

**RESOLUTION OF THE BOARD OF TRUSTEES**  
**09-06**

**A RESOLUTION TO RE-BALANCE AND UNDERTAKE AN ASSET ALLOCATION OF THE  
PORTFOLIO OF THE MARIANAS PUBLIC LAND TRUST FUND CORPUS**

**WHEREAS**, Article XII § 6 of the NMI Constitution establishes the Marianas Public Land Trust ("MPLT") with five Trustees responsible for the reasonable, prudent, and careful investment of the Trust Funds; and

**WHEREAS**, 7 CMC § 3401 provides statutory authority for the applicability of the common law in the CNMI as to trust administration through the Restatement of Trusts as approved by the American Law Institute as the rules of decision in the courts of the Commonwealth; and

**WHEREAS**, consistent with the principles set forth in Section 227 of the Restatement Third, Trusts (Third), MPLT's fiduciary responsibility requires the Trustees to make reasonable, careful, and prudent investments and to preserve and enhance net revenues received from the lease of public lands for the benefit of all CNMI descendants and their future generations; and

**WHEREAS**, consistent with this standard of care, the MPLT Trustees have adopted a Statement of Investment Policy and Guidelines ("IPS") to govern and set forth MPLT's investment strategies and plans in their management of the fund corpus; and

**WHEREAS**, MPLT has commissioned its Investment Consultant, Morgan Stanley-Smith Barney to conduct an Asset Allocation Review. In the first part of its two-part review, Morgan Stanley-Smith Barney presented MPLT's current investment strategy and asset allocation. In the second part, Morgan Stanley-Smith Barney undertook an analysis of the inclusion of three other possible asset classes. As a result of its review, Morgan Stanley-Smith Barney issued its recommendation that MPLT re-balance its asset allocation to account for possible fluctuations in the U.S. Core market, where approximately 65% of its investment has been allocated.

**WHEREAS**, it is the Trustees' view that the trend may call for some volatility in the U.S. Core Fixed Income market requiring a shift of some investments into other new potential classes but within the range of fiduciary prudence given the size of the corpus, the investment mandate, and the risk tolerance. By illustration, because of the current state of the CNMI economy the CNMI Government has had to increasingly turn to MPLT to seek funds from interest income.

Unlike educational endowments of institutions where distributions are not mandatory and risk tolerance is great, the corpus of MPLT requires a balance between the risk and return but with a view toward reducing losses whenever possible. As a result of this policy MPLT has consistently seen returns on interest income.

**WHEREAS**, MPLT's asset allocation study is based on fiduciary standards involving a study of clearly defined investment goals and the desired time frame to accomplish those goals. The asset classes chosen reflect those goals through the industry-standard methodology or an "Optimizer." Through this review, Morgan Stanley-Smith Barney was able to create optimized models that reduce risk and maximize returns. Morgan Stanley-Smith Barney's review took its approach in Optimization where it would model a variety of asset classes as they historically correlate in their normalized variance to achieve asset class mixes that lower variability (risk) and maximize total return. Further, Morgan Stanley-Smith Barney explored combinations of asset classes seeking to achieve mean returns higher than the target returns while holding the minimal risk allowable.

**WHEREAS**, Inasmuch as Morgan Stanley-Smith Barney has had several years' experience with MPLT and with other regional Trusts, it was familiar with the time horizons and demands required of MPLT's investments to wit: to maximize the distributions to the CNMI General Fund from the investment of funds from the public land leases. As a result, Morgan Stanley-Smith Barney was tasked to create asset allocation models that reflected MPLT's strategy as set forth in its IPS, taking into account the probabilities of achieving the desired outcome with the minimum of variability.

**WHEREAS**, Morgan Stanley-Smith Barney, consistent with the standard in the industry, would define asset class structures as groups of investments with similar characteristics. For example, Morgan Stanley-Smith Barney would use generally accepted asset class definitions for traditional asset classes (large cap, mid cap, small cap) and generally accepted strategy definitions for alternative investment classes (international bonds; emerging markets; REIT; timber, mining, etc.).

**WHEREAS**, MPLT has determined its minimum returns it would like from its investments, such as the current rate at 7.1% and a time horizon of 20 years. As a result, once that minimum return was determined or confirmed, Morgan Stanley-Smith Barney evaluated several different allocations that would help MPLT reach or exceed its minimum return goal at prudent levels of risk. The two overarching goals in this exercise of the Asset Allocation Study were to answer the following: 1) Whether the addition of an asset class increases or reduces the portfolio's expected return and 2) Whether the addition of this asset class reduce or increase the expected risk of the portfolio assets. As a result, Morgan Stanley-

Smith Barney issued its recommendations to the MPLT Trustees in suggesting additional classes and recommending against the inclusion of others due to risk or volatility. At the same time, Morgan Stanley-Smith Barney suggested the allocation, in terms of percentages, of the investment corpus. This Resolution is the culmination of that study by Morgan Stanley-Smith Barney constituting the fiduciary exercise by the MPLT Trustees.

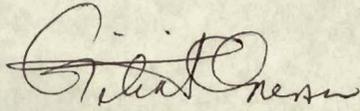
**BE IT RESOLVED, THEREFORE**, in consideration of the foregoing and pursuant to the Asset Allocation Study, of the risks and returns as to the allocation of and classes of investments, the MPLT Board of Trustees hereby **APPROVES** the following Asset Allocation Plan and Morgan Stanley-Smith Barney is tasked to undertake immediate measures consistent with and to implement this Plan:

1. The U.S. Core Fixed Income Market Class is allocated 45% of the investment percentage.
2. The Large Cap Market Class is allocated 20% of the investment percentage.
3. The High Yield Bonds Market Class is allocated 10% of the investment percentage.
4. The International Bonds Market Class is allocated 10% of the investment percentage.
5. The International Stocks Market Class is allocated 10% of the investment percentage.
6. The Emerging Markets Class is allocated 5% of the investment percentage.

**BE IT FURTHER RESOLVED** as follows:

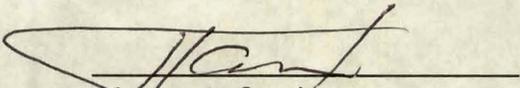
7. Morgan Stanley-Smith Barney shall undertake a review of and issue recommendations for potential money managers of the current and new market classes for consideration and selection by the MPLT Trustees.
8. The Investment Policy Statement ("IPS") shall be amended to reflect the terms and conditions, in great detail, consistent with this Resolution and Asset Allocation Plan for final adoption by the MPLT Trustees.

**SO ADOPTED** this 28<sup>th</sup> day of August, 2009 by the MPLT Board of Trustees at a Special Meeting on Saipan by majority vote of the Trustees present.



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Gregoria Fitial-Omar  
Trustee

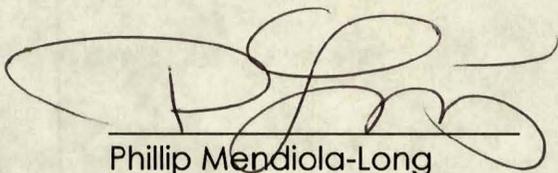


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Alvaro A. Santos  
Trustee

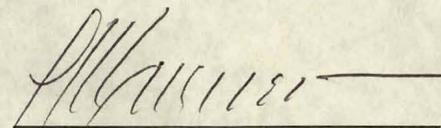
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Vianney B. Hocog  
Trustee



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Phillip Mendiola-Long  
Trustee



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Pedro R. Deleon Guerrero  
Trustee