

# **Annual Report to the Board of Land Commissioners**



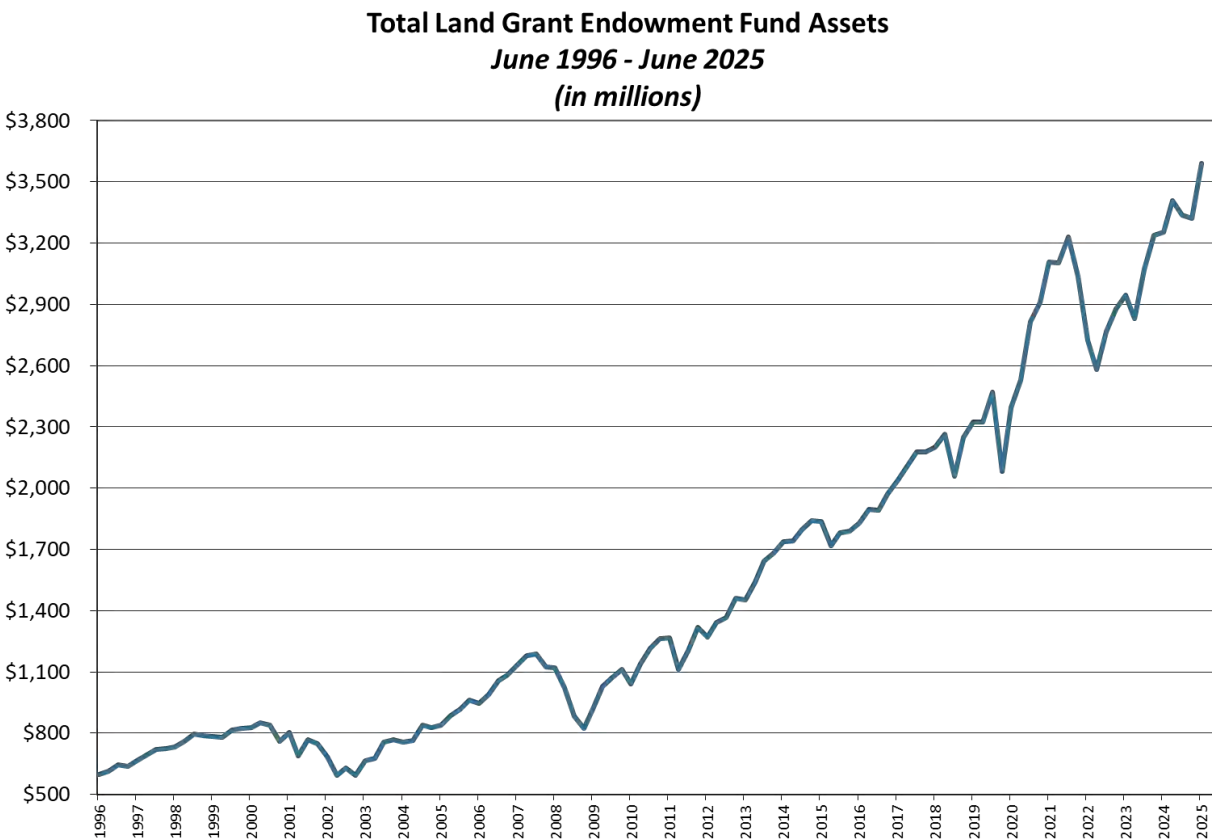
November 18, 2025

**SUMMARY OF RESULTS**

The Endowment Fund grew by 10.3% or \$334.7 million to \$3,588.7 million during the fiscal year ended June 30, 2025. Earnings reserve levels were above target at fiscal year-end which enabled the Idaho Board of Land Commissioners to approve the transfer of \$206.4 million from earnings reserves into permanent funds. The Endowment Fund had investment gains of 11.7%, which ranked in the top 36<sup>th</sup> percentile in the Callan Public Fund Sponsor Database and over the last three years had average annual returns of 11.5%, which ranked in the top 21<sup>st</sup> percentile. Costs to manage the fund totaled \$11.8 million or 0.33% of assets. Net land revenue increased by 1.3% to \$61.6 million. Beneficiary distributions were \$103.2 million in fiscal year 2025 and the Land Board approved distributions of \$110.4 million in fiscal 2026 and \$117.3 million in fiscal 2027.

**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 \$334.7 million, \$307.4 million and \$223.0 million during the fiscal years ended June 30, 2025, 2024 and 2023, respectively. Fund balances totaled \$3,588.7 million, \$3,254.0 million and \$2,946.6 million as of June 30, 2025, 2024 and 2023, respectively.

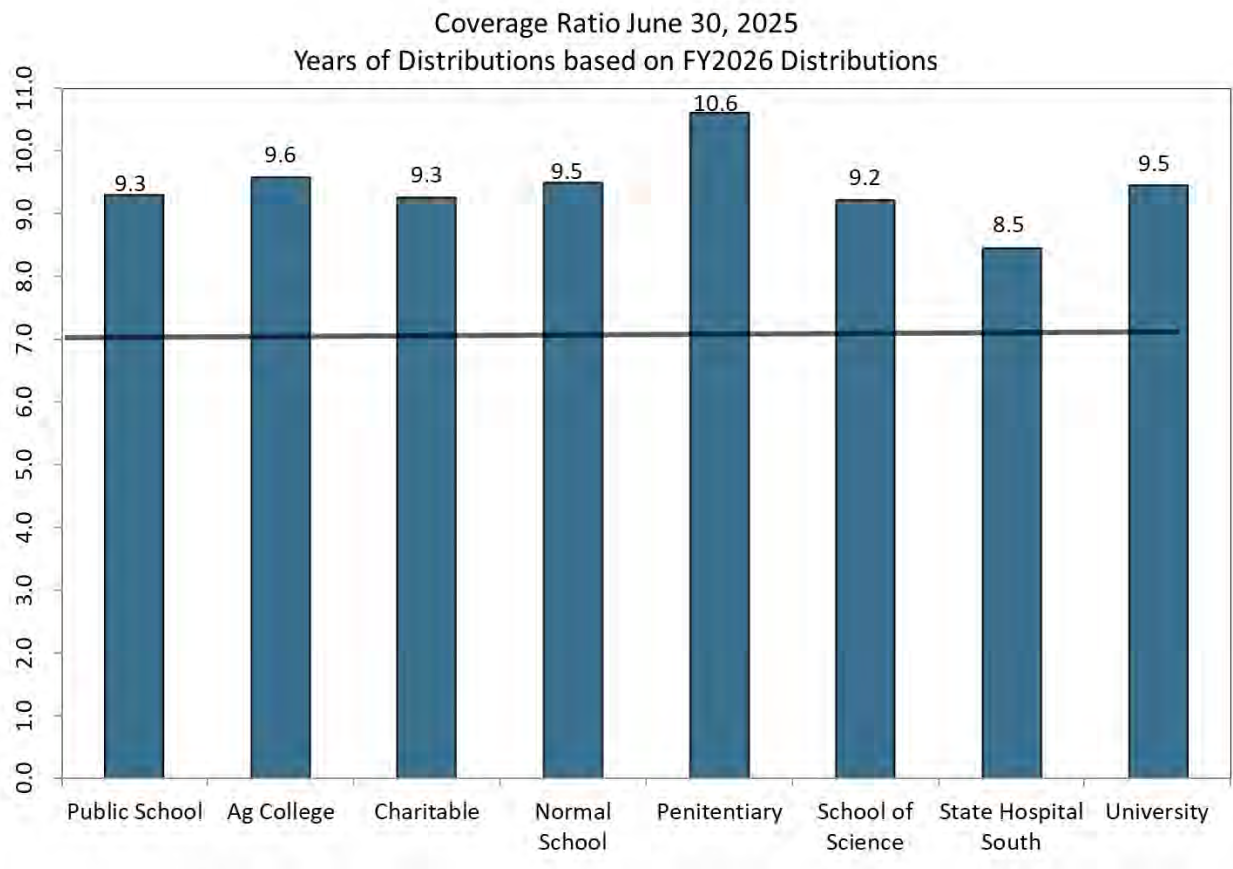


## EARNINGS RESERVES

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 earnings reserve levels exceed the target, excess amounts may be transferred from Earnings Reserve Funds into the corresponding Permanent Funds.

Total earnings reserve levels were \$1,045.9 million, \$921.8 million and \$719.9 million as of June 30, 2025, 2024 and 2023, respectively. As of June 30, 2025, the earnings reserve balances for all of the Endowment Funds were above target earnings reserve levels. In August of 2025, the Land Board approved the transfer of \$206.4 million from earning reserves into permanent funds to bring reserves to target levels.

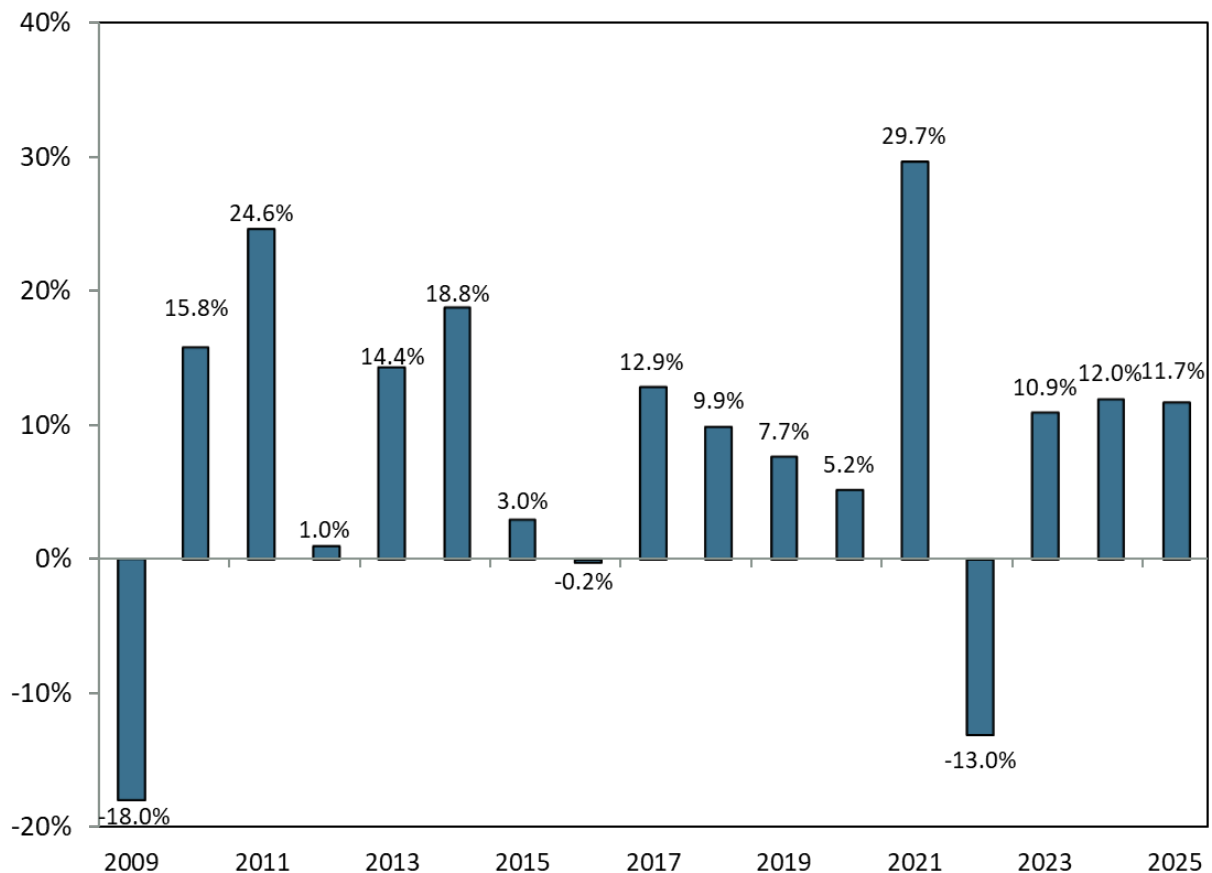
The table below highlights the earnings reserve levels expressed in years of distributions for each beneficiary prior to transfers to permanent funds.



## INVESTMENT RESULTS

The Endowment Fund portfolio generated investment returns before fees of 11.7%, 12.0% and 10.9% in fiscal years end June 30, 2025, 2024 and 2023, respectively. The average annual investment returns were 11.7%, 11.5%, 9.4%, and 8.2% during the last one, three, five and ten-year periods. These investment returns ranked in the top 36<sup>th</sup>, 21<sup>st</sup>, 46<sup>th</sup> and 24<sup>th</sup> percentile in the Callan Public Fund Sponsor Database for the one, three, five and ten-year periods.

### Annual Gross Fund Returns



<b>Annualized Gross Fund Returns, Ending June 30, 2025</b>					
	<u>FY 2025</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>
<b>Total Fund</b>	<b>11.7%</b>	<b>11.5%</b>	<b>9.4%</b>	<b>8.5%</b>	<b>8.2%</b>
<i>Benchmark (38% Russell 3000, 19% ACWI ex-US, 9% ACWI, 10% ODCE, 24% BBC Aggregate)</i>	<i>12.3%</i>	<i>11.6%</i>	<i>9.2%</i>	<i>8.3%</i>	<i>8.0%</i>
<b>Total Equity</b>	<b>15.2%</b>	<b>17.3%</b>	<b>14.1%</b>	<b>11.7%</b>	<b>11.0%</b>
Domestic Equity	11.8%	17.3%	14.8%	12.4%	12.2%
Large Cap.	13.9%	19.4%	15.6%	13.1%	12.8%
Mid Cap.	9.8%	13.8%	14.2%	12.0%	11.5%
Small Cap.	2.4%	10.6%	10.6%	8.1%	9.5%
International Equity	24.4%	18.0%	13.2%	10.5%	9.0%
Global Equity	12.6%	16.4%	13.0%	11.5%	9.8%
<i>MSCI ACWI Index</i>	<i>16.2%</i>	<i>17.3%</i>	<i>13.7%</i>	<i>10.8%</i>	<i>10.0%</i>
<b>Total Real Estate</b>	<b>2.1%</b>	<b>-4.5%</b>	<b>1.9%</b>	<b>3.1%</b>	
<i>NCREIF ODCE Index</i>	<i>2.0%</i>	<i>-4.3%</i>	<i>2.9%</i>	<i>3.8%</i>	
<b>Total Fixed Income</b>	<b>6.5%</b>	<b>3.0%</b>	<b>0.1%</b>	<b>2.1%</b>	<b>2.0%</b>
<i>Fixed-Income Benchmark (BBC U.S. Aggregate)</i>	<i>6.1%</i>	<i>2.5%</i>	<i>-0.7%</i>	<i>1.8%</i>	<i>1.8%</i>

## 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, 2025, the EFIB engaged seventeen investment managers including Barrow Hanley, Boston Partners, CBRE Investment Management, Dodge & Cox, DoubleLine Capital, DWS, Northern Trust Investments, PineStone Asset Management, Schroders, State Street Global Advisors, Sycamore/Victory Capital, TimesSquare Capital Management, UBS Realty Investors, WCM Investment Management, Wellington, Westfield, 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 \$11.8 million, \$11.1 million and \$11.4 million in fiscal years 2025, 2024 and 2023, respectively. Investment management expenses as a percentage of year-end Endowment Fund balances equates to 0.33%, 0.34% and 0.39% in fiscal years 2025, 2024 and 2023, respectively. The table below provides a breakdown of investment management expenses.

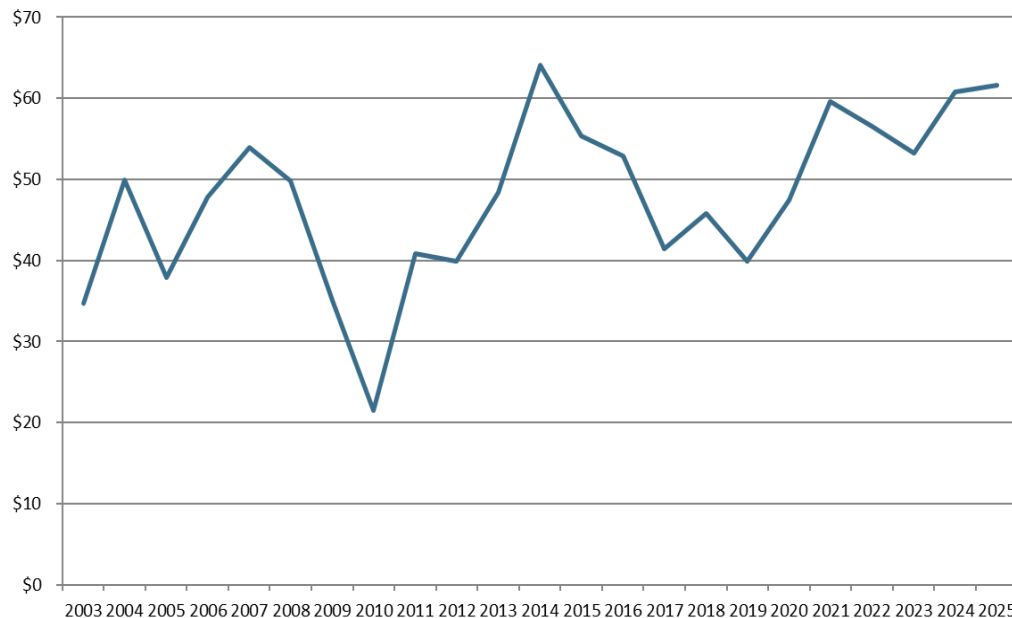
### Cost of Investment Management

Investment Management Operating Costs	2025	2024	2023
Internal Investment Costs	\$ 652,376	\$ 645,655	\$ 605,128
Outside investment manager and legal fees	9,767,541	9,266,676	9,538,882
Custody Expense	734,125	1,012,950	977,025
Consultant and auditor fees	295,802	284,412	269,620
Total expenditures	11,449,844	11,209,693	11,390,656
Change in Manager Fee Accrual	317,751	(68,968)	32,183
Total Accrual Basis Expense	\$ 11,767,595	\$ 11,140,725	\$11,422,839

## NET LAND REVENUE

Net land revenue (land revenue less Department of Lands expenses) totaled \$61.6 million, \$60.8 million and \$53.2 million in fiscal years 2025, 2024 and 2023, respectively.

### Net Land Revenue for Earnings Reserves (in \$ millions)



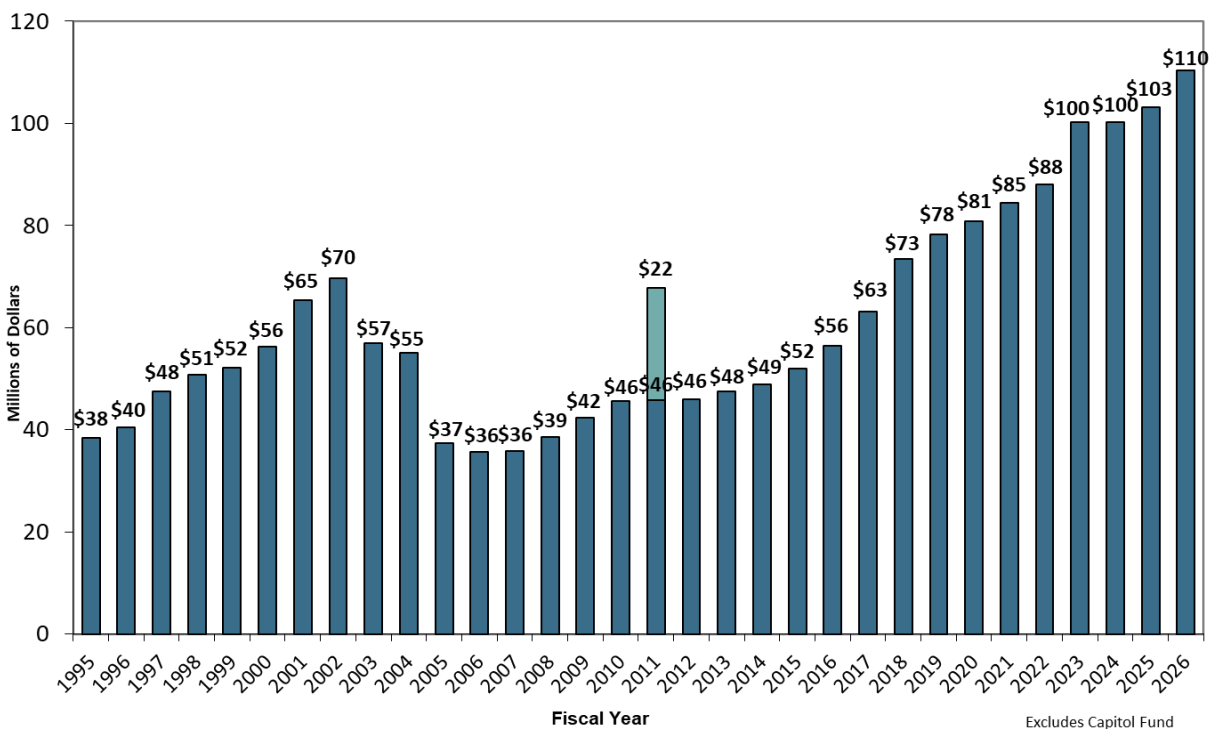
## BENEFICIARY DISTRIBUTIONS

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 the Permanent Funds.

Distributions to land-grant beneficiaries totaled \$103.2 million, \$100.3 million and \$100.3 million in fiscal years 2025, 2024 and 2023, respectively. The Board of Land Commissioners approved distributions of \$110.4 million and \$117.3 million in fiscal years 2026 and 2027, respectively. The table below provides a history of land-grant beneficiary distributions.

### Beneficiary Distributions 1995-2026

*(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. Distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund totaled \$1.95 million, \$1.87 million and \$1.83 million in fiscal years 2025, 2024

and 2023, 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, \$250,000, and \$1,021,819 in fiscal years 2025, 2024 and 2023, 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 until recently has been above the State's credit rating. The enhanced credit rating historically resulted 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 \$464.3 million, \$521.2 million, and \$538.9 million in bonds guaranteed by the Credit Enhancement Program as of June 30, 2025, 2024 and 2023, 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.