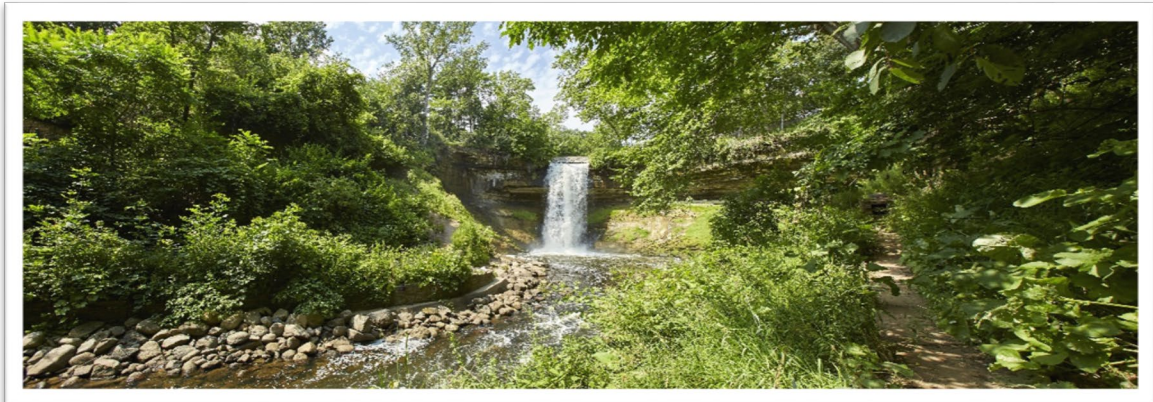


MINNESOTA STATE BOARD OF INVESTMENT

2020 Annual Report



Non-Retirement Account Environmental Trust Fund

The SBI invests the assets of the Environmental Trust Fund in the Non-Retirement Equity Fund, Bond Fund, and Money Market Fund. On June 30, 2020, the market value of the Fund was \$1.3 billion.

Environmental Trust Fund

Overview

The Environmental Trust Fund was established in 1988 by the Minnesota Legislature to provide a long-term, consistent and stable source of funding for activities that protect and enhance the environment. By statute, the State Board of Investment invests the assets of the Environmental Trust Fund. The Minnesota Legislature funds environmental projects from a portion of the market value of the Fund.

Investment Objective

The Environmental Trust Fund's investment objective is long-term growth in order to produce a growing level of funding within the constraints of maintaining adequate portfolio liquidity.

A constitutional amendment passed in November 1998 continues the mandate that 40% of the net proceeds from the state lottery be credited to the Fund through 2025.

The amendment provides for spending 5.5% of the Fund's market value annually. The amendment eliminated certain accounting restrictions on capital gains and losses as well as the provision that the principal must remain inviolate.

Asset Allocation

After the constitutional amendment was adopted in November 1998, SBI staff worked with the Legislative

Citizen Commission on Minnesota Resources to establish an asset allocation policy that is consistent with the Commission's goals for spending and growth of the Fund. The allocation positions the Fund for an appropriate long-term growth potential to meet the Fund's objective to produce a growing level of funding.

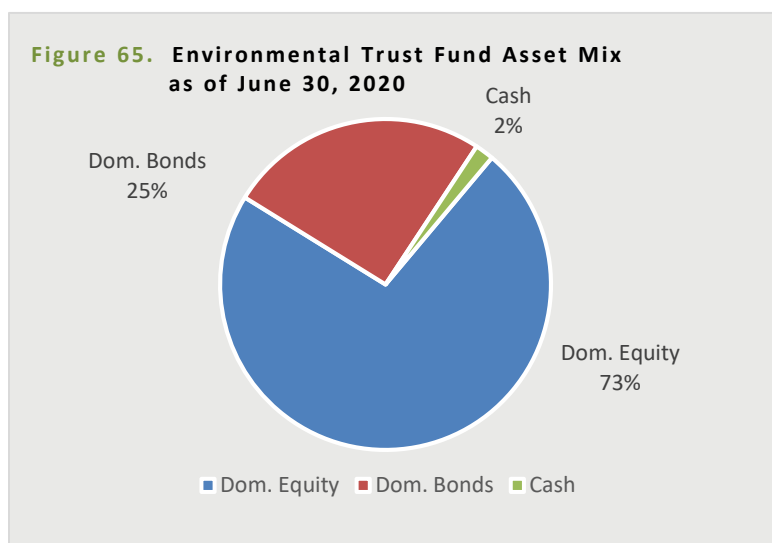
The current long-term asset allocation targets for the Fund are:

Domestic Equity	70%
Domestic Bonds	28%
Cash	2%

Figure 65 presents the actual asset mix of the Fund at the end of fiscal year 2020.

Investment Management

The Environmental Trust Fund is invested in the Non-Retirement Equity, Bond and Money Market Funds. Fund Summaries are provided on pages B105-B107.



Non-Retirement Account Environmental Trust Fund

Investment Performance

During the fiscal year, the *equity* segment matched its benchmark, the S&P 500, for the fiscal year.

The *bond* segment underperformed its benchmark, the Bloomberg Barclays U.S. Aggregate Index, by 0.5 percentage point during the fiscal year.

The *cash* segment outperformed its benchmark, the iMoneyNet All Taxable Money Fund Average by 0.4 percentage point during the fiscal year.

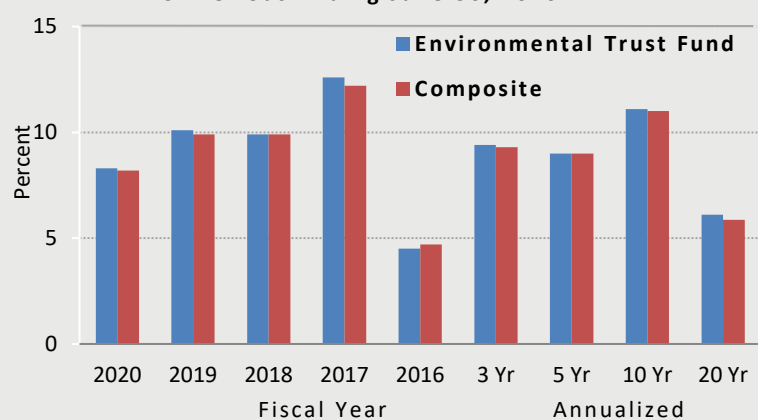
Overall, the Environmental Trust Fund provided a return of 8.3% for fiscal year 2020, which outperformed its composite index by 0.1 percentage point during the fiscal year. Results for a longer time-periods, show the Fund outperforming its composite index over the ten and twenty-year time periods ending June 30, 2020.

Historical performance results for the total Fund and each of the asset class segments are presented in Figure 66.

Spendable income generated by the Fund over the last five fiscal years is shown below:

<u>Fiscal Year</u>	<u>Millions</u>
2016	\$46
2017	\$46
2018	\$51
2019	\$51
2020	\$61

Figure 66. Environmental Trust Fund Return For Periods Ending June 30, 2020



	Fiscal Year End Return (%)				
	2020	2019	2018	2017	2016
Environmental Trust Fund	8.3	10.1	9.9	12.6	4.5
Composite ¹	8.2	9.9	9.9	12.2	4.7
Equity Segment	7.5	10.4	14.3	17.9	4.0
S&P 500	7.5	10.4	14.4	17.9	4.0
Bond Segment	8.2	8.4	-0.3	0.8	5.7
BB Barclays Agg	8.7	7.9	-0.4	-0.3	6.0
Cash Segment	1.5	2.4	1.4	0.6	0.2
iMoney Net All Taxable Fund	1.1	1.9	1.0	0.3	0.1

	Annualized Returns (%) as of June 30, 2020			
	3 Yr.	5 Yr.	10 Yr.	20 Yr.
Environmental Trust Fund	9.4	9.0	11.1	6.1
Composite ¹	9.3	9.0	11.0	5.9
Equity Segment	10.7	10.7	14.0	6.0
S&P 500	10.7	10.7	14.0	5.9
Bond Segment	5.3	4.5	4.2	5.6
BB Barclays Agg	5.3	4.3	3.8	5.1
Cash Segment	1.8	1.2	0.7	1.8
iMoney Net All Taxable Fund	1.3	0.9	0.4	1.4

¹ Represents the aggregate returns of the target allocation: S&P 500 70%, Bloomberg Barclays U.S. Aggregate 28%, and iMoney Net All Taxable Money Fund Avg 2%.

