

Annual Report to the Board of Land Commissioners



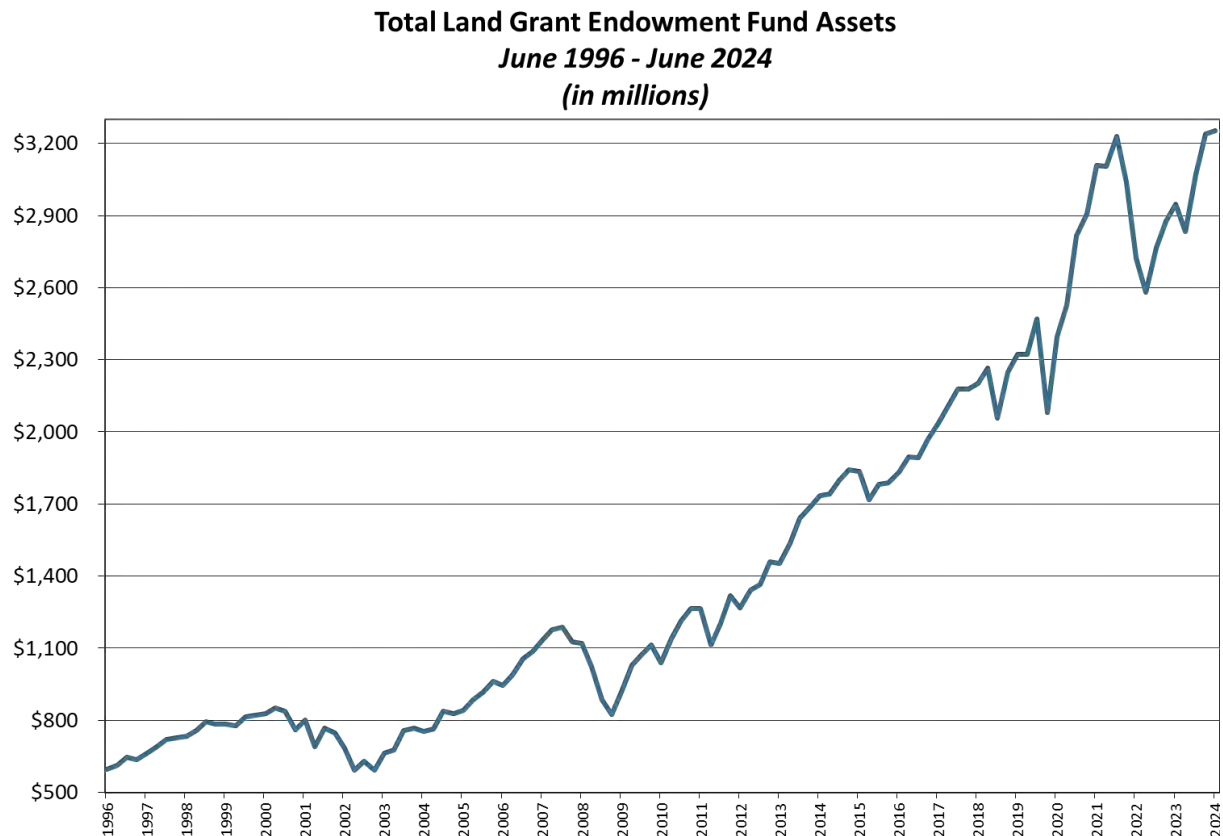
December 17, 2024

SUMMARY OF RESULTS

The Endowment Fund grew by 10.4% or \$307.4 million to \$3,254.0 million during the fiscal year ended June 30, 2024. Earnings reserve levels were above target at fiscal year-end which enabled the Idaho Board of Land Commissioners to approve the transfer of \$134.3 million from earnings reserves into permanent funds. The Endowment Fund had investment gains of 12.0%, which ranked in the top 36th percentile in the Callan Public Fund Sponsor Database. Costs to manage the fund totaled \$11.1 million or 0.34% of assets. Net land revenue increased by 14.3% to \$60.8 million and beneficiary distributions were \$100.3 million.

CHANGES IN FUND BALANCES

Changes in the fund balance of the Endowment Fund are the result of investment gains or losses in the Endowment Fund portfolio, revenue generated from land assets, beneficiary distributions and Department of Lands and Investment Management expenses. The Endowment Fund balance changed by \$307.4 million, \$223.0 million and -\$384.3 million during the fiscal years ended June 30, 2024, 2023 and 2022, respectively. The fund balance totaled \$3,254.0 million, \$2,946.6 million and \$2,723.6 million as of June 30, 2024, 2023 and 2022, respectively.

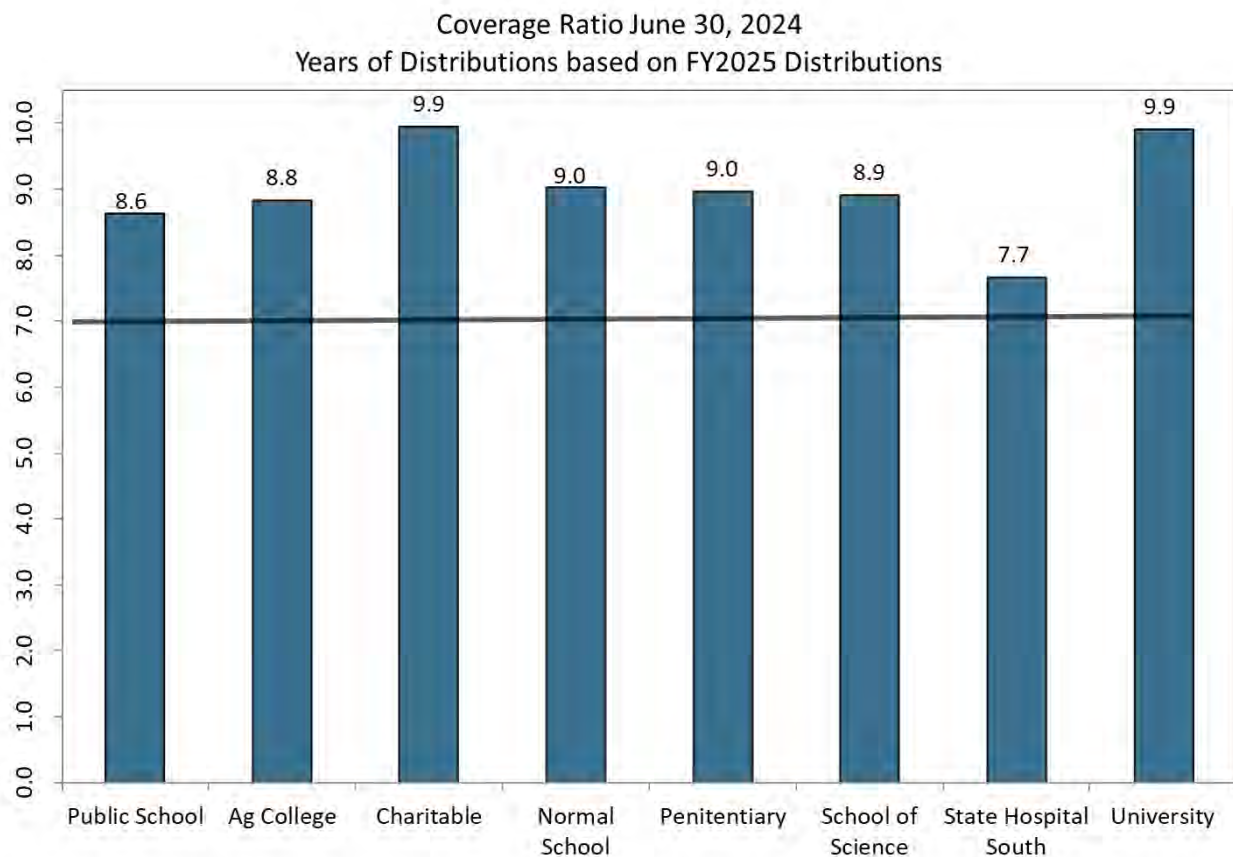


EARNINGS RESERVES

The Idaho State Board of Land Commissioners has established target earnings reserve levels for the Earnings Reserve Funds. The target earnings reserve levels equate to seven years of beneficiary distributions for Public Schools, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and the University of Idaho. When actual earnings reserve balances exceed the target earnings reserve levels, excess amounts may be transferred from Earnings Reserve Funds into the corresponding Permanent Funds.

Total earnings reserve levels were \$921.8 million, \$719.9 million and \$593.2 million as of June 30, 2024, 2023 and 2022, respectively. As of June 30, 2024, the earnings reserve balances for all of the Endowment Funds were above target earnings reserve levels.

The table below highlights the earnings reserve levels expressed in years of distributions for each beneficiary.

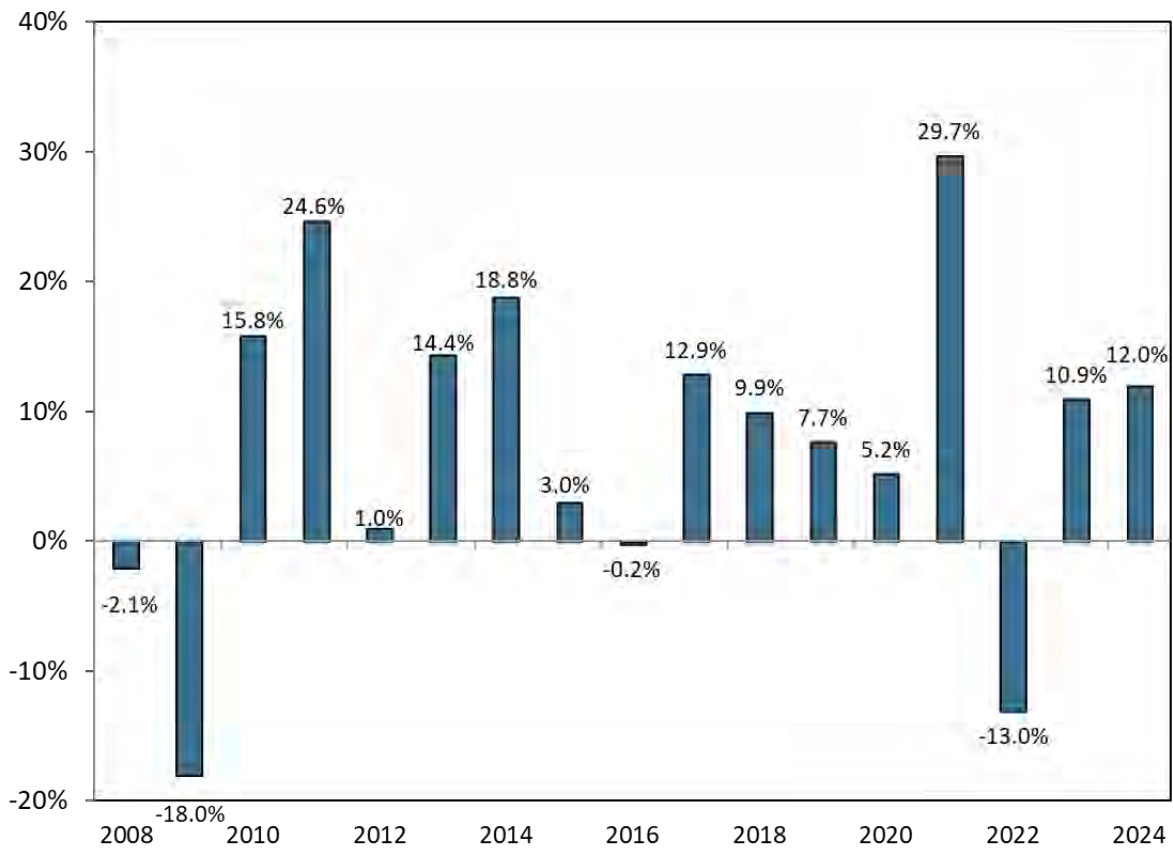


INVESTMENT RESULTS

The Endowment Fund portfolio generated investment returns before fees of 12.0%, 10.9% and -13.0% in fiscal years end June 30, 2024, 2023 and 2022, respectively. The average annual investment returns were 12.0%, 2.6%, 8.1%, and 7.3% during the last one, three, five and ten-

year periods. These investment returns ranked in the top 36th, 68th, 35th and 29th percentile in the Callan Public Fund Sponsor Database for the one, three, five and ten-year periods.

Annual Gross Fund Returns



Annualized Gross Fund Returns, Ending June 30, 2024					
	FY 2024	3 Years	5 Years	7 Years	10 Years
Total Fund	12.0%	2.6%	8.1%	8.3%	7.3%
<i>Benchmark (38% Russell 3000, 19% ACWI ex-US, 9% ACWI, 10% ODCE, 24% BBC Aggregate)</i>	11.9%	3.2%	7.7%	7.7%	7.0%
Total Equity	18.5%	4.8%	11.8%	11.5%	9.8%
Domestic Equity	21.6%	6.2%	13.5%	13.1%	11.7%
Large Cap.	25.3%	7.0%	13.8%	13.5%	12.1%
Mid Cap.	14.3%	5.7%	13.0%	12.9%	10.9%
Small Cap.	11.4%	1.2%	11.3%	10.8%	10.1%
International Equity	14.0%	1.9%	8.8%	8.4%	6.4%
Global Equity	16.0%	5.1%	11.6%	10.9%	8.2%
<i>MSCI ACWI Index</i>	19.4%	5.4%	10.7%	10.0%	8.4%
Total Real Estate	-10.0%	1.8%	2.5%	3.7%	
<i>NCREIF ODCE Index</i>	-11.3%	3.4%	3.4%	4.7%	
Total Fixed Income	3.0%	-2.7%	0.1%	1.2%	1.5%
<i>Fixed-Income Benchmark (BBC U.S. Aggregate)</i>	2.6%	-2.7%	0.1%	1.1%	1.4%

ASSET ALLOCATION

The target asset allocation for the Endowment Fund portfolio is 66% equity, 24% fixed income, and 10% real estate. The equity portion of the portfolio currently includes 37% U.S. equity, 17% international equity and 12% global equity. The fixed income portion of the portfolio includes 11% in the Bloomberg Barclay's Aggregate Index and 13% in an actively managed core plus strategies. The real estate portion of the portfolio is invested in private core real estate strategies.

INVESTMENT MANAGEMENT

The EFIB engages the services of an investment consultant who acts as an independent fiduciary and provides advice in areas such as investment policies and guidelines, asset allocation strategies, portfolio risk/return modeling and hiring and monitoring of investment managers. Callan has served as EFIB's investment consultant since 2007. They were reappointed in 2019 after a national consultant search.

The EFIB engages investment managers who are given full discretion to make investment decisions subject to policies and guidelines specific to the investment strategy they are managing. As of June 30, 2024, the EFIB engaged nineteen investment managers including Barrow Hanley, Boston Partners, CBRE Investment Management, Clearwater Advisors, Dodge & Cox, DoubleLine Capital, DWS, Eagle Asset Management, Northern Trust Investments, PineStone Asset Management, Schroders, State Street Global Advisors, Sycamore/Victory Capital, TimesSquare Capital Management, UBS Realty Investors, WCM Investment Management, Wellington, Western Asset Management and William Blair.

The EFIB engages Northern Trust Company for custodial services. Northern Trust Company is responsible for the safekeeping of assets, trade settlement, accounting, security valuation, investment performance reporting and proxy voting.

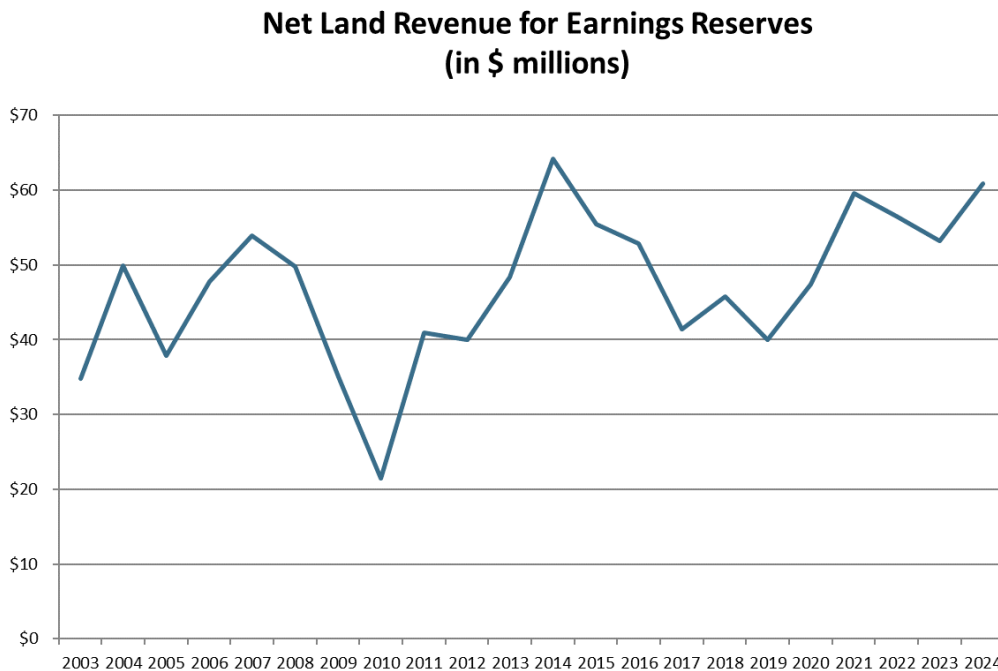
COST OF INVESTMENT MANAGEMENT

The cost for investment management was \$11.1 million, \$11.4 million and \$12.7 million in fiscal years 2024, 2023 and 2022, respectively. Investment management expenses as a percentage of year-end Endowment Fund balances equates to 0.34%, 0.39% and 0.47% in fiscal years 2024, 2023 and 2022, respectively. The table below provides a breakdown of investment management expenses.

Cost of Investment Management			
Investment Management Operating Costs	2024	2023	2022
Internal Investment Costs	\$ 645,655	\$ 605,128	\$ 564,256
Outside investment manager and legal fees	9,266,676	9,538,882	11,303,231
Custody Expense	1,012,950	977,025	934,350
Consultant and auditor fees	284,412	269,620	271,944
Total expenditures	11,209,693	11,390,656	13,073,781
Change in Manager Fee Accrual	(68,968)	32,183	(365,920)
Total Accrual Basis Expense	<u>\$ 11,140,725</u>	<u>\$ 11,422,839</u>	<u>\$ 12,707,861</u>

NET LAND REVENUE

Net land revenue (land revenue less Department of Lands expenses) totaled \$60.8 million, \$53.2 million and \$56.5 million in fiscal years 2024, 2023 and 2022, respectively. Net land revenue increased in fiscal year 2024 due to an increase in the annual volume of timber harvests.



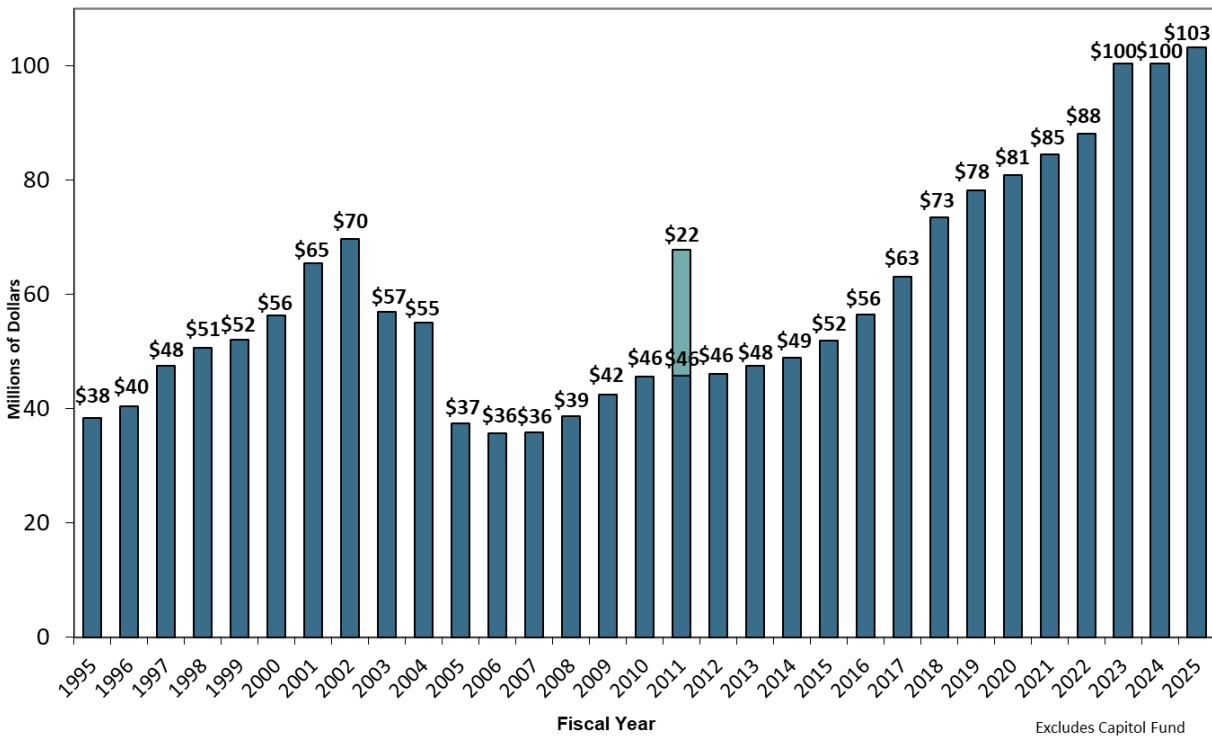
BENEFICIARY DISTRIBUTIONS

The Endowment Fund exists to provide distributions to beneficiaries in perpetuity. For all endowments, except Capitol Permanent, the Idaho State Board of Land Commissioners has established a beneficiary distribution policy. The current policy provides for annual distributions at a rate of 5% of the three-year moving average of the Permanent Fund balance (with the exception of State Hospital South which is 7%) and allows for adjustments to distributions based on factors including the level of Earnings Reserve Funds and transfers to Permanent Funds.

Distributions to land-grant beneficiaries totaled \$100.3 million, \$100.3 million and \$88.1 million in fiscal years 2024, 2023 and 2022, respectively. The Board of Land Commissioners approved distributions of \$103.2 million and \$110.4 million in fiscal years 2025 and 2026, respectively. The table below provides a summary of land-grant beneficiary distributions.

Beneficiary Distributions 1995-2025

(includes special Public School distribution in 2011 of \$22M)



On July 1, 2004, the Capitol Permanent Fund was pooled with the Endowment Fund for investment purposes. Additions to the Capitol Permanent Fund include revenue from timber lands, license plate royalties, and investment income. The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund. Distribution from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund totaled \$1.87 million, \$1.83 million and \$1.63 million in fiscal years 2024, 2023 and 2022, respectively. Distributions from the Capitol Maintenance Reserve Fund are determined by the Capitol Commission, subject to legislative appropriation. Distributions from the Capitol Maintenance Reserve Fund to the Capitol Commission were \$250,000, \$1,021,819, and \$125,000 in fiscal years 2024, 2023 and 2022, respectively.

CREDIT ENHANCEMENT PROGRAM

On July 1, 2002, the State of Idaho's Credit Enhancement Program for school district bond financing was established. This program, in accordance with Idaho Code Section 57-728 and in conjunction with Idaho Code Chapter 53, Title 33, requires the Public School Endowment Fund to purchase up to \$300 million in notes of the State that may be issued to avoid default on school district bonds. This credit enhancement allows eligible voter-approved school bonds to be issued with AAA ratings, which historically has been above the State's AA+ rating. The enhanced credit

rating results in lower borrowing costs for Idaho school districts. EFIB has committed to provide credit enhancement on up to \$1.2 billion in school bonds, with a limit of \$40 million per school district. There were \$521.2 million, \$538.9 million, and \$596.5 million in bonds guaranteed by the Credit Enhancement Program as of June 30, 2024, 2023 and 2022, respectively.

RISKS

The Endowment Fund is aware that macroeconomic and geopolitical risks broadly affect financial markets, and it works closely with its consultant and investment managers to monitor important trends and address risks assumed in the portfolio. It also recognizes the recent escalation of cyber security risk and consistently reviews and monitors best practices used to mitigate these risks.