

MPLT RESOLUTION 23-002

A RESOLUTION TO REVISE AND UPDATE THE MPLT INVESTMENT POLICY STATEMENT TO SEGREGATE THE CNMI GENERAL FUND AND THE AMERICAN MEMORIAL PARK FUNDS DUE TO DIFFERENT INVESTMENT GOALS AND STRATEGIES AND FOR OTHER PURPOSES

WHEREAS, Article XI § 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 90 of the Restatement (Third) of Trusts (2007), MPLT's fiduciary responsibility requires the Trustees to make reasonable, careful, and prudent investments and to preserve principal and enhance net revenues received from the lease of public lands; and

WHEREAS, consistent with this standard of care, the MPLT Trustees have adopted an existing 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. The IPS is a combined management approach of the CNMI General Fund account ("General Fund") and the American Memorial Park fund account ("AMP Fund"). The current IPS was fully approved and adopted by the Trustees in August, 2014 with periodic updates, rebalancing and asset re-allocations. The last update and revision was in August 2014; and

WHEREAS, in September 2019, the Trustees modified the investment strategy based on a formal asset allocation study and analysis conducted to further increase diversification in the investment portfolio and increase current income yield. Listed Infrastructure was added as an asset class with an initial 5% allocation from Core Fixed Income; and

WHEREAS, in January 2020, the Trustees modified the investment strategy based on a formal asset allocation study and analysis to increase diversification in the investment portfolio and increase current yield. The Trustees added two asset classes: Convertibles Securities (5%) managed by SSI Investment Mgt.; and, Private Markets (5%) managed by Blackstone. The allocation for each of the new asset classes was derived from the liquidation of MLPs (10%). In May 2020, the Trustees decided to fully liquidate the Franklin Templeton International Bonds (TGBAX) 5% allocation and reallocate the 5% to Convertible bonds.

WHEREAS, in August 2023, the Trustees voted to separate the allocation of both the General Fund and Park Fund to match the allocation to the goal of each individual fund. Along with changing the allocation to reflect the goal, they decided to move towards a Zero-China policy in

their funds. The goal of the General Fund was to become more income driven with less emphasis on growth from the portfolio to fulfill the obligations of the fund to the CNMI General Fund. The Trustees also decided to add DLI back into the overall General Fund Asset Allocation and report it as part of the whole portfolio. To achieve this goal, the board decided to do the following: decrease US Equity from 28% to 10%, increase core fixed income from 25% to 49%, increase High Yield from 6% to 17.5%, add the asset class Private Real Estate at 3.5% and Private Debt at 7%, remove asset classes Non-US Developed Market, Infrastructure (Global and US) and Convertibles.

WHEREAS, the goal of the American Memorial Park Fund was to become more growth driven. To achieve this goal, the board decided to do the following: increase US Equity from 28% to 38%, decrease Public REITS from 10% to 5%, increase private Equity from 5% to 10% add asset class Private REIT at 5% remove asset classes Infrastructure and Convertibles.

WHEREAS, the Trustees have reviewed the fundamental goals and objectives of the General Fund and the AMP Fund and determined that there are now two differing objectives for each fund that require review and reconsideration of the investment approaches to achieve the objectives for each fund. The Trustees find it appropriate to separate the allocation of both the General Fund and Park Fund to match the allocations to the goals of each individual fund. Along with changing the allocations to reflect the goals, the Trustees have decided to move towards a Zero-China policy in their funds due to geopolitical concerns and investment security. The Trustees manage two separate trust funds and today's revisions take into account the differing needs and priorities of each fund. Doing so is not only prudent but considerate of those realities: growth as a priority for the AMP fund and yield for the General Fund.

WHEREAS, the goal of the General Fund today, due to the needs of the CNMI government, is to become more income driven with less emphasis on growth from the portfolio to fulfill the obligations of the fund to the CNMI General Fund. The Trustees also decide to place the Diversified Local Investment allocation ("DLI") back into the overall General Fund Asset Allocation and report it as part of the whole portfolio. To achieve this goal of greater immediate return of income and thus being more conservative in approach, the Trustees have revised the General Fund asset allocation as follows:

- Remove investments in securities of entities based in China and Taiwan markets: establish Policy
- No investment in Digital Currency
- Allocation for Domesetic Fixed Income will be updated from 70% to 79% which includes 30% for DLI.
- Strategic Allocation for Alternatives will be updated from 35% to 14%
- Time Horizon changed to short term rather than long term.
- Decrease US Equity from 28% to 7%
- Increase Core Fixed Income from 25% to 31.5%
- Increase High Yield from 6% to 17.5%

- Add the asset class Private Real Estate Investment Trusts (REITS) at 3.5%
- Add Private Credit at 7%
- Remove Non-US Equities (WCM), Convertibles (SSI), Infrastructure (Lazard and BlackRock) and US REITS (Adelante)
- Asset Allocation: Managed Portfolios + Diversified Local Investments (General Fund)

	Lower Limit	Strategic Allocation	Upper Limit
Domestic Equities	0%	7%	17%
Dividend Focused		7%	
Domestic Fixed Income	39%	49%	59%
Core		31.5%	
High Yield		17.5%	
Diversified Local Investments	20%	30%	30%
Alternatives	4%	14%	24%
Private Real Estate		3.5%	
Private Equity		3.5%	
Private Debt		7.0%	

WHEREAS, the goal of the AMP Fund in contrast, as expressed by and through the National Park Service representative and on review by the Trustees, is for growth over a longer term as allowing for the growth of investments over time, without the need for immediate access to the income. This goal recalibration allows for incorporation of a reasonable risk quotient in favor of growing the returns over time. When the AMP Fund returns accumulate and appreciate over a longer period, the National Park Service may then request and draw those funds for projects which require more substantial capital for larger infrastructure projects or improvements.

WHEREAS, as to the AMP Fund, the Trustees believe that what is sound is to follow an investment policy based on total return, not yield. For the Trustees, a total return-based policy avoids the difficulties of a policy based on yield as it allows the institution to map-out a strategy for long-run financial equilibrium and broadens investment options. This allows implementation of the best modern investment techniques and provides for more consistent budget planning and implementation over time. This approach benefits the American Memorial Park and the National Park Service, the fund beneficiary. The investment guidelines are based upon an investment horizon of greater than ten years so that interim fluctuations can be viewed with an appropriate perspective. Similarly, the Trust's strategic asset allocation is based on this long-term perspective. To achieve this goal of growth over a longer term, the Trustees have revised the AMP Fund allocation as follows:

- No investments in securities of entities based in China and Taiwan markets policy.
- No Digital Currency investment
- Increase US Equity from 28% to 38%
- Decrease Public REITS from 10% to 5%
- Increase Private Equity from 5% to 10%
- Add Private REITs as a new asset class at 5%

- Asset Allocation: Managed Portfolio (American Memorial Park Fund)

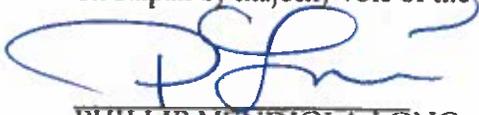
	Lower Limit	Strategic Allocation	Upper Limit
Domestic Equities	28%	38%	48%
Large Cap Value		12%	
Large Cap Core		14%	
Large Cap Growth		12%	
Non-US Equities	0%	6%	16%
Domestic Fixed Income	21%	31%	41%
Core		25%	
High Yield		6%	
Alternatives	15%	25%	35%
US REIT		5%	
Private Real Estate		10.0%	
Private Markets		10.0%	

WHEREAS, the Trustees commissioned Raymond James to undertake an optimizer or “Monte Carlo” scenario for the General Fund and AMP Fund as part of this review and revision. This approach is part of the best practice for investment fiduciaries such as that of the MPLT Trustees inclusive of an asset allocation study. 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 to reflect those goals through the industry-standard methodology or an “Optimizer.” Through this review, Raymond James was able to create optimized models that reduce risk and maximize returns. Raymond James’ 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, Raymond James reviewed and explored combinations of asset classes seeking to achieve mean returns higher than the target returns while holding the minimal risk allowable.

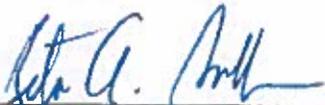
BE IT RESOLVED, THEREFORE, in consideration of the foregoing and pursuant to the August 2023 Optimizer and Asset Allocation Study by Raymond James, of the risks and returns as to the allocation of and classes of investments, and the consultations by the Trustees, the MPLT Trustees hereby approve the following re-allocation and modification of the IPS for the General Fund and the Park Fund (referred to herein as the “2023 General Fund and AMP Fund IPS Revisions” or “Revisions”). The MPLT Administrator and Raymond James are tasked to undertake immediate measures consistent with the revisions.

BE IT RESOLVED, THEREFORE, the Investment Policy Statement for the General Fund and the AMP shall be amended to reflect the terms and conditions, in great detail, consistent with this Resolution and Asset Reallocation Plan as adopted by the MPLT Trustees.

SO ADOPTED this 1st day of September, 2023 by the MPLT Board of Trustees at a Special Meeting on Saipan by majority vote of the Trustees present.



PHILLIP MENDIOLA-LONG
Trustee



RITA A. SABLAN
Trustee



ALVARO A. SANTOS
Trustee



CARLA N. CAMACHO
Trustee

Vacant- Rota Trustee
Trustee