Investment Performance FY26 and Budget Request FY28

PRESENTED TO

LRC EXECUTIVE BOARD

AUGUST 26, 2026

SDIC Organizational Structure

LRC Executive Board appoints 5 of the 8 Council members. Staff and functions are shown below.

LRC Executive Board

South Dakota Investment Council – FY 2027

Appointed by LRC Executive Board:

- Kelly Meiners, Chair, Winner
- Taylor Thompson, Vice Chair, Rapid City
- Cathy Clark, Sioux Falls
- Michael Anderson, Watertown
- Rita Edwards, Madison

Ex-Officio Members:

- Travis Almond, SDRS Executive Director
- Brock Greenfield, S&PL Commissioner
- Josh Haeder, State Treasurer

Investment Council Staff

State Investment Officer

Investment Management

- Executive Committee & Sr. Portfolio Manager (3)
- Senior Investment Manager (2)
- Senior Portfolio Manager (8)
- Portfolio Manager (5)
- Associate Portfolio Manager II (3)
- Associate Portfolio Manager I (2)
- Trader/Systems Analyst (1)
- Research Analyst (3)

Investment Accounting

- Chief Financial Officer (1)
- Senior Investment Accountant (3)
- Investment Accountant (1)

Legal Services

- General Counsel (2 part-time)

Administration

- Business Manager (1)
- Assistant Business Manager (1)

Investment Management Staff by Asset Category

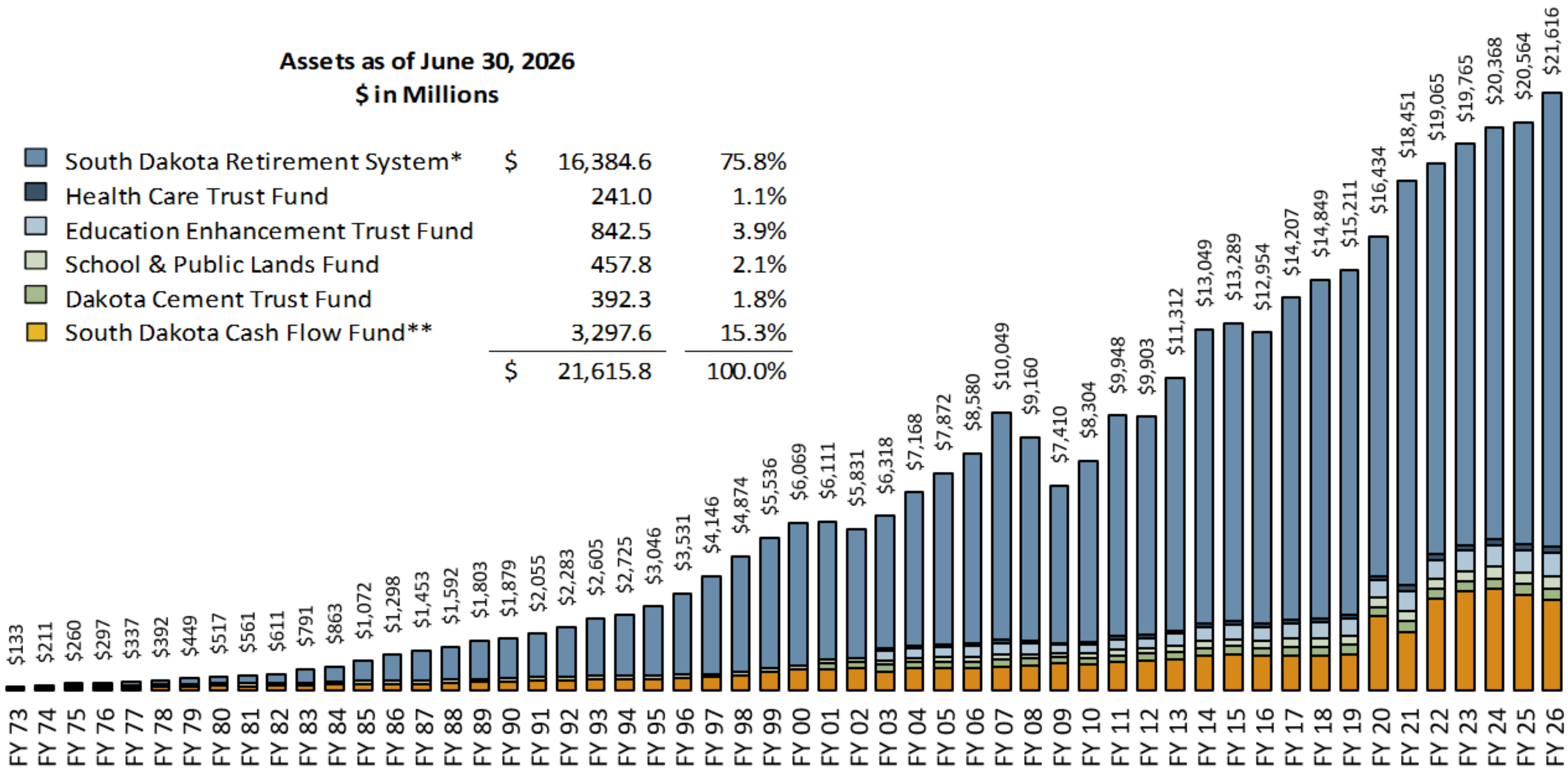
- Global Equity – 14
- Small/Mid Cap Equity – 4
- High Yield – 6
- Fixed Income/Alternatives/Derivatives - 3

SDIC Assets Under Management

Assets have grown significantly to over $21 billion since inception more than 50 years ago. Given expensive market valuations, we need to be prepared for a potential severe downturn.

Assets as of June 30, 2026
$ in Millions

South Dakota Retirement System*	$	16,384.6	75.8%
Health Care Trust Fund		241.0	1.1%
Education Enhancement Trust Fund		842.5	3.9%
School & Public Lands Fund		457.8	2.1%
Dakota Cement Trust Fund		392.3	1.8%
South Dakota Cash Flow Fund**		3,297.6	15.3%
	$	21,615.8	100.0%



*The South Dakota Cement Plant Retirement Fund (CPRF) was consolidated into the South Dakota Retirement System (SDRS) on April 1, 2014, per SDCL 3-12C-1642. For purposes of this exhibit, CPRF Assets for Fiscal Years 1973 - 2013 are included with SDRS.

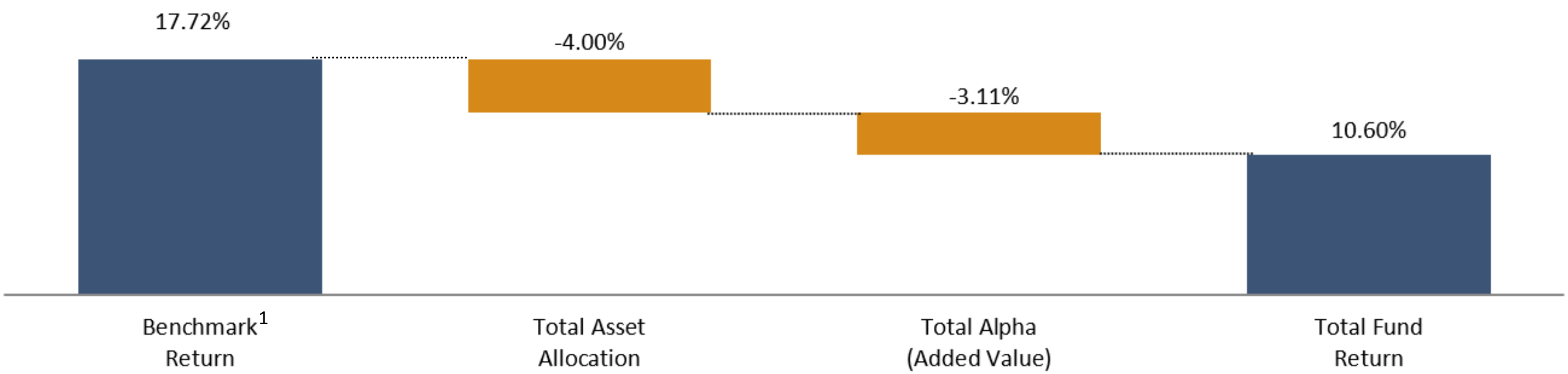
**South Dakota Cash Flow Fund assets include Coronavirus Relief Fund for Fiscal Years 2020 - 2026.

FY26 SDRS Return & Attribution (unaudited)

Underperformance due to cautious asset allocation and private investments

SDRS TOTAL FUND RETURN	CAPITAL MARKETS BENCHMARK RETURN	TOTAL DIFFERENCE (UNDERPERFORMANCE)
10.60%	**17.72%**	**-7.12%**

Bridge: Benchmark Return to Total Fund Return



Asset Allocation Detail

PRIMARY ASSET ALLOCATION	
Equity-Like Risk	-4.88%
Bond-Like Risk	-0.43%
Cash-Like Risk	1.28%
Total Primary Asset Allocation	**-4.03%**
SECONDARY ASSET ALLOCATION	
High Yield Debt	0.21%
Real Estate	-0.07%
Short S&P 500 Futures	0.42%
Other(Interperiod AA trading)	-0.54%
Total Secondary Asset Allocation	**0.03%**
Total Asset Allocation	**-4.00%**

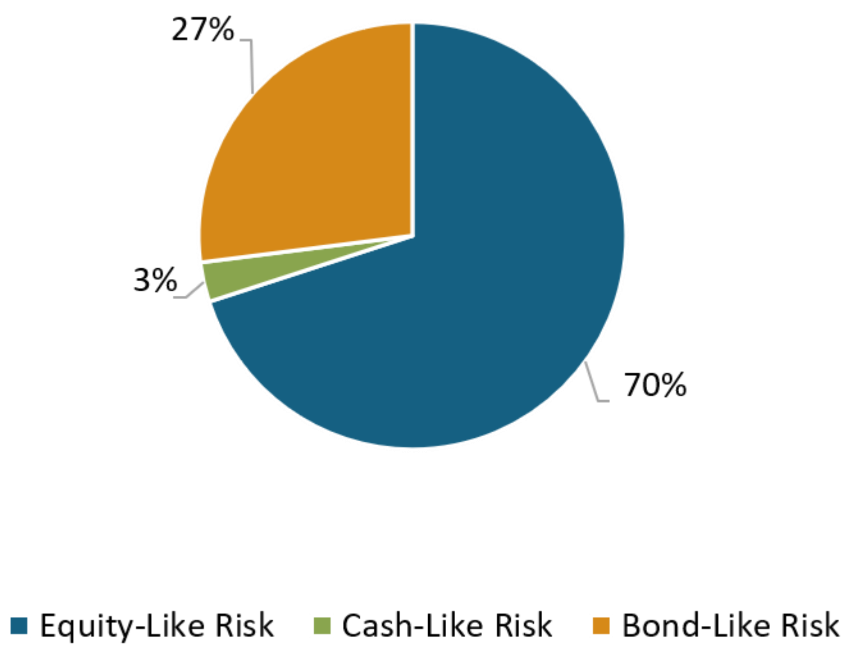
Portfolio Added Value (Alpha) Detail

Public Equity	1.37%
Investment Grade Debt	-0.03%
Cash	-0.04%
High Yield Debt	0.16%
Real Estate Partnerships	-3.48%
Private Equity Partnerships	-1.23%
Hedge Funds	0.14%
Total Portfolio Added Value (Alpha)	**-3.11%**

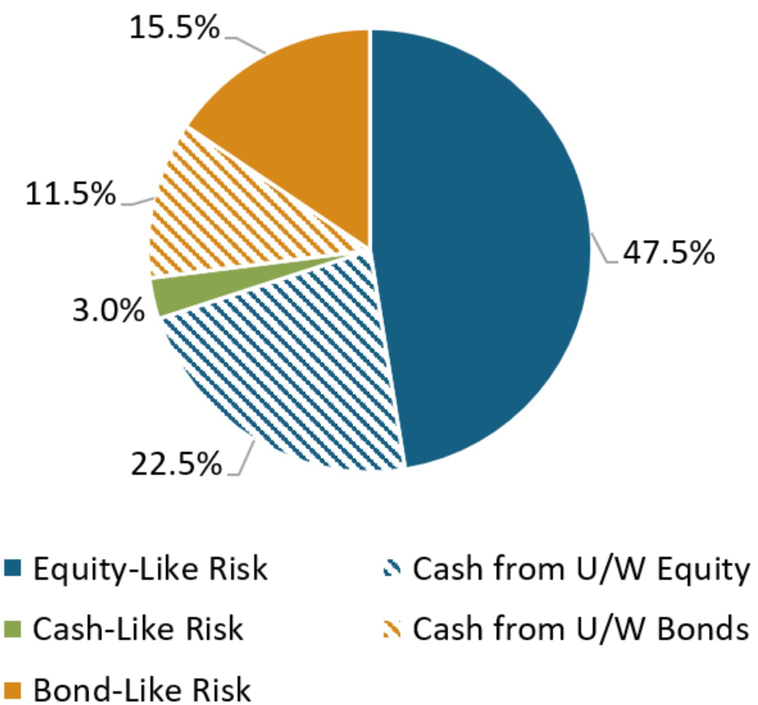
Benchmark vs. Actual Asset Allocation

The chart on the left is the benchmark weights of equity, bond, and cash-like risk.
The chart on the right shows additional 22.5% cash exposure from being underweight equities and additional 11.5% cash exposure from being underweight bonds.

FY26 Benchmark Risk Weights



6/30/26 Actual Allocation



FY26 unaudited

Attribution of performance to key drivers in recent years
(FY26 unaudited)

Cautious asset allocation positioning and private partnerships have lowered returns in past four years, which has negatively impacted all longer-term periods.

Internally managed equity has been a positive contributor to returns, recently and over the long-term

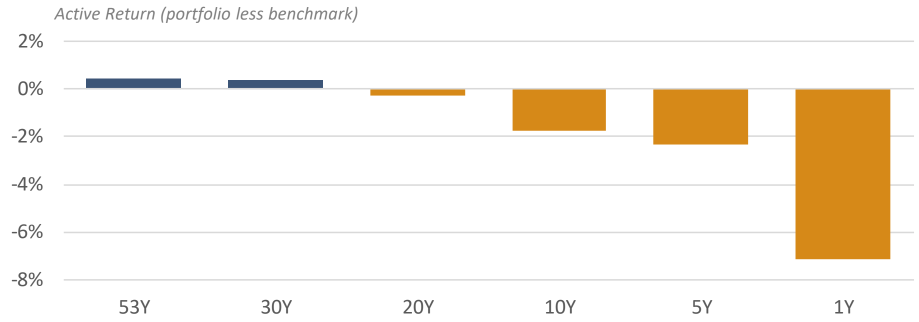
Category	FY26	FY25	FY24	FY23	FY22	5 yr Annualized	10 yr Annualized
Asset Allocation	-4.0%	-2.7%	-3.4%	-2.5%	2.3%	-1.4%	-1.4%
Private Partnerships	-4.7%	-2.4%	-3.5%	-2.0%	5.7%	-1.4%	-0.7%
Internal Equity Portfolios	1.4%	-1.9%	-0.7%	-0.1%	3.7%	0.5%	0.3%
Internal Fixed Income Portfolios	0.1%	-0.1%	-0.2%	-0.1%	0.4%	0.0%	0.1%
Hedge Funds/Other	0.1%	0.0%	-0.1%	-0.2%	0.3%	0.0%	0.0%
Total Fund Relative Performance	**-7.1%**	**-7.1%**	**-7.8%**	**-4.8%**	**12.3%**	**-2.3%**	**-1.8%**

Total Fund Return vs Benchmark (FY26 unaudited)

Recent years results have been disappointing due to cautious asset allocation and private markets

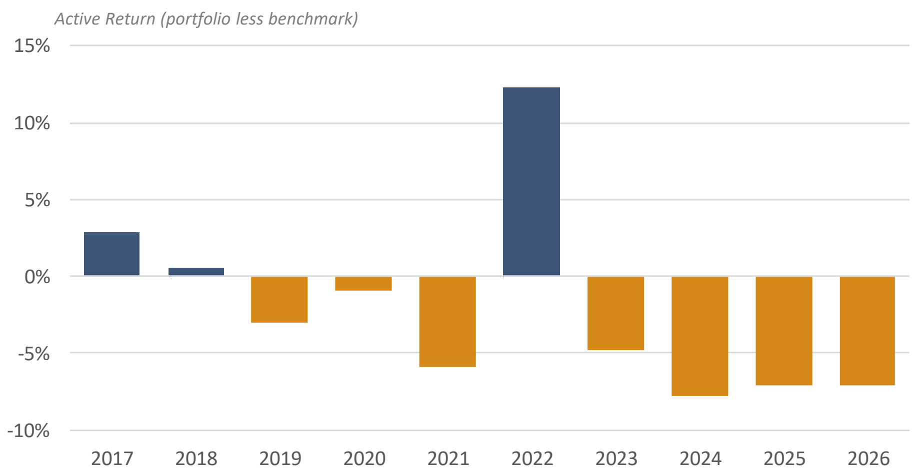
Annualized Returns[2]

Period	Portfolio	Benchmark[1]	Over / Under
53 Years	9.81%	9.39%	0.42%
30 Years	8.33%	7.99%	0.34%
20 Years	7.37%	7.63%	-0.26%
10 Years	7.58%	9.36%	-1.78%
5 Years	5.38%	7.73%	-2.34%
1 Year	10.60%	17.72%	-7.12%



Yearly Returns

Fiscal Year	Portfolio	Benchmark[1]	Over / Under
2017	13.81%	10.96%	2.85%
2018	7.94%	7.33%	0.61%
2019	4.88%	7.91%	-3.03%
2020	1.59%	2.52%	-0.93%
2021	22.03%	27.97%	-5.94%
2022	-0.69%	-13.02%	12.33%
2023	5.84%	10.65%	-4.82%
2024	6.02%	13.81%	-7.79%
2025	5.45%	12.51%	-7.06%
2026	10.60%	17.72%	-7.12%

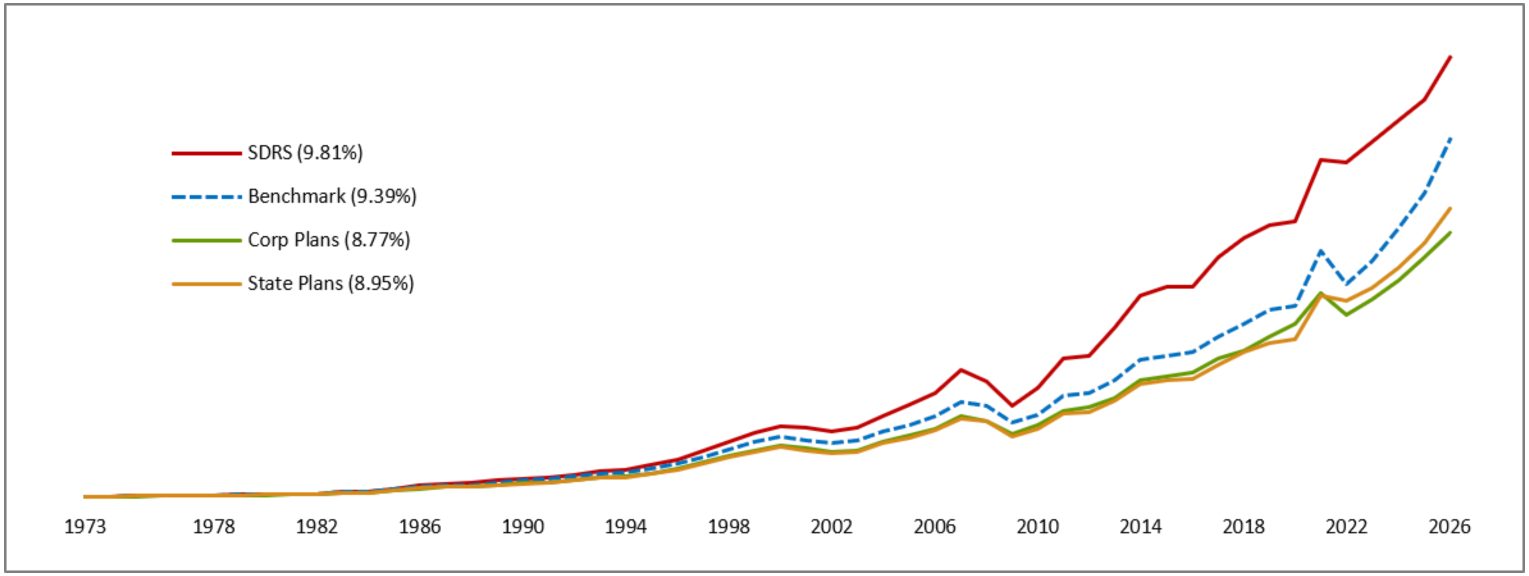


SDRS has outperformed benchmark and other state and corporate plans over the full 53-year history

SDRS Total Fund vs. State Pension Fund Linked Median				
	5 years	10 years	20 years	30 years
# of Successes	39	40	33	24
# of Periods	49	44	34	24
% Successful	80%	91%	97%	100%

Outperformed median state funds 80% of 5-year rolling periods and 91% of 10-year rolling periods.

Median state fund returns in recent years have been similar to the benchmark. Longer term, the benchmark has outperformed.



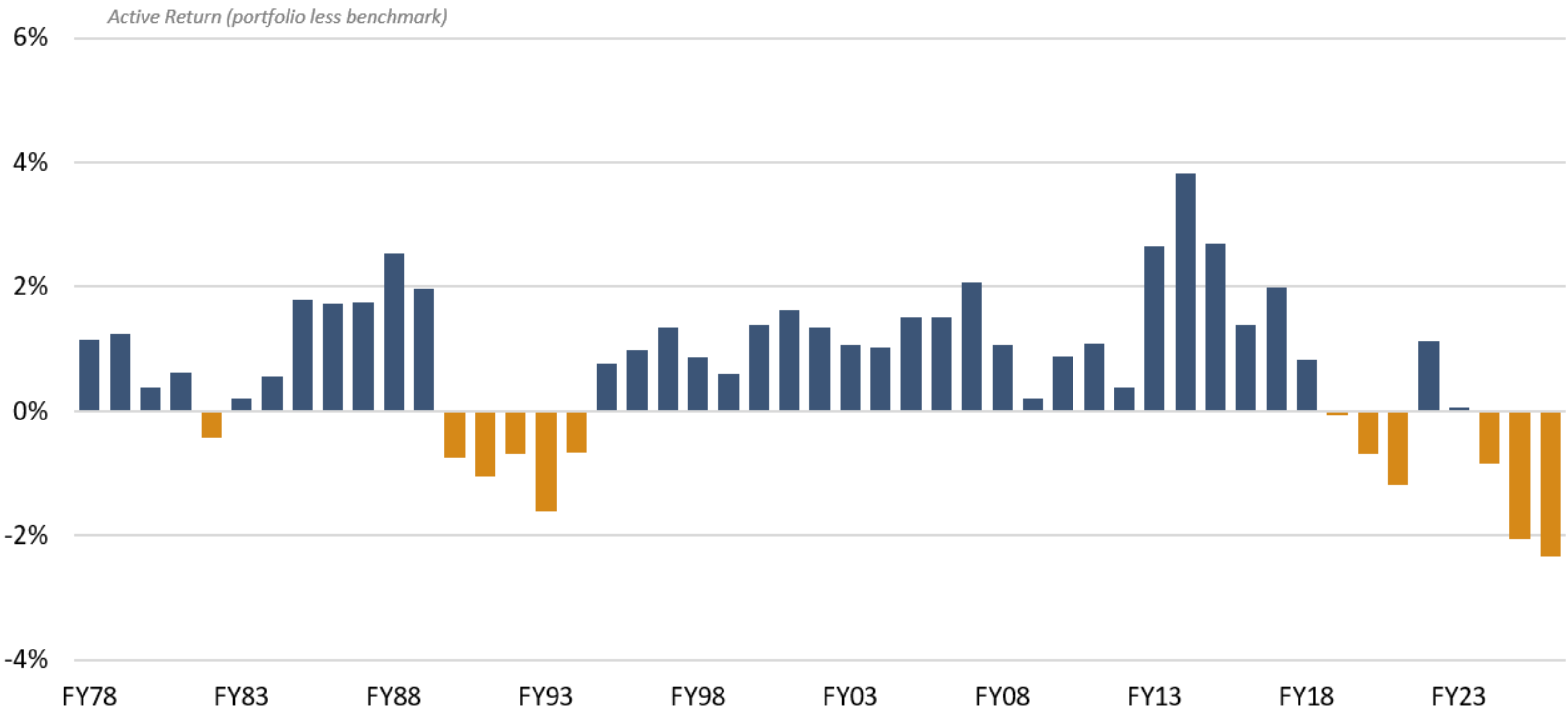
Annualized Return 53 Years ended FY26
Growth of a $ assuming no contributions/withdrawals

SDRS Relative Performance History

Rolling 5-year annualized periods

(FY26 unaudited)

Recent rolling periods have lagged the benchmark. There have been underperforming 5-year periods in the past, but they were followed by favorable periods. Overall, most 5-year periods have been favorable.

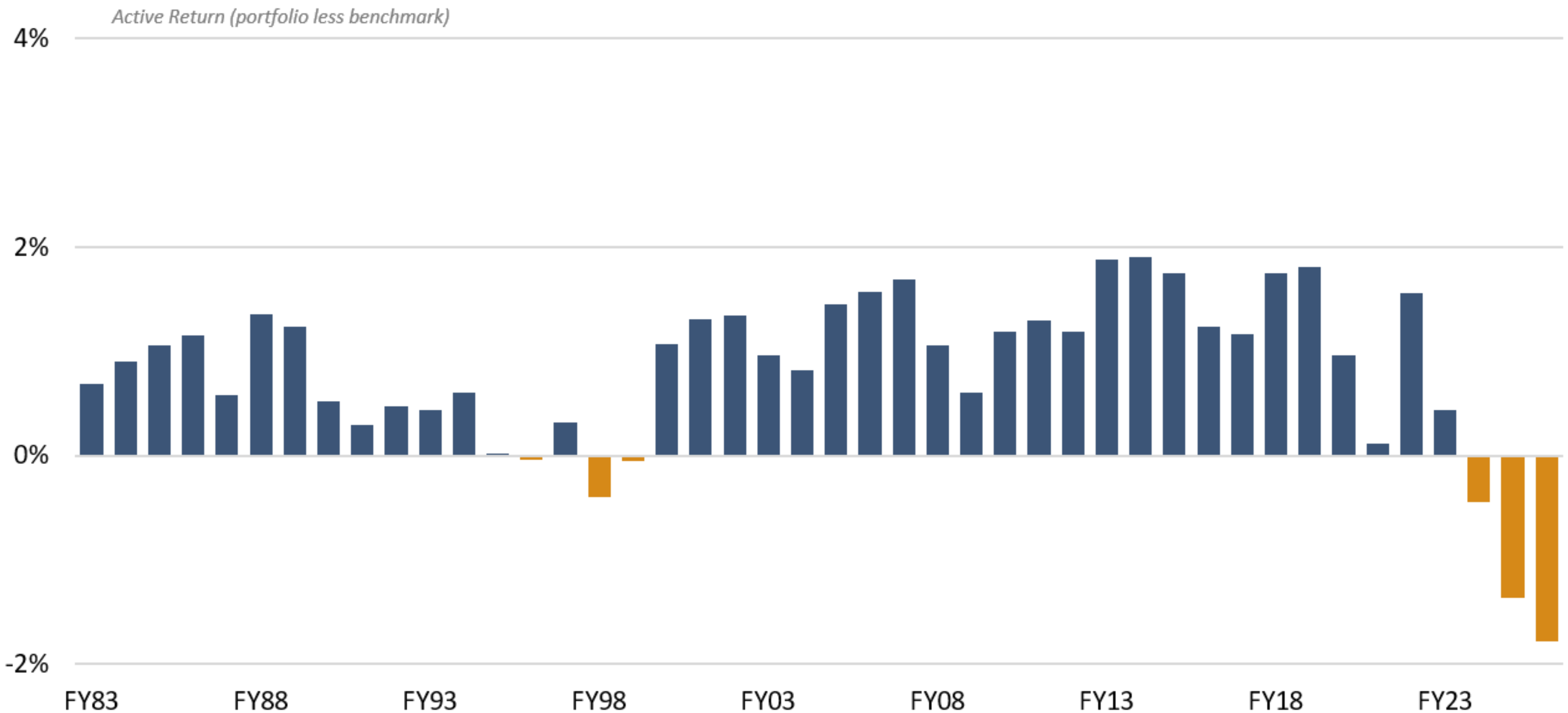


SDRS Relative Performance History

Rolling 10-year annualized periods

(FY26 unaudited)

Recent 10-year results are worse than prior periods. When cautious asset allocation negatively impacted performance in prior periods, such as in late 1990s, private investments did extremely well which has not been the case recently.

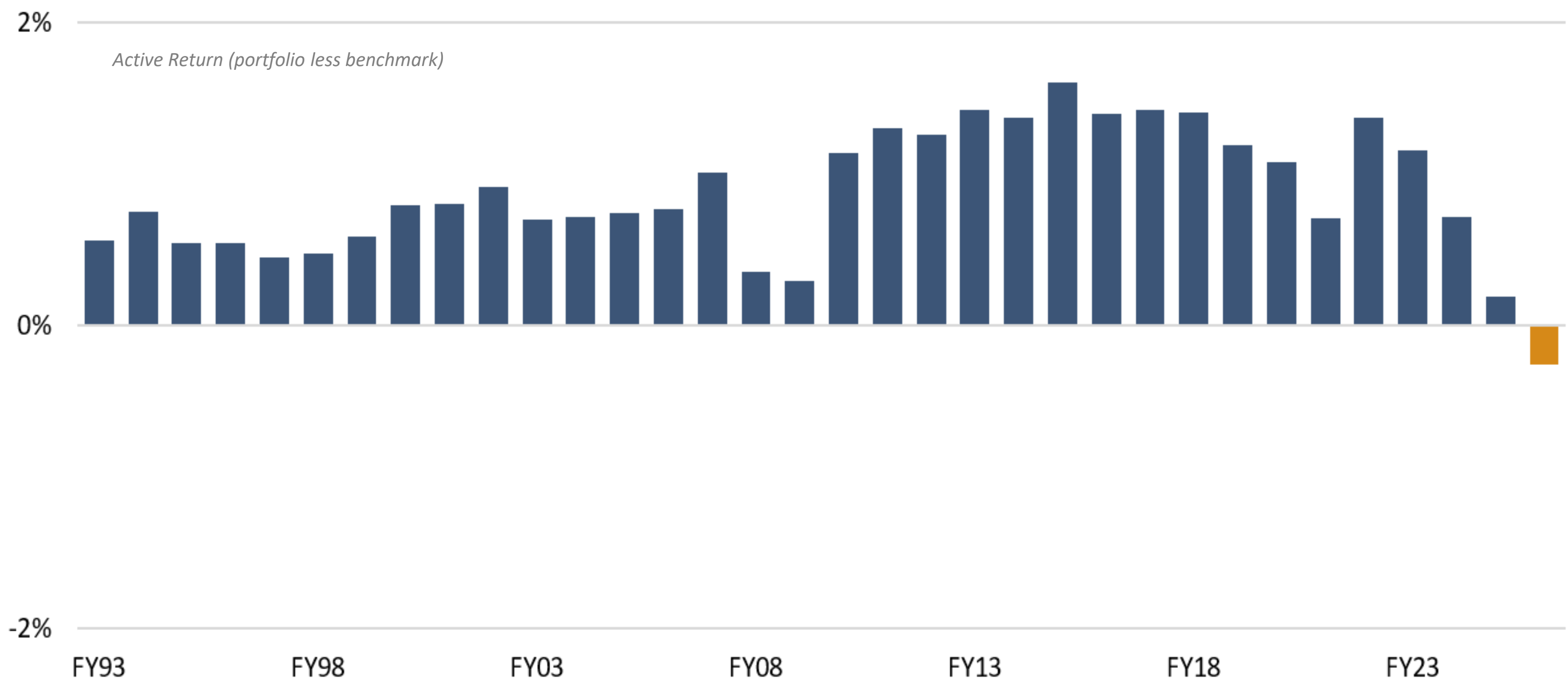


SDRS Relative Performance History

Rolling 20-year annualized periods

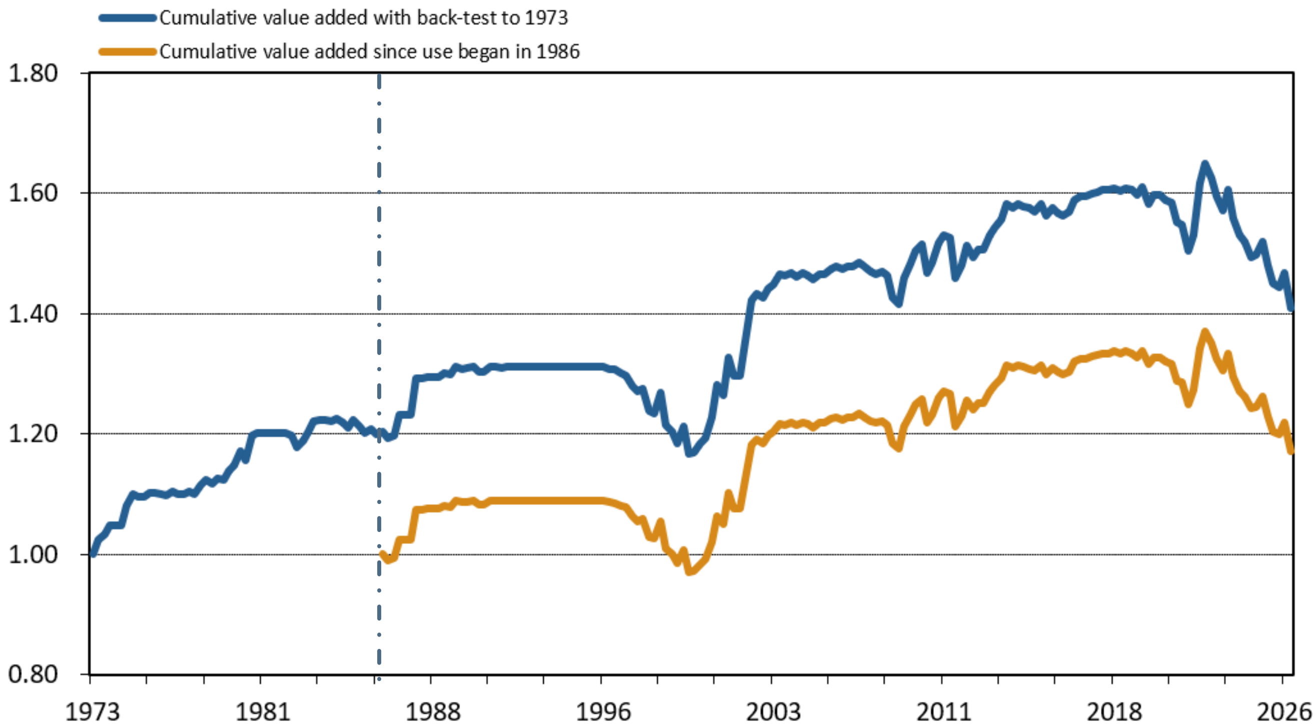
(FY26 unaudited)

Recent 20-year period has lagged the benchmark by -0.26%. Next worse earlier periods were the 20 years ending in FY08 & FY09 which benefited significantly from favorable results from private investments partially offset by moderately negative equity performance.



Current Asset Allocation (AA) Model vs. 70/30 Benchmark

AA model has added value since 1986, when use of original model began. The model and implementation have evolved over time. Also shown below is back-tested added value since July 1973 when SDIC began managing SDRS assets.



Since July '73: Annualized model return 10.92% vs 10.22% for 70/30

Since SDRS use began in 1986: Annualized model return 10.27% vs 9.83% for 70/30

Partnerships have added value over the long term

Private Equity Partnerships

(FY26 unaudited)

Private Equity partnerships have underperformed the global equity index, especially over the 1-, 3-and 5-year periods. The outperformance over 20 years is still significantly positive. Past outperformances have exceeded recent underperformances.

Annualized Returns	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
Private Equity[3]	16.34%	11.71%	9.27%	13.05%	12.29%
Global Equity Index[4]	24.77%	19.58%	11.63%	13.42%	8.87%
Difference (PE – Index)	-8.43%	-7.87%	-2.36%	-0.37%	3.42%

Partnerships have added value over the long term
Real Estate Partnerships
(FY26 unaudited)

Real Estate partnerships significantly underperformed the REIT index for the 1-, 3- and 5- year periods. The 10-year results are still positive because of outperformance in prior years. The 20-year result is still nicely favorable.

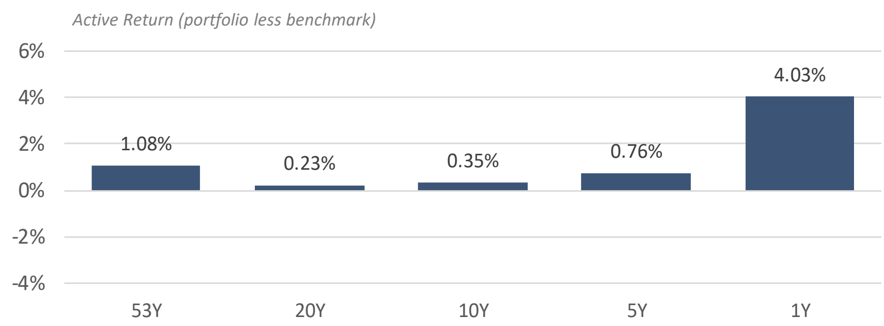
Annualized Returns	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
Opportunistic Real Estate (RE)[3]	**-3.87%**	**-3.33%**	**1.67%**	**6.81%**	**8.42%**
MSCI US REIT Index	**21.15%**	**12.39%**	**5.83%**	**6.07%**	**6.71%**
Difference (RE – Index)	-25.02%	-15.73%	-4.16%	0.74%	1.71%

Internal Large-Cap Equity vs Benchmark (FY26 unaudited)

FY26 was favorable, despite challenging environment for active equity management, especially for value-oriented approach. Results are positive for 5-, 10-, and 20-years, and a significant positive contributor to total fund performance for the full 53 years.

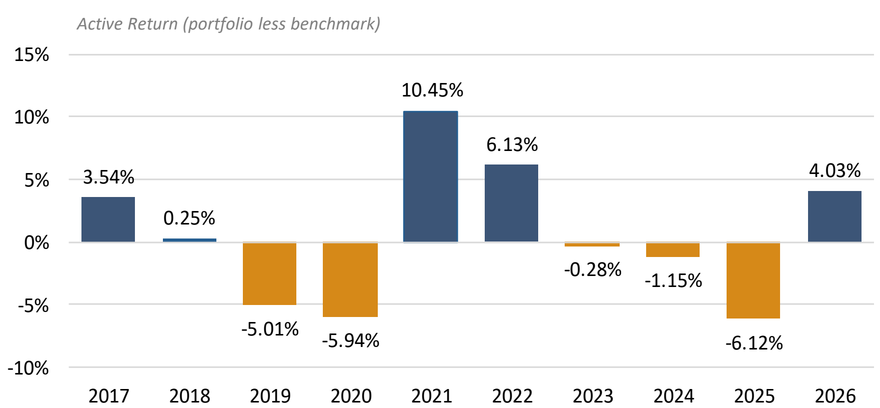
Annualized Returns

Period	Portfolio[5]	Benchmark[6]	Over / Under
53 Years	11.95%	10.87%	1.08%
20 Years	10.24%	10.01%	0.23%
10 Years	14.67%	14.32%	0.35%
5 Years	13.66%	12.90%	0.76%
1 Year	28.85%	24.82%	4.03%



Yearly Returns

Fiscal Year	Portfolio[5]	Benchmark[6]	Over / Under
2017	22.50%	18.96%	3.54%
2018	12.75%	12.50%	0.25%
2019	3.10%	8.11%	-5.01%
2020	-2.76%	3.18%	-5.94%
2021	49.66%	39.21%	10.45%
2022	-6.50%	-12.63%	6.13%
2023	19.70%	19.98%	-0.28%
2024	19.80%	20.95%	-1.15%
2025	9.80%	15.92%	-6.12%
2026	28.85%	24.82%	4.03%

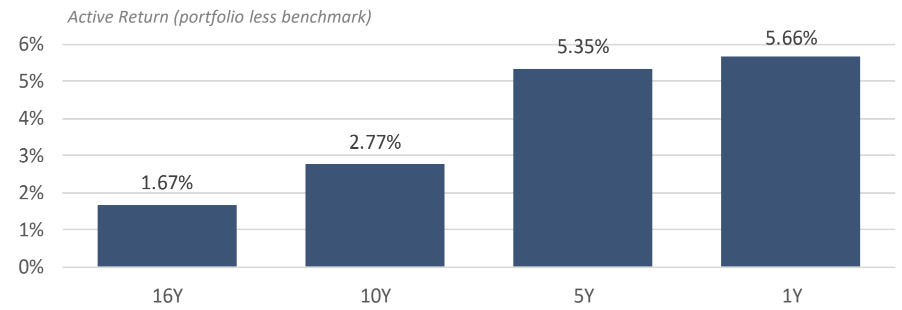


Internal Small-Mid Equity vs Benchmark (FY26 unaudited)

Results are very positive for 1-, 5-, 10-, and 16-years since the program began

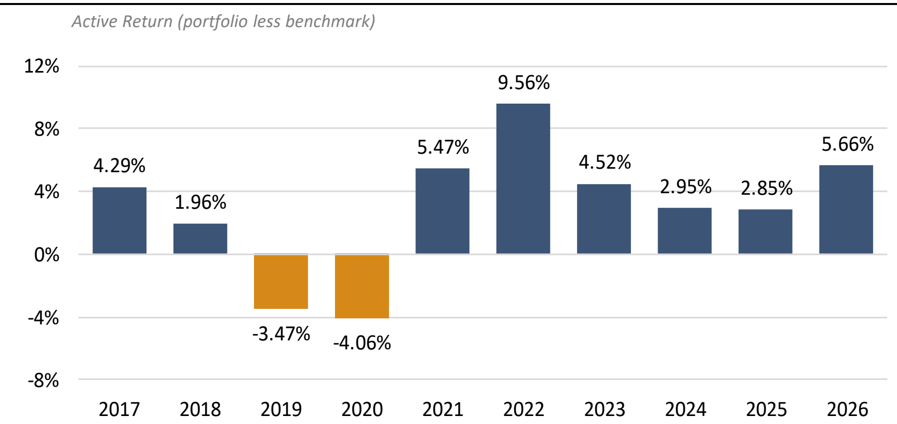
Annualized Returns

Period	Portfolio	Benchmark[7]	Over / Under
16 Years	14.78%	13.11%	1.67%
10 Years	14.77%	12.00%	2.77%
5 Years	14.65%	9.30%	5.35%
1 Year	35.99%	30.33%	5.66%



Yearly Returns

Fiscal Year	Portfolio	Benchmark[7]	Over / Under
2017	24.03%	19.73%	4.29%
2018	17.58%	15.62%	1.96%
2019	-4.08%	-0.60%	-3.47%
2020	-12.10%	-8.04%	-4.06%
2021	62.79%	57.32%	5.47%
2022	-5.42%	-14.97%	9.56%
2023	21.70%	17.18%	4.52%
2024	15.68%	12.73%	2.95%
2025	9.42%	6.56%	2.85%
2026	35.99%	30.33%	5.66%

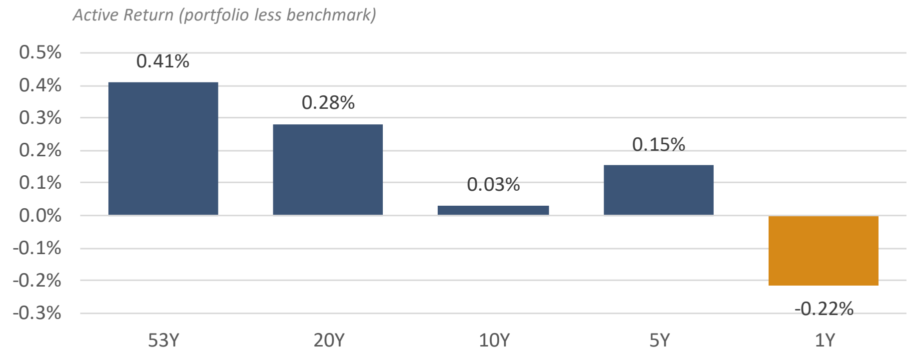


Investment Grade Bond Composite (FY26 unaudited)

Results have been generally positive for the 5-, 10-, and 20-years, and nicely positive for the full 53-years

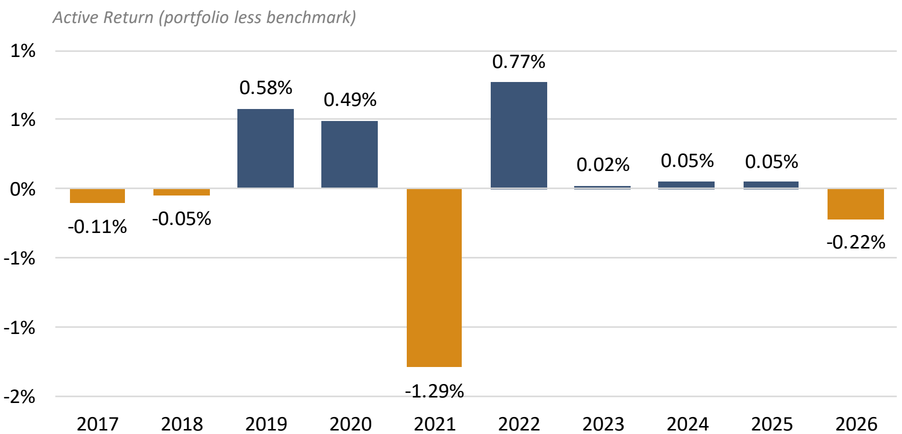
Annualized Returns

Period	Portfolio[8]	Benchmark[9]	Over / Under
53 Years	6.98%	6.57%	0.41%
20 Years	3.66%	3.38%	0.28%
10 Years	1.59%	1.56%	0.03%
5 Years	0.19%	0.04%	0.15%
1 Year	3.64%	3.86%	-0.22%



Yearly Returns

Fiscal Year	Portfolio[8]	Benchmark[9]	Over / Under
2017	-0.39%	-0.28%	-0.11%
2018	-0.49%	-0.45%	-0.05%
2019	8.49%	7.91%	0.58%
2020	9.46%	8.96%	0.49%
2021	-1.50%	-0.21%	-1.29%
2022	-9.78%	-10.55%	0.77%
2023	-0.95%	-0.97%	0.02%
2024	2.71%	2.66%	0.05%
2025	6.14%	6.09%	0.05%
2026	3.64%	3.86%	-0.22%

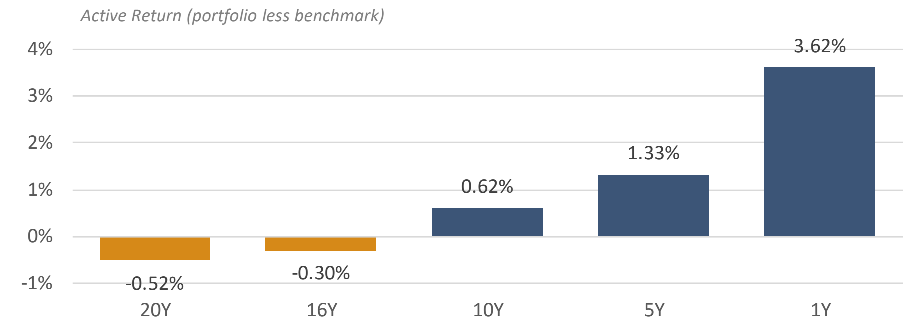


Internal High Yield Bond Composite (FY26 unaudited)

The current program began 16 years ago. Results have generally been positive for the 1-, 5-, and 10-years after an underperforming start.

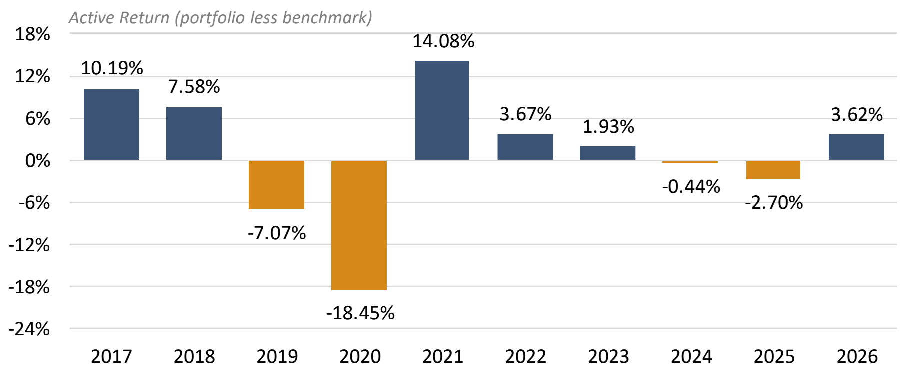
Annualized Returns

Period	Portfolio	Benchmark [10]	Over / Under
20 Years	5.49%	6.01%	-0.52%
16 Years	5.29%	5.59%	-0.30%
10 Years	6.20%	5.58%	0.62%
5 Years	5.68%	4.36%	1.33%
1 Year	9.42%	5.80%	3.62%



Yearly Returns

Fiscal Year	Portfolio	Benchmark [10]	Over / Under
2017	22.75%	12.56%	10.19%
2018	10.23%	2.64%	7.58%
2019	-0.37%	6.70%	-7.07%
2020	-20.77%	-2.33%	-18.45%
2021	29.59%	15.51%	14.08%
2022	-8.28%	-11.96%	3.67%
2023	10.99%	9.06%	1.93%
2024	9.63%	10.07%	-0.44%
2025	7.97%	10.67%	-2.70%
2026	9.42%	5.80%	3.62%

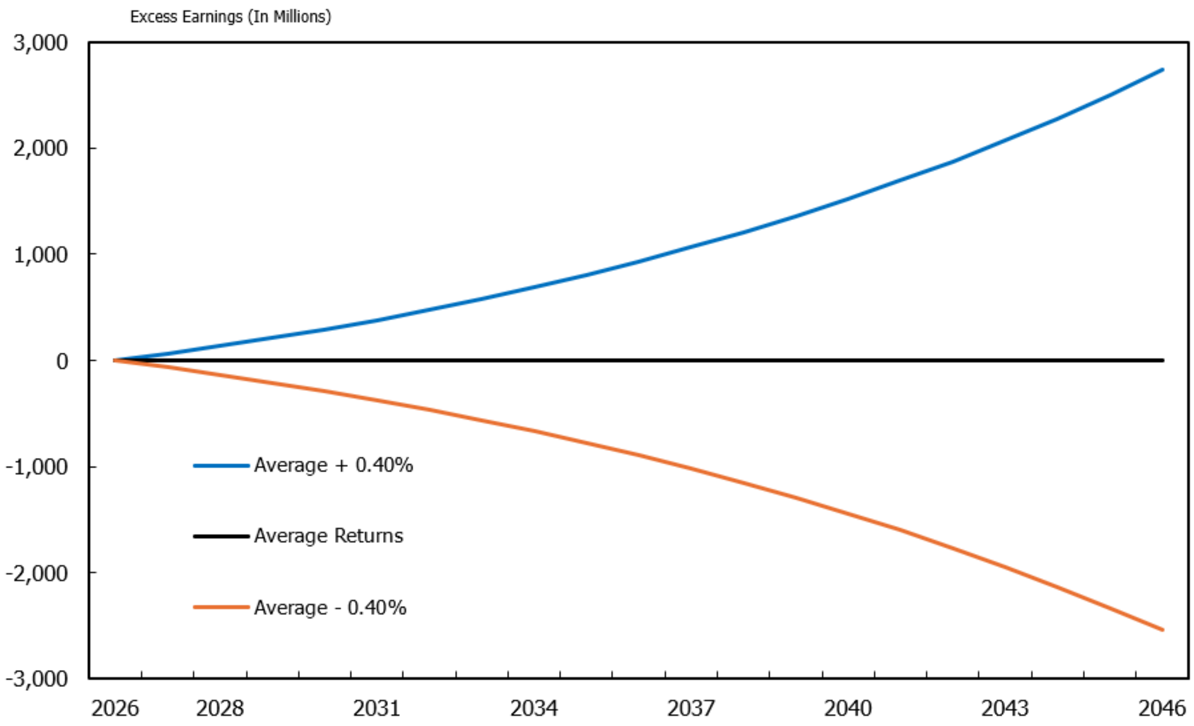


Potential Impact of Over/Under Performance

SDRS has outperformed the benchmark by 0.42% annualized vs. benchmark over the past 53 years.

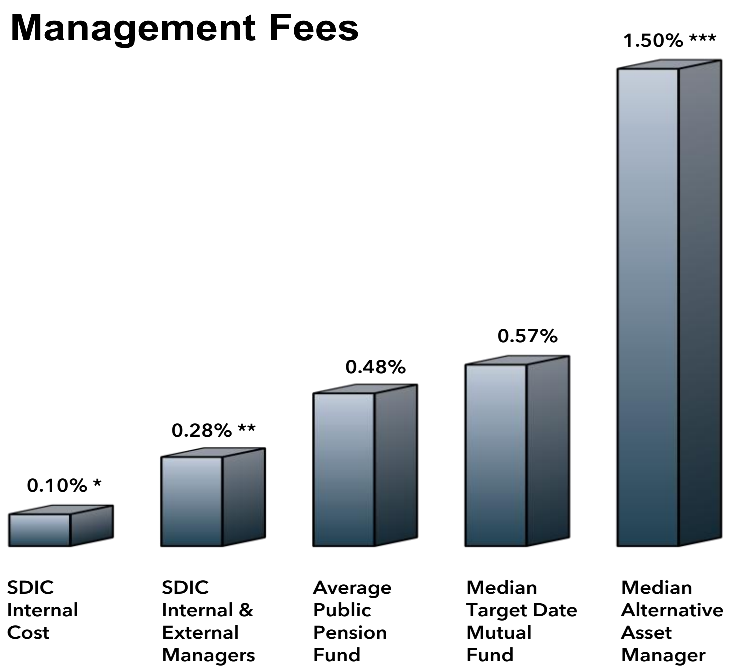
Outperformance of 0.40% over the next 20 years could add an extra $2.7 billion in value.

Conversely, underperformance of 0.40% over the same period could detract $2.5 billion in value.



Cost Efficiency Comparison

SDIC internal cost 0.10% compares favorably to 0.48% average public pension cost
Including external managers, SDIC cost 0.28%, still below average pension fund



* SDIC projected expenses for FY 2028 using adjusted assets and expected average performance incentives.

** Includes estimated external management fees based on average expected investment amounts. Does not include typical 20% profit participation after preferred return for investment partnerships.

*** Does not include typical 20% profit participation after preferred return for investment partnerships.

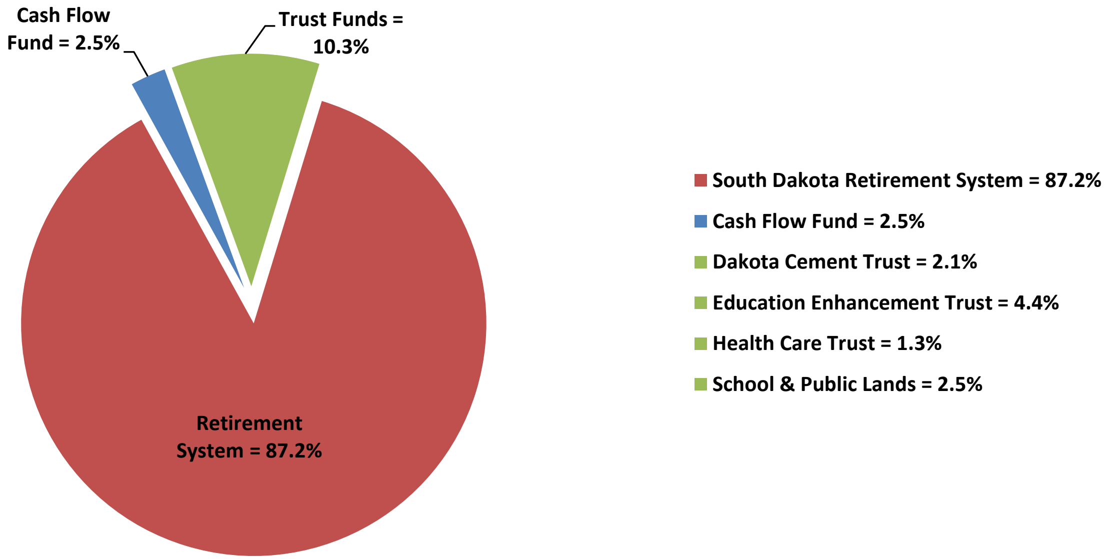
Compensation Overview

- Cost efficient due to internal management capabilities
  - Securing team to preserve internal capabilities is best chance to remain cost efficient
  - Internal cost .1% with expected average incentives
- Continued success dependent on high caliber team
  - Internally manage most assets using internally generated research
- Future team depends on retention of talent pipeline and trainers
  - Develop internally as cannot compete for top tier experienced talent
- Compensation plan aligned with goal of adding value over long term
  - Motivate superior long-term performance and retain successful staff

Compensation Overview, cont'd

- Compensation target
  - Council target is 70% of cost-of-living adjusted median industry pay to balance getting a good deal for South Dakota without losing the good deal if we cannot keep our people
  - Incorporates performance incentives
  - Compensation study updated approximately every three years
- Compensation study 2013
  - Study showed compensation had fallen to 55% - expanded incentives to improve to 95% of 70% target
  - Expanded incentives included longer term & stretch incentives - expected to average 80% (0% to 200%)
  - Incentives aligned with the goal of adding value and only paid if add value
- Compensation study 2016 and 2019
  - Indicated moderate slippage, but insufficient to request adjustment
- Compensation study 2022
  - Indicated further slippage to 10% threshold just sufficient to request adjustment
  - Increased incentive maximum to 225% focusing on 10 yr. performance - This reduced shortfall by half
- Compensation study 2025
  - Did not suggest any necessary changes for most investment staff

Budget Funding Sources



Budget funded by assets under management

0% General Fund appropriation

Note: S&PL share of SDIC expenses paid from earnings of Cash Flow Fund

Long-Term Plan Executive Summary

Projected LTP Budget

INVESTMENT COUNCIL BUDGET	FY 2028	FY 2033	FY 2038
Personal Services			
Number of Employees	35	35	35
Base Compensation - Total Staff	8,291,744	9,669,498	12,774,413
Student Interns	45,159	51,093	57,807
Investment Council	12,578	14,231	16,101
Flexibility funds-Retirements & Resignations	219,415	248,247	280,869
Investment Incentive Maximum	15,462,170	18,811,353	24,378,738
Benefits	3,233,238	3,939,419	5,196,437
Total Personal Services	27,264,304	32,733,841	42,704,365
Operating Expenses			
Contractual Services	3,343,033	3,690,185	4,082,955
Travel	88,681	100,334	113,519
Office Supplies & Postage	5,000	5,657	6,400
Capital Assets	40,520	33,968	38,970
Total Operating Expenses	3,477,234	3,830,144	4,241,844
Total Investment Council Budget [1]	30,741,538	36,563,986	46,946,209
ASSET SUMMARY [2]			
Internal Assets	18,877,383,040	23,914,382,828	28,876,220,182
External Assets	4,428,028,120	4,220,185,205	5,095,803,562
Total Assets	23,305,411,160	28,134,568,033	33,972,023,744
EXPENSE SUMMARY			
Internal Expenses	30,741,538	36,563,986	46,946,209
External Manager Fees [3]	48,708,309	46,422,037	56,053,839
Total Expenses	79,449,847	82,986,023	103,000,048
UNIT COST SUMMARY [4]			
Internal Expenses as % of Total Assets	0.10%	0.09%	0.10%
Total Expenses as % of Total Assets	0.28%	0.24%	0.25%

[1] FY 2028 amounts differ from the actual final budget request. To reflect all costs, the LTP includes an assumed salary policy of 2.5% and an additional 1.50% increase for investment positions, which is evaluated annually. The salary policy is not included in the budget request as any salary policy is added afterward.

[2] Projections based on long-term assumed returns applied to 6/30/26 assets. Updated each June 30.

[3] External Manager Fees based on non-haircut assets

[4] Unit Cost Summary uses assumed average investment performance incentives

FY26 Budget and Actual

PERSONAL SERVICES	Expended FY 2026	Received FY 2026	Unexpended FY 2026	
Total FTEs	32.00	35.00		
Base Compensation				
Base Compensation - Investment Staff	6,133,649	7,233,165	1,099,516	*
Base Comp - Admin, Acct, Legal, Longevity	797,916	810,383	12,467	
TOTAL STAFF - FULL TIME	6,931,565	8,043,548	1,111,983	
Part-Time - Legal & Interns	34,485	43,135	8,651	
Investment Council	5,976	12,102	6,126	
Retirement & resignation flexibility funds	994	214,063	213,069	
Benefits	1,185,101	1,562,750	377,649	
Total Base Compensation	8,158,120	9,875,598	1,717,478	
Investment Performance Incentives				
Maximum Potential Investment Perf Incentive	2,914,034	15,603,604	12,689,570	
Benefits	249,118	1,653,298	1,404,180	
Total Investment Performance Incentives	3,163,152	17,256,902	14,093,750	
TOTAL PERSONAL SERVICES	11,321,272	27,132,500	15,811,228	
OPERATING EXPENSES				
Contractual Total	2,495,979	3,089,139	593,160	
Travel	55,221	88,681	33,460	
Office Supplies	3,468	5,000	1,532	
Capital Assets	30,406	40,520	10,114	
Total Operating Expenses	2,585,075	3,223,340	638,265	
TOTAL BUDGET	13,906,346	30,355,840	16,449,494	

*Includes $29,803 Virtus reimbursement & unused compensation

Note: Budget is funded as needed and ended year with a cash balance of $2,876,283.45 which is credited against FY 2027 authorized budget

FY28 Budget Request

Summary

	Received FY 2027	Request FY 2028	% change
PERSONAL SERVICES			
Total FTEs	35.00	35.00	
Base Compensation			
Base Compensation - Investment Staff	7,159,845	7,255,319	1.33%
Base Comp - Admin, Acct, Legal, Longevity	833,414	845,745	1.48%
TOTAL STAFF - FULL TIME	7,993,259	8,101,064	1.35%
Part-Time - Legal & Interns	43,900	44,062	0.37%
Investment Council	12,271	12,271	0.00%
Retirement & resignation flexibility funds	214,063	214,063	0.00%
Benefits	1,557,743	1,572,618	0.95%
Total Base Compensation	9,821,236	9,944,077	1.25%
Investment Performance Incentives			
Maximum Potential Investment Perf Incentive	15,507,613	15,462,170	-0.29%
Benefits	1,640,051	1,633,779	-0.38%
Total Investment Performance Incentives	17,147,664	17,095,949	-0.30%
TOTAL PERSONAL SERVICES	26,968,900	27,040,027	0.26%
OPERATING EXPENSES			
Contractual Total	3,161,525	3,343,033	5.74%
Travel	88,681	88,681	0.00%
Office Supplies	5,000	5,000	0.00%
Capital Assets	40,520	40,520	0.00%
Total Operating Expenses	3,295,726	3,477,234	5.51%
TOTAL BUDGET	30,264,626	30,517,260	0.83%
UNIT COST SUMMARY *			
Internal Expenses as % of Total Adjusted Assets	0.098%	0.097%	
Total Expenses as % of Total Adjusted Assets	0.294%	0.283%	

* Unit cost based on total assets adjusted to long-term value, expenses using assumed average investment performance incentives, long-term average of retirement & resignation flexibility funds, and an assumed 2.5% salary policy for FY28.

FY28 Budget Request

Contractual services detail

	Received FY 2027	Request FY 2028	% chng
CONTRACTUAL SERVICES			
Investment Services			
Consulting Services	180,000	180,000	0.00%
Investment Accounting, Performance Benchmarking	401,385	414,591	3.29%
Investment Databases, Newsfeeds & Quote Fees	919,319	998,177	8.58%
Investment Research Services	516,026	510,371	-1.10%
Flexibility - From Brokerage to Independent Research	225,000	225,000	0.00%
Total Investment Services	2,241,730	2,328,139	3.85%
Administrative Expenses			
Office Rent	176,193	176,253	0.03%
Bond/Liability Insurance	8,815	8,815	0.00%
Telephone	24,336	29,725	22.14%
Office Equip Rental/Maintenance/Misc	7,800	7,800	0.00%
Bureau of Info & Technology (BIT)	235,295	235,295	0.00%
State Central Services	17,493	19,600	12.04%
Legislative Audit	77,058	82,161	6.62%
Janitorial	3,745	3,745	0.00%
Custodial Fees	317,560	400,000	25.96%
Seminars/Educational Programs	50,000	50,000	0.00%
Business Publications	1,500	1,500	0.00%
Total Administrative Expenses	919,795	1,014,894	10.34%
TOTAL CONTRACTUAL SERVICES	3,161,525	3,343,033	5.74%

Trust Funds (FY26 unaudited)

Health Care Trust (established April 2001)

Principal as of 06/30/26	$ 135,631,024
Principal as of 06/30/26 adjusted for inflation	$ 220,013,405
Fair Value (FV) as of 06/30/26	$ 240,957,191
Difference - FV less principal	$ 105,326,167
Difference - FV less infl. adj. prin.	$ 20,943,786
Fiscal year to date return	9.30%
Longterm expected mean return	5.81%
Payout of 4% plus expected inflation of 2.5%	6.50%
Expected return cushion/shortfall	-0.69%
Distribution for FY 27 (July 1, 2026)	8,727,324
Distribution for FY 26 (July 1, 2025)	8,655,091
Distribution for FY 25 (July 1, 2024)	7,925,672

Asset Allocation	Current	FY 26 Benchmark
Public / Private Equity	29.3%	50.1%
Real Estate	10.2%	11.0%
High Yield Corp Debt	3.8%	7.0%
Investment Grade Debt	12.7%	30.0%
Cash / Money Market	44.0%	1.9%
Total	100.0%	100.0%

Law allows up to 4% of the 16 quarter average to be distributed as long as principal is not violated as of December 31 each year.

Education Enhancement Trust (established April 2001)

Principal as of 06/30/26	$ 483,906,635
Principal as of 06/30/26 adjusted for inflation	$ 795,532,413
Fair Value (FV) as of 06/30/26	$ 842,453,083
Difference - FV less principal	$ 358,546,448
Difference - FV less infl. adj. prin.	$ 46,920,670
Fiscal year to date return	8.71%
Longterm expected mean return	5.81%
Payout of 4% plus expected inflation of 2.5%	6.50%
Expected return cushion/shortfall	-0.69%
Distribution for FY 27 (July 1, 2026)	29,294,782
Distribution for FY 26 (July 1, 2025)	28,652,310
Distribution for FY 25 (July 1, 2024)	27,383,330

Asset Allocation	Current	FY 26 Benchmark
Public / Private Equity	29.0%	50.1%
Real Estate	9.7%	11.0%
High Yield Corp Debt	3.8%	7.0%
Investment Grade Debt	12.6%	30.0%
Cash / Money Market	44.9%	1.9%
Total	100.0%	100.0%

Law allows up to 4% of the 16 quarter average to be distributed as long as principal is not violated as of December 31 each year.

Trust Funds (FY26 unaudited)

Dakota Cement Trust (established April 2001)

Principal as of 06/30/26	$ 238,000,000
Principal as of 06/30/26 adjusted for inflation	$ 447,687,692
Fair Value (FV) as of 06/30/26	$ 392,330,711
Difference - FV less principal	$ 154,330,711
Difference - FV less infl. adj. principal	$ (55,356,981)
Fiscal year to date return	8.21%
Longterm expected mean return	5.81%
Payout of 4% plus expected inflation of 2.5%	6.50%
Expected return cushion/shortfall	-0.69%
Distribution for FY 26 (May 15, 2026)	15,079,721
Distribution for FY 25 (May 15, 2025)	15,057,004
Distribution for FY 24 (May 15, 2024)	14,668,289

Asset Allocation	Current	FY 26 Benchmark
Public / Private Equity	27.0%	50.1%
Real Estate	10.9%	11.0%
High Yield Corp Debt	3.9%	7.0%
Investment Grade Debt	12.9%	30.0%
Cash / Money Market	45.3%	1.9%
Total	100.0%	100.0%

Constitution allows 4% of the lesser of
1) the 16 quarter average balance or
2) the current December 31 fair value, be distributed by June of the following year.

School & Public Lands

Inflation protection mandated by Constitutional Amendment -
(payout is reduced by inflation if inflation not offset by realized net gains)

Fair Value as of 06/30/26	$ 457,808,556
Fiscal year to date return	9.04%
Longterm expected mean return	5.81%
Distribution for FY 26 K-12 (February 6, 2026)	15,707,693
Distribution for FY 26 BOR (June 10, 2026)	4,064,408

Asset Allocation	Current	FY 26 Benchmark
Public / Private Equity	29.4%	50.1%
Real Estate	9.5%	11.0%
High Yield Corp Debt	3.8%	7.0%
Investment Grade Debt	12.8%	30.0%
Cash / Money Market	44.5%	1.9%
Total	100.0%	100.0%

State Investment Officer Investment Performance Incentive
FY26 Details

STATE INVESTMENT OFFICER
RETURN-LINKED COMPENSATION
for
FISCAL YEAR 2026
UNAUDITED

Return-linked compensation maximum is 200% on base compensation of $647,723 payable in FY 2027.
Performance Period is the one year, four year, and ten year annualized fiscal years.

I. 60% OF PLAN BASED ON TOTAL FUND vs CAPITAL MARKET BENCHMARK (CMB) RESULTS

Period	Basis Points Outperformance	% Payout	$ Payout
1 year	0.00	0%	**$ 0.00**
4 year	0.00	0%	**$ 0.00**
10 year	0.00	0%	**$ 0.00**
4 yr stretch	0.00	0%	**$ 0.00**
10 yr stretch	0.00	0%	**$ 0.00**

II. 40% OF PLAN BASED ON AGGREGATE PORTFOLIO MANAGERS' RESULTS

Performance measurement based on the aggregate return-linked compensation of the senior investment managers and investment staff divided by the aggregate potential return-linked compensation for the performance period, based on 1 year, 4 years, 10 years, 4 years stretch, and 10 years stretch.

	Maximum Potential Compensation	Earned Return-linked Compensation	% Payout	$ Payout
Inv Staff	$ 11,853,511.75	$ 3,960,633.41	33.4132%	
SIO	$ 518,178.40		33.4132%	**$ 173,139.80**

TOTAL EARNED RETURN-LINKED COMPENSATION **$ 173,139.80**
Percentage of Salary **26.731%***
*before reduction for support staff incentive

Appendix

- Investment Performance Incentives
- Target Discount Rationale
- FY26 Budget and Actual - Contractual Services details
- Footnotes

Investment Performance Incentives
Align compensation with goal of adding value

- Encourage superior performance
  - Counters underperformance career risk that can discourage efforts to add value
  - Multiyear timeframes encourage investing for the long term
- Encourage retention of successful staff
  - Team is most attractive to other organizations when winning
  - Shifts compensation higher when people more sought after and down when losing
- Incentives paid only for added value
- Important to encourage adding value in good and bad markets
  - Added value in down markets more important than in up markets
  - Encourages adding value by reducing risk when markets expensive

Target Discount Rationale

- Need top caliber people long term
  - Unsuccessful people or job hoppers always available but no bargain, even if free
  - Compensation is too low to recruit veteran high-performers from elsewhere
  - Must develop team internally by training cream of crop local University graduates
  - Takes 15 to 20 years to fully develop seasoned talent
  - If lose talent pipeline or trainers, will jeopardize handoff to next generation

- Our past history and observation of others suggest 70% target
  - Only way to know for sure how large discounts can work is to risk damaging team
  - 50% discount levels in past led to difficulties
  - 30% discount believed significant relative to other high-end professionals
  - Industry subject to intense performance measurement with significant consequences for winning and losing which intensifies desire for financial security
  - Discounts for top SDIC performers may be much larger as industry pay for top quartile performers can be double the median

FY26 Budget and Actual

Contractual services detail

	Expended FY 2026	Received FY 2026	Unexpended FY 2026
CONTRACTUAL SERVICES			
Investment Services			
Consulting Services	24,722	180,000	155,279
Investment Accounting, Performance Benchmarking	359,250	388,730	29,480
Investment Databases, Newsfeeds & Quote Fees	839,708	886,133	46,425
Investment Research Services	458,721	493,121	34,400
Flexibility - From Brokerage to Independent Research	0	225,000	225,000
Total Investment Services	1,682,401	2,172,984	490,583
Administrative Expenses			
Office Rent	169,879	168,605	(1,274)
Bond/Liability Insurance	8,198	8,600	402
Telephone	27,960	24,336	(3,624)
Office Equip Rental/Maintenance/Misc	3,611	7,800	4,189
Bureau of Info & Technology (BIT)	167,580	249,467	81,887
State Central Services	16,620	16,023	(597)
Legislative Audit	67,824	74,814	6,990
Janitorial	0	3,730	3,730
Custodial Fees - Global	309,593	311,280	1,687
Seminars/Educational Programs	42,373	50,000	7,627
Business Publications	0	1,500	1,500
Total Administrative Expenses	813,640	916,155	102,515
TOTAL CONTRACTUAL SERVICES	2,496,040	3,089,139	593,099

Footnotes

1 FY2026 SDRS Capital Markets Benchmark: 56.3% custom ¾ MSCI ACWI IMI ex Real Estate Index + ¼ MSCI USA IMI ex Real Estate Index, 12% MSCI US REIT Index, 7% FTSE US High-Yield Market Index, 22.8% FTSE US BIG Bond Index, 1.9% FTSE US 3-month Treasury Bill Index. Historical benchmark details can be found on page 40 of the SDIC Annual report, located at: https://sdic.sd.gov/docs/Annual%20Report%202025.pdf

2 Returns are net of fees for FY 2014-25 and gross of fees pre-FY 2014

3 Linked monthly time-weighted returns, all periods shown ending 6/30/26

4 Index shown is the SDRS Public Equity Benchmark for FY 26, and 3/4 MSCI ACWI IMI Index + 1/4 MSCI USA IMI Index for years prior to FY26

5 Portfolio Return History: 1973-1991 is domestic equity only, 1992-2005 is international and domestic equity combined, 2005-2026 is internal global equity

6 SDRS Combined Internal Large-Cap Equity Benchmark is the custom S&P Global 1200 Ex-Emerging Markets, Ex-Real Estate Index starting 2/1/22 for fiscal years 2022-2025, custom S&P Global 1200 Ex-Emerging Markets Index in fiscal years 2020-2022 through 1/31/22, ⅔ S&P Global 1200 + ⅓ S&P 500 Index in fiscal years 2012-2019 and 2005-2010; in fiscal year 2011 the ⅔ custom S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index was used. Prior to fiscal year 2010, the benchmark consisted of the Internal International Equity Benchmark (MSCI ACWI ex-US Index in fiscal years 2002-2004 and ¾ MSCI EAFE + ¼ MSCI EASEA Index in fiscal years 1993-2001) and the Internal Domestic Equity Benchmark (Russell 1000 Index in fiscal years 1996-2004 and S&P 500 Index in fiscal years 1974-1995) weighted according to the beginning monthly portfolio weights, adjusted for cash transfers.

7 SDRS Small/Mid-Cap Equity Benchmark is the custom S&P 1000 Ex-Real Estate Index starting 2/1/22 for fiscal years 2022-2025, S&P 1000 Index in fiscal years 2011-2022 through 1/31/22.

8 FY1973-06 Portfolio Returns included both Investment Grade and High Yield bonds as they were managed together. From FY2007-26 only Investment Grade bond portfolios returns are shown, High Yield returns are shown on a separate slide. FY26 return is a composite of the internally managed investment grade portfolio, treasury notes and Investment Grade bond ETF.

9 Historical Benchmark: FY1974-81 Lehman Brothers Government/Corporate Index; FY1981-95 FTSE US BIG Bond Index; FY1996-06 FTSE USBIG Bond Index duration adjusted weighted 80% and FTSE US All BB-Rated Index weighted 20%; FY2007-26 FTSE US BIG Bond Index

10 High Yield Benchmark is the FTSE US All BB-Rated Index FY2007-10; FTSE US High-Yield Cash-Pay Capped Index (covered industries only starting 7/1/14) in FY2011-23 (through 1/31/23), FTSE US High-Yield Cash-Pay Capped Custom Index (covered industries only starting 2/1/23-FY26)

11 Public Equity Benchmark for FY26: ¾ custom MSCI ACWI IMI ex Real Estate Index + ¼ custom MSCI USA IMI ex Real Estate Index