inserted.
- Added language noting the AMPS does not supersede Alaska law, including the Uniform Prudent Investor Act (“UPIA”), Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and “all applicable laws, legislation, regulations, governing statutes, and restrictions adopted by the State of Alaska.”
- Unifying references to the “Integrated Comprehensive Mental Health Program for the State of Alaska.”
- Correcting all references to Alaska Statutes.
- “Liquid” and “non-liquid” investment categories have been renamed “financial” and “land/natural resource/real estate” assets, and a third asset category named “short-term cash” has been added for the SIA/TADA/TLODA balances.

Proposed Revisions to the Asset Management Policy Statement

High-Level Formatting and Structural Revisions – Still Require Approval

Callan proposes the following high-level structural and formatting revisions to the AMPS:

- Capitalizing all entities that are treated as proper nouns in the AMPS (such as “Board of Trustees,” “Executive Committee” and “Finance Committee”)
- Defining all acronyms used in the AMPS, with acronyms in quotation marks upon first reference
- Unifying references to “AMHTA” and “the Board” where appropriate
- Updating some benchmark naming conventions due to data vendor mergers/acquisitions
- Correcting footnote formatting to simplify future revisions
- Page breaks have been inserted to differentiate sections
 - A table of contents will be inserted into the final version
- Addition of a flow-of-funds diagram to the end of the AMPS
- Alphabiting and expanding the “Definitions” section

Callan

**Proposed Revisions and Additions to
AMPS Language**

Proposed Revisions to the AMPS: Roles & Responsibilities

Board of Trustees (key deletions underlined, key additions in red)

Previous Language

Established by AS 44.25.200, the board of trustees is the governing body for the Alaska Mental Health Trust Authority. The board has the responsibility of establishing and maintaining broad policies and objectives for the prudent management of Trust assets. The Board establishes broad policies and sets the direction for asset management in this AMPS. The board delegates the implementation of these policies to the board's finance committee, resource management committee, executive committee and to staff. In doing so, the board maintains a “top-down” perspective, focusing on important policy-level issues, and maintaining the proper fiduciary perspective and time horizon for analysis of the performance of Trust assets.

Proposed Language

Established by AS 44.25.210, the Board is the governing body for AMHTA. The Board has the responsibility of establishing and maintaining policies and objectives for the prudent management of Trust assets. **Trustees are fiduciaries of the Trust.** The Board establishes broad policies and sets the direction for asset management in this AMPS. The Board delegates the implementation of these policies to staff. In doing so, the Board maintains a “top-down” perspective, focusing on important policy-level issues, and maintaining the proper fiduciary perspective and time horizon for analysis of the performance of Trust assets. **The Board has established a Finance Committee to review this policy and others and to make recommendations to the Board to consider for adoption. The Board may, from time to time, seek the input of third-party experts, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.**

Proposed Revisions to the AMPS: Roles & Responsibilities

Finance Committee

Previous Language

The board of trustees has established a finance committee to assist the board in the financial oversight and strategic financial planning for the Trust. This committee consists of current members of the board of trustees. The Finance Committee considers the overall financial performance of Trust assets, including the real estate and natural resources managed by the Trust Land Office and makes recommendations to the board when necessary. The committee will consult with the Chief Financial Officer and Chief Executive Officer to oversee the implementation of this AMPS. Additional responsibilities may be found in the committee charter..

Proposed Language

The Board has established a Finance Committee to assist the Board with the financial oversight and strategic financial planning for the Trust. This Committee consists of three current voting members of the Board **and the Board Chair as a non-voting member**. The Finance Committee considers the overall financial performance of Trust assets, including the real estate and natural resource development projects managed by the Trust Land Office, and makes recommendations to the Board when necessary. **The Finance Committee evaluates and makes recommendations to the Board on prospective capital investments from the Trust, including land and natural resource development projects managed by the TLO that require capital investment from the Trust.** The Finance Committee will consult with the Chief Financial Officer and Chief Executive Officer to oversee the implementation of this AMPS. Additional responsibilities may be found in the Finance Committee charter. **The Finance Committee may, from time to time, seek the input of third-party experts, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.**

Proposed Revisions to the AMPS: Roles & Responsibilities

Resource Management Committee

Previous Language

The board of trustees has established a resource management committee to assist the board in the oversight and strategic planning for the land, natural resource assets, and associated improvements held by the Trust. This committee consists of current members of the board of trustees. The committee will consult with the Chief Executive Officer and the Trust Land Office to oversee the implementation of this AMPS regarding the Trust's land, natural resource assets, and associated improvements by the Department of Natural Resources. Additional responsibilities may be found in the committee charter.

Proposed Language

The Board has established a Resource Management Committee to assist the Board in the oversight and strategic planning for the land, natural resource assets, and associated improvements held by the Trust. This Committee consists of **three current voting** members of the Board **and the Board Chair as a non-voting member**. The Resource Management Committee will consult with the Chief Executive Officer and the Trust Land Office to oversee the Trust's land, natural resource assets, and associated improvements by the Department of Natural Resources. **Additionally, the Resource Management Committee evaluates and makes recommendations to the Board on land and natural resource development projects managed by the TLO that require capital investment from the Trust.** Additional responsibilities may be found in the Resource Management Committee charter. **The Committee may, from time to time, seek the input of third-party experts, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.**

Proposed Revisions to the AMPS: Roles & Responsibilities

Department of Natural Resources and Trust Land Office

Previous Language - DNR

****NONE****

Proposed Language - DNR

As a result of the 1994 settlement of the Weiss v. State litigation, the state legislature directed the Trust to contract with the Department of Natural Resources to manage Trust lands. By statutory directive, the Trust contracts with the DNR, and under that contract, the Trust compensates DNR to manage the Trust lands in the best interests of Trust beneficiaries.

Previous Language - TLO

The office has responsibility for management of the Trust's property and natural resource assets. The TLO was established within the Department of Natural Resources under AS 44.37.050.

Proposed Language - TLO

The Trust Land Office is a division within DNR. Through regulations and the Commissioner of the Department of Natural Resources delegating their authority to the Trust Land Office Executive Director, DNR established the Trust Land Office. The TLO's land management responsibilities include management of the Trust's land, real estate, natural resource assets, and associated improvements in the best interests of the Trust beneficiaries.

(Note: Footnote references included regarding establishment of the TLO through Statute)

Proposed Revisions to the AMPS: Roles & Responsibilities

Trust Land Office Executive Director

Previous Language

In fulfilling the contract with the board described in AS 37.14.009, this staff position serves the commissioner of the Department of Natural Resources as the Executive Director of the Trust Land Office. Per the Memorandum of Understanding with the Department of Natural Resources, the Commissioner has delegated the authority to select/replace the Executive Director to the Trust with concurrence of the DNR Commissioner.

Proposed Language

The TLO Executive Director has overall responsibility for the management of approximately one million acres of Trust land with accountability to the Trust and its beneficiaries and reports to the CEO.

Proposed Revisions to the Asset Management Policy Statement

Statement of Asset Management Philosophy

Previous Language

The AMPS helps the board effectively supervise, monitor, and evaluate the investment and management of the Trust's liquid and non-liquid assets. The cash investment program and Trust land and resource management program are defined in the various sections of the AMPS by:

...

- establishing a framework to aid trustees in determining the annual available funding amount for protection and enhancement of Trust assets and spending on behalf of the beneficiaries in mental health programs and projects; and
- aligning asset management strategies with the time horizons identified in the comprehensive mental health plan.

Proposed Language

The AMPS serves as a framework to enable prudent management of Trust assets so that they remain available to current and future beneficiaries. The AMPS helps the Board effectively supervise, monitor and evaluate the investment and management of both the Trust's **financial assets and land, natural resource, and real estate development assets**. The short-term cash, financial investment, and land/natural resource/real estate development programs are defined in the various sections of the AMPS by:

...

- establishing a framework to aid the Board in determining the annual available funding amount for spending on behalf of the beneficiaries in mental health programs and projects, and **protecting and enhancing the value of the Trust for future beneficiaries**; and
- **establishing policies and procedures for systematic evaluation of relative risk and returns for prospective investments, including land and natural resource development projects, as compared to the best available alternate investments.**

Proposed Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Asset Allocation

Previous Language

INTRO:

Careful allocation of Trust capital is an essential component of managing the overall portfolio risk profile and the potential return. Investing decisions strive for a balance between overweighting capital in a narrow section (concentration risk) and distributing capital so broadly that investments are not focused and generate mediocre results. Asset allocation is the framework for managing investment decisions to achieve the desired result within an acceptable range of risk.

Proposed Language

INTRO:

Careful allocation of Trust capital is an essential component of managing the overall prospective return and risk profile of the Trust. Asset allocation is the framework for managing investment decisions to achieve the desired result within an acceptable range of risk. **Overall investment decisions should be made after conducting a thorough and systematic comparison of the projected investment return and risk levels versus those of available alternatives, which may include investing additional capital with APFC. Additionally, any potential labor or resource demands on Trust Authority Staff, TLO, and the Board, along with the institutional expertise required of the Staff and Board for any necessary oversight, must be considered.**

Proposed Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Asset Allocation Detail Table

Investment Manager	Account	Risk Profile (1=Low, 5=High)	Asset Allocation
Department of Revenue	GeFONSI	LOW 1	Established by the Manager
Department of Revenue	Budget Reserves	MODERATE 2	Established by the Manager with Trust direction
Alaska Permanent Fund Corporation	Trust Fund and Reserve Balances	MODERATE 3	Established by the Manager
Commercial Real Estate LLCs (CEO and Third-Party Manager(s))	Commercial Real Estate	MODERATE 4	Established by the Trust
Trust Land Office	TLODA-Funded Development Projects	MODERATE Varies by Project (3-5)	Established by the Trust

A new column describing the investment account for each investment Manager has been added, along with a wider spectrum (scale of 1 to 5) used to describe the overall risk/volatility level for each Investment Manager. Footnotes are included in the full AMPS for the Asset Allocation rules/investment guidelines for each Investment Manager.

Proposed Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Performance Expectations – Trust Land Office

Previous Language

INTRO (Following first paragraph, only minor edits):

...

TLO outcomes are projected each budget cycle with annual outcomes addressed in annual TLO budgets approved by the board. While the TLO consults primarily with the resource management committee of the board on specific transactions, consultation can also occur between the TLO and the Trust Administration Office (TAO) and between the TLO and the board, in accordance with specific board policies or transaction circumstances.

The performance of direct private equity real estate will be annually evaluated using an index or indices determined by the finance committee.

Proposed Language

INTRO:

...

The AMPS is focused exclusively on development projects funded through TLODA and does not govern ongoing management of existing land and natural resource assets managed by the TLO. With the understanding that the TLO must manage Trust lands to maximize long-term financial returns, it is to be anticipated that reinvestment of funds in the development of Trust land and natural resource assets through TLODA will be necessary.

The performance of any projects funded through TLODA will be presented to the Board by TLO and the CFO on at least an annual basis, including the calculation of financial metrics such as an internal rate of return (IRR) along with multiple on invested capital (MOIC) and distributions to paid-in capital (DPI) ratios. Such calculations are to be performed by the Chief Financial Officer, with the assistance of the TLO and third-party experts retained by AMHTA on an as-needed basis. TLODA projects should also be compared on a time-weighted basis versus a commodity-sensitive performance index, such as the FTSE CoreCommodity CRB® Index or similar. TLODA project performance will be reported to the Board no less than annually.

Proposed Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Performance Expectations – Trust Land Office (1 of 2)

Previous Language – much of this language is better suited for the RMS vs. the AMPS

General operating expectations are as follows:

- TLO will focus first on land or resources at the high end of their market values (“Best Markets”) and then on land or resources with Best Market potential within the next two to ten years;
- land or resources not included above will be considered “Long Term Market” lands, with TLO management emphasis placed on reasonable value preservation and enhancement actions in the interim;
- generally, the TLO will focus on transactions that:
 - maximize return at prudent levels of risk;
 - contribute to a diverse assortment of resource activity;
 - provide ancillary values to the Trust; and
 - remove or prevent liability risks;
- leases are preferred over sales and, when reasonable to do so, land values should be enhanced before disposal through lease or sale;
- transactions should not harm values of or future opportunities associated with other Trust lands;
- investments in Trust land should be consistent with the guidelines in the Resource Management Strategy and, when expected to generate increased value for the Trust, the proposed results should compete favorably with the projected long-term total rate of return of the Alaska Permanent Fund Corporation;
- land exchanges may be considered, when associated costs and outcomes can be reasonably established;
- ...
- lands, structures, and resources may be acquired when the acquisition will add value to the Trust’s non-liquid asset portfolio or will contribute to the mission of the Trust in another way. All acquisitions will be analyzed on a ‘Life Cycle Basis’; defined as the present value of the acquisition cost, the operating income/benefits during the holding periods and the value of the asset at disposition.

Proposed Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Performance Expectations – Trust Land Office (2 of 2)

Proposed Language

General operating expectations for the TLO are governed by the Resource Management Strategy document. Of note:

- lands, structures, and resources may be acquired when the acquisition will add value to the Trust's land, natural resource, and real estate portfolio through TLODA or will contribute to the mission of the Trust as a program-related investment, upon approval of the Board;
- investments in Trust land funded by TLODA should be consistent with the guidelines in the Resource Management Strategy and, when expected to generate increased value for the Trust, the projected investment risk and results should compete favorably, or offer the benefit of diversification through reduced projected correlation, when compared against the projected long-term total rate of return and risk (standard deviation) of the APFC;

...

Proposed Addition to the Asset Management Policy Statement

Control Procedures: Investment Guideline Monitoring

Newly Proposed Language

On at least an annual basis, the investment accounts of the Trust should be reviewed by the CFO to confirm they are being managed in accordance with all applicable investment guidelines. Any areas of deviation from stated guidelines should be noted by the CFO and reported to the Board on a quarterly basis, with an understanding that immediate correction may not be financially prudent. Once any guideline breach has been corrected, the Board may return to annual investment guideline reviews. Investment guidelines are as follows:

- APFC: The APFC Board of Trustees approves the APFC Investment Policy, which can be found on its website . Confirmation of adherence to this policy should be part of the Board’s annual review with the APFC.
- DOR Budget Reserves: DOR manages the Budget Reserves account in accordance with a long-term asset allocation target established by the Board. This portfolio invests in a mixture of active and passive commingled investment vehicles and is rebalanced at least quarterly based upon cash flows in and out of the Trust. Any deviation from the long-term asset allocation targets should be minimal.
- DOR GeFONSI: Governed by the Investment Policy Statement approved by the Department of Revenue . It is anticipated that the GeFONSI will not materially deviate from its stated investment guidelines.
- TLODA Projects: The TLO will implement all TLODA projects in accordance with the parameters for each project approved by the Board. The TLO will present an update on TLODA Projects to the Board on a periodic basis (but no less than semi-annually).
- Commercial Real Estate: The CRE program is in wind-down/liquidation and no new properties will be added to the portfolio.

Proposed Addition to the Asset Management Policy Statement

Control Procedures: Cash Management Procedures

Newly Proposed Language

The Trust has elected to utilize the GeFONSI, managed by DOR, as its short-term cash management investment vehicle. The Trust has three primary cash management accounts that utilize the GeFONSI: TADA (account 3320), TLODA (account 3322) and SIA (account 1092). In general:

- TADA receives cash flows generated by TLO asset sales.
- TLODA receives capital from Trust reserves to fund TLODA activity and any other TLO-related expenditures as approved by the Board.
- SIA is the account from which income available for appropriation and expenditure is deposited. SIA ultimately funds the Mental Health Trust Authority Authorized Receipts (“MHTAAR”), AMHTA agency budget, TLO annual budget, and other authorized grants. SIA is expected to maintain a working balance of the current fiscal year’s withdrawal plus any residual balances from withdrawals yet to be spent.

Proposed Revisions to the Asset Management Policy Statement

Investment Account Guidelines: Trust Land Office Development Account Guidelines (1 Of 2)

Previous Language

Recommendations for expenditure from the TLODA will be noticed in the same manner as other Trust expenditures, including presentation to appropriate Trust committees and final approval by a committee or the board of trustees, as provided for in the Trust bylaws. Recommendations will be based upon a specific work plan with identified priorities.

Where TLODA funds are used to enhance the value of the Trust's existing non-liquid assets, each project will be accounted for individually and the proceeds from the project will be used to calculate an internal rate of return (IRR).

Proposed Language

All recommendations for expenditure from TLODA for non-PRI or non-PRRE investment must be presented by the TLO to both the Finance and Resource Management Committees for review, with recommendations from both committees being presented to the Board for final approval.

Recommendations for expenditure from the TLODA will be noticed in the same manner as other Trust expenditures, including presentation to the Finance and Resource Management Committees and final approval by the Board. Recommendations will be based upon a specific investment plan with identified priorities. Such presentations should clearly detail the investment case for each TLODA project, including:

- Expected rate of return versus risk, including financial, operational, legal and macroeconomic risks
- Liquidity and market conditions
- Strategic fit
- Alignment with Trust principals

Generally, these investments are expected to compare favorably with the projected long-term total rate of return and risk profile of the APFC or offer sufficient diversification benefits through reduced correlation with APFC.

Where TLODA funds are used to enhance the value of the Trust's existing land, natural resource, and real estate assets, each project will be accounted for individually and the earnings from the project will be used to calculate performance metrics such as an IRR, multiple on invested capital ("MOIC"), and distributions to paid-in capital ("DPI").

Proposed Revisions to the Asset Management Policy Statement

Investment Account Guidelines: Trust Land Office Development Account Guidelines (2 Of 2)

Previous Language

The trustees may adjust the TLODA IRR target on a case by case basis, reflecting the unique circumstances of each project. Classifying these cash flows between principal and income shall be done at the direction of the trustees, in accordance with 20 AAC 40.610.

The TLODA projects may involve real estate investment and natural resource development, asset classes that are potentially illiquid or exposed to fluctuating commodity prices. Accordingly, the trustees have established \$8 million as the allocation to this account, representing approximately 1.5% of Trust liquid assets.

Additional allocations may be made in the future, depending upon the needs of the Trust

Proposed Language

The Board may adjust the TLODA IRR target on a case-by-case basis, reflecting the unique circumstances **and attributes** of each project. Classifying these cash flows between principal and income shall be done at the direction of the Board, in accordance with 20 AAC 40.610.

The TLODA projects may involve **land** and natural resource development, asset classes that **can be** illiquid or exposed to fluctuating commodity prices. Accordingly, the **Board should expect TLODA projects to provide beneficial return, risk, and correlation characteristics when compared to APFC. Additionally, sizing of TLODA projects must be considered in terms of the total Trust portfolio's overall asset allocation.**

Additional **investments** may be made in the future, depending upon the needs of the Trust. **The above guidelines apply only to development projects funded by TLODA, and do not apply to existing land and natural resource assets managed by the TLO that do not require capital commitment from the Trust.**

Callan

Key Changes to the AMPS

Proposed Revisions to the Asset Management Policy Statement

Budget Reserve Account Changes

Callan recommends revising the Budget Reserve account structure to have a higher allocation to the Department of Revenue versus the Alaska Permanent Fund Corporation. Currently, the Budget Reserve account is evenly split between DOR and APFC. Callan proposes altering that allocation to be 75% DOR and 25% APFC.

The Budget Reserve account is designed to provide a “cushion” for the Trust to support the Integrated Comprehensive Mental Health Program during difficult market environments. The Budget Reserve account has a targeted balance of 400% of the calculated annual withdrawal.

Increasing the percentage of the Budget Reserve account invested with DOR increases the overall liquidity of the Budget Reserve account during times of stress without substantially impacting the overall long-term projected return of the Trust. In fact, moving to a 75%/25% split in the Budget Reserve account results in a slight increase in the simulated Sharpe Ratio of the Total Trust due to a drop in projected volatility.

	APFC	DOR Budget Reserves	Total Trust w/ 50%/50% BR	Total Trust w/ 75%/25% BR
10-Year Geometric Mean Return	7.30%	6.52%	7.25%	7.22%
Projected Standard Deviation	12.65%	9.60%	12.43%	12.29%
10-Year Simulated Sharpe Ratio	0.33%	0.36%	0.33%	0.34%

The proposed revisions to the AMPS includes revising the Budget Reserve Account structure so that it is allocated 75% to the DOR and 25% to APFC.

Proposed Revisions to the Asset Management Policy Statement

Removal of the Central Facilities Fund

The Central Facilities Fund (“CFF”) was created to assist with the administration of overall expenses related to the management of the Commercial Real Estate (“CRE”) portfolio. The CFF maintained a balance to assist with cash needs of the CRE portfolio, including improvements, which were not easily funded from revenue generated by the properties themselves.

Historically, the CFF was held as a component of the Trust Land Office Development Account (“TLODA”) and invested in the General Fund and Other Non-Segregated Investment (“GeFONSI”) pool, which is managed by DoR.

With the wind-down of the CRE program, the CFF is no longer necessary. Any future expenditures related to the remaining properties in the CRE portfolio should be able to be met from Trust assets, with the approval of the Board.

The proposed revisions to the AMPS include the removal of all references to the Central Facilities Fund.

Callan

Additional Board Member Edits

Board Member Revisions to the Asset Management Policy Statement

Purpose

Callan Proposed Language

The Asset Management Policy Statement (“AMPS”) delineates the asset management philosophy and policies of the Board of Trustees (the “Board”) of the Alaska Mental Health Trust Authority (“AMHTA”). It has been developed with the goal of ensuring and enhancing Trust assets for beneficiaries today and into future. The Board believes it is essential to adopt a long-term plan by which these assets will be prudently managed. The AMPS may be revised by action of the Board and should be reviewed annually. The Board has adopted the AMPS to serve as that long-term plan, in order that:

Callan is supportive of the inclusion of the proposed additional language from the Board member for the “Purpose” section of the AMPS.

Proposed Language

The Asset Management Policy Statement (“AMPS”) delineates the asset management philosophy and policies of the Board of Trustees (the “Board”) of the Alaska Mental Health Trust Authority (“AMHTA”). It has been developed with the goal of ensuring and enhancing Trust Assets for beneficiaries today and into future. **The primary financial objective of the Trust is to exist in perpetuity as an intergenerational asset for the benefit of current and future Alaska beneficiaries. Trust assets shall be managed to preserve or enhance the long-term real purchasing power of the Trust, support sustainable annual distributions, and avoid decisions that favor short-term spending at the expense of long-term mission capacity. The long-term objective of the Trust’s total portfolio shall be to earn, over rolling 10-year periods and net of all external and internal management costs, a return sufficient to support approved annual distributions, maintain the inflation-adjusted value of Trust principal, and preserve intergenerational equity.** The Board believes it is essential to adopt a long-term plan by which these assets will be prudently managed. The AMPS may be revised by action of the Board and should be reviewed annually. The Board has adopted the AMPS to serve as that long-term plan, in order that:

Board Member Revisions to the Asset Management Policy Statement

Statement of Asset Management Philosophy

Callan Proposed Language

The AMPS serves as a framework to enable prudent management of Trust assets so that they remain available to current and future beneficiaries. The AMPS helps the Board effectively supervise, monitor and evaluate the investment and management of both the Trust’s financial assets and land, natural resource, and real estate development assets. The short-term cash, financial investment, and land/natural resource/real estate development programs are defined in the various sections of the AMPS by:

...

- establishing policies and procedures for systematic evaluation of relative risk and returns for prospective investments, including land and natural resource development projects, as compared to the best available alternate investments.

With the understanding that investing in with APFC can be viewed as the “opportunity cost” of capital investment, Callan is supportive of this proposed revision.

Proposed Language

The AMPS serves as a framework to enable prudent management of Trust assets so that they remain available to current and future beneficiaries. The AMPS helps the Board effectively supervise, monitor and evaluate the investment and management of both the Trust’s financial assets and land, natural resource, and real estate development assets. The short-term cash, financial investment, and land/natural resource/real estate development programs are defined in the various sections of the AMPS by:

...

- establishing policies and procedures for systematic evaluation of relative risk and return for prospective investments, including land and natural resource development projects, as compared to the **APFC alternative as the primary benchmark and default use of discretionary Trust investment capital.**

Board Member Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Asset Allocation

Callan Proposed Language

Careful allocation of Trust capital is an essential component of managing the overall prospective return and risk profile of the Trust. Asset allocation is the framework for managing investment decisions to achieve the desired result within an acceptable range of risk. Overall investment decisions should be made after conducting a thorough and systematic comparison of the projected investment return and risk levels versus those of available alternatives, which may include investing additional capital with APFC. Additionally, any potential labor or resource demands on Trust Authority Staff and the Board, along with the institutional expertise required of the Staff and Board for any necessary oversight, must be considered.

Proposed Language

Careful allocation of Trust capital is an essential component of managing the overall prospective return and risk profile of the Trust. Asset allocation is the framework for managing investment decisions to achieve the desired result within an acceptable range of risk. Overall investment decisions should be made after conducting a thorough and systematic comparison of the projected investment return and risk **relative to the APFC alternative, which shall be the primary benchmark for discretionary capital allocation. No discretionary investment outside APFC should be approved unless, under conservative assumptions, it is reasonably expected to provide risk and return characteristics at least equal to those available through APFC.**

This proposed Board member language shifts the asset allocation decision for investments outside of APFC to require “risk and return characteristics at least equal to those available through APFC.” Callan is supportive of this revision, provided the Board understands the TLO may need to depend upon third-party partnerships/investment programs to monetize land and natural resource holdings.

Board Member Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Performance Expectations – Trust Land Office (1 of 5)

Callan Proposed Language

The AMPS is focused exclusively on development projects funded through TLODA and does not govern ongoing management of existing land and natural resource assets managed by the TLO. With the understanding that the TLO must manage Trust lands to maximize long-term financial returns, it is to be anticipated that reinvestment of funds in the development of Trust land and natural resource assets through TLODA will be necessary.

Proposed Language

The AMPS is focused exclusively on development projects funded through TLODA and does not govern ongoing management of existing land and natural resource assets managed by the TLO. **While** the TLO must manage Trust lands to maximize long-term financial returns, **reinvestment of funds through TLODA should occur only when a proposed project is reasonably expected, under conservative assumptions, to provide risk and return characteristics at least equal to the APFC alternative.**

This proposed Board member language again proposes using the risk and return characteristics of APFC as the hurdle rate for investments from TLODA. Callan understands and is supportive of this concept but does note that the diversification benefits that come from some investment strategies may outweigh the need to exceed the projected return characteristics of APFC.

Board Member Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Performance Expectations – Trust Land Office (2 of 5)

Callan Proposed Language

The performance of any projects funded through TLODA will be presented to the Board by TLO and the CFO on at least an annual basis, including the calculation of financial metrics such as an internal rate of return (IRR) along with multiple on invested capital (MOIC) and distributions to paid-in capital (DPI) ratios. Such calculations are to be performed by the Chief Financial Officer, with the assistance of the TLO and third-party experts retained by AMHTA on an as-needed basis. TLODA projects should also be compared on a time-weighted basis versus a commodity-sensitive performance index, such as the FTSE CoreCommodity CRB® Index or similar. TLODA project performance will be reported to the Board no less than annually.

These proposed revisions specify the CFO as being responsible for maintaining the book of record for TLODA-funded projects and alters the process for approving the use of third-party experts. It also again details APFC as a return hurdle for TLODA-funded projects.

Proposed Language

The performance of any projects funded through TLODA will be presented to the Board at least **annually**, including calculation of financial metrics such as internal rate of return (IRR), multiple on invested capital (MOIC), and distributions to paid-in capital (DPI). **For purposes of underwriting, performance measurement, and APFC-relative comparisons under this AMPS, the Chief Financial Officer shall be responsible for maintaining the official analytical record for the Board. Third-party experts may be retained by the Board, the CFO, or the CEO/TLO only as authorized by Board policy or budget, provided that any analysis presented to support Board action shall identify the retaining party, the scope of work, and any material assumptions or methodological differences from other analyses presented.** TLODA projects shall also be compared directly to the APFC alternative on a risk-adjusted basis using assumptions approved by the Board. Commodity-sensitive indices, such as the FTSE CoreCommodity CRB® Index or similar, **may be presented as supplemental information, but shall not replace APFC as the primary benchmark for underwriting, approval, and performance evaluation.**

Board Member Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Performance Expectations – Trust Land Office (3 of 5)

Callan Proposed Language

General operating expectations for the TLO are governed by the Resource Management Strategy document. Of note:

- lands, structures, and resources may be acquired when the acquisition will add value to the Trust’s land, natural resource, and real estate portfolio through TLODA or will contribute to the mission of the Trust as a program-related investment, upon approval of the Board;

...

Proposed Language

General operating expectations for the TLO are governed by the Resource Management Strategy document. Of note:

- lands, structures, and resources may be acquired when the acquisition will add value to the Trust’s land, natural resource, and real estate portfolio through TLODA or will contribute to the mission of the Trust as a program-related investment, upon approval of the Board, **provided, however, that any acquisition treated as an investment of Trust capital shall not be approved unless it is reasonably expected, under conservative assumptions, to provide risk and return characteristics at least equal to the APFC alternative;**

This revision again notes APFC’s risk/return characteristic as a hurdle rate for potential capital investment from TLODA. Assuming the Board is comfortable with this distinction, Callan is also supportive.

Board Member Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Performance Expectations – Trust Land Office (4 of 5)

Callan Proposed Language

General operating expectations for the TLO are governed by the Resource Management Strategy document. Of note:

...

- investments in Trust land funded by TLODA should be consistent with the guidelines in the Resource Management Strategy and, when expected to generate increased value for the Trust, the projected investment risk and results should compete favorably, or offer the benefit of diversification through reduced projected correlation, when compared against the projected long-term total rate of return and risk (standard deviation) of the APFC;

This proposed revision would almost exclusively prohibit any development project investment funded from TLODA that is not conservatively projected to perform in-line or better than APFC on a risk-adjusted basis. Callan is supportive of this revision assuming the Board understands this change.

Proposed Language

General operating expectations for the TLO are governed by the Resource Management Strategy document. Of note:

...

- Investments in Trust land funded by TLODA should be consistent with the guidelines in the Resource Management Strategy and, when expected to generate increased value for the Trust, **shall be approved only if the projected investment risk and return are reasonably expected, under conservative assumptions, to be at least equal to the projected long-term total rate of return and risk profile of APFC. Reduced projected correlation or diversification benefits may be considered as supplemental factors, but shall not by themselves justify approval of a project with inferior projected risk-adjusted return relative to APFC;**

Board Member Revisions to the Asset Management Policy Statement

Guidelines and Investment Policy: Performance Expectations – Trust Land Office (5 of 5)

Callan Proposed Language

General operating expectations for the TLO are governed by the Resource Management Strategy document. Of note:

...

- if beneficiary program uses of Trust lands are proposed at rents below fair market value, the increment between proposed rents and fair market value rents will be considered an allocation of Trust revenue and must be approved by the Board.

Given the addition of APFC as a performance/risk hurdle for TLODA-funded projects, adding the proposed distinction to carve-out program-related usage from this performance requirement is prudent. Callan is also supportive of the additional proposal requirements around such investments.

Proposed Language

General operating expectations for the TLO are governed by the Resource Management Strategy document. Of note:

...

- if beneficiary program uses of Trust lands are proposed at rents below fair market value, the increment between proposed rents and fair market value rents will be considered an allocation of Trust revenue and must be approved by the Board. **Any proposal for beneficiary use of Trust lands at below fair market value shall include a written estimate of fair market value, the implied annual subsidy, the programmatic rationale, the expected duration of the arrangement, and whether renewal is contemplated. Any such subsidy shall be treated and reported as mission-related support for beneficiaries and shall not be relied upon to demonstrate satisfaction of the APFC-relative investment standard.**

Board Member Revisions to the Asset Management Policy Statement

Control Procedures: Total Trust Performance

Callan Proposed Language

On at least an annual basis, the total financial performance of the Trust assets will be presented by the CFO to the Board. Performance will be based upon data from the Trust's investment managers (DOR, APFC, and TLO) along with the audited financial data for the CRE portfolio. Performance will be compared to a blended benchmark consisting of the following indices (weighted based upon the Trust's allocation to each category as of the beginning of each fiscal year):

...

- TLODA Projects: Actual performance of the TLODA Project program

While the use of APFC as the benchmark for TLODA-funded projects is a true option for the Board to consider, Callan does not deem these proposed edits to be necessary. This section of the AMPS is designed to detail a process for measuring the performance of the total AMHTA investment portfolio, and the proposed additions are likely too cumbersome for Staff.

Proposed Language

On at least an annual basis, the CFO **shall present** to the Board **a consolidated report distinguishing among: (i) return-seeking investment performance, (ii) approved grants and appropriated spending, and (iii) mission-related or programmatic expenditures that include an economic subsidy, concessionary lease rate, or below-market return. The report shall estimate the annual and cumulative effect of each category on Trust resources and on the Trust's long-term spending capacity.** Performance will be based upon data from the Trust's investment managers (DOR, APFC, and TLO) along with the audited financial data for the CRE portfolio. Performance will be compared to a blended benchmark consisting of the following indices (weighted based upon the Trust's allocation to each category as of the beginning of each fiscal year):

...

- TLODA Projects: Actual performance of the TLODA Project program, **presented together with a corresponding APFC-relative benchmark or reference return approved by the Board and adjusted, as applicable, for timing, liquidity, and risk assumptions used in underwriting.**

Board Member Revisions to the Asset Management Policy Statement

Spending Policies

Callan Proposed Language

The Board has the authority to authorize the expenditure of Trust funds to award grants and contracts in fulfillment of the Trust’s purpose to ensure an Integrated Comprehensive Mental Health Program, to protect and enhance the value and productivity of Trust assets, and, with legislative approval, the operating expenses of the Trust Authority Office (“TAO”) and TLO. This spending policy outlines five Board objectives:

...

This additional language adds more details to the spending policy, but it may be better suited for a different document or as part of the Board’s overall mission statement. It is Callan’s opinion that this language is unnecessary for the AMPS; it is focused on the approval of spending, rather than on the overall management of Trust assets.

Proposed Language

The Board has the authority to authorize the expenditure of Trust funds to award grants and contracts in fulfillment of the Trust’s purpose to ensure an Integrated Comprehensive Mental Health Program, to protect and enhance the value and productivity of Trust assets, and, with legislative approval, the operating expenses of the Trust Authority Office (“TAO”) and TLO. **In applying this spending policy, the Board’s governing objective is to sustain the Trust’s capacity to support beneficiaries in perpetuity through grants, program funding, and prudent mission-related activity, while preserving the long-term real value of Trust resources. Where near-term mission opportunities compete with long-term financial preservation, the Board shall make that tradeoff explicitly.** This spending policy outlines five Board objectives:

...

Board Member Revisions to the Asset Management Policy Statement

Spending Policies: Annual Available Funding Framework

Callan Proposed Language

The Board reserves the right to expend additional funds when circumstances warrant. Concurrently, the Board acknowledges that principal assets are not available for expenditure.

Proposed Language

The Board reserves the right to expend additional funds when circumstances warrant. **The annual withdrawal framework is intended to function as a sustainable long-term spending rule. Amounts above the standard withdrawal calculation should be authorized only in extraordinary circumstances, supported by written Board findings that such action is necessary, mission-consistent, and will not materially impair the long-term real value and sustainability of the Trust.** Concurrently, the Board acknowledges that principal assets are not available for expenditure.

Callan is supportive of this additional language for the Annual Available Funding Framework section.

Board Member Revisions to the Asset Management Policy Statement

Investment Account Guidelines: Trust Land Office Development Guidelines (1 of 7)

Newly Proposed Language

Discretionary, non explicitly programmatic investments of TLODA capital shall be made only when the proposed investment is reasonably expected, under conservative assumptions, to provide risk and return characteristics at least equal to the APFC alternative. Proposed uses of TLODA capital shall be identified by the Board as one of the following: (i) a financial investment, (ii) a protective capital expenditure intended solely to preserve existing asset value, or (iii) a mission-related or programmatic expenditure. Financial investments shall satisfy the APFC-relative risk and return standard. Protective expenditures may be approved only upon an express written finding that they are necessary to preserve existing Trust asset value, that the expected benefit of preservation exceeds the cost, and that the expenditure is not a substitute for a discretionary return-seeking investment. Mission-related or programmatic expenditures shall be expressly identified as non-investment uses of Trust resources and shall be approved only upon written findings describing the programmatic purpose, the expected beneficiary benefit, the expected financial subsidy or concession relative to market terms and the APFC alternative, the expected duration, and why the Board determines the expenditure is justified notwithstanding its expected financial return. The Board shall periodically review the aggregate amount of TLODA capital committed to mission-related or programmatic non-investment uses and shall consider whether the cumulative effect of such uses is consistent with preserving the Trust's long-term real value and sustainable annual spending capacity. The CFO shall identify for the Board any material cumulative drift in TLODA away from return-seeking investment activity.

This proposed additional language details three paths for TLODA expenditures and includes control provisions to monitor the overall size of such capital uses. Callan is supportive of this language, assuming the Board agrees to the APFC-relative performance hurdle for development projects.

Board Member Revisions to the Asset Management Policy Statement

Investment Account Guidelines: Trust Land Office Development Guidelines (2 of 7)

Callan Proposed Language

So that resources are available to current and future beneficiaries, the Board will maintain a TLODA to use Trust income to:

- exchange one land/natural resource/real estate asset for another, or;
- to maintain or enhance the value of the Trust's existing land/natural resource/real estate portfolio, either through prudent investments in assets already owned by the Trust or through the acquisition of additional assets.

Proposed Language

So that resources are available to current and future beneficiaries, the Board will maintain a TLODA to use Trust income to:

- exchange one land/natural resource/real estate asset for another, or;
- to maintain or enhance the value of the Trust's existing land/natural resource/real estate portfolio, either through prudent investments in assets already owned by the Trust or through the acquisition of additional assets; **provided that discretionary return-seeking investments shall satisfy the APFC-relative risk and return standard, while expenditures primarily intended to preserve or protect existing asset value may be approved only upon an express Board finding that the expenditure is protective in nature and not a substitute for a return-seeking investment decision.**

Callan is supportive of this addition, provided the Board agrees to the APFC-relative risk/return standard.

Board Member Revisions to the Asset Management Policy Statement

Investment Account Guidelines: Trust Land Office Development Guidelines (3 of 7)

Callan Proposed Language

Assets in the TLODA may also be used to acquire assets that enhance the capacity of the state's mental health program, such as facilities for delivering services to beneficiaries. This may be accomplished through the financing of projects, purchase/lease of assets, exchange or resale.

Proposed Language

Assets in the TLODA may also be used to acquire assets that enhance the capacity of the state's mental health program, such as facilities for delivering services to beneficiaries. This may be accomplished through the financing of projects, purchase/lease of assets, exchange or resale. **If such a use is approved primarily as a mission or programmatic expenditure rather than an investment, the Board shall expressly identify it as such, approve it under a separate non-investment rationale, and require reporting that separately quantifies any economic subsidy, concessionary terms, below-market return, or foregone income associated with the expenditure. To the extent practicable, mission-related expenditures shall be reported distinctly from return-seeking investments in Board materials and annual performance reports so that grantmaking, subsidy, and investment results are not conflated.**

Callan is supportive of this addition, as it provides improved guidelines around program-related investments from TLODA.

Board Member Revisions to the Asset Management Policy Statement

Investment Account Guidelines: Trust Land Office Development Guidelines (4 of 7)

Callan Proposed Language

Recommendations will be based upon a specific investment plan with identified priorities. Such presentations should clearly detail the investment case for each TLODA project, including:

- Expected rate of return versus risk, including financial, operational, legal and macroeconomic risks
- Liquidity and market conditions
- Strategic fit
- Alignment with Trust principals

Callan is supportive of these additions.

Proposed Language

Recommendations will be based upon a specific investment plan with identified priorities. Such presentations **shall** clearly detail the investment case for each TLODA project **and shall include a direct comparison to the APFC alternative sufficient for the Board to determine whether the project is reasonably expected, under conservative assumptions, to provide risk and return characteristics at least equal to APFC**, including:

- Expected rate of return **and risk relative to APFC**, including **projected return, volatility, or similar risk measures, downside scenarios, illiquidity, concentration**, financial, operational, legal and macroeconomic risks
- Liquidity and market conditions, **including a determination of whether the project offers sufficient expected compensation for any incremental illiquidity or marketability constraints relative to APFC**
- Strategic fit, **provided that strategic fit alone shall not justify approval of a project that is not reasonably expected to meet or exceed the APFC-relative risk and return standard**
- Alignment with Trust principals, **provided that such alignment is necessary but not sufficient and does not replace the requirement that the investment be reasonably expected to provide risk and return characteristics at least equal to APFC**

Board Member Revisions to the Asset Management Policy Statement

Investment Account Guidelines: Trust Land Office Development Guidelines (5 of 7)

Callan Proposed Language

Generally, these investments are expected to compare favorably with the projected long-term total rate of return and risk profile of the APFC or offer sufficient diversification benefits through reduced correlation with APFC.

Where TLODA funds are used to enhance the value of the Trust's existing land, natural resource, and real estate assets, each project will be accounted for individually and the earnings from the project will be used to calculate performance metrics such as an IRR, multiple on invested capital ("MOIC"), and distributions to paid-in capital ("DPI").

Callan is supportive of the additions for the first paragraph.

Paragraph two requires review. IRR, MOIC and DPI calculations cannot accurately be made for investments in APFC. These financial ratios are proposed to monitor the performance of the TLODA-funded projects as they may be ill-suited for time-weighted rate of return calculations. A secondary option may be to use the projected returns from the TLO as a benchmark for each project, provided an adequate time period is used.

Proposed Language

These investments **shall be** expected, **under conservative assumptions, to provide risk and return characteristics at least equal to** the projected long-term total rate of return and risk profile of the APFC. **Reduced correlation with APFC or diversification benefits may be considered in evaluating the total portfolio effect of an investment, but such benefits shall not by themselves justify approval of a project with inferior projected risk-adjusted return relative to APFC.**

Where TLODA funds are used to enhance the value of the Trust's existing land, natural resource, and real estate assets, each project will be accounted for individually and the earnings from the project will be used to calculate performance metrics such as an IRR, multiple on invested capital ("MOIC"), and distributions to paid-in capital ("DPI"). **These metrics shall also be presented alongside a direct comparison to the APFC alternative over comparable periods and assumptions so that the Board may assess whether the project has met the required risk and return standard.**

Board Member Revisions to the Asset Management Policy Statement

Investment Account Guidelines: Trust Land Office Development Guidelines (6 of 7)

Callan Proposed Language

The Board may adjust the TLODA IRR target on a case-by-case basis, reflecting the unique circumstances and attributes of each project.

Classifying these cash flows between principal and income shall be done at the direction of the Board, in accordance with 20 AAC 40.610.

Callan is generally comfortable with this addition, but we will note that it may be difficult to accurately calculate an investment return for APFC over the same time period as a TLODA-funded project. A secondary option may be to use the projected returns from the TLO as a benchmark for each TLODA-funded project, provided an adequate time period is used.

Proposed Language

For each material TLODA project, management shall provide a post-investment review comparing actual timing, costs, returns, risks, and operational outcomes against the original underwriting case and against the APFC alternative over the same period.

The Board may adjust the TLODA IRR target on a case-by-case basis **only upon an express finding that the adjusted target, together with the project's full risk profile, remains reasonably expected to provide risk and return characteristics at least equal to the APFC alternative.** Classifying these cash flows between principal and income shall be done at the direction of the Board, in accordance with 20 AAC 40.610.

Board Member Revisions to the Asset Management Policy Statement

Investment Account Guidelines: Trust Land Office Development Guidelines (7 of 7)

Callan Proposed Language

The TLODA projects may involve land and natural resource development, asset classes that can be illiquid or exposed to fluctuating commodity prices. Accordingly, the Board should expect TLODA projects to provide beneficial return, risk, and correlation characteristics when compared to APFC. Additionally, sizing of TLODA projects must be considered in terms of the total Trust portfolio's overall asset allocation.

Proposed Language

The TLODA projects may involve land and natural resource development, asset classes that can be illiquid or exposed to fluctuating commodity prices. Accordingly, the Board expects TLODA projects to **be underwritten conservatively and to provide return and risk characteristics at least equal to APFC after accounting for illiquidity, commodity exposure, concentration, execution, operational, and legal risks. Correlation characteristics may be considered as an additional portfolio-management factor, but shall not substitute for the requirement of APFC-equivalent or better expected risk-adjusted performance. If a proposed TLODA investment involves materially greater illiquidity, concentration, commodity exposure, execution risk, or legal risk than the APFC alternative, Board approval shall include an express finding that the expected return, after giving effect to conservative assumptions, is sufficient to compensate for those additional risks.** Additionally, sizing of TLODA projects must be considered in terms of the total Trust portfolio's overall asset allocation.

Callan is supportive of this addition, provided the Board is comfortable with the APFC-relative return/risk requirements.

Important Disclosures

Information contained in this document may include confidential, trade secret and/or proprietary information of Callan and the client. It is incumbent upon the user to maintain such information in strict confidence. Neither this document nor any specific information contained herein is to be used other than by the intended recipient for its intended purpose.

The content of this document is particular to the client and should not be relied upon by any other individual or entity. There can be no assurance that the performance of any account or investment will be comparable to the performance information presented in this document.

Certain information herein has been compiled by Callan from a variety of sources believed to be reliable but for which Callan has not necessarily verified for accuracy or completeness. Information contained herein may not be current. Callan has no obligation to bring current the information contained herein.

Callan's performance, market value, and, if applicable, liability calculations are inherently estimates based on data available at the time each calculation is performed and may later be determined to be incorrect or require subsequent material adjustment due to many variables including, but not limited to, reliance on third party data, differences in calculation methodology, presence of illiquid assets, the timing and magnitude of unrecognized cash flows, and other data/assumptions needed to prepare such estimated calculations. In no event should the performance measurement and reporting services provided by Callan be used in the calculation, deliberation, policy determination, or any other action of the client as it pertains to determining amounts, timing or activity of contribution levels or funding amounts, rebalancing activity, benefit payments, distribution amounts, and/or performance-based fee amounts, unless the client understands and accepts the inherent limitations of Callan's estimated performance, market value, and liability calculations.

Callan's performance measurement service reports estimated returns for a portfolio and compares them against relevant benchmarks and peer groups, as appropriate; such service may also report on historical portfolio holdings, comparing them to holdings of relevant benchmarks and peer groups, as appropriate ("portfolio holdings analysis"). To the extent that Callan's reports include a portfolio holdings analysis, Callan relies entirely on holdings, pricing, characteristics, and risk data provided by third parties including custodian banks, record keepers, pricing services, index providers, and investment managers. Callan reports the performance and holdings data as received and does not attempt to audit or verify the holdings data. Callan is not responsible for the accuracy or completeness of the performance or holdings data received from third parties and such data may not have been verified for accuracy or completeness.

Callan's performance measurement service may report on illiquid asset classes, including, but not limited to, private real estate, private equity, private credit, hedge funds and infrastructure. The final valuation reports, which Callan receives from third parties, for of these types of asset classes may not be available at the time a Callan performance report is issued. As a result, the estimated returns and market values reported for these illiquid asset classes, as well as for any composites including these illiquid asset classes, including any total fund composite prepared, may not reflect final data, and therefore may be subject to revision in future quarters.

The content of this document may consist of statements of opinion, which are made as of the date they are expressed and are not statements of fact. The opinions expressed herein may change based upon changes in economic, market, financial and political conditions and other factors. Callan has no obligation to bring current the opinions expressed herein.

The information contained herein may include forward-looking statements regarding future results. The forward-looking statements herein: (i) are best estimations consistent with the information available as of the date hereof and (ii) involve known and unknown risks and uncertainties. Actual results may vary, perhaps materially, from the future results projected in this document. Undue reliance should not be placed on forward-looking statements.

Callan is not responsible for reviewing the risks of individual securities or the compliance/non-compliance of individual security holdings with a client's investment policy guidelines.

This document should not be construed as legal or tax advice on any matter. You should consult with legal and tax advisers before applying any of this information to your particular situation.

Reference to, or inclusion in this document of, any product, service or entity should not necessarily be construed as recommendation, approval, or endorsement or such product, service or entity by Callan. This document is provided in connection with Callan's consulting services and should not be viewed as an advertisement of Callan, or of the strategies or products discussed or referenced herein.

Important Disclosures (continued)

The issues considered and risks highlighted herein are not comprehensive and other risks may exist that the user of this document may deem material regarding the enclosed information. Please see any applicable full performance report or annual communication for other important disclosures.

Unless Callan has been specifically engaged to do so, Callan does not conduct background checks or in-depth due diligence of the operations of any investment manager search candidate or investment vehicle, as may be typically performed in an operational due diligence evaluation assignment and in no event does Callan conduct due diligence beyond what is described in its report to the client.

Any decision made on the basis of this document is sole responsibility of the client, as the intended recipient, and it is incumbent upon the client to make an independent determination of the suitability and consequences of such a decision.

Callan undertakes no obligation to update the information contained herein except as specifically requested by the client.

Past performance is no guarantee of future results.

About Callan

Callan was founded as an employee-owned investment consulting firm in 1973. Ever since, we have empowered institutional investor with creative, customized investment solutions backed by proprietary research, exclusive data, and ongoing education. Today, Callan provides advisory services to institutional investor clients with more than \$3 trillion in total assets, which makes it among the largest independently owned investment consulting firms in the U.S. Callan uses a client-focused consulting model to serve pension and defined contribution plan sponsors, endowments, foundations, independent investment advisers, investment managers, and other asset owners. Callan has six offices throughout the U.S. For more information, please visit www.callan.com.

Callan

Corporate Headquarters

One Bush Street
Suite 700
San Francisco, CA 94104

www.callan.com

Regional Offices

Atlanta
Chicago
Denver
New Jersey
Portland



Callan