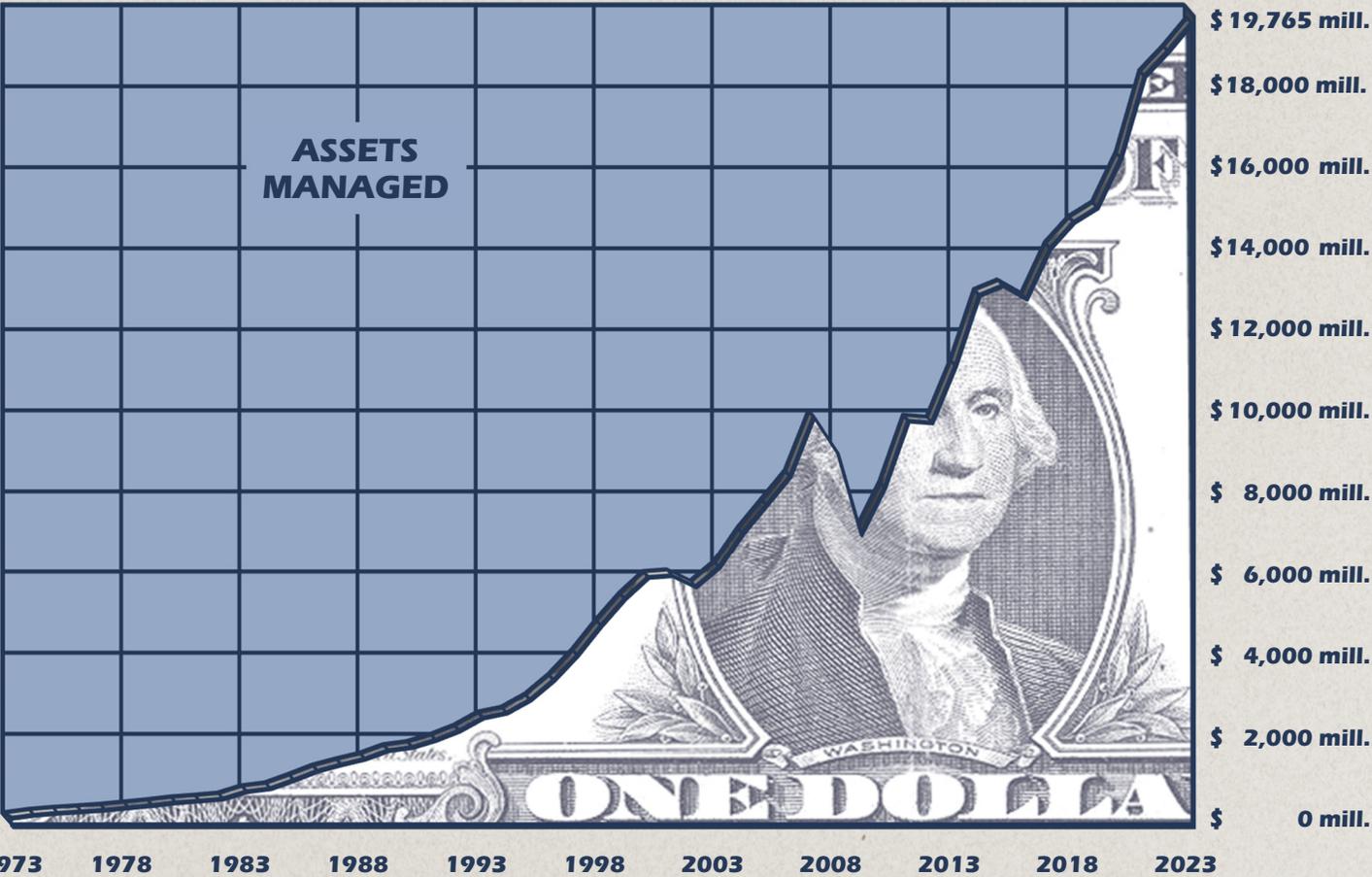


THE SOUTH DAKOTA INVESTMENT COUNCIL



**ANNUAL REPORT
FISCAL YEAR 2023**

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The Financial Statements with Auditor’s Report for South Dakota Retirement System can be found at <https://sdrs.sd.gov>.

TRANSMITTAL LETTER

TO THE GOVERNOR, LEGISLATURE, AND PEOPLE OF SOUTH DAKOTA:

The South Dakota Investment Council annual report provides information about the investment of South Dakota Retirement System assets, state trust funds, and other financial assets of the State of South Dakota. This letter summarizes fiscal year 2023 performance and discusses the Council’s long-term approach; future return expectations; importance of low costs; and productive working relationships with the Legislature, the Executive Branch, and others.

FISCAL YEAR 2023 PERFORMANCE

The fiscal year 2023 time-weighted investment return for the South Dakota Retirement System (SDRS) was 5.8% net of investment management cost. This was less than the Council’s market index-based Capital Markets Benchmark (CMB) return of 10.7%. The underperformance resulted from having lower exposures to equities and from underperformance against benchmark of private equity and real estate limited partnerships.

The net returns for the trust funds, which include School and Public Lands, Dakota Cement Trust, Health Care Trust, and Education Enhancement Trust, were 5.4% to 5.9%. The South Dakota Cash Flow Fund yield was 2.6%.

INVESTING FOR THE LONG TERM

The Council’s goal is to add value over the long term compared to market indexes. Accomplishment of this goal for SDRS provides additional resources to fund retirement benefits for about 101,000 members. Added value for the trust funds and cash flow fund provides additional revenues to the state.

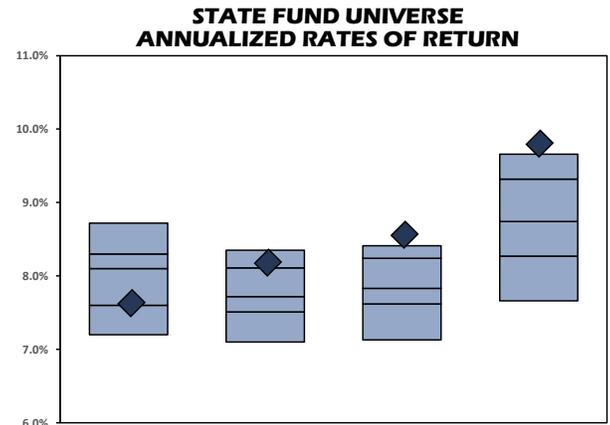
Results vary significantly from year to year with many interim periods of underperformance in the Council’s history. Whether an individual year is good, bad, or average, it is important to be mindful that the Council invests for the long term and that actions taken in one year may impact performance several years down the road. Success has resulted primarily from adhering to strategies during the underperforming periods.

The Council invests in assets believed to be undervalued from a long-term perspective. The valuation process is based on the view that the worth of an asset is the present value of future cash flows. Internal research efforts focus on estimating future cash flows and assessing risk which impacts the rate used to discount cash flows to present value.

Disciplined adherence to the long-term value approach is essential. This is most difficult following underperforming periods. Performing the research function internally and using a sensible valuation process can strengthen conviction. Experience in prior difficult periods adds confidence. Contingency planning also improves the likelihood of adhering to the plan.

Risk is managed by diversifying across multiple asset categories and reducing exposure to expensive assets. Conventional statistical risk measures, such as standard deviation and correlation, help measure volatility and diversification. Conventional measures are good for understanding risk in normal times but tend to understate real-world frequency and magnitude of severe market declines. Since before the 2008-2009 financial crisis, the Council has adjusted risk measures to better reflect risk during periods of market stress. Standard deviations are increased to reflect higher frequency of severe declines, and correlations are adjusted to reflect that most asset categories are less diversifying during severe declines.

The Council has managed SDRS assets for the past 50 years. The return over the full period has exceeded other state retirement systems across the nation as shown on the following exhibit.



	NET ANNUALIZED RETURNS			
	10 Years	20 Years	30 years	50 Years
	2014-2023	2004-2023	1994-2023	1974-2023
10th %tile	8.7	8.4	8.4	9.7
25th %tile	8.3	8.1	8.2	9.3
Median	8.1	7.7	7.8	8.7
75th %tile	7.6	7.5	7.6	8.3
90th %tile	7.2	7.1	7.1	7.7
◆ SDRS Fund	7.6	8.2	8.6	9.8
SDRS %tile Rank	72	17	4	1-4*

*Ranked 1st from fiscal years 1974-1993 and 4th from fiscal years 1994-2023.

SDRS total fund and capital markets benchmark returns for every fiscal year since inception and various rolling time periods can be found on page 8. Trust fund returns can be found in their respective sections.

RETURN EXPECTATIONS

The Council believes market return expectations should be based on forward-looking, long-term cash flows rather than extrapolation of past returns, which tend to relate inversely to future results. The Council began developing long-term expected returns in the early 1980s. The following exhibit shows expected returns resulting from the Council’s process for bonds and stocks as of 6/30/82, 6/30/92, 6/30/02, 6/30/12, and 6/30/23.

	UPDATE ON RETURN EXPECTATIONS		
	Bonds*	S&P 500	S&P 500 Yield
Expected Long-Term Returns as of 6/30/82	14.4%	15.6%	6.2%
Actual 10-year Returns - 7/1/82 to 6/30/92	13.7%	18.3%	
Actual 20-year Returns - 7/1/82 to 6/30/02	10.5%	14.9%	
Expected Long-Term Returns as of 6/30/92	7.1%	9.5%	3.0%
Actual 10-year Returns - 7/1/92 to 6/30/02	7.4%	11.5%	
Actual 20-year Returns - 7/1/92 to 6/30/12	6.6%	8.4%	
Expected Long-Term Returns as of 6/30/02	4.8%	7.9%	1.6%
Actual 10-year Returns - 7/1/02 to 6/30/12	5.8%	5.3%	
Actual 20-year Returns - 7/1/02 to 6/30/22	3.6%	9.1%	
Expected Long-Term Returns as of 6/30/12	1.6%	8.0%	2.1%
Actual 10-year Returns - 7/1/12 to 6/30/22	1.5%	13.0%	
Actual 11-year Returns - 7/1/12 to 6/30/23	1.3%	13.5%	
Expected Long-Term Returns as of 6/30/23	3.8%	8.0%	1.6%

*Expected returns are the 10-year Treasury yield. Actual returns are the FTSE US Broad Investment-Grade (USBIG) Bond Index.

In 1982, bond yields were 14.4%, and the Council’s long-term expected return for stocks, based on projected dividends and growth, was 15.6%. Expected returns were high because markets were very cheap, having performed poorly for many years. Subsequent actual 10-year and 20-year returns were 13.7% and 10.5% for bonds and 18.3% and 14.9% for stocks. By June 30, 1992, bond yields were 7.1%, and the expected stock return was 9.5%. Subsequent actual 10-year and 20-year returns were 7.4% and 6.6% for bonds and 11.5% and 8.4% for stocks. As of June 30, 2002, expected returns were 4.8% for bonds and 7.9% for stocks. Subsequent actual 10-year and 20-year returns were 5.8% and 3.6% for bonds and 5.3% and 9.1% for stocks. As of June 30, 2012, expected returns were 1.6% for bonds and 8.0% for stocks. Subsequent actual 10-year and 11-year returns were 1.5% and 1.3% for bonds and 13.0% and 13.5% for stocks.

As of June 30, 2023, expected returns were 3.8% for bonds and 8.0% for stocks. Rising interest rates foreshadow higher future bond returns than in recent years. The expected return for stocks remains lower than earned on average historically.

History has shown that following large market increases, opportunities may be sparse for a time. Chasing lesser opportunities has tended to backfire when assets became much cheaper later. The lesson learned is to wait for worthwhile opportunities, and when absent, be satisfied with modest results until better opportunities come along.

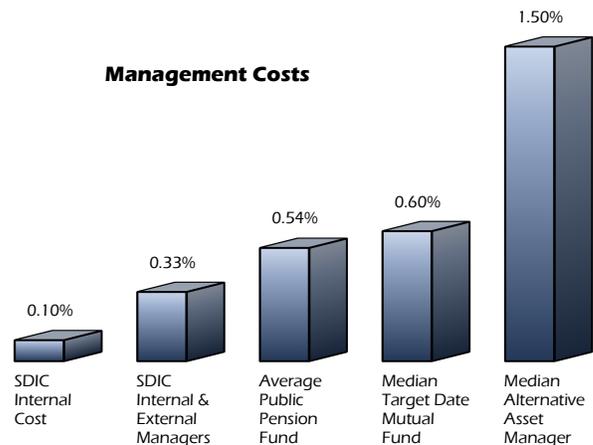
IMPORTANCE OF LOW COSTS

The Investment Council manages the majority of assets internally to save money and to try to earn higher returns. Managing assets internally is cheaper than using external managers, especially for more expensive categories such as global equity, high yield, and arbitrage. Index funds are another low-cost alternative but would preclude any opportunity to add value above index returns. The Council believes historic success of internal management efforts relate to greater focus on long-term value and increased conviction from performing research in-house.

The Council began investing in real estate and private equity partnerships in the mid-1990s. Management costs are generally 1% to 2% of partnership assets per year. Partnership managers are also typically allocated 20% of profits. These investments can be more expensive than traditional external managers and much more expensive than the Council’s internal cost. Unlike traditional managers that buy and sell securities, partnership managers have hands-on involvement with underlying investments which complicates cost comparisons. Real estate partnership managers buy and manage underlying properties. Private equity partnership managers buy and operate whole companies. The Council evaluates partnership returns compared to traditional real estate and stock market indexes. Partnership returns are net of all fees and profit allocations.

Internal management cost is projected to average 0.10% of assets. Including external management, total cost is expected to average 0.33%. The total cost fluctuates from year to year primarily due to variation in amounts invested in partnerships, and in some cases, the return of partnership fees if the investment is profitable. This compares to the average public pension fund cost of 0.54% and median target date mutual fund cost of 0.60%. The difference of 0.21% versus the average public pension fund results in approximately \$42 million of savings per year. Compounding these savings over many years can result in hundreds of millions of dollars.

The following exhibit shows Council management costs compared to other funds.



A TEAM EFFORT

The Investment Council’s historic success has been a team effort. Consistent support by the Legislature, the Executive Branch, and others over multiple decades has allowed the Council to pursue a long-term investment approach and implement a long-term business plan to develop an internal investment team. The Council recognizes the unique challenges and patience required to support an internal investment organization and long-term investment approach. The Council is very appreciative of the significant efforts of Legislators, the Governor and her team, and their predecessors, to provide the Council with the opportunity to succeed.

The Council benefits from cooperative relationships with other state entities related to the funds managed, including the South Dakota Retirement System, the State Treasurer’s Office, the School and Public Lands’ Office, and the Bureau of Finance and Management. The Council also benefits from important contributions by the Legislative Research Council, the Attorney General’s Office, the Department of Legislative Audit, the Bureau of Information and Telecommunications, and other agencies.

The Council believes its strengths of a disciplined focus on long-term investment value, an exceptionally supportive environment, and a stable internal investment team will serve us well in the decades to come.

Respectfully submitted by:

Greg Kulesa, Chair
South Dakota Investment Council

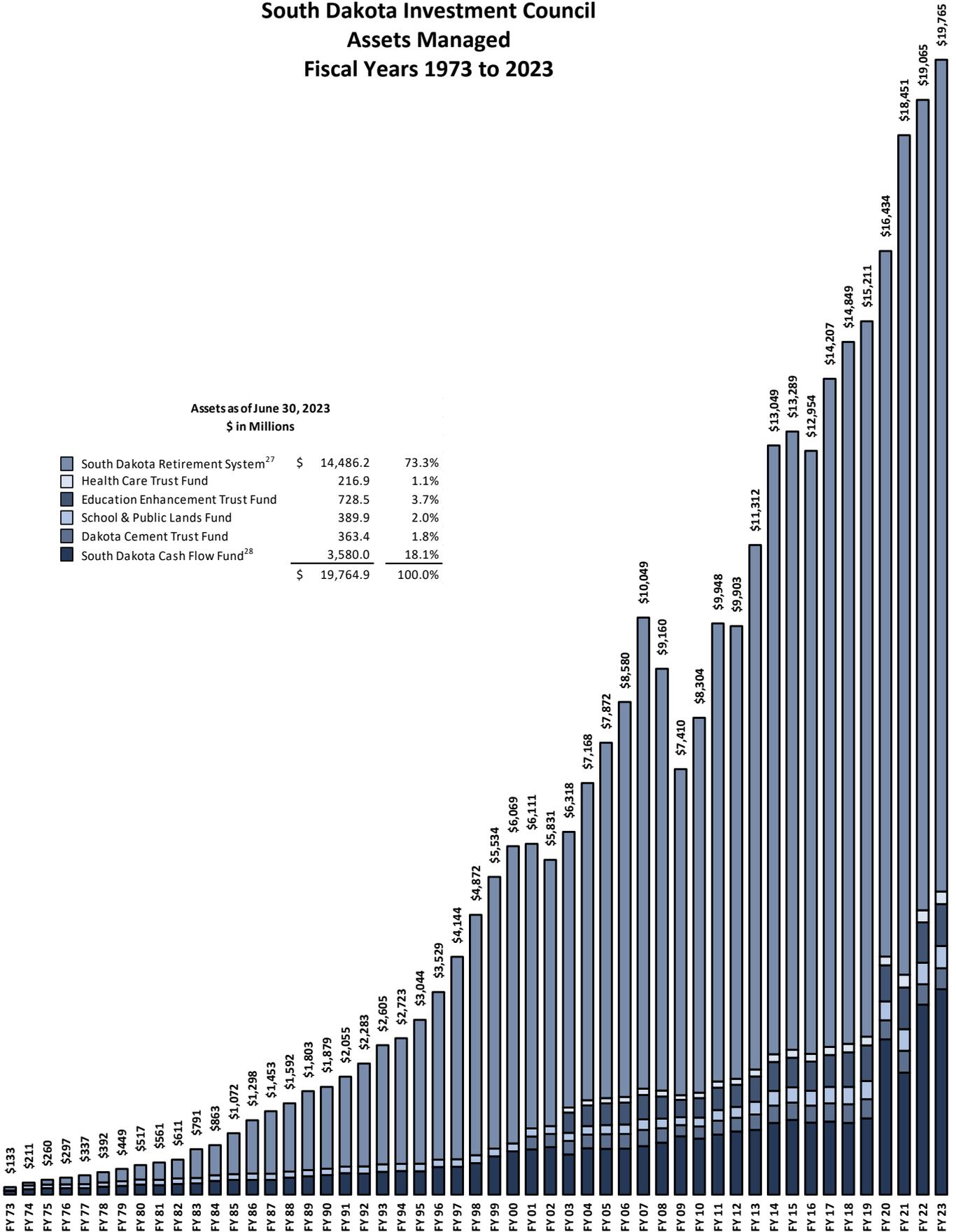
Matthew L. Clark, CFA
State Investment Officer

ASSETS MANAGED

South Dakota Investment Council Assets Managed Fiscal Years 1973 to 2023

Assets as of June 30, 2023
\$ in Millions

South Dakota Retirement System ²⁷	\$ 14,486.2	73.3%
Health Care Trust Fund	216.9	1.1%
Education Enhancement Trust Fund	728.5	3.7%
School & Public Lands Fund	389.9	2.0%
Dakota Cement Trust Fund	363.4	1.8%
South Dakota Cash Flow Fund ²⁸	3,580.0	18.1%
	<u>\$ 19,764.9</u>	<u>100.0%</u>



Investment Council Members as of June 30, 2023

Greg Kulesa, Chair **

President
ANZA, Inc.
Watertown

Loren Koepsell * **

Associate Professor
Augustana University
Sioux Falls

Kelly Meiners

Senior Vice President & Manager
First Fidelity Bank
Winner

Josh Haeder *

State Treasurer
State of South Dakota
Pierre

Mary Howard, Vice-Chair **

Senior Vice President-Financial Advisor
RBC Wealth Management
Sioux Falls

Steve Pietila *

Vice President Wealth & Trust Officer
First Dakota National Bank
Yankton

Brock Greenfield

Commissioner of School & Public Lands
State of South Dakota
Pierre

Travis Almond

Executive Director
South Dakota Retirement System
Pierre

*Denotes member of Audit Committee

**Denotes member of Compensation Committee

History

- Established by the South Dakota Legislature in 1971. Operations began on July 1, 1972.

Membership

- Consists of eight voting members.
- South Dakota law stipulates that, *"The members of the state investment council shall be qualified by training and experience in the field of investment or finance."*
- Five members are chosen by the Executive Board of the Legislative Research Council, a bipartisan board composed of members from both houses of the Legislature, to serve rolling five-year terms.
- Three members serve ex officio: the State Treasurer, the Commissioner of School & Public Lands, and the Executive Director of the South Dakota Retirement System.

Responsibilities

- Appoint and evaluate State Investment Officer.
- Develop investment policy and establish asset allocation guidelines for the long term.
- Monitor implementation of investment process.
- Oversee audit process through SDIC Audit Committee.
- Comply with and monitor Code of Ethics and Personal Investing Guidelines.
- Approve annual budget and long-term plan.

Investment Policy

- Abide by Prudent-Person Standard as defined by South Dakota Codified Law 4-5-27 below.

Any investments under the provisions of SDCL 4-5-12 to 4-5-39, inclusive, shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investment Council Staff

- Staff includes twenty-eight investment positions across a variety of asset categories, five investment accounting positions including a CFO, two administrative positions including a business manager, and two part-time legal counsel positions. Of the investment staff, twenty-five hold the Chartered Financial Analyst® designation and four of the accounting staff hold the Certified Public Accountant designation.
- The function of the staff is to manage the investment assets of the State of South Dakota and to recommend and implement investment policies adopted by the Investment Council.

SOUTH DAKOTA RETIREMENT SYSTEM

THE FUND

The South Dakota Retirement System (SDRS) provides retirement, disability, and survivor benefits to about 101,000 South Dakota public employees. SDRS is a cost-sharing, multiple-employer public retirement system funded through member and employer contributions and investment income. Per state statute, the South Dakota Investment Council (Council) is responsible for managing SDRS investment assets. This section discusses investment objectives and intermediate and long-term results. Detailed information about SDRS can be found on their website, <https://sdrs.sd.gov>.

INVESTMENT OBJECTIVES

The primary investment objective for SDRS assets is to achieve and exceed over the long term the return of the Council's Capital Markets Benchmark. Accomplishment of this objective provides the best opportunity to earn returns sufficient to maintain the financial strength of SDRS. An estimate of the long-term return of the benchmark is used by the SDRS actuary to assess the funding status of SDRS. If investment markets prove disappointing or the Council underperforms, benefit reductions may be statutorily required.

The Capital Markets Benchmark reflects the Council's benchmark asset allocation applied to index returns for each asset category. The key investment policy decision relates to asset allocation as discussed in the SDRS Asset Allocation Focus on page 7. The index-based capital markets benchmark is

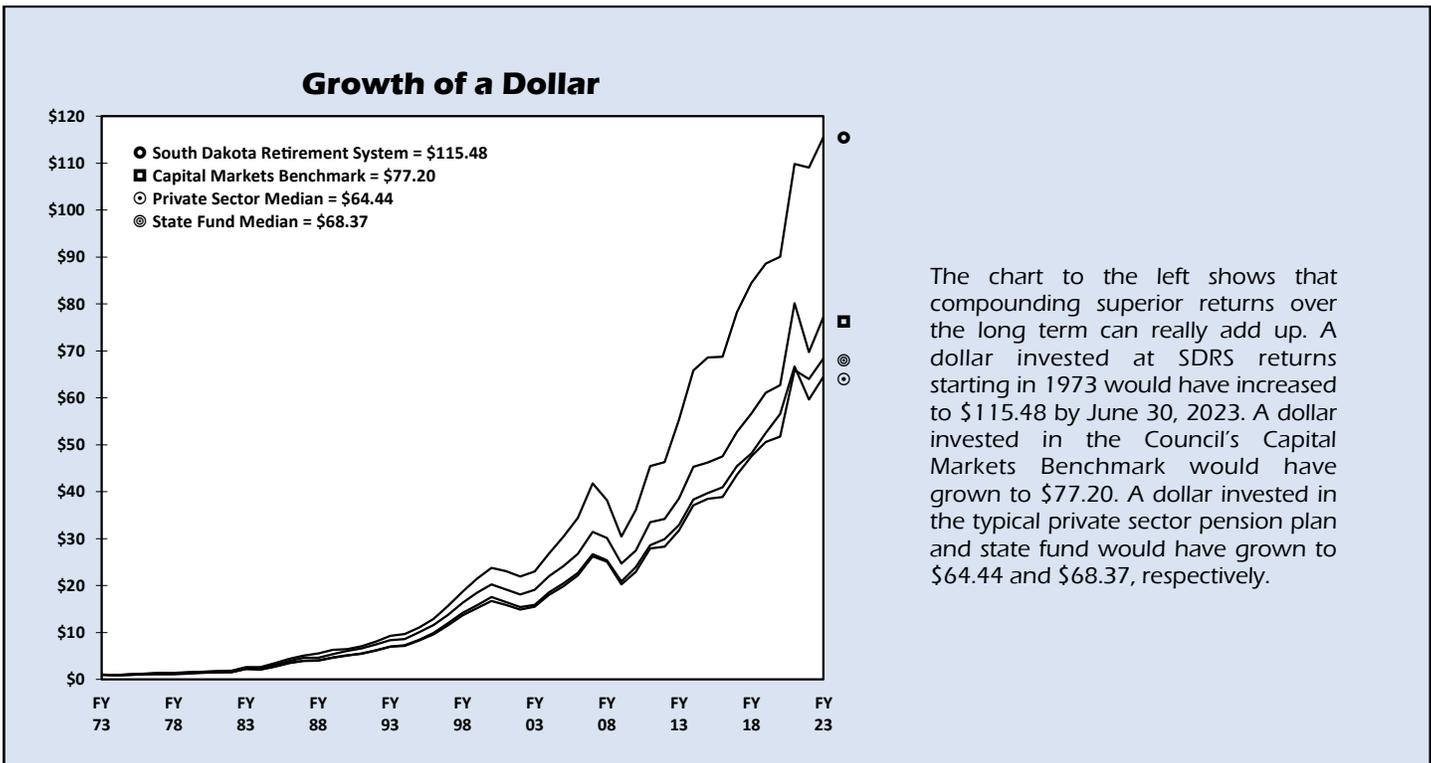
believed to represent a challenging comparison as the average investor tends to underperform market indexes over time due to management fees and transaction costs.

This objective has been achieved for the majority of rolling 5 and 10-year periods and all 20 and 30-year periods. The following table summarizes SDRS total fund performance versus the Council's Capital Markets Benchmark. A complete listing of rolling 5, 10, 20, and 30-year return comparisons is located on page 8.

SDRS Total Fund versus Capital Markets Benchmark				
	<u>5 years</u>	<u>10 years</u>	<u>20 years</u>	<u>30 years</u>
# of Successes	37	38	31	21
# of Periods	46	41	31	21
% of Success	80%	93%	100%	100%

A secondary objective is to achieve and exceed over the long term the median return earned by peer funds. Comparison to peer funds can help in assessing performance as most peer funds have similar long-term return objectives. The following table shows that SDRS returns have exceeded the median state fund results for the majority of rolling 5 and 10-year periods and all 20 and 30-year periods.

SDRS Total Fund versus State Fund Median				
	<u>5 years</u>	<u>10 years</u>	<u>20 years</u>	<u>30 years</u>
# of Successes	39	40	31	21
# of Periods	46	41	31	21
% of Success	85%	98%	100%	100%



Asset Allocation Focus

Allocation of assets to categories may be the most impactful investment decision. The Council establishes a benchmark asset allocation which considers expected long-term returns and risk. Categories included in the benchmark are those that are significant in size and can be passively implemented. These include public equity, real estate, high yield debt, investment grade debt, and cash. The Council’s Capital Markets Benchmark (CMB) is based on the benchmark asset allocation and is intended to represent what is achievable through index funds without requiring exceptional skill. The Capital Markets Benchmark is used to compare against actual results to assess whether value has been added. The benchmark is viewed as a challenging hurdle as it is difficult for most investors to exceed index returns. The Council also establishes a minimum and maximum for each category. Niche or skill-based categories are not included in the benchmark but can have a permitted range for when it is believed that valuation of a category is depressed or if superior managers have been identified.

Use of multiple asset categories can complicate understanding of total fund risk as categories may have varying sensitivities to changing economic and market conditions. When the Council began managing assets in the early 1970’s, most institutional portfolios consisted of bonds, some stocks, and cash. Investors back then could understand the level of risk by simply looking at the percentage invested in stocks. To help in understanding the risk of today’s more complicated portfolios, the Council focuses on equity-like and bond-like risk. Equity-like risk is the percentage invested in stocks plus any embedded equity exposure of other categories, particularly during times of market stress. Bond-like risk is the percentage invested in investment grade bonds plus any embedded bond exposure of other categories. The benchmark equity-like risk is 70% with a permitted range of 40% to 85%. The benchmark bond-like risk is 27% with a permitted range of 15% to 60%. There are also ranges around the benchmark allocation to individual asset categories.

The valuation process which drives allocations within the ranges is based on the present value of estimated future cash flows. Internal research efforts focus on estimating cash flows and risk-based discount rates.

Conventional statistical measures of risk are calculated. These include standard deviation as a measure of volatility and correlation as a measure of the degree that categories provide diversification. Conventional measures are helpful for understanding risk in normal times but can understate real-world frequency and magnitude of severe declines. The Council adjusts statistical measures to better reflect risk during severe declines. Liquidity is monitored to minimize risk of forced liquidations.

The equity-like risk of the SDRS fund was near 50.0% for fiscal year 2023 compared to the Capital Markets

Benchmark level of 70.0%. The actual level can fluctuate within a small rebalance band around the target.

The expected long-term return for the benchmark allocation as of June 30, 2023, was 5.7% incorporating the SDRS inflation assumption of 2.5%. The actual portfolio can be significantly different than the benchmark at any point in time, but the long-term average level of equity-like risk is expected to be close to the 70.0% benchmark level. The expected return for the benchmark excludes any potential value added or detracted relative to index returns resulting from actively managing the fund and the impact of timing of withdrawals to pay benefits. Standard deviation was estimated to be 15.4% after adjustments to capture real-world frequency of adverse events. These statistics indicate a 66% chance the return for any year would be between (9.7%) and 21.1% and a 95% chance the return would be between (25.1%) and 36.5%.

In recent years, unsustainable buildup of global debt was highlighted as potentially the greatest risk to markets. The expected consequences were muted growth and increased inflation. Subsequent efforts to lower inflation could require government spending restraint and reversal of prior monetary stimulus. Those efforts could lead to deflationary debt liquidation, or if inadequate, higher sustained inflation.

In the past year, short-term interest rates have increased significantly. As loans roll over to the new rates, the monetary tightening will become more impactful and potentially lead to a recession. Government debt growth remains problematic and at risk of acceleration as higher rates increase interest cost. Debt growth continues to be a significant long-term risk for markets.

Fiscal Year 2023 Asset Allocation Policy Summary		
Asset Category	CMB Allocation	Min - Max Range
Public Equity	56.3%	20% - 75%
Real Estate (REIT/Core)	12.0%	2% - 20%
High Yield Debt (Corporate)	7.0%	0% - 15%
Investment Grade Debt	22.8%	13% - 50%
Cash	1.9%	0% - 50%
Private Equity	0.0%	0% - 12%
Opportunistic Real Estate	0.0%	0% - 15%
High Yield Debt (Real Estate)	0.0%	0% - 10%
Aggressive Absolute Return	0.0%	0% - 5%
TIPS	0.0%	0% - 5%
Commodities	0.0%	0% - 5%
Merger Arbitrage	0.0%	0% - 10%
Convertible Arbitrage	0.0%	0% - 5%

SDRS Total Fund Performance⁹⁻¹³

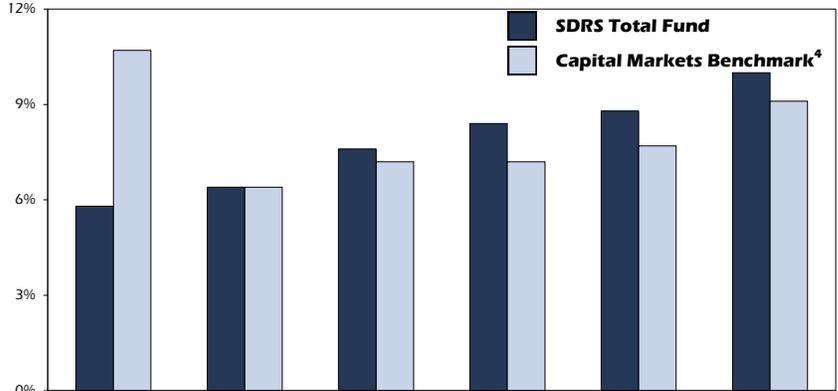
Fiscal Year	1 Year		5 Years		10 Years		20 Years		30 Years		50 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2023	5.8%	10.7%	6.4%	6.4%	7.6%	7.2%	8.4%	7.2%	8.8%	7.7%	10.0%	9.1%
2022	(0.7%)	(13.0%)	6.9%	5.7%	8.9%	7.4%	8.3%	7.0%	9.1%	7.7%		
2021	22.0%	28.0%	9.8%	11.0%	9.2%	9.1%	8.1%	7.4%	9.6%	8.7%		
2020	1.6%	2.5%	5.6%	6.3%	9.6%	8.6%	6.9%	5.8%	9.2%	8.1%		
2019	4.9%	7.9%	6.1%	6.2%	11.3%	9.5%	7.4%	6.2%	9.2%	8.4%		
2018	7.9%	7.3%	8.8%	8.0%	8.3%	6.5%	7.8%	6.4%	9.5%	8.7%		
2017	13.8%	11.0%	11.1%	9.1%	6.5%	5.3%	8.4%	6.9%	9.5%	8.5%		
2016	0.3%	2.9%	8.6%	7.3%	7.2%	5.9%	8.7%	7.3%	9.6%	8.6%		
2015	4.2%	2.1%	13.7%	11.0%	8.5%	6.7%	9.5%	7.9%	10.4%	9.3%		
2014	18.9%	17.5%	16.7%	12.9%	9.4%	7.5%	10.0%	8.7%	11.3%	10.2%		
2013	19.5%	12.7%	7.7%	5.0%	9.2%	7.3%	9.3%	7.9%	10.7%	9.6%		
2012	1.9%	2.0%	2.1%	1.7%	7.8%	6.6%	9.1%	7.9%	11.4%	10.4%		
2011	25.8%	22.1%	5.7%	4.6%	7.0%	5.7%	9.7%	8.4%	11.4%	10.4%		
2010	18.7%	11.1%	3.5%	2.6%	4.3%	3.1%	9.0%	7.8%	10.8%	9.9%		
2009	(20.4%)	(18.0%)	2.5%	2.3%	3.6%	2.9%	8.2%	7.9%	10.5%	9.9%		
2008	(8.7%)	(4.2%)	10.6%	9.6%	7.4%	6.3%	10.2%	9.8%	11.6%	11.0%		
2007	21.4%	17.6%	13.8%	11.7%	10.3%	8.6%	11.1%	10.1%	12.0%	11.2%		
2006	13.1%	10.7%	8.3%	6.8%	10.3%	8.7%	10.8%	10.0%	11.8%	10.9%		
2005	13.3%	9.6%	5.1%	3.6%	10.6%	9.2%	11.4%	10.7%	11.7%	10.9%		
2004	16.6%	15.5%	4.6%	3.6%	10.7%	9.9%	12.3%	11.6%	11.8%	11.0%		
2003	5.0%	5.4%	4.2%	3.2%	9.5%	8.6%	11.4%	10.7%	11.0%	10.3%		
2002	(4.9%)	(5.8%)	6.9%	5.6%	10.6%	9.2%	13.2%	12.3%				
2001	(2.9%)	(5.1%)	12.3%	10.6%	12.5%	11.2%	13.6%	12.8%				
2000	10.8%	9.7%	16.5%	15.1%	13.9%	12.8%	14.3%	13.5%				
1999	14.6%	13.3%	17.2%	16.6%	13.0%	13.1%	14.1%	13.5%				
1998	19.3%	18.4%	15.1%	14.2%	13.0%	13.4%	13.8%	13.3%				
1997	21.3%	18.9%	14.3%	12.9%	11.9%	11.6%	12.9%	12.5%				
1996	16.7%	15.5%	12.8%	11.8%	11.3%	11.3%	12.5%	12.0%				
1995	14.1%	16.9%	11.3%	10.5%	12.2%	12.2%	12.3%	11.8%				
1994	4.8%	2.4%	9.0%	9.7%	13.9%	13.2%	12.4%	11.6%				
1993	15.2%	11.8%	10.9%	12.5%	13.4%	13.0%	11.8%	11.2%				
1992	13.4%	12.9%	9.5%	10.2%	16.0%	15.5%						
1991	9.3%	9.2%	9.9%	10.9%	14.7%	14.4%						
1990	3.0%	12.5%	13.2%	13.9%	14.7%	14.1%						
1989	14.2%	16.4%	18.9%	16.9%	15.2%	13.9%						
1988	8.0%	0.7%	15.9%	13.4%	14.7%	13.3%						
1987	15.3%	16.6%	22.8%	21.1%	14.0%	13.4%						
1986	26.7%	24.7%	19.8%	18.0%	13.7%	12.6%						
1985	31.8%	28.2%	16.2%	14.4%	12.4%	11.3%						
1984	0.7%	(0.1%)	11.6%	11.0%	10.9%	10.0%						
1983	44.1%	39.6%	13.4%	13.2%	10.2%	9.5%						
1982	1.8%	2.8%	5.8%	6.2%								
1981	8.8%	6.6%	8.0%	7.4%								
1980	7.6%	10.4%	8.7%	8.3%								
1979	9.3%	10.2%	10.3%	9.1%								
1978	1.7%	1.4%	7.0%	5.9%								
1977	12.9%	8.6%										
1976	12.2%	11.2%										
1975	15.8%	14.2%										
1974	(5.9%)	(4.8%)										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30, and 50 years through fiscal year 2023 for the Total Fund. The Capital Markets Benchmark⁴ is provided for comparison.

The one-year Total Fund returns above the solid demarcation line are net-of-fees, the returns below are gross-of-fees.

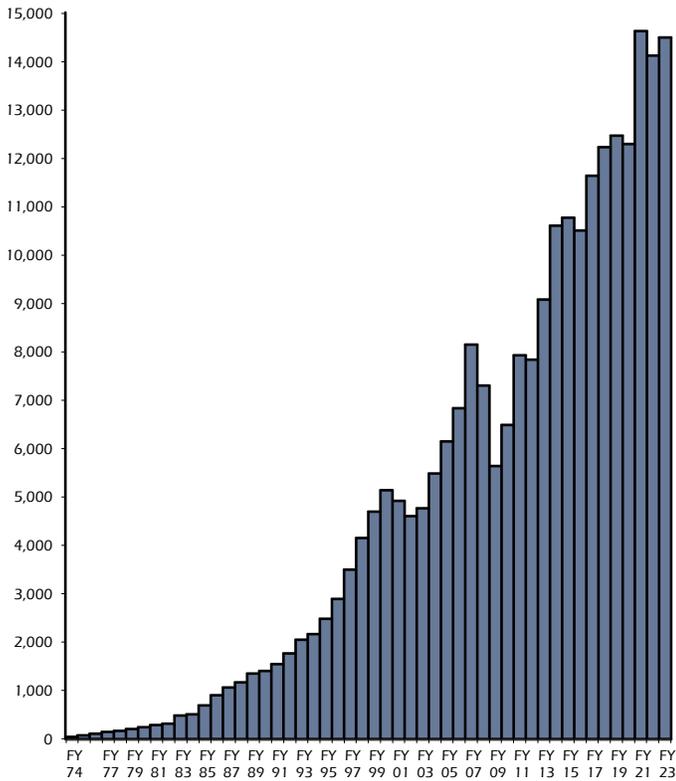
Past performance is no guarantee of future results.

SDRS Total Fund vs. Benchmark

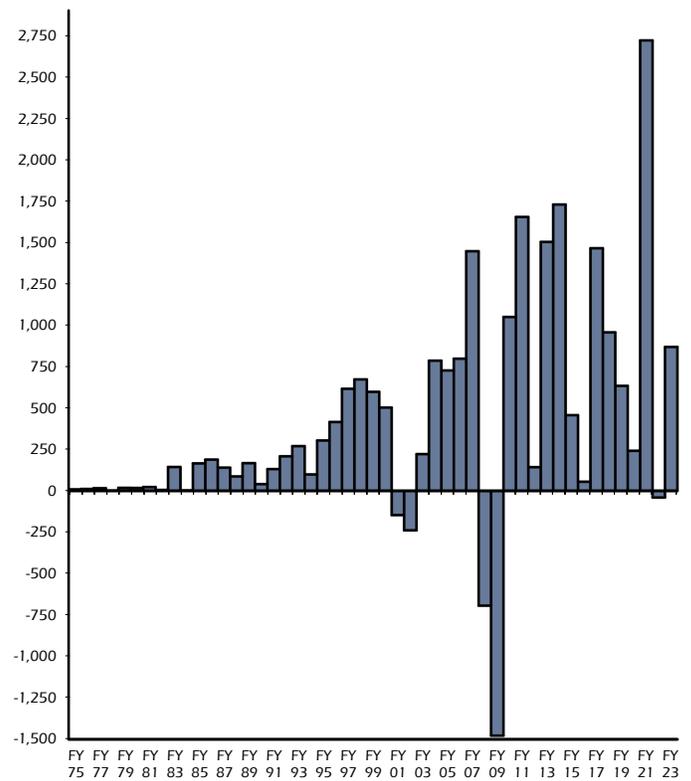


	1 Year	5 Years	10 Years	20 Years	30 Years	50 Years
SDRS	5.8%	6.4%	7.6%	8.4%	8.8%	10.0%
Benchmark	10.7%	6.4%	7.2%	7.2%	7.7%	9.1%
Difference	(4.9%)	0.0%	0.4%	1.2%	1.1%	0.9%

Asset Growth²³ (\$ in millions)



Investment Income²⁴ (\$ in millions)



Cash Flows and Fair Value Changes

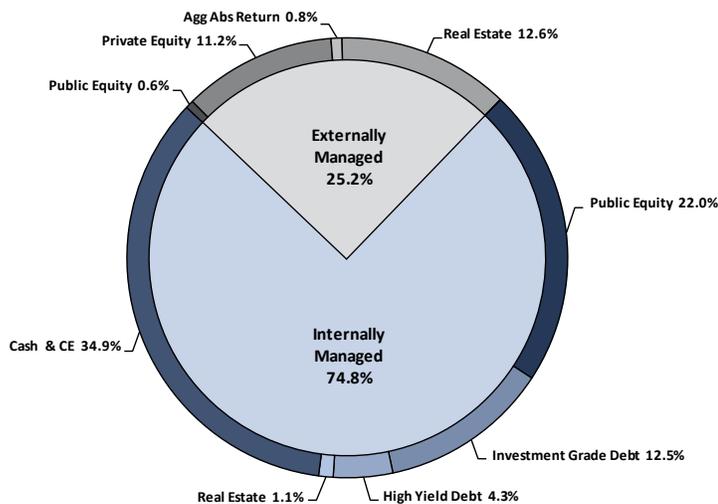
SDRS began fiscal year 2023 with \$14.113 billion in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$495.4 million and investment income increased it by \$869.1 million, resulting in an ending fair value of \$14.486 billion.

Fair Value 6/30/22		\$ 14,112,543,044
Increases/Decreases		
Net Contributions/Withdrawals	\$ (431,970,344)	
Internal Management Fees	(13,780,133)	
External Management Fees	<u>(49,687,662)</u>	
Total Increases/Decreases		\$ (495,438,139)
Investment Income		
Securities Income		
Interest Income	\$ 178,386,828	
Dividend Income	153,614,829	
Securities Lending Income	322,279	
Real Estate Income	21,741,573	
Change in Accrued Income	<u>16,319,646</u>	
Total Securities Income		\$ 370,385,155
Total Capital Gain/Loss Income		<u>\$ 498,763,503</u>
Total Investment Income		<u>\$ 869,148,658</u>
Fair Value 6/30/23		<u>\$ 14,486,253,563</u>

Asset Allocation⁸

As of June 30, 2023, SDRS assets totaled \$14.486 billion. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison. The chart shows the asset allocation of the broad asset categories broken out by internally and externally managed.

	<u>Fair Value Excluding Futures</u>		<u>% of Fund Excluding Futures</u>		<u>Futures Exposure</u>	<u>Fair Value with Futures</u>	<u>% of Fund with Futures</u>	<u>Capital Markets Benchmark %</u>
Public Equity								
Internal Global Large-Cap Equity	\$ 3,637,145,249		25.1%					
Internal Emerging Markets ETF	564,769,695		3.9%					
Internal Small/Mid-Cap Equity	789,392,096		5.5%					
Sanders Capital	<u>87,077,785</u>	\$ 5,078,384,825	<u>0.6%</u>	35.1%				
Equity Index Futures					\$ (1,806,409,242)	\$ 3,271,975,583	22.6%	56.3%
Private Equity								
Blackstone Capital Partners	\$ 126,768,201		0.8%					
Blackstone Energy Partners	159,718,996		1.1%					
Capital International	13,810,572		0.1%					
Carlyle	47,546,418		0.3%					
Cinven	241,634,848		1.7%					
CVC	250,201,364		1.7%					
Cypress	17,454		0.0%					
Doughty Hanson	533,324		0.0%					
EnCap Energy Capital	52,695,938		0.4%					
KKR	353,720		0.0%					
PineBridge	3,048,518		0.0%					
Riverstone	113,307,834		0.8%					
Silver Lake	<u>616,822,457</u>	1,626,459,644	<u>4.3%</u>	11.2%	0	1,626,459,644	11.2%	0.0%
Aggressive Absolute Return								
Bridgewater	\$ 100,995,151		0.7%					
Telsey	<u>14,641,888</u>	115,637,039	<u>0.1%</u>	0.8%	0	115,637,039	0.8%	0.0%
Real Estate								
Internal REIT	\$ 154,492,968		1.1%					
Blackstone Real Estate Partners	1,142,811,277		7.9%					
Brookfield Strategic Partners	249,105,319		1.7%					
Lone Star	122,301,066		0.8%					
Rockpoint	140,404,328		1.0%					
Starwood	<u>171,716,468</u>	1,980,831,426	<u>1.2%</u>	13.7%	0	1,980,831,426	13.7%	12.0%
Investment Grade Debt								
Internal Investment Grade	\$ 1,071,418,798		7.4%					
Internal Treasury Notes	276,620,907		1.9%					
Internal Investment Grade Bond ETF	<u>229,643,775</u>	1,577,683,480	<u>1.6%</u>	10.9%				
Treasury Note Futures					228,687,750	1,806,371,230	12.5%	22.8%
High Yield Debt (Corporate)								
Internal High Yield	\$ 629,673,810	629,673,810	4.3%	4.3%	0	629,673,810	4.3%	7.0%
Cash & Cash Equivalents								
Internal Cash	\$ 75,098,023		0.5%					
Internal Treasury Bills	892,620,907		6.2%					
Internal Money Market Funds	<u>2,509,864,409</u>	<u>3,477,583,339</u>	<u>17.3%</u>	<u>24.0%</u>				
Cash From Futures					<u>1,577,721,492</u>	<u>5,055,304,831</u>	<u>34.9%</u>	<u>1.9%</u>
Total		<u>\$14,486,253,563</u>		<u>100.0%</u>	<u>\$ 0</u>	<u>\$ 14,486,253,563</u>	<u>100.0%</u>	<u>100.0%</u>



SDRS Internal Bond Portfolio Performance

Fiscal Year	1 Year		5 Years		10 Years		20 Years		30 Years		50 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2023	(0.9%)	(1.0%)	0.9%	0.8%	1.6%	1.5%	3.5%	3.2%	4.9%	4.6%	7.1%	6.7%
2022	(9.8%)	(10.6%)	1.0%	0.9%	1.7%	1.5%	4.3%	3.9%	5.5%	5.1%		
2021	(1.5%)	(0.2%)	3.0%	3.1%	3.4%	3.4%	5.1%	4.8%	6.4%	5.9%		
2020	9.5%	9.0%	4.5%	4.3%	4.1%	3.8%	5.7%	5.4%	6.8%	6.3%		
2019	8.5%	7.9%	3.2%	3.0%	4.1%	3.8%	5.4%	5.2%	6.8%	6.3%		
2018	(0.5%)	(0.4%)	2.3%	2.3%	4.2%	3.8%	5.1%	4.9%	6.9%	6.4%		
2017	(0.4%)	(0.3%)	2.4%	2.2%	5.1%	4.6%	5.8%	5.5%	7.2%	6.7%		
2016	6.1%	6.0%	3.9%	3.8%	5.8%	5.2%	6.3%	6.0%	7.5%	6.9%		
2015	2.4%	1.9%	3.6%	3.3%	5.1%	4.6%	6.3%	6.0%	7.9%	7.3%		
2014	4.2%	4.3%	5.0%	4.7%	5.8%	5.2%	6.9%	6.5%	8.7%	8.2%		
2013	(0.3%)	(0.6%)	6.0%	5.3%	5.5%	4.9%	6.7%	6.2%	8.5%	8.1%		
2012	7.1%	7.5%	7.8%	7.0%	7.0%	6.3%	7.5%	6.9%	9.5%	9.1%		
2011	4.7%	3.7%	7.7%	6.7%	6.8%	6.3%	7.9%	7.2%	9.7%	9.3%		
2010	9.8%	9.0%	6.7%	6.0%	7.4%	7.0%	8.2%	7.5%	9.2%	8.9%		
2009	9.2%	7.1%	6.5%	5.8%	6.8%	6.5%	8.1%	7.5%	8.9%	8.7%		
2008	8.4%	7.8%	4.9%	4.6%	6.1%	6.1%	8.3%	7.7%	8.9%	8.8%		
2007	6.5%	6.1%	6.1%	5.7%	6.5%	6.4%	8.3%	7.8%	8.6%	8.5%		
2006	(0.2%)	0.2%	6.0%	5.8%	6.9%	6.7%	8.4%	7.7%	8.9%	8.7%		
2005	9.1%	7.9%	8.1%	8.1%	7.5%	7.4%	9.3%	8.7%	9.4%	9.1%		
2004	1.3%	1.3%	7.1%	7.2%	8.0%	7.8%	10.3%	9.7%	9.6%	9.3%		
2003	14.4%	13.4%	7.3%	7.6%	7.8%	7.5%	10.1%	9.7%	9.6%	9.1%		
2002	5.9%	7.0%	7.0%	7.1%	8.0%	7.4%	10.8%	10.5%				
2001	10.0%	11.2%	7.8%	7.7%	9.0%	8.1%	11.1%	10.8%				
2000	4.3%	3.8%	7.0%	6.7%	9.1%	8.1%	10.1%	9.9%				
1999	2.4%	2.9%	8.9%	8.4%	9.5%	8.5%	10.0%	9.9%				
1998	12.6%	11.2%	8.3%	7.5%	10.5%	9.4%	10.3%	10.1%				
1997	9.9%	9.6%	9.0%	7.7%	10.1%	9.1%	9.6%	9.6%				
1996	5.9%	6.2%	10.2%	8.6%	9.9%	8.7%	9.9%	9.8%				
1995	14.0%	12.5%	11.3%	9.5%	11.1%	10.1%	10.3%	10.0%				
1994	(0.1%)	(1.2%)	10.1%	8.6%	12.6%	11.6%	10.4%	10.0%				
1993	16.1%	12.0%	12.7%	11.4%	12.4%	12.0%	10.5%	9.9%				
1992	16.3%	14.2%	11.2%	10.6%	13.7%	13.7%						
1991	11.1%	10.8%	9.5%	8.9%	13.2%	13.5%						
1990	7.9%	7.7%	10.9%	10.6%	11.1%	11.7%						
1989	12.5%	12.2%	15.1%	14.8%	10.5%	11.3%						
1988	8.6%	8.2%	12.1%	12.6%	10.1%	10.9%						
1987	7.5%	5.6%	16.2%	16.8%	9.1%	10.1%						
1986	18.5%	19.8%	17.0%	18.4%	9.9%	10.8%						
1985	29.9%	30.0%	11.2%	12.9%	9.5%	9.9%						
1984	(1.6%)	1.7%	6.0%	7.9%	8.2%	8.4%						
1983	30.5%	30.0%	8.1%	9.2%	8.7%	7.9%						
1982	11.2%	12.8%	2.4%	3.8%								
1981	(8.1%)	(5.4%)	3.3%	3.7%								
1980	2.2%	3.8%	7.9%	7.0%								
1979	8.3%	7.6%	10.4%	8.8%								
1978	(0.4%)	1.0%	9.3%	6.6%								
1977	15.9%	12.4%										
1976	14.2%	10.5%										
1975	14.9%	12.9%										
1974	3.1%	(2.9%)										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30, and 50 years through fiscal year 2023 for the Internal Bond Portfolio. The Fixed Income Benchmark² is provided for comparison.

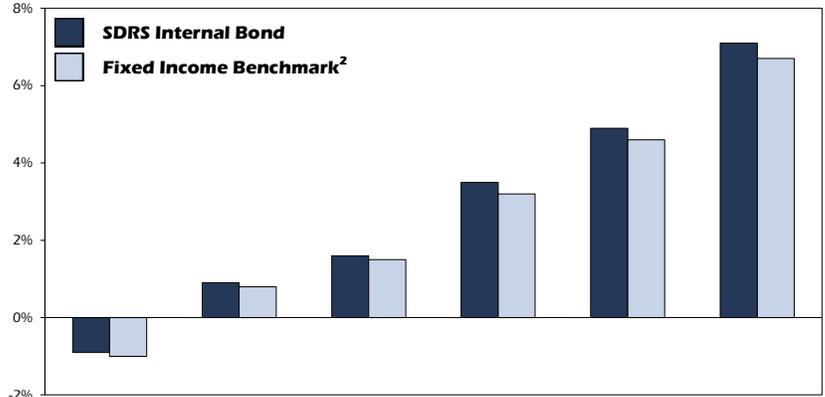
The one-year returns above the solid demarcation line include both bonds and allocated cash reserves; the returns below are bonds only with no allocated cash reserves.

Prior to fiscal year 2007, the investment grade and high yield bonds were managed together. On July 1, 2006, they were separated and are now managed individually. The one-year returns below the dotted demarcation line reflect the investment grade and high yield returns; the returns above are investment grade-only returns. The high yield-only returns are presented on the next page.

Characteristic	SDRS	Bond Index ¹
Yield to Maturity	4.64%	4.80%
Average Maturity	5.79 yrs	9.29 yrs
Duration	6.08 yrs	6.51 yrs

The Bond Index is presented for comparative purposes.

SDRS Internal Bond vs. Benchmark



	1 Year	5 Years	10 Years	20 Years	30 Years	50 Years
SDRS	(0.9%)	0.9%	1.6%	3.5%	4.9%	7.1%
Benchmark	(1.0%)	0.8%	1.5%	3.2%	4.6%	6.7%
Difference	0.1%	0.1%	0.1%	0.3%	0.3%	0.4%

SDRS Internal High Yield Bond Portfolio Performance

Fiscal Year	1 Year		2 Years		3 Years		5 Years		10 Years		17 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2023	11.0%	9.1%	0.9%	(2.0%)	9.7%	3.5%	0.8%	2.9%	2.2%	3.2%	4.9%	5.5%
2022	(8.3%)	(12.0%)	9.0%	0.8%	(2.0%)	(0.2%)	0.7%	1.7%	2.3%	3.2%		
2021	29.6%	15.5%	1.3%	6.2%	0.8%	6.4%	6.7%	6.8%	4.1%	5.3%		
2020	(20.8%)	(2.3%)	(11.2%)	2.1%	(4.5%)	2.3%	(0.7%)	3.2%	2.9%	5.3%		
2019	(0.4%)	6.7%	4.8%	4.7%	10.5%	7.2%	1.7%	2.7%	7.1%	7.4%		
2018	10.2%	2.6%	16.3%	7.5%	7.0%	4.0%	3.7%	3.5%	7.2%	6.9%		
2017	22.7%	12.6%	5.4%	4.6%	(0.2%)	1.4%	3.9%	4.8%	6.2%	6.8%		
2016	(9.6%)	(2.7%)	(10.1%)	(3.8%)	(4.0%)	1.0%	1.5%	3.9%	4.8%	6.4%		
2015	(10.6%)	(4.8%)	(1.1%)	2.9%	3.0%	4.8%	6.7%	7.4%				
2014	9.5%	11.2%	10.5%	10.0%	10.1%	9.3%	12.7%	12.2%				
2013	11.5%	8.9%	10.4%	8.4%	12.2%	10.5%	10.8%	10.4%				
2012	9.2%	7.9%	12.6%	11.3%	14.2%	13.7%	8.5%	8.8%				
2011	16.0%	14.8%	16.7%	16.8%	11.2%	11.8%	8.2%	9.1%				
2010	17.5%	18.9%	8.8%	10.3%	5.8%	7.2%						
2009	0.7%	2.3%	0.4%	1.8%	2.8%	4.2%						
2008	0.1%	1.2%	3.8%	5.2%								
2007	7.7%	9.2%										

The chart to the left shows the annualized total rate of returns for 1, 2, 3, 5, 10 and 17 years through fiscal year 2023 for the Internal High Yield Bond Portfolio. The High Yield Benchmark² is provided for comparison.

On July 1, 2006, the investment grade and high yield bonds were separated and are now managed individually.

Internal Bond Profiles

SDRS internal Investment Grade (IG) and High Yield (HY) bond portfolio characteristics as of June 30, 2023, are presented below.

Distribution by Duration

	IG	HY
0 to 2 Years	2.4%	29.1%
2 to 3 Years	12.4%	9.9%
3 to 4 Years	7.0%	22.8%
4 to 5 Years	15.4%	23.5%
5 to 6 Years	15.1%	10.9%
6 to 8 Years	38.4%	3.1%
Above 8 Years	9.3%	0.7%
Total	100.0%	100.0%

Distribution by Quality Rating

	IG	HY
U.S. Gov't/Aaa	64.0%	2.5%
Aa	8.3%	0.0%
A	16.1%	0.0%
Baa	11.6%	1.6%
Ba	0.0%	29.7%
B	0.0%	39.4%
Caa and lower	0.0%	26.8%
Total	100.0%	100.0%

Distribution by Coupon

	IG	HY
0.00% - 2.00%	51.8%	24.7%
2.01% - 3.00%	26.8%	0.1%
3.01% - 4.00%	9.6%	9.1%
4.01% - 5.00%	9.6%	23.7%
5.01% - 6.00%	2.1%	19.0%
6.01% - 7.00%	0.1%	11.7%
7.01% and over	0.0%	11.7%
Total	100.0%	100.0%

Distribution by Sector

	IG	HY
Cash/Cash Equivalents	0.1%	2.5%
U.S. Treasuries	33.6%	0.0%
Agency Debentures	2.8%	0.0%
Agency Mortgage-Backed Securities	26.1%	0.0%
Investment Grade Corporates	37.4%	1.6%
High Yield Securities	0.0%	95.9%
Total	100.0%	100.0%

Investment Grade Bond Portfolio 10 Largest Corporates by Issuer

	% of Total
Ontario (Province Of)	2.4%
Bank of America Corp.	1.7%
Pfizer, Inc.	1.6%
Starbucks Corp.	1.4%
JPMorgan Chase & Co.	1.4%
Amazon.com, Inc.	1.3%
Home Depot, Inc.	1.3%
Deere & Co.	1.3%
Morgan Stanley	1.2%
Quebec (Province Of)	1.1%
Total	14.7%

High Yield Bond Portfolio 10 Largest Corporates by Issuer

	% of Total
Ford Motor Co.	1.8%
CSC Holdings LLC	1.7%
CCO Holdings LLC	1.7%
TransDigm Group, Inc.	1.5%
Carnival Corp.	1.4%
WW International, Inc.	1.3%
Anywhere Real Estate, Inc.	1.3%
Tenet Healthcare Corp.	1.3%
QVC, Inc.	1.1%
Bath & Body Works, Inc.	1.1%
Total	14.2%

SDRS Combined Internal Large-Cap Equity Portfolio Performance

Fiscal Year	1 Year		5 Years		10 Years		20 Years		30 Years		50 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2023	19.7%	20.0%	10.9%	10.2%	11.1%	10.9%	9.6%	9.3%	9.9%	9.1%	11.5%	10.3%
2022	(6.5%)	(12.6%)	9.6%	8.8%	11.8%	10.8%	8.6%	8.3%	9.7%	8.9%		
2021	49.7%	39.2%	15.7%	15.8%	12.5%	12.2%	8.2%	8.1%	10.4%	9.9%		
2020	(2.8%)	3.2%	6.1%	8.3%	10.7%	11.5%	5.4%	5.4%	9.1%	8.9%		
2019	3.1%	8.1%	7.3%	8.4%	12.8%	12.4%	6.1%	5.8%	9.3%	9.4%		
2018	12.8%	12.5%	11.4%	11.5%	9.9%	8.0%	6.9%	6.2%	9.8%	9.7%		
2017	22.5%	19.0%	14.0%	12.8%	6.0%	5.5%	7.4%	6.8%	9.3%	9.0%		
2016	(2.9%)	(0.1%)	9.3%	8.7%	6.0%	5.9%	7.8%	7.2%	9.2%	9.2%		
2015	2.9%	3.6%	15.6%	14.7%	7.6%	7.3%	9.3%	8.4%	10.4%	10.3%		
2014	24.1%	24.4%	18.5%	16.6%	8.3%	7.9%	10.1%	9.2%	11.6%	11.2%		
2013	26.6%	19.3%	8.4%	4.5%	8.2%	7.8%	9.2%	8.2%	10.9%	10.2%		
2012	(0.4%)	(1.3%)	(1.4%)	(1.4%)	5.4%	5.8%	8.7%	8.0%	11.8%	11.3%		
2011	28.1%	30.8%	2.7%	3.1%	4.1%	4.3%	9.4%	8.7%	11.7%	10.9%		
2010	16.9%	12.3%	0.1%	0.4%	0.3%	(0.4%)	8.3%	7.7%	11.6%	10.6%		
2009	(20.8%)	(27.9%)	(1.1%)	(0.2%)	(0.3%)	(0.5%)	7.6%	7.9%	11.4%	10.8%		
2008	(21.0%)	(11.0%)	8.0%	11.2%	3.9%	4.6%	9.8%	10.7%	12.7%	12.5%		
2007	22.0%	23.6%	12.7%	13.6%	8.9%	8.2%	11.0%	10.9%	13.6%	12.9%		
2006	12.6%	14.7%	5.5%	5.4%	9.7%	8.7%	10.9%	11.0%	13.3%	12.1%		
2005	9.9%	9.0%	0.4%	(1.2%)	11.0%	9.4%	11.9%	11.9%	13.4%	12.1%		
2004	22.9%	23.6%	0.6%	(0.8%)	11.9%	10.6%	13.2%	12.9%	14.0%	12.3%		
2003	(2.0%)	(0.8%)	0.0%	(1.7%)	10.3%	8.6%	12.3%	11.4%	12.8%	11.0%		
2002	(12.2%)	(15.0%)	5.1%	3.1%	12.1%	10.2%	15.1%	14.2%				
2001	(12.0%)	(17.1%)	14.0%	12.0%	14.9%	13.4%	15.6%	14.4%				
2000	10.9%	11.0%	22.7%	21.2%	16.9%	16.4%	17.8%	16.6%				
1999	19.5%	18.3%	24.5%	23.4%	16.0%	16.9%	17.7%	16.9%				
1998	25.6%	25.6%	21.7%	20.1%	16.1%	17.1%	17.4%	16.6%				
1997	31.7%	28.6%	19.5%	17.7%	13.2%	13.6%	16.1%	15.3%				
1996	27.1%	23.3%	15.7%	14.8%	12.1%	13.3%	15.1%	13.9%				
1995	18.9%	21.2%	11.3%	11.7%	12.8%	14.4%	14.6%	13.5%				
1994	6.7%	3.3%	8.1%	10.8%	14.6%	15.3%	15.1%	13.2%				
1993	14.6%	13.9%	10.7%	14.2%	14.3%	14.3%	14.1%	12.2%				
1992	12.4%	13.5%	7.3%	9.7%	18.3%	18.3%						
1991	4.5%	7.4%	8.5%	11.8%	16.4%	15.4%						
1990	2.7%	16.3%	14.3%	17.1%	18.7%	16.8%						
1989	20.3%	20.4%	21.5%	19.9%	19.4%	16.9%						
1988	(1.9%)	(7.1%)	18.1%	14.4%	18.8%	16.2%						
1987	18.7%	25.1%	30.3%	27.7%	19.0%	17.1%						
1986	35.7%	35.4%	24.9%	19.2%	18.3%	14.5%						
1985	39.0%	30.8%	23.3%	16.4%	16.5%	12.6%						
1984	4.5%	(4.7%)	17.4%	13.9%	15.6%	11.2%						
1983	60.6%	61.0%	19.5%	18.0%	13.8%	10.1%						
1982	(4.1%)	(11.4%)	8.6%	7.3%								
1981	27.6%	20.5%	12.1%	10.0%								
1980	8.7%	17.1%	10.0%	8.8%								
1979	14.3%	13.6%	13.9%	8.6%								
1978	(0.4%)	0.1%	8.3%	2.6%								
1977	12.1%	0.5%										
1976	16.2%	14.0%										
1975	28.9%	16.1%										
1974	(11.1%)	(14.5%)										

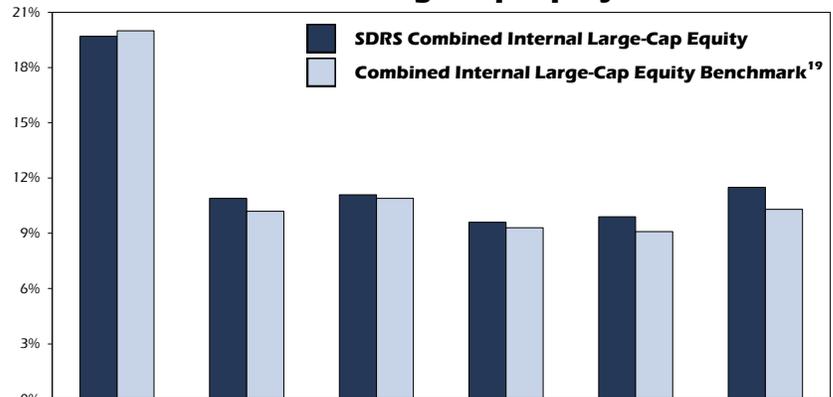
The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30, and 50 years through fiscal year 2023 for the Combined Internal Large-Cap Equity Portfolio. The Combined Internal Large-Cap Equity Benchmark¹⁹ is provided for comparison.

The one-year returns above the solid demarcation line include both equities and allocated cash reserves; the returns below are equities only with no allocated cash reserves.

The one-year returns below the dotted demarcation line are domestic-only returns; the returns above are global equity returns.

Prior to fiscal year 2005, the domestic and international equities were managed separately. On July 1, 2004, they were merged and are managed together. Historical information is presented on page 17.

SDRS Combined Internal Large-Cap Equity vs. Benchmark



	1 Year	5 Years	10 Years	20 Years	30 Years	50 Years
SDRS	19.7%	10.9%	11.1%	9.6%	9.9%	11.5%
Benchmark	20.0%	10.2%	10.9%	9.3%	9.1%	10.3%
Difference	(0.3%)	0.7%	0.2%	0.3%	0.8%	1.2%

Internal Global Large-Cap Equity Profile

SDRS internal Global Large-Cap equity portfolio characteristics as of June 30, 2023, are presented below. SDRS internal Global Large-Cap equity portfolio is compared to the custom S&P Global 1200 Ex-Emerging Markets, Ex-Real Estate Index benchmark. A listing of the thirty largest global equity company holdings is also provided.

Distribution by Market Sector

	<u>SDRS</u>	<u>Bench</u>
Communication Services	8.0%	7.2%
Consumer Discretionary	9.2%	11.3%
Consumer Staples	7.4%	7.7%
Energy	8.7%	4.7%
Financials	16.7%	15.0%
Health Care	15.4%	13.2%
Industrials	7.7%	11.0%
Information Technology	21.0%	22.9%
Materials	2.9%	4.2%
Utilities	1.6%	2.8%
Cash Equivalents	<u>1.4%</u>	<u>0.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

10 Largest Country Weights

	<u>SDRS</u>	<u>Bench</u>
United States	70.6%	67.9%
Great Britain	5.1%	4.4%
Germany	4.3%	2.4%
Japan	4.1%	6.3%
Switzerland	3.6%	2.9%
Canada	2.5%	3.3%
France	2.5%	3.4%
South Korea	2.4%	1.1%
Netherlands	1.1%	1.4%
Belgium	<u>0.7%</u>	<u>0.3%</u>
Total	<u>96.9%</u>	<u>93.4%</u>

30 Largest Company Holdings

	<u>% of Total</u>
Microsoft Corp.	5.1%
Apple, Inc.	4.7%
Alphabet, Inc.	3.3%
Amazon.com, Inc.	2.6%
Berkshire Hathaway, Inc.	1.5%
Meta Platforms, Inc.	1.4%
Roche Holding AG	1.3%
Samsung Electronics Co., Ltd.	1.3%
SAP SE	1.2%
NVIDIA Corp.	1.2%
Wells Fargo & Co.	1.2%
Suncor Energy, Inc.	1.1%
UnitedHealth Group, Inc.	0.9%
Visa, Inc.	0.9%
Eli Lilly & Co.	0.9%
Novartis AG	0.9%
Hess Corp.	0.8%
Pfizer, Inc.	0.8%
Merck & Co., Inc.	0.8%
Nestle SA	0.8%
Mastercard, Inc.	0.8%
Comcast Corp.	0.8%
Applied Materials, Inc.	0.7%
PayPal Holdings, Inc.	0.7%
ConocoPhillips	0.7%
Canadian Natural Resources, Ltd.	0.7%
Adobe, Inc.	0.7%
Medtronic plc	0.7%
JPMorgan Chase & Co.	0.7%
Humana, Inc.	<u>0.7%</u>
Total	<u>39.9%</u>

Internal Emerging Markets Equity

SDRS internal Global Large-Cap equity benchmark does not include emerging markets. Emerging markets exposure is primarily obtained through emerging markets index funds or exchange-traded funds (ETFs). The following provides information on ETFs held as of June 30, 2023.

	<u>Fair Value</u>	<u>% of SDRS Total Fund</u>
Vanguard FTSE Emerging Markets ETF	\$564,769,695	3.9%

Public Equity Composite⁷

SDRS Public Equity composite is comprised of the following internally managed equity portfolios: global large-cap, emerging markets, and small/mid-cap along with one externally managed portfolio as of June 30, 2023. The composite is compared to the benchmark of $\frac{3}{4}$ custom MSCI ACWI IMI ex Real Estate Index plus $\frac{1}{4}$ custom MSCI USA IMI ex Real Estate Index.

Performance Results for the Fiscal Year Ended June 30, 2023

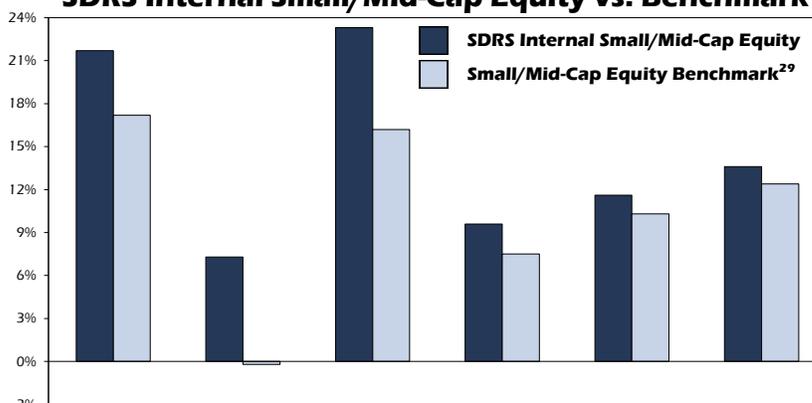
SDRS Public Equity Composite	17.7%
Benchmark	18.2%
Difference	(0.5%)

SDRS Internal Small/Mid-Cap Equity Portfolio Performance

Fiscal Year	1 Year		2 Years		3 Years		5 Years		10 Years		13 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2023	21.7%	17.2%	7.3%	(0.2%)	23.3%	16.2%	9.6%	7.5%	11.6%	10.3%	13.6%	12.4%
2022	(5.4%)	(15.0%)	24.1%	15.7%	10.6%	7.1%	8.8%	7.2%	12.4%	11.1%		
2021	62.8%	57.3%	19.6%	20.3%	11.1%	12.9%	14.9%	14.8%	12.8%	12.7%		
2020	(12.1%)	(8.0%)	(8.2%)	(4.4%)	(0.3%)	1.9%	3.6%	5.0%	10.9%	11.3%		
2019	(4.1%)	(0.6%)	6.2%	7.2%	11.8%	11.2%	7.2%	8.1%				
2018	17.6%	15.6%	20.8%	17.7%	12.2%	11.8%	13.7%	13.3%				
2017	24.0%	19.7%	9.7%	9.9%	7.9%	8.8%	16.1%	15.1%				
2016	(3.0%)	0.9%	0.6%	3.7%	9.2%	10.5%	10.8%	10.8%				
2015	4.3%	6.5%	15.9%	15.6%	20.6%	18.7%	18.7%	18.0%				
2014	28.7%	25.4%	29.7%	25.3%	18.2%	15.7%						
2013	30.7%	25.2%	13.3%	11.2%	20.7%	19.7%						
2012	(1.8%)	(1.2%)	16.0%	17.0%								
2011	37.0%	38.7%										

The chart to the left shows the annualized total rate of returns for 1, 2, 3, 5, 10, and 13 years through fiscal year 2023 for the SDRS Internal Small/Mid-Cap Equity Portfolio. The Small/Mid-Cap Equity Benchmark²⁹ is provided for comparison.

SDRS Internal Small/Mid-Cap Equity vs. Benchmark



	Annualized Returns					
	1 Year	2 Years	3 Years	5 Years	10 Years	13 Years
SDRS	21.7%	7.3%	23.3%	9.6%	11.6%	13.6%
Benchmark	17.2%	(0.2%)	16.2%	7.5%	10.3%	12.4%
Difference	4.5%	7.5%	7.1%	2.1%	1.3%	1.2%

Internal Small/Mid-Cap Equity Profile

SDRS internal Small/Mid-Cap equity portfolio characteristics as of June 30, 2023, are presented below. The SDRS internal Small/Mid-Cap equity portfolio is compared to the custom S&P 1000 Ex-Real Estate Index benchmark. A listing of the ten largest company holdings is also provided.

Distribution by Market Sector

	SDRS	Bench
Communication Services	0.7%	2.4%
Consumer Discretionary	14.7%	15.7%
Consumer Staples	3.1%	4.9%
Energy	12.6%	4.7%
Financials	21.2%	15.5%
Health Care	8.1%	10.7%
Industrials	21.6%	23.1%
Information Technology	9.3%	9.3%
Materials	4.2%	7.4%
Utilities	3.9%	3.2%
Cash Equivalents	0.6%	0.0%
Total	100.0%	100.0%

10 Largest Company Holdings

	% of Total
Bristow Group, Inc.	3.2%
Mr. Cooper Group, Inc.	1.9%
East West Bancorp, Inc.	1.8%
Wolfspeed, Inc.	1.8%
Reinsurance Group of America, Inc.	1.4%
First Horizon Corp.	1.4%
AutoNation, Inc.	1.3%
Hubbell, Inc.	1.3%
RenaissanceRe Holdings, Ltd.	1.2%
PDC Energy, Inc.	1.2%
Total	16.5%

Private Equity and Real Estate Limited Partnership Investments

The Council has invested in real estate (RE) and private equity (PE) limited partnerships since the mid-1990s. Although these investments are illiquid and have higher fees, the Council believes that they offer diversification and the opportunity for added value net-of-fees over public market investments. The funding of these investments is made over several years as the partnerships call money from investors to buy assets and later return it when assets are sold. According to industry standards, the return analysis for these investments requires the use of a since inception internal rate of return (SI-IRR).

SI-IRR is the calculation that equates the present value of all cash flows (capital calls and distributions) with the period-end value. The public market equivalent (PME) is a method where a public market index is expressed in terms of a SI-IRR, using the same cash flows and timing as those of the partnership investment over the same time period. The partnership SI-IRR is calculated net-of-fees (management fees, performance based fees, and general

partner carried interest). Also, a composite SI-IRR that combines the partnerships in each category is calculated.

From November 1995 through June 2023, the net-of-fees SI-IRR for the composite PE limited partnership investments was 9.8%. This can be compared to the S&P 500 Index PME of 6.9% for the same period. RE limited partnerships net-of-fees SI-IRR composite from December 1994 through June 2023 was 20.3%. A PME using the MSCI US REIT Index could not be calculated using the same cash flows because the return of the RE limited partnerships was significantly higher than the index. The annualized time-weighted rate of return for the MSCI US REIT index was 9.3% for the same period of time.

The composite return of the RE limited partnerships has significantly exceeded and the PE limited partnerships has slightly exceeded Council expectations. The Council will continue its ongoing evaluation of RE & PE limited partnerships. See page 36 for a listing of the partnership investments.

SDRS Real Estate Net Internal Rate of Return Performance Comparison

Fiscal Year	SDRS	Bench	Diff	Fiscal Year	SDRS	Bench	Diff	Since Inception*		
								SDRS	Bench	Diff
2023	(3.2%)	(0.1%)	(3.1%)	2008	3.2%	13.6%	(10.4%)	20.3%	8.7%	11.6%
2022	24.3%	(6.4%)	30.7%	2007	60.0%	16.6%	43.4%			
2021	23.9%	38.1%	(14.2%)	2006	36.7%	20.2%	16.5%			
2020	(2.4%)	(12.9%)	10.5%	2005	66.4%	15.6%	50.8%			
2019	9.4%	11.1%	(1.7%)	2004	19.4%	9.7%	9.7%			
2018	14.1%	3.6%	10.5%	2003	5.7%	7.1%	(1.4%)			
2017	16.8%	(1.8%)	18.6%	2002	6.4%	6.6%	(0.2%)			
2016	3.2%	24.1%	(20.9%)	2001	20.1%	12.4%	7.7%			
2015	18.9%	3.9%	15.0%	2000	13.4%	11.6%	1.8%			
2014	24.3%	13.4%	10.9%	1999	28.5%	13.2%	15.3%			
2013	15.4%	11.9%	3.5%	1998	37.2%	17.9%	19.3%			
2012	3.7%	14.8%	(11.1%)	1997	30.9%	11.4%	19.5%			
2011	40.9%	17.5%	23.4%	1996	38.3%	9.6%	28.7%			
2010	11.7%	(9.6%)	21.3%	1995*	16.4%	4.6%	11.8%			
2009	(52.5%)	(14.7%)	(37.8%)							

The chart shows the yearly and since inception net internal rate of return for the composite of the Real Estate limited partnerships. The Real Estate Benchmark²⁵ is provided for comparison.

* Initial real estate investment was funded in December 1994. The since inception internal rate of return is from December 1994 - June 2023.

SDRS Private Equity Net Internal Rate of Return Performance Comparison

Fiscal Year	SDRS	Bench	Diff	Fiscal Year	SDRS	Bench	Diff	Since Fiscal Year 1999*		
								SDRS	Bench	Diff
2023	10.9%	18.2%	(7.3%)	2010	32.7%	18.4%	14.3%	9.9%	8.8%	1.1%
2022	0.9%	(15.9%)	16.8%	2009	(35.4%)	(23.4%)	(12.0%)			
2021	55.3%	41.7%	13.6%	2008	9.9%	(9.9%)	19.8%			
2020	(6.9%)	2.4%	(9.3%)	2007	22.6%	24.7%	(2.1%)			
2019	2.3%	7.0%	(4.7%)	2006	26.5%	12.4%	14.1%			
2018	21.6%	11.8%	9.8%	2005	26.0%	10.0%	16.0%			
2017	22.6%	18.3%	4.3%	2004	30.0%	23.5%	6.5%			
2016	2.6%	(1.7%)	4.3%	2003	4.2%	4.6%	(0.4%)			
2015	7.8%	2.8%	5.0%	2002	(9.7%)	(14.8%)	5.1%			
2014	24.8%	24.6%	0.2%	2001	(16.4%)	(10.4%)	(6.0%)			
2013	13.9%	22.6%	(8.7%)	2000	9.5%	14.7%	(5.2%)			
2012	(1.0%)	7.3%	(8.3%)	1999	5.9%	27.9%	(22.0%)			
2011	32.3%	32.8%	(0.5%)							

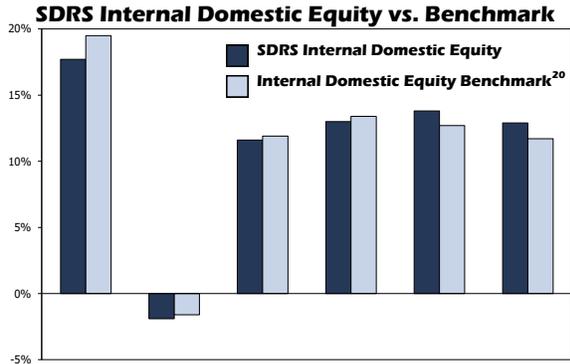
The chart shows the yearly and net internal rate of return from fiscal year 1999-2023 for the composite of the Private Equity limited partnerships. The Private Equity Benchmark²⁶ is provided for comparison.

* Initial private equity investment was funded in November 1995. Private Equity was added to the Capital Markets Benchmark in fiscal year 1999.

Historical Performance

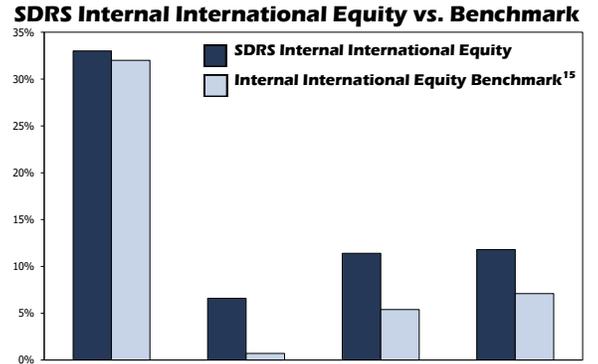
The historical performance information presented in the first box below is for the time periods that SDRS internally managed domestic and international equities separately. The second box contains historical performance information for the time periods of the internally managed convertible and merger arbitrage portfolios.

Historical SDRS Internal Domestic and International Equity Portfolio Performance Information



Annualized Returns as of the Fiscal Year ended June 30, 2004

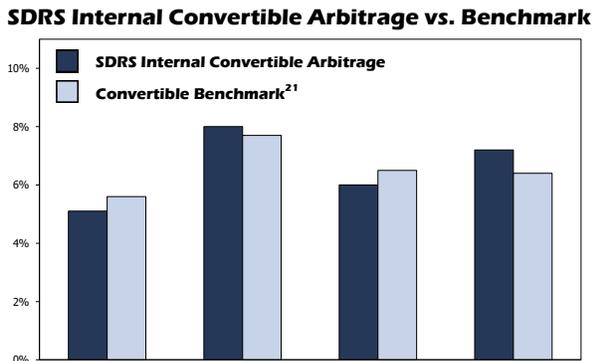
	1 Year	5 Years	10 Years	20 Years	30 Years	31 Years
SDRS	17.7%	(1.9%)	11.6%	13.0%	13.8%	12.9%
Benchmark	19.5%	(1.6%)	11.9%	13.4%	12.7%	11.7%
Difference	(1.8%)	(0.3%)	(0.3%)	(0.4%)	1.1%	1.2%



Annualized Returns as of the Fiscal Year ended June 30, 2004

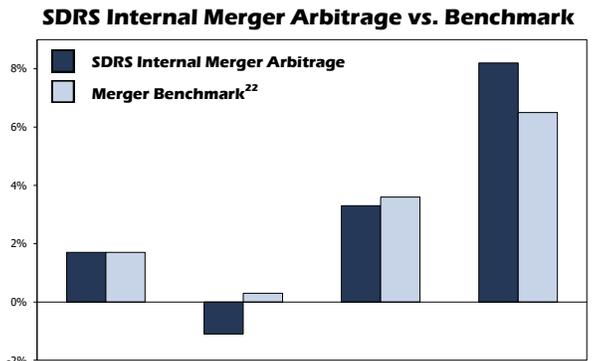
	1 Year	5 Years	10 Years	12 Years
SDRS	33.0%	6.6%	11.4%	11.8%
Benchmark	32.0%	0.7%	5.4%	7.1%
Difference	1.0%	5.9%	6.0%	4.7%

Historical SDRS Internal Convertible and Merger Arbitrage Portfolio Performance Information



Annualized Returns as of the Fiscal Year ended June 30, 2013

	1 Year	5 Years	10 Years	20 Years
SDRS	5.1%	8.0%	6.0%	7.2%
Benchmark	5.6%	7.7%	6.5%	6.4%
Difference	(0.5%)	0.3%	(0.5%)	0.8%



Annualized Returns as of the Fiscal Year ended June 30, 2012

	1 Year	5 Years	10 Years	22 Years
SDRS	1.7%	(1.1%)	3.3%	8.2%
Benchmark	1.7%	0.3%	3.6%	6.5%
Difference	0.0%	(1.4%)	(0.3%)	1.7%

THE FUND

The South Dakota Cash Flow Fund (SDCFF) is comprised of more than five hundred separately-identified state accounts. During fiscal year 2023, the fund ranged in size from \$3.387 billion to \$3.636 billion and averaged \$3.555 billion. In fiscal years 2020 and 2022, the SDCFF received \$1.25 billion and \$487.2 million, respectively, of federal money for the Coronavirus Relief Fund. The balance will decrease as the money is utilized for expenses related to the virus. The fund serves as the state checking account, holding various reserves and contingency funds as well as absorbing the state's daily cash inflows and outflows.

South Dakota Codified Law (SDCL) 4-5-26 lists permissible investments for SDCFF. This includes U.S. government and agency debt, investment grade corporate debt, certificates of deposit, and commercial paper. The portfolio's average quality on June 30, 2023 was Aa1. The portfolio guidelines establish ranges and limits on position size, security maturity, portfolio duration, credit quality, and fixed income sector.

OBJECTIVES AND COMPONENTS

The objectives of SDCFF are 1) safety of principal, 2) return on investments, and 3) liquidity.

The fund is comprised of four portfolios. On June 30, 2023, 24.5% was in the actively-managed short-term fixed income portfolio. This strategy was implemented in November 1985. The Council's portfolio guidelines set the maturity limit for the short-term portfolio at 5.25 years for an individual security and the duration limit for the overall portfolio at 2.88 years.

An intermediate-term fixed income portfolio strategy was implemented in November 2015. As of June 30, 2023, this portfolio represented 8.8% of the SDCFF. This portfolio's expected benefits include an increase in the long-term expected return of the SDCFF and increased stability of income flow at the expense of potential increase in market value volatility. This portfolio was phased in over time in \$50 million increments with the total size of \$300 million based on a conservative estimate of the minimum balances in the SDCFF. The intermediate-term portfolio guidelines have an individual security maturity limit of thirty years, a limit on corporate position size, permitted ranges for each market sector, and

a portfolio duration range of 70% to 130% of the FTSE US Broad Investment-Grade (USBIG) Bond Index duration.

The money market portfolio represented 66.1% of SDCFF as of June 30, 2023. This portfolio is the most liquid of the SDCFF portfolios. Its size can vary significantly over the course of the year depending on the cash needs of the State.

The South Dakota Certificate of Deposit Program is the smallest portion of the SDCFF representing 0.6%. The CDs are for a one-year term beginning the last business day of September each year. The rate was based on the one-year Treasury note yield plus 0.25%. On June 30, 2023, \$22.138 million in CDs was held in fourteen banks and two credit unions.

PRORATION

Each fiscal year, the receipted income is prorated to individual state agencies based on a ratio of their average daily cash balance to the total average daily cash balance. The general fund and other state agencies' receipted income was \$76.2 million for fiscal year 2023. The fund has distributed over \$1.33 billion of earnings since its inception. The proration rate for fiscal year 2023 was 2.16%.

INVESTMENT PERFORMANCE - FISCAL YEAR 2023

The yield of the total SDCFF for fiscal year 2023 was 2.59%. Since the fund's inception in December 1972, it has yielded 5.72% annualized. For fiscal year 2023, the short-term fixed income portfolio portion of the fund had a time-weighted rate of return of 1.22% compared to a CFFST Benchmark⁶ return of 1.32%. Since the inception of the short-term portfolio in November 1985, the time-weighted rate of return has been 4.46% annually compared to 4.15% for the benchmark. For fiscal year 2023, the intermediate-term fixed income portfolio had a time-weighted rate of return of (0.89%) compared to (0.97%) for the FTSE USBIG Bond Index. Since the inception of the intermediate-term portfolio in November 2015, the time-weighted rate of return has been 0.83% annually compared to 0.97% for the benchmark. During fiscal year 2023, the money market portion yielded 3.65%. The CD rate on June 30, 2023, was 4.2% for the CDs issued in September 2022.

Cash Flows and Fair Value Changes

SDCFF began fiscal year 2023 with \$3,308.9 million in assets. During the fiscal year, net contributions/withdrawals and fees increased the fund by \$179.2 million and investment income increased it by \$91.9 million, resulting in an ending fair value of \$3,580.0 million.

Fair Value 6/30/22		\$ 3,308,924,220
Increases/Decreases		
Net Contributions/Withdrawals	\$ 180,096,737	
Internal Management Fees	<u>(913,512)</u>	
Total Increases/Decreases		\$ 179,183,225
Investment Income		
Securities Income		
Interest Income - Managed	\$ 92,899,819	
Interest Income - CDs	37,209	
Change in Accrued Income	<u>16,857,360</u>	
Total Securities Income	\$ 109,794,388	
Total Capital Gain/Loss Income	<u>\$ (17,880,427)</u>	
Total Investment Income		\$ 91,913,961
Fair Value 6/30/23		<u>\$ 3,580,021,406</u>

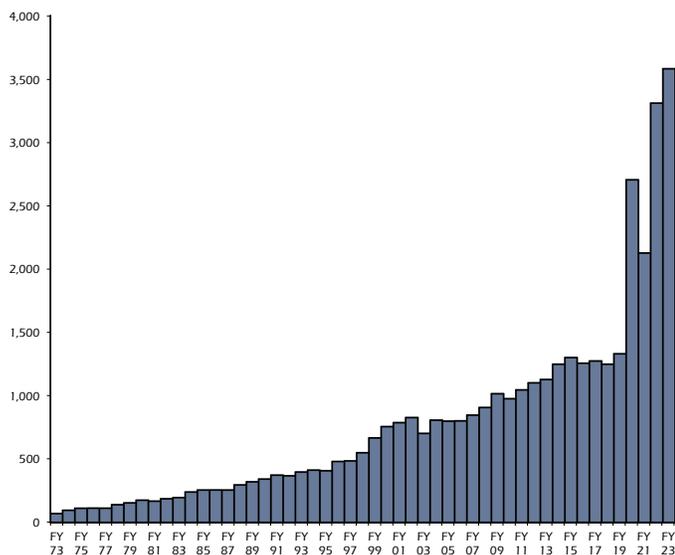
Comparative Results⁹

The proration rate is the cash accounting yield. The managed accrued rate includes accrued interest. The 3-month T-bill and institutional prime money market rates are provided for comparison.

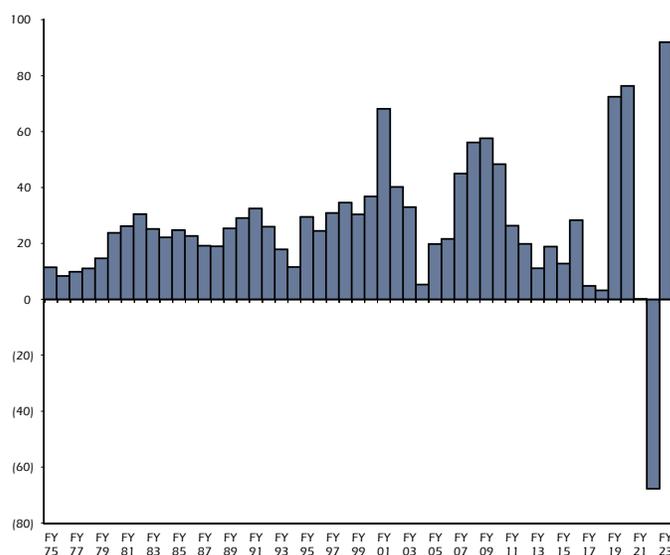
	SDCFF Proration Amount	Total Receipted Rate (Proration Rate)	Managed Accrued Rate*	3-month Treasury Bill Rate	Institutional Prime Money Market Fund	Total Return CFFST [✓]	CFFST Benchmark ⁶
2023	\$ 76,172,463	2.16%	2.59%	3.75%	3.65%	1.22%	1.32%
2022	22,854,849	0.84%	0.91%	0.19%	0.21%	(4.20%)	(3.75%)
2021	33,352,907	1.40%	1.32%	0.08%	0.10%	0.68%	0.86%
2020	37,624,155	2.30%	2.46%	1.56%	1.51%	5.04%	4.33%
2019	27,957,976	2.08%	2.18%	2.30%	2.35%	5.25%	4.52%
2018	15,914,986	1.19%	1.26%	1.33%	1.47%	0.31%	0.43%
2017	16,116,484	1.25%	1.32%	0.46%	0.73%	0.53%	0.55%
2016	18,018,069	1.35%	1.41%	0.14%	0.26%	2.32%	2.04%
2015	16,728,885	1.25%	1.36%	0.02%	0.06%	1.03%	1.00%
2014	12,516,162	0.99%	1.12%	0.04%	0.04%	1.65%	1.59%
2013	17,429,182	1.47%	1.51%	0.08%	0.12%	0.98%	1.30%
2012	25,829,546	2.33%	2.27%	0.04%	0.12%	1.88%	1.82%
2011	35,573,830	3.37%	3.43%	0.14%	0.17%	2.71%	2.84%
2010	50,155,778	4.94%	4.79%	0.12%	0.17%	5.10%	5.34%
2009	43,568,535	4.59%	4.51%	0.78%	1.63%	6.58%	3.14%
2008	44,431,241	5.07%	4.96%	3.32%	4.25%	6.59%	6.05%
2007	34,578,213	4.23%	4.41%	5.07%	5.19%	5.56%	5.50%
2006	25,450,147	3.07%	3.40%	3.95%	4.10%	2.36%	2.09%
2005	21,652,806	2.66%	2.92%	2.04%	2.08%	2.62%	2.45%
2004	22,888,860	2.95%	3.02%	0.96%	0.94%	0.59%	(0.14%)
2003	29,876,507	4.22%	4.35%	1.41%	1.39%	5.45%	4.09%
2002	41,972,001	5.54%	5.21%	2.45%	2.44%	5.55%	5.62%
2001	50,729,249	6.54%	6.50%	5.64%	5.88%	9.57%	8.94%
2000	36,459,873	5.18%	5.47%	5.30%	5.71%	4.94%	4.49%
1999	36,122,881	6.02%	6.01%	4.71%	5.07%	4.90%	5.02%
1998	31,533,466	6.11%	6.51%	5.25%	5.50%	7.11%	6.42%
1997	28,961,501	6.03%	6.12%	5.26%	5.33%	6.81%	6.09%
1996	27,987,169	6.18%	6.32%	5.44%	5.55%	5.29%	5.54%
1995	20,145,287	4.87%	5.41%	5.05%	5.36%	7.78%	6.41%
1994	15,309,074	3.73%	4.17%	3.18%	3.27%	2.73%	1.87%
1993	20,908,872	5.34%	5.05%	3.12%	3.19%	4.98%	4.71%
1992	26,680,663	7.23%	7.32%	4.67%	4.98%	7.98%	7.95%
1991	30,595,214	8.48%	8.50%	6.76%	7.20%	9.65%	9.43%
1990	30,876,016	8.81%	8.78%	7.93%	8.39%	8.66%	8.45%
1989	24,741,382	7.35%	8.51%	7.82%	8.64%	9.59%	8.22%
1988	19,634,393	6.52%	7.30%	5.51%	6.78%	7.70%	6.96%
1987	19,763,489	7.11%	6.84%	5.51%	5.98%	6.66%	5.72%
1986	22,702,888	8.69%	8.74%	7.08%	7.43%		
1985	24,805,620	9.91%	9.75%	9.09%	9.47%		
1984	22,179,507	9.02%	9.66%	9.42%	9.40%		
1983	25,178,343	12.11%	10.99%	8.56%	9.49%		
1982	30,488,779	15.51%	13.26%	13.53%	14.66%		
1981	26,148,927	11.50%	12.42%	12.65%	13.37%		
1980	23,762,605	11.78%	11.92%	11.24%	11.95%		
1979	14,661,310	7.82%	8.82%	8.99%	9.02%		
1978	11,069,889	6.96%	7.75%	6.03%	6.03%		
1977	9,853,216	8.37%	7.04%	4.89%	4.71%		
1976	8,378,771	7.92%	7.34%	5.51%	5.23%		
1975	11,490,970	11.00%	10.39%	6.76%	8.15%		
1974	7,966,372	8.35%	9.88%	8.03%	8.90%		
1973 [Ⓜ]	<u>1,674,845</u>	4.90%	6.92% [❖]	6.10% [❖]	7.00% [❖]		
	<u>\$1,331,474,153</u>						

* Yield on funds managed by the Investment Office excluding CDs.
 ✓ Total return of SDCFF Short-Term Portfolio (CFFST).
 Ⓜ Prorated amount and rate are 7-month numbers.
 ❖ Rate is annualized.

Asset Growth²³ (\$ in millions)



Investment Income²⁴ (\$ in millions)



Distribution of Assets

SDCFF internal Short-Term Fixed Income, Intermediate-Term Fixed Income, and Money Market portfolios, and CD Program characteristics as of June 30, 2023, are presented below.

Distribution by Duration

	%
0 to 1 year	73.4%
1 to 2 years	7.1%
2 to 3 years	5.5%
3 to 4 years	5.3%
4 to 5 years	3.3%
5 to 6 years	1.4%
Above 6 years	<u>4.0%</u>
Total	<u>100.0%</u>

Distribution by Quality Rating

	%
U.S. Gov't/Aaa	83.3%
Aa	1.9%
A	12.1%
Baa	2.7%
Ba	<u>0.0%</u>
Total	<u>100.0%</u>

Distribution by Coupon

	%
0.00% - 1.00%	37.9%
1.01% - 2.00%	6.2%
2.01% - 3.00%	5.5%
3.01% - 4.00%	7.1%
4.01% - 5.00%	42.0%
5.01% and over	<u>1.3%</u>
Total	<u>100.0%</u>

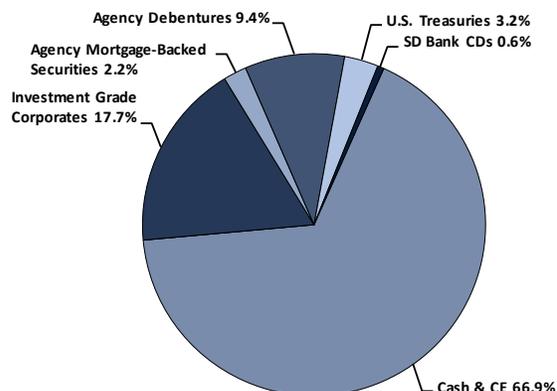
Distribution by Sector

	%
Cash/Cash Equivalents	66.9%
Bank CDs	0.6%
U.S. Treasuries	3.2%
Agency Debentures	9.4%
Agency Mortgage-Backed Securities	2.2%
Investment Grade Corporates	<u>17.7%</u>
Total	<u>100.0%</u>

10 Largest Corporates by Issuer

	% of Total
Apple, Inc.	2.5%
Bank of New York Mellon Corp.	2.4%
Deere & Co.	2.3%
Berkshire Hathaway, Inc.	2.1%
Honda Motor Co., Ltd.	2.1%
Caterpillar, Inc.	2.1%
UnitedHealth Group, Inc.	2.0%
Toyota Motor Corp.	1.9%
PACCAR, Inc.	1.9%
Walmart, Inc.	<u>1.8%</u>
Total	<u>21.1%</u>

Asset Allocation



THE FUND

The School and Public Lands (SPL) fund is a permanent trust fund established by the South Dakota Constitution. Article VIII Sec. 3 of the Constitution requires all interest and income to be faithfully used and applied each year for the benefit of the public schools of the state. The principal shall never be diverted by legislative enactment for any purpose. The income from the fund is paid out annually to South Dakota primary, secondary, and higher education schools. The principal of the fund resulted primarily from the sale of land over many decades.

Constitutional Amendment E, passed in November 2000, allows the fund to be invested in stocks, bonds, mutual funds, and other financial instruments. South Dakota Codified Law (SDCL) 5-10-18 states that the provisions of SDCL 4-5-27, prudent-person standard, govern the moneys in the trust. The constitutional amendment requires that sufficient income be retained to offset the effect of inflation³ assuring the fund will grow at least at the rate of inflation. State statute allows realized capital gains to be used to satisfy the inflation requirement. The shift away from an exclusive focus on current income and the requirement to offset inflation initially reduced the payout to schools but has allowed the payout to increase over the long term. The change to the asset allocation policy resulting from the Constitutional Amendment was phased in over several fiscal years.

OBJECTIVES AND COMPONENTS

The objectives of SPL are to 1) provide a distribution of income and 2) promote inflation-adjusted growth of the fund through the constitutionally-mandated CPI adjustment.

SPL assets were invested in diversified portfolios during fiscal year 2023, as shown on the following page. The fund was invested primarily in U.S. Treasury and mortgage-backed securities before the constitutional amendment in 2000. Since then, the South Dakota Investment Council has gradually shifted the asset allocation to be more like that of the South Dakota Retirement System.

The long-term expected return of the fund as of June 30, 2023, was 6.90% with a volatility of 13.9%. This means the return in any given year is expected to fall within a range of (7.0%) to 20.8% with 66% confidence or (20.9%) to 34.7% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2023

The fund ended fiscal year 2023 with a fair value of \$389,873,964. The principal is adjusted by the inflation factor each year as required by the constitutional amendment. SPL's fiscal year total return, including realized and unrealized gains and losses and accrued income, was 5.9% net of fees. The Capital Markets Benchmark¹⁴ return was 9.4%. The difference relative to the benchmark resulted from an asset allocation underweight in equities and overweight in cash. The total fund return was negatively impacted by the underperformance of private equity and real estate compared to the respective benchmarks. The ten-year annualized total return was 7.0%. This compares with the ten-year Capital Markets Benchmark¹⁴ return of 6.9%. The fund distributed \$9,984,927 to the common schools in February 2023 and \$3,012,281 to the schools of higher education in June 2023.

Appropriated income from all sources is determined by the School and Public Lands office in Pierre and reported in their annual report.

Cash Flows and Fair Value Changes

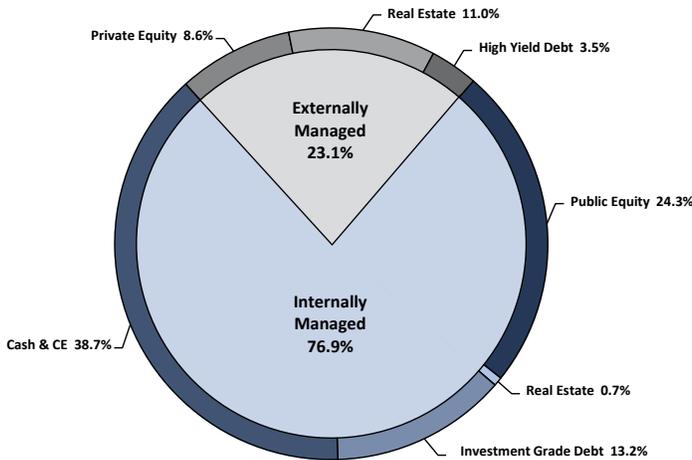
SPL began fiscal year 2023 with \$371.2 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$4.6 million and investment income increased it by \$23.3 million, resulting in an ending fair value of \$389.9 million.

Fair Value 6/30/22		\$ 371,237,952
Increases/Decreases		
Net Contributions/Withdrawals	\$ (3,514,090)	
External Management Fees	<u>(1,085,928)</u>	
Total Increases/Decreases		\$ (4,600,018)
Investment Income		
Securities Income		
Interest Income	\$ 6,992,224	
Dividend Income	2,485,625	
Securities Lending Income	3,278	
Real Estate Income	474,854	
Change in Accrued Income	<u>538,714</u>	
Total Securities Income		\$ 10,494,695
Capital Gain/Loss Income		
Change in Unrealized Gain/Loss	\$ 5,761,672	
Realized Gain/Loss	<u>6,979,663</u>	
Total Capital Gain/Loss Income		<u>\$ 12,741,335</u>
Total Investment Income		\$ 23,236,030
Fair Value 6/30/23		<u>\$ 389,873,964</u>

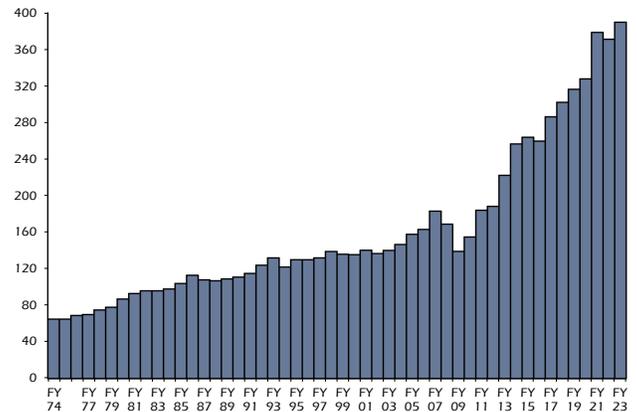
Asset Allocation⁸

As of June 30, 2023, SPL assets totaled \$389.9 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

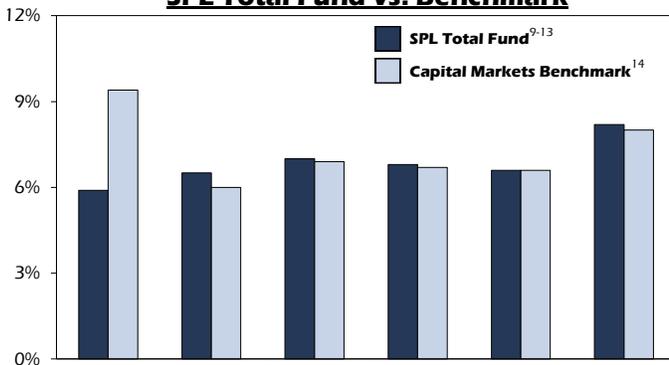
	<u>Fair Value</u>		<u>% of Fund</u>	<u>Capital Markets Benchmark %</u>
Public Equity				
Internal Public Equity	\$ 83,985,486		21.5%	
Internal Emerging Markets ETF	<u>10,774,098</u>	\$ 94,759,584	<u>2.8%</u>	24.3%
Private Equity				
Blackstone Capital Partners	\$ 2,007,055		0.5%	
Carlyle	1,123,382		0.3%	
Cinven	5,599,939		1.4%	
CVC	6,369,133		1.6%	
Riverstone	2,916,091		0.8%	
Silver Lake	<u>15,391,044</u>	33,406,644	<u>4.0%</u>	8.6%
Real Estate				
Internal REIT	\$ 2,585,717		0.7%	
Blackstone Real Estate Partners	29,119,758		7.5%	
Brookfield Strategic Partners	3,719,897		1.0%	
Lone Star	1,955,372		0.5%	
Rockpoint	3,481,729		0.9%	
Starwood	<u>4,500,193</u>	45,362,666	<u>1.1%</u>	11.0%
Investment Grade Debt				
Internal Investment Grade	\$ 51,319,014	51,319,014	<u>13.2%</u>	13.2%
High Yield Debt (Corporate)				
Vanguard	\$ 13,930,468	13,930,468	<u>3.5%</u>	3.5%
Cash & Cash Equivalents				
Internal Cash	\$ 317		0.0%	
Internal Money Market Fund	<u>151,095,271</u>	<u>151,095,588</u>	<u>38.7%</u>	<u>38.7%</u>
Total		<u>\$389,873,964</u>	<u>100.0%</u>	<u>100.0%</u>



Asset Growth²³ (\$ in millions)

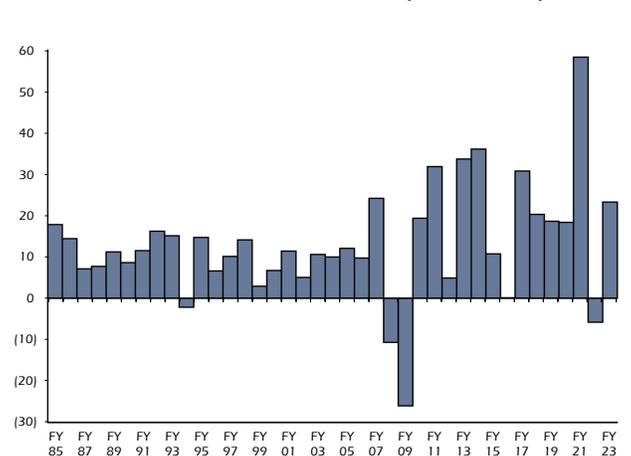


SPL Total Fund vs. Benchmark



	1 Year	5 Years	10 Years	20 Years	30 Years	39 Years
SPL	5.9%	6.5%	7.0%	6.8%	6.6%	8.2%
Benchmark	9.4%	6.0%	6.9%	6.7%	6.6%	8.0%
Difference	(3.5%)	0.5%	0.1%	0.1%	0.0%	0.2%

Investment Income²⁴ (\$ in millions)



Annualized Returns and Investment Income started calculating/tracking in FY 1985.

Internal Public Equity Profile

SPL internal Public Equity portfolio characteristics as of June 30, 2023, are presented below. This does not include exposure from internally held ETFs.

Distribution by Market Sector	%	10 Largest Country Weights	% of Total
Communication Services	7.0%	United States	78.7%
Consumer Discretionary	10.2%	Great Britain	3.7%
Consumer Staples	6.7%	Germany	3.2%
Energy	9.0%	Japan	2.8%
Financials	17.5%	Switzerland	2.6%
Health Care	14.1%	Canada	2.0%
Industrials	10.1%	France	1.8%
Information Technology	19.1%	South Korea	1.6%
Materials	2.9%	Netherlands	0.8%
Utilities	1.9%	Belgium	0.5%
Cash Equivalents	1.5%		
Total	<u>100.0%</u>	Total	<u>97.7%</u>

Internal Emerging Markets Equity

SPL internal Public Equity benchmark does not include emerging markets. Emerging markets exposure is primarily obtained through emerging markets index funds or exchange-traded funds (ETFs). The following provides information on ETFs held as of June 30, 2023.

	Fair Value	% of SPL Total Fund
Vanguard FTSE Emerging Markets ETF	\$10,774,098	2.8%

Internal Bond Profiles

SPL internal Investment Grade (IG) bond portfolio characteristics as of June 30, 2023, are presented below.

Distribution by Duration	IG	Distribution by Quality Rating	IG
0 to 2 Years	4.4%	U.S. Gov't/Aaa	65.3%
2 to 3 Years	11.3%	Aa	8.1%
3 to 4 Years	6.9%	A	16.1%
4 to 5 Years	15.5%	Baa	10.5%
5 to 6 Years	14.5%	Ba	0.0%
6 to 8 Years	38.1%	B	0.0%
Above 8 Years	9.3%	Caa and lower	0.0%
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Distribution by Coupon	IG	Distribution by Sector	IG
0.00% - 1.00%	36.1%	Cash/Cash Equivalents	2.2%
1.01% - 2.00%	17.1%	U.S. Treasuries	33.1%
2.01% - 3.00%	25.8%	Agency Debentures	2.8%
3.01% - 4.00%	9.3%	Agency Mortgage-Backed Securities	25.8%
4.01% - 5.00%	9.8%	Investment Grade Corporates	36.1%
5.01% - 6.00%	1.8%	High Yield Securities	0.0%
6.01% and over	0.1%		
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Top 10 Holdings

SPL internal Public Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2023, are presented below.

Public Equity Company Holdings	% of Total	Investment Grade Corporates by Issuer	% of Total
Microsoft Corp.	3.8%	Ontario (Province Of)	2.4%
Apple, Inc.	3.4%	Bank of America Corp.	1.7%
Alphabet, Inc.	2.5%	Pfizer, Inc.	1.5%
Amazon.com, Inc.	1.9%	Starbucks Corp.	1.4%
Berkshire Hathaway, Inc.	1.1%	JPMorgan Chase & Co.	1.4%
Meta Platforms, Inc.	1.0%	Amazon.com, Inc.	1.3%
SAP SE	1.0%	Home Depot, Inc.	1.3%
Roche Holding AG	1.0%	Deere & Co.	1.3%
Samsung Electronics Co., Ltd.	0.9%	Morgan Stanley	1.1%
NVIDIA Corp.	0.9%	Quebec (Province Of)	1.1%
Total	<u>17.5%</u>	Total	<u>14.5%</u>

THE FUND

The Dakota Cement Trust Fund (DCT) was established under the Constitution in 2001 and amended in 2012. Two sections of Article XIII of the Constitution were changed.

Section 20 of Article XIII provided that the net proceeds from the sale of state cement enterprises be deposited into a trust fund created to benefit the citizens of South Dakota. It directed the South Dakota Investment Council (Council) to invest the trust fund in stocks, bonds, mutual funds, and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 5-17-42 states that the provisions of SDCL 4-5-27, prudent-person standard, govern the moneys in the trust.

Section 21 of Article XIII of the South Dakota Constitution was amended in November 2012. The amendment changed the distribution calculation to "...four percent of the lesser of the average market value of the trust fund determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters as of December 31 of that year and dividing that sum by sixteen, or the market value of the trust fund at the end of that calendar year for the support of education in South Dakota."

Each year the state treasurer is directed to distribute from the trust fund to the general fund the amount calculated per the South Dakota Constitution.

OBJECTIVES AND COMPONENTS

The objectives of DCT are to 1) provide a distribution of 4% of the market value and 2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

DCT assets were invested in diversified portfolios during fiscal year 2023, as shown on the following page. Since the establishment of the fund, the Council has gradually shifted the asset allocation to be more like that of the South Dakota Retirement System.

The long-term expected return of the fund as of June 30, 2023, was 6.90% with a volatility of 13.9%. This means the return in any given year is expected to fall within a range of (7.0%) to 20.8% with 66% confidence or (20.9%) to 34.7% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2023

The fund ended fiscal year 2023 with a fair value of \$363,358,750, principal value of \$238,000,000, and inflation-adjusted principal of \$409,016,731. DCT's fiscal year total return, including realized and unrealized gains and losses and accrued income, was 5.4% net of fees. The Capital Markets Benchmark¹⁶ return was 9.4%. The difference relative to the benchmark resulted from an asset allocation underweight in equities and overweight in cash. The total fund return was negatively impacted by the underperformance of private equity and real estate compared to the respective benchmarks. The ten-year annualized total return was 7.0%. This compares with the ten-year Capital Markets Benchmark¹⁶ return of 6.9%. In May 2023, the fund distributed \$14,369,136 to the general fund. Since inception, the fund has distributed \$282.68 million to the general fund.

Cash Flows and Fair Value Changes

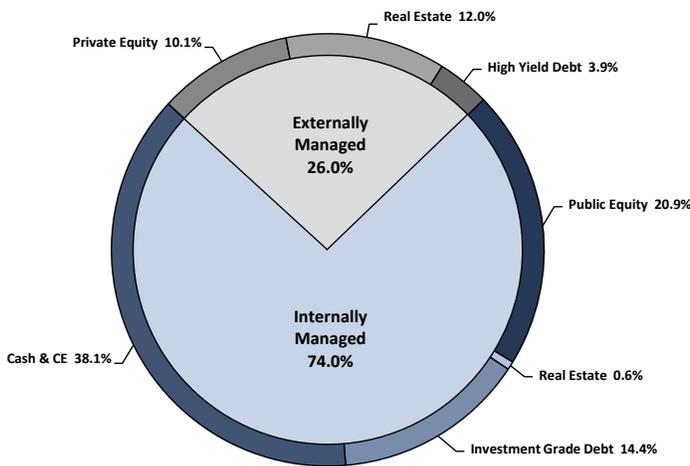
DCT began fiscal year 2023 with \$358.7 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$15.8 million and investment income increased it by \$20.5 million, resulting in an ending fair value of \$363.4 million.

Fair Value 6/30/22		\$	358,650,927
Increases/Decreases			
Net Contributions/Withdrawals	\$	(14,369,136)	
Internal Management Fees		(360,424)	
External Management Fees		<u>(1,048,688)</u>	
Total Increases/Decreases		\$	(15,778,248)
Investment Income			
Securities Income			
Interest Income	\$	6,744,319	
Dividend Income		2,254,452	
Securities Lending Income		1,247	
Real Estate Income		436,061	
Change in Accrued Income		<u>461,030</u>	
Total Securities Income	\$	9,897,109	
Total Capital Gain/Loss Income	\$	<u>10,588,962</u>	
Total Investment Income		\$	<u>20,486,071</u>
Fair Value 6/30/23		\$	<u>363,358,750</u>

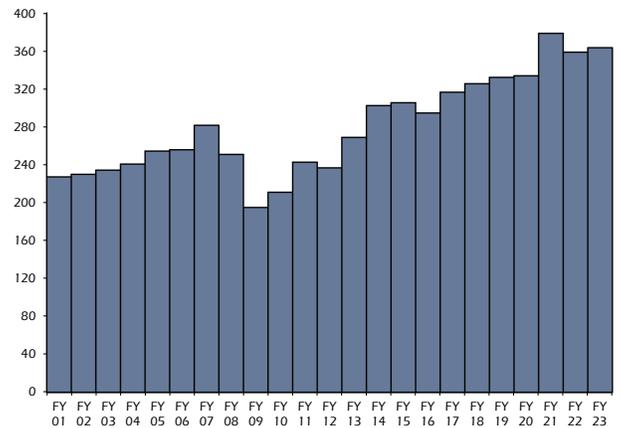
Asset Allocation⁸

As of June 30, 2023, DCT assets totaled \$363.4 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

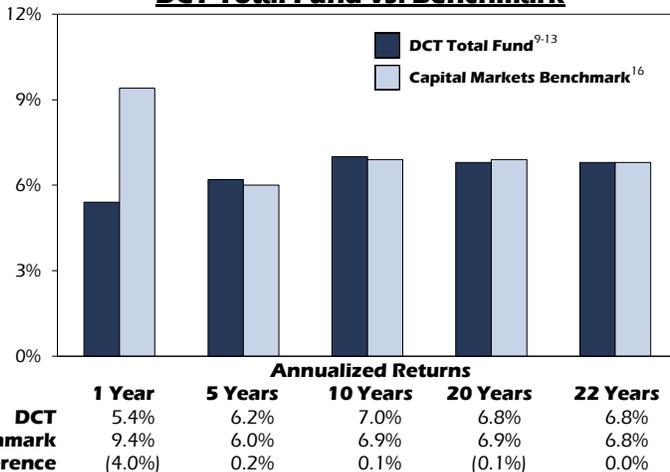
	<u>Fair Value</u>		<u>% of Fund</u>		<u>Capital Markets Benchmark %</u>
Public Equity					
Internal Public Equity	\$ 67,347,150		18.5%		
Internal Emerging Markets ETF	<u>8,635,184</u>	\$ 75,982,334	<u>2.4%</u>	20.9%	50.0%
Private Equity					
Blackstone Capital Partners	\$ 2,222,973		0.6%		
Carlyle	1,347,835		0.4%		
Cinven	6,001,492		1.7%		
CVC	6,618,084		1.8%		
Riverstone	3,341,350		0.9%		
Silver Lake	<u>17,144,346</u>	36,676,080	<u>4.7%</u>	10.1%	0.0%
Real Estate					
Internal REIT	\$ 2,276,165		0.6%		
Blackstone Real Estate Partners	30,138,881		8.3%		
Brookfield Strategic Partners	3,188,482		0.9%		
Lone Star	2,179,602		0.6%		
Rockpoint	3,544,067		1.0%		
Starwood	<u>4,413,208</u>	45,740,405	<u>1.2%</u>	12.6%	11.0%
Investment Grade Debt					
Internal Investment Grade	\$ 52,198,745	52,198,745	<u>14.4%</u>	14.4%	30.0%
High Yield Debt (Corporate)					
Vanguard	<u>14,234,387</u>	14,234,387	<u>3.9%</u>	3.9%	7.0%
Cash & Cash Equivalents					
Internal Cash	\$ 123		0.0%		
Internal Money Market Fund	<u>138,526,676</u>	<u>138,526,799</u>	<u>38.1%</u>	<u>38.1%</u>	<u>2.0%</u>
Total		<u>\$363,358,750</u>		<u>100.0%</u>	<u>100.0%</u>



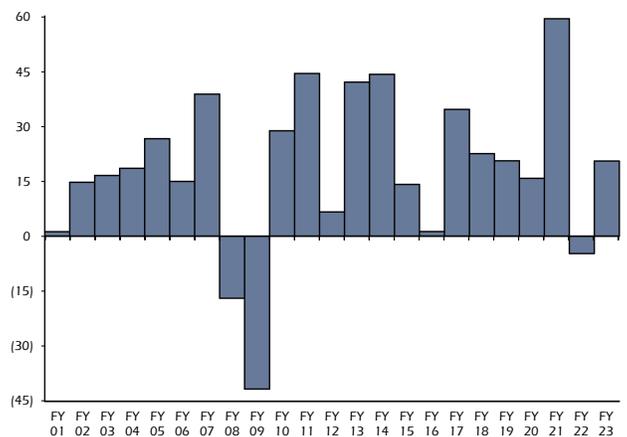
Asset Growth²³ (\$ in millions)



DCT Total Fund vs. Benchmark



Investment Income²⁴ (\$ in millions)



Internal Public Equity Profile

DCT internal Public Equity portfolio characteristics as of June 30, 2023, are presented below. This does not include exposure from internally held ETFs.

Distribution by Market Sector	%	10 Largest Country Weights	% of Total
Communication Services	7.0%	United States	78.9%
Consumer Discretionary	10.3%	Great Britain	3.8%
Consumer Staples	6.8%	Germany	3.3%
Energy	9.0%	Japan	3.0%
Financials	17.9%	Switzerland	2.7%
Health Care	14.2%	Canada	2.1%
Industrials	10.4%	France	1.9%
Information Technology	19.0%	South Korea	1.7%
Materials	3.0%	Netherlands	0.8%
Utilities	2.0%	Belgium	0.5%
Cash Equivalents	0.4%		
Total	<u>100.0%</u>	Total	<u>98.7%</u>

Internal Emerging Markets Equity

DCT internal Public Equity benchmark does not include emerging markets. Emerging markets exposure is primarily obtained through emerging markets index funds or exchange-traded funds (ETFs). The following provides information on ETFs held as of June 30, 2023.

	Fair Value	% of DCT Total Fund
Vanguard FTSE Emerging Markets ETF	\$8,635,184	2.4%

Internal Bond Profiles

DCT internal Investment Grade (IG) bond portfolio characteristics as of June 30, 2023, are presented below.

Distribution by Duration	IG	Distribution by Quality Rating	IG
0 to 2 Years	3.8%	U.S. Gov't/Aaa	65.2%
2 to 3 Years	11.2%	Aa	8.1%
3 to 4 Years	7.5%	A	16.1%
4 to 5 Years	15.2%	Baa	10.6%
5 to 6 Years	14.2%	Ba	0.0%
6 to 8 Years	38.8%	B	0.0%
Above 8 Years	9.3%	Caa and lower	0.0%
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Distribution by Coupon	IG	Distribution by Sector	IG
0.00% - 1.00%	35.5%	Cash/Cash Equivalents	1.5%
1.01% - 2.00%	17.8%	U.S. Treasuries	33.1%
2.01% - 3.00%	25.9%	Agency Debentures	2.8%
3.01% - 4.00%	9.2%	Agency Mortgage-Backed Securities	26.5%
4.01% - 5.00%	9.1%	Investment Grade Corporates	36.1%
5.01% - 6.00%	2.4%	High Yield Securities	0.0%
6.01% and over	0.1%		
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Top 10 Holdings

DCT internal Public Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2023, are presented below.

Public Equity Company Holdings	% of Total	Investment Grade Corporates by Issuer	% of Total
Microsoft Corp.	3.8%	Ontario (Province Of)	2.4%
Apple, Inc.	3.4%	Bank of America Corp.	1.7%
Alphabet, Inc.	2.5%	Pfizer, Inc.	1.5%
Amazon.com, Inc.	1.9%	Starbucks Corp.	1.4%
Berkshire Hathaway, Inc.	1.1%	JPMorgan Chase & Co.	1.4%
Meta Platforms, Inc.	1.0%	Amazon.com, Inc.	1.3%
SAP SE	1.0%	Home Depot, Inc.	1.3%
Roche Holding AG	1.0%	Deere & Co.	1.3%
Samsung Electronics Co., Ltd.	0.9%	Morgan Stanley	1.1%
NVIDIA Corp.	0.9%	Quebec (Province Of)	1.1%
Total	<u>17.5%</u>	Total	<u>14.5%</u>

THE FUND

The Education Enhancement Trust Fund (EET) was established under the Constitution through a Joint Resolution submitted to South Dakota citizens at a special election on April 10, 2001. Article XII §6 provided that any funds received as of July 1, 2001, and thereafter pursuant to the Master Settlement Agreement entered into on November 23, 1998, by the State of South Dakota and major United States tobacco product manufacturers or the net proceeds of any sale or securitization of rights to receive payments pursuant to the Master Settlement Agreement, any fund in the youth-at-risk trust fund, and any funds appropriated to EET thereafter are placed in EET. During fiscal year 2013, \$3 million was placed in the fund for scholarship purposes per Senate Bills 233 and 237. During fiscal year 2016, \$3.5 million was placed in the fund for scholarship purposes per Senate Bill 67. The constitution directs the South Dakota Investment Council (Council) to invest the trust funds in stocks, bonds, mutual funds, and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 10-50B-11.1 states that the provisions of SDCL 4-5-27, prudent-person standard, govern the moneys in the trust.

Each year the state treasurer is directed to distribute from the trust fund to the general fund an amount appropriated by law for education enhancement programs. The distribution is defined in SDCL 4-5-29.2. The state investment officer shall determine the sixteen-quarter average market value of the fund as of December 31 and calculate an amount equal to 4%, without invading principal, that is eligible for distribution at the beginning of the next fiscal year. The fund principal may not be diverted for other purposes unless appropriated by a three-fourths vote of all the members-elect of each house of the Legislature.

SECURITIZATION

On September 24, 2002, the fund was increased by net proceeds of \$243,596,553 from Tobacco Settlement Asset-Backed Bonds. The Tobacco Settlement Asset-Backed Bonds have been refunded throughout the years with more favorable terms. The most recent bond refunding was completely in taxable bonds versus prior refundings that were taxable and tax-exempt municipal bonds.

OBJECTIVES AND COMPONENTS

The objectives of EET are to 1) provide a distribution of 4% of market value and 2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

EET assets were invested in diversified portfolios during fiscal year 2023, as shown on the following page. The tax-exempt municipal bonds were invested per the requirements of the bond indenture for the securitization and managed by PIMCO Asset Management. All tax-exempt bonds were redeemed during fiscal year 2023, and the portfolio was liquidated with funds placed in a taxable portfolio to generate higher expected returns. Since the inception of the fund, the Council has shifted the asset allocation to be more like that of the South Dakota Retirement System.

The long-term expected return of the fund as of June 30, 2023, was 6.90% with a volatility of 13.9%. This means the return in any given year is expected to fall within a range of (7.0%) to 20.8% with 66% confidence or (20.9%) to 34.7% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2023

The fund ended fiscal year 2023 with a fair value of \$728,497,344, principal value of \$443,645,783, and inflation-adjusted principal of \$689,050,563. EET's fiscal year total return, including realized and unrealized gains and losses and accrued income, was 5.9% net of fees. The Capital Markets Benchmark¹⁷ return was 9.7%. The difference relative to the benchmark resulted from an asset allocation underweight in equities and overweight in cash. The total fund return was negatively impacted by the underperformance of private equity and real estate compared to the respective benchmarks. The ten-year annualized total return was 6.8%. This compares with the ten-year Capital Markets Benchmark¹⁷ return of 7.0%. The fund's return has been impacted by the required use of tax-exempt securities and in future years may become more favorable after the liquidation. In July 2023, the fund distributed 4% of the sixteen-quarter average market value as of December 31, 2022, totaling \$26,389,450, to the general fund for education expenditures. Since inception, the fund has distributed \$359.83 million.

Cash Flows and Fair Value Changes

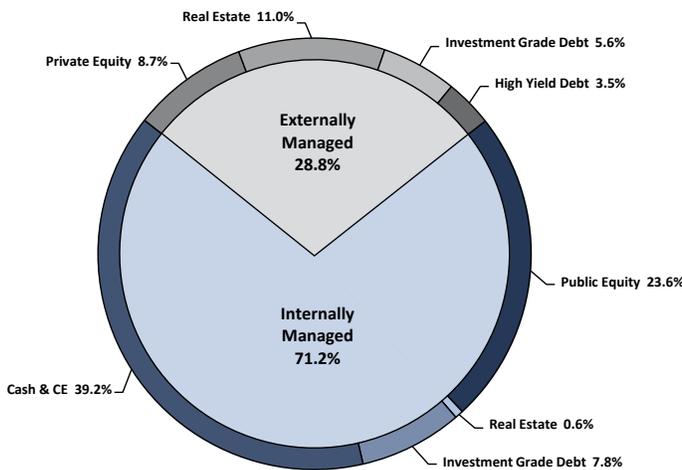
EET began fiscal year 2023 with \$701.7 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$16.0 million and investment income increased it by \$42.8 million, resulting in an ending fair value of \$728.5 million.

Fair Value 6/30/22		\$ 701,701,457
Increases/Decreases		
Net Contributions/Withdrawals	\$ (13,291,698)	
Internal Management Fees	(673,116)	
External Management Fees	<u>(2,089,297)</u>	
Total Increases/Decreases		\$ (16,054,111)
Investment Income		
Securities Income		
Interest Income	\$ 13,756,730	
Dividend Income	4,474,695	
Securities Lending Income	2,481	
Real Estate Income	824,129	
Change in Accrued Income	<u>665,596</u>	
Total Securities Income	\$ 19,723,631	
Total Capital Gain/Loss Income	<u>\$ 23,126,367</u>	
Total Investment Income		\$ 42,849,998
Fair Value 6/30/23		<u>\$ 728,497,344</u>

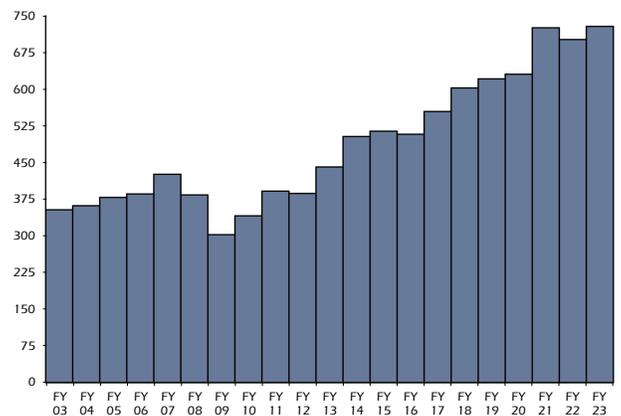
Asset Allocation⁸

As of June 30, 2023, EET assets totaled \$728.5 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

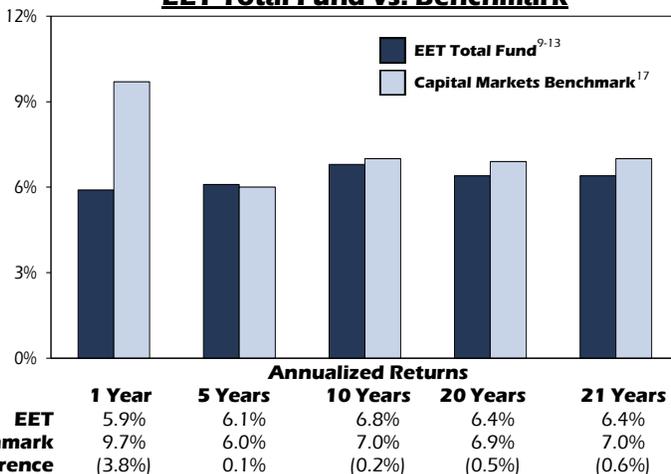
	<u>Fair Value</u>		<u>% of Fund</u>	<u>Capital Markets Benchmark %</u>
Public Equity				
Internal Public Equity	\$ 153,259,101		21.0%	
Internal Emerging Markets ETF	<u>18,792,207</u>	\$ 172,051,308	<u>2.6%</u>	23.6%
Private Equity				
Blackstone Capital Partners	\$ 3,599,337		0.5%	
Carlyle	2,111,957		0.3%	
Cinven	10,469,923		1.4%	
CVC	11,993,027		1.7%	
Riverstone	5,589,183		0.8%	
Silver Lake	<u>29,465,844</u>	63,229,271	<u>4.0%</u>	0.0%
Real Estate				
Internal REIT	\$ 4,585,270		0.6%	
Blackstone Real Estate Partners	54,453,923		7.5%	
Brookfield Strategic Partners	6,908,369		0.9%	
Lone Star	3,653,472		0.6%	
Rockpoint	6,636,442		0.9%	
Starwood	<u>8,075,279</u>	84,312,755	<u>1.1%</u>	11.0%
Investment Grade & Tax-Exempt Debt				
Internal Investment Grade	\$ 56,191,477		7.8%	
Vanguard	<u>41,019,445</u>	97,210,922	<u>5.6%</u>	13.4%
High Yield Debt (Corporate)				
Vanguard	<u>25,943,873</u>	25,943,873	<u>3.5%</u>	7.0%
Cash & Cash Equivalents				
Internal Cash	\$ 518		0.0%	
Internal Money Market Fund	<u>285,748,697</u>	<u>285,749,215</u>	<u>39.2%</u>	<u>39.2%</u>
Total		<u>\$728,497,344</u>	<u>100.0%</u>	<u>100.0%</u>



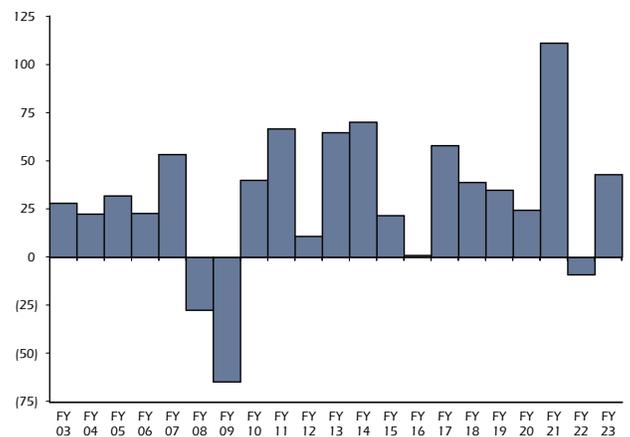
Asset Growth²³ (\$ in millions)



EET Total Fund vs. Benchmark



Investment Income²⁴ (\$ in millions)



Internal Public Equity Profile

EET internal Public Equity portfolio characteristics as of June 30, 2023, are presented below. This does not include exposure from internally held ETFs.

Distribution by Market Sector	%	10 Largest Country Weights	% of Total
Communication Services	7.0%	United States	79.4%
Consumer Discretionary	10.2%	Great Britain	3.5%
Consumer Staples	6.7%	Germany	3.1%
Energy	9.1%	Japan	2.8%
Financials	17.6%	Switzerland	2.5%
Health Care	14.2%	Canada	2.0%
Industrials	10.2%	France	1.8%
Information Technology	19.0%	South Korea	1.6%
Materials	2.9%	Netherlands	0.8%
Utilities	1.9%	Belgium	0.5%
Cash Equivalents	1.2%		
Total	<u>100.0%</u>	Total	<u>98.0%</u>

Internal Emerging Markets Equity

EET internal Public Equity benchmark does not include emerging markets. Emerging markets exposure is primarily obtained through emerging markets index funds or exchange-traded funds (ETFs). The following provides information on ETFs held as of June 30, 2023.

	Fair Value	% of EET Total Fund
Vanguard FTSE Emerging Markets ETF	\$18,792,207	2.6%

Internal Bond Profiles

EET internal Investment Grade (IG) bond portfolio characteristics as of June 30, 2023, are presented below.

Distribution by Duration	IG	Distribution by Quality Rating	IG
0 to 2 Years	4.4%	U.S. Gov't/Aaa	65.3%
2 to 3 Years	11.3%	Aa	8.1%
3 to 4 Years	7.0%	A	16.1%
4 to 5 Years	15.2%	Baa	10.5%
5 to 6 Years	14.7%	Ba	0.0%
6 to 8 Years	38.2%	B	0.0%
Above 8 Years	9.2%	Caa and lower	0.0%
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Distribution by Coupon	IG	Distribution by Sector	IG
0.00% - 1.00%	36.1%	Cash/Cash Equivalents	2.3%
1.01% - 2.00%	17.5%	U.S. Treasuries	33.1%
2.01% - 3.00%	25.5%	Agency Debentures	2.8%
3.01% - 4.00%	9.3%	Agency Mortgage-Backed Securities	25.8%
4.01% - 5.00%	9.4%	Investment Grade Corporates	36.0%
5.01% - 6.00%	2.1%	High Yield Securities	0.0%
6.01% and over	0.1%		
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Top 10 Holdings

EET internal Public Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2023 are presented below.

Public Equity Company Holdings	% of Total	Investment Grade Corporates by Issuer	% of Total
Microsoft Corp.	3.7%	Ontario (Province Of)	2.4%
Apple, Inc.	3.3%	Bank of America Corp.	1.7%
Alphabet, Inc.	2.4%	Pfizer, Inc.	1.5%
Amazon.com, Inc.	1.8%	Starbucks Corp.	1.4%
Berkshire Hathaway, Inc.	1.1%	JPMorgan Chase & Co.	1.4%
Meta Platforms, Inc.	1.0%	Amazon.com, Inc.	1.3%
Roche Holding AG	0.9%	Home Depot, Inc.	1.3%
SAP SE	0.9%	Deere & Co.	1.3%
Samsung Electronics Co., Ltd.	0.9%	Morgan Stanley	1.1%
NVIDIA Corp.	0.8%	Quebec (Province Of)	1.1%
Total	<u>16.8%</u>	Total	<u>14.5%</u>

HEALTH CARE TRUST

THE FUND

The Health Care Trust Fund (HCT) was established under the Constitution through a Joint Resolution submitted to South Dakota citizens at a special election on April 10, 2001. Article XII §5 provided that any funds on deposit in the intergovernmental transfer fund as of July 1, 2001, and any funds appropriated to HCT thereafter are placed in HCT. The constitutional change directed the South Dakota Investment Council (Council) to invest the trust fund in stocks, bonds, mutual funds, and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 28-6-33 states that the provisions of SDCL 4-5-27, prudent-person standard, govern the moneys in the trust. During the 2021 Legislative Session, House Bill 1273 transferred \$50 million from the general fund to the HCT effective March 24, 2021.

Each year the state treasurer is directed to distribute from the trust fund to the general fund an amount appropriated by law for health care related programs. The distribution is defined in SDCL 4-5-29.1. The state investment officer shall determine the sixteen-quarter average market value of the fund as of December 31 and calculate an amount equal to 4%, without invading principal, that is eligible for distribution at the beginning of the next fiscal year. The fund principal may not be diverted for other purposes unless appropriated by a three-fourths vote of all the members-elect of each house of the Legislature.

OBJECTIVES AND COMPONENTS

The objectives of HCT are to 1) provide a distribution of 4% of market value and 2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

HCT assets were invested in diversified portfolios during fiscal year 2023, as shown on the following page. Since the inception of the fund, the Council has shifted the asset allocation to be more like that of the South Dakota Retirement System.

The long-term expected return of the fund as of June 30, 2023, was 6.90% with a volatility of 13.9%. This means the return in any given year is expected to fall within a range of (7.0%) to 20.8% with 66% confidence or (20.9%) to 34.7% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2023

The fund ended fiscal year 2023 with a fair value of \$216,881,662, principal value of \$135,631,024, and inflation-adjusted principal of \$201,008,796. HCT's fiscal year total return, including realized and unrealized gains and losses and accrued income, was 5.8% net of fees. The Capital Markets Benchmark¹⁸ return was 9.4%. The difference relative to the benchmark resulted from an asset allocation underweight in equities and overweight in cash. The total fund return was negatively impacted by the underperformance of private equity and real estate compared to the respective benchmarks. The ten-year annualized total return was 6.8%. This compares with the ten-year Capital Markets Benchmark¹⁸ return of 6.9%. In July 2023, the fund distributed 4% of the sixteen-quarter average market value as of December 31, 2022, totaling \$7,276,454, to the general fund for health care related expenditures. Since inception, the fund has distributed \$95.67 million.

Cash Flows and Fair Value Changes

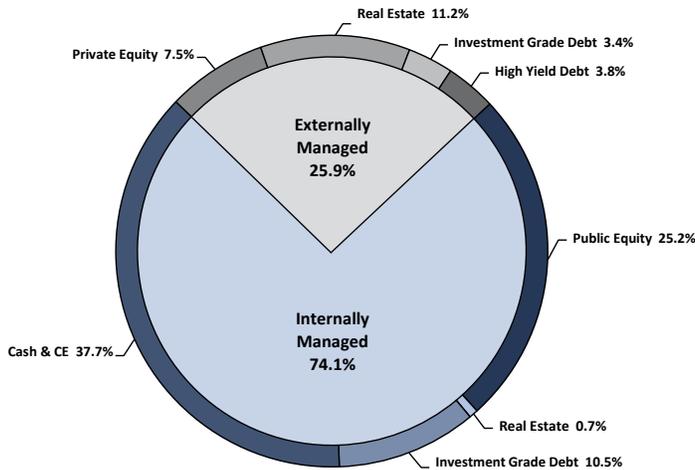
HCT began fiscal year 2023 with \$211.6 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$7.3 million and investment income increased it by \$12.6 million, resulting in an ending fair value of \$216.9 million.

Fair Value 6/30/22		\$ 211,605,434
Increases/Decreases		
Net Contributions/Withdrawals	\$ (6,612,325)	
Internal Management Fees	(206,981)	
External Management Fees	<u>(515,103)</u>	
Total Increases/Decreases		\$ (7,334,409)
Investment Income		
Securities Income		
Interest Income	\$ 3,921,818	
Dividend Income	1,530,147	
Securities Lending Income	806	
Real Estate Income	225,031	
Change in Accrued Income	<u>295,019</u>	
Total Securities Income	\$ 5,972,821	
Total Capital Gain/Loss Income	<u>\$ 6,637,816</u>	
Total Investment Income		<u>\$ 12,610,637</u>
Fair Value 6/30/23		<u>\$ 216,881,662</u>

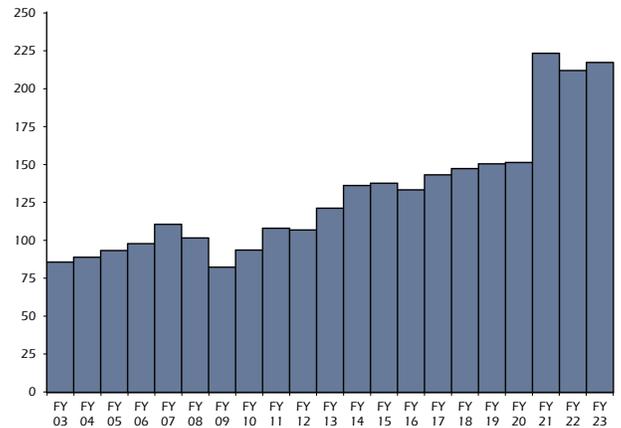
Asset Allocation⁸

As of June 30, 2023, HCT assets totaled \$216.9 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

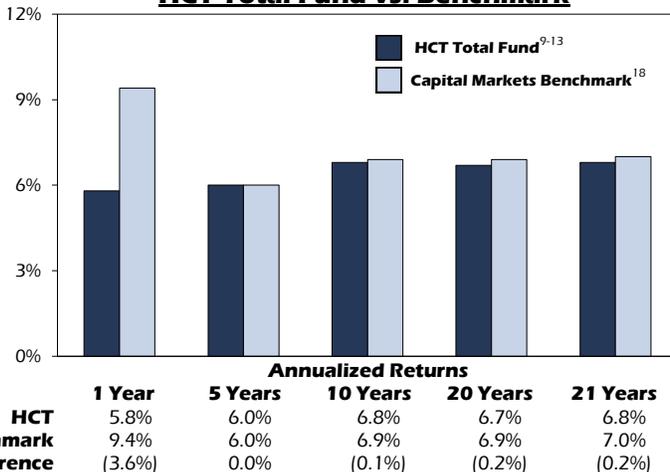
	<u>Fair Value</u>		<u>% of Fund</u>		<u>Capital Markets Benchmark %</u>
Public Equity					
Internal Public Equity	\$ 48,805,557		22.5%		
Internal Emerging Markets ETF	<u>5,878,341</u>	\$ 54,683,898	<u>2.7%</u>	25.2%	50.0%
Private Equity					
Blackstone Capital Partners	\$ 1,070,294		0.5%		
Carlyle	584,159		0.3%		
Cinven	2,675,469		1.2%		
CVC	2,936,424		1.4%		
Riverstone	1,518,789		0.7%		
Silver Lake	<u>7,464,567</u>	16,249,702	<u>3.4%</u>	7.5%	0.0%
Real Estate					
Internal REIT	\$ 1,462,217		0.7%		
Blackstone Real Estate Partners	13,210,549		6.1%		
Brookfield Strategic Partners	2,125,650		1.0%		
Lone Star	918,536		0.4%		
Rockpoint	1,566,693		0.7%		
Starwood	2,047,366		1.0%		
Vanguard	<u>4,427,462</u>	25,758,473	<u>2.0%</u>	11.9%	11.0%
Investment Grade Debt					
Internal Investment Grade	\$ 22,772,414		10.5%		
Vanguard	<u>7,396,582</u>	30,168,996	<u>3.4%</u>	13.9%	30.0%
High Yield Debt (Corporate)					
Vanguard	<u>8,200,364</u>	8,200,364	<u>3.8%</u>	3.8%	7.0%
Cash & Cash Equivalents					
Internal Cash	\$ 159		0.0%		
Internal Money Market Fund	<u>81,820,070</u>	<u>81,820,229</u>	<u>37.7%</u>	<u>37.7%</u>	<u>2.0%</u>
Total		<u>\$216,881,662</u>		<u>100.0%</u>	<u>100.0%</u>



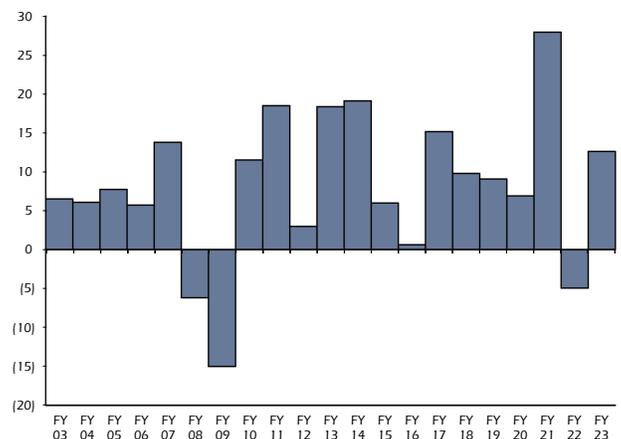
Asset Growth²³ (\$ in millions)



HCT Total Fund vs. Benchmark



Investment Income²⁴ (\$ in millions)



Internal Public Equity Profile

HCT internal Public Equity portfolio characteristics as of June 30, 2023, are presented below. This does not include exposure from internally held ETFs.

Distribution by Market Sector	%	10 Largest Country Weights	% of Total
Communication Services	7.0%	United States	80.3%
Consumer Discretionary	10.3%	Great Britain	3.5%
Consumer Staples	6.7%	Germany	3.1%
Energy	9.2%	Japan	2.8%
Financials	17.8%	Switzerland	2.5%
Health Care	14.4%	Canada	2.0%
Industrials	10.3%	France	1.7%
Information Technology	19.0%	South Korea	1.6%
Materials	2.9%	Netherlands	0.8%
Utilities	2.0%	Belgium	0.5%
Cash Equivalents	0.4%		
Total	100.0%	Total	98.8%

Internal Emerging Markets Equity

HCT internal Public Equity benchmark does not include emerging markets. Emerging markets exposure is primarily obtained through emerging markets index funds or exchange-traded funds (ETFs). The following provides information on ETFs held as of June 30, 2023.

	Fair Value	% of HCT Total Fund
Vanguard FTSE Emerging Markets ETF	\$5,878,341	2.7%

Internal Bond Profiles

HCT internal Investment Grade (IG) bond portfolio characteristics as of June 30, 2023, are presented below.

Distribution by Duration	IG	Distribution by Quality Rating	IG
0 to 2 Years	4.3%	U.S. Gov't/Aaa	65.3%
2 to 3 Years	11.5%	Aa	8.1%
3 to 4 Years	7.4%	A	16.1%
4 to 5 Years	15.3%	Baa	10.5%
5 to 6 Years	14.3%	Ba	0.0%
6 to 8 Years	38.0%	B	0.0%
Above 8 Years	9.2%	Caa and lower	0.0%
Total	100.0%	Total	100.0%

Distribution by Coupon	IG	Distribution by Sector	IG
0.00% - 1.00%	35.9%	Cash/Cash Equivalents	2.0%
1.01% - 2.00%	16.9%	U.S. Treasuries	33.1%
2.01% - 3.00%	26.0%	Agency Debentures	2.8%
3.01% - 4.00%	9.3%	Agency Mortgage-Backed Securities	26.1%
4.01% - 5.00%	9.5%	Investment Grade Corporates	36.0%
5.01% - 6.00%	2.3%	High Yield Securities	0.0%
6.01% and over	0.1%		
Total	100.0%	Total	100.0%

Top 10 Holdings

HCT internal Public Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2023, are presented below.

Public Equity Company Holdings	% of Total	Investment Grade Corporates by Issuer	% of Total
Microsoft Corp.	3.6%	Ontario (Province Of)	2.4%
Apple, Inc.	3.2%	Bank of America Corp.	1.7%
Alphabet, Inc.	2.3%	Pfizer, Inc.	1.5%
Amazon.com, Inc.	1.8%	Starbucks Corp.	1.4%
Berkshire Hathaway, Inc.	1.0%	JPMorgan Chase & Co.	1.4%
Meta Platforms, Inc.	1.0%	Amazon.com, Inc.	1.3%
Roche Holding AG	0.9%	Home Depot, Inc.	1.3%
SAP SE	0.9%	Deere & Co.	1.3%
Samsung Electronics Co., Ltd.	0.9%	Morgan Stanley	1.1%
NVIDIA Corp.	0.8%	Quebec (Province Of)	1.1%
Total	16.4%	Total	14.5%

HIGHER EDUCATION SAVINGS PLAN

In 2001, the Legislature assigned the South Dakota Investment Council (Council) the responsibility of establishing South Dakota's Higher Education Savings Plan. Federal tax law changes in 1996 regarding the Internal Revenue Code Section 529 created significant incentives for a new investment vehicle for those attempting to save for future higher education costs.

In November 2001, the Council selected Allianz Global Investors Distributors (Allianz, formerly PIMCO Funds Distributors LLC) as the program manager for the Section 529 program from seven candidates. South Dakota's plan is titled *CollegeAccess 529*. The contract with Allianz was renegotiated for additional seven-year terms in 2007 and 2014. The Council was notified by Allianz in July 2020 that VP Distributors, LLC (VPD) would be taking over their distribution business under a "long-term strategic partnership". After due diligence and consultation with legal counsel, the Council approved VPD as program manager while maintaining Allianz Global Investors Multi-Asset U.S. (AGI) as allocation advisor in charge of proposing asset allocation and investment options for the 529 plan. These changes went into effect on February 1, 2021, for a five-year term expiring February 1, 2026. On July 25, 2022, the AGI team serving as allocation advisor went to work for Virtus Fund Advisors and will continue to fulfill their previous role. Plan assets as of June 30, 2023 was \$833 million with participants from every state.

The Council and Allianz worked together to create a flexible 529 plan that would have special advantages for South Dakota citizens. This was accomplished by offering several investment choices for South Dakota residents investing directly (i.e., without a financial advisor) at a maximum total annual cost no greater than 0.65%. The Age-Based Investment Portfolios use shifting asset allocations based on the designated account beneficiary's age. These diversified investment portfolios are designed to emphasize total return and capital appreciation when the beneficiary is younger and increasingly emphasize preservation of capital and income as the beneficiary approaches college age. The total annual operating expense ratios for South Dakotans investing directly in the age-based portfolios ranged from 0.36% to 0.43% last year.

South Dakotans can also invest directly in the PIMCO Real Return Fund and the PIMCO All Asset Fund. The PIMCO Real Return Fund emphasizes the preservation of capital through investing primarily in high credit quality fixed income instruments and inflation-indexed bonds, while seeking returns higher than those generally offered by short-term funds. The PIMCO All Asset Fund emphasizes maximum real return (total return less inflation) by utilizing a dynamic asset allocation approach to invest in a portfolio of mutual funds managed by PIMCO. The total annual operating expense ratio for the PIMCO Real Return Fund and the PIMCO All Asset Funds were 0.45% and 0.65%, respectively, for South Dakota residents investing directly. South Dakota residents can also invest directly in a multi-fund customized investment portfolio called the Diversified Bond Portfolio. This portfolio seeks to maximize total return through two or more core bond funds. The total annual operating expense ratio for last year was 0.45% for South Dakota residents investing directly.

South Dakota investors, as well as investors nationwide, can invest in nine age-based portfolios, twelve individual mutual funds, and three customized investment portfolios by using the services of a financial advisor. Although all investors will encounter a fee when investing with the assistance of a financial advisor, South Dakota residents do not pay the annual account maintenance fee, which is currently \$20, or the annual program management fee of 0.25%.

SCHOLARSHIP PROGRAM

The initial contract provided that the program manager would fund a scholarship opportunity for outstanding South Dakota high school seniors. For each of the first three years of the scholarship program, Allianz guaranteed funding for seventy \$2,000 four-year scholarships, totaling \$8,000 each. Additionally, over five hundred \$1,500 one-time scholarships were awarded. Starting with fiscal year 2005, the availability of funding for the scholarship program has been dependent upon the amount of assets in South Dakota's *CollegeAccess 529 Plan*. In total, two hundred seventy-nine \$2,000 four-year scholarships, seventy \$2,000 two-year scholarships, and five hundred sixty-four \$1,500 one-time scholarships were awarded over the first six years of the Allianz South Dakota Scholarship Program. The Council managed the scholarship program for the first six years.

Subsequent to the inception of the Allianz scholarship program, other state-sponsored scholarships became available, and it was decided to contribute the Allianz scholarship funds to the Dakota Corps Scholarship. Since fiscal year 2007, scholarship funds totaling \$19,707,503 have been directed to the Dakota Corps Scholarship fund. Based on the assets as of June 30, 2023, and the scholarship funding formula, the resulting 2023 contribution was \$847,003. The original scholarship program and the Dakota Corps program share a common goal of keeping our talented young people in the state to foster South Dakota's economic well-being. The Dakota Corps program is geared toward students who plan to work toward a degree in a critical need occupation in South Dakota. To be eligible, students must meet academic requirements and attend a participating South Dakota post-secondary institution. The scholarship recipients must agree in writing to stay in South Dakota and work in a critical need occupation after graduation for as many years as the scholarship was received, plus one year. These students receive four-year scholarships equal to tuition and fees for 16 credit hours per semester at a public South Dakota college, public technical college, or tribal college. The scholarship amount for attendance at a participating private college in South Dakota would be the same amount that would be paid at a public South Dakota college, with the college covering the remaining tuition and fees if needed. A description of the program can be found at <https://www.sdbor.edu/dakotacorps/>.

ANNUAL REPORT

Each year the Council is required by law to submit an annual report letter by February 1 to the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The letter, dated January 20, 2023, can be found in the Appendix on the following page.

MORE INFORMATION

Further information on the higher education savings program can be found at www.CollegeAccess529.com. A section of the website has been custom-developed for South Dakota residents.



4009 West 49th Street, Suite 300
Sioux Falls, SD 57106-3784 USA
605-362-2820 – <https://sdic.sd.gov>

January 20, 2023

Hon. Kristi Noem
Governor of South Dakota
500 E. Capitol Avenue
Pierre, SD 57501-5070

Hon. Hugh Bartels, Speaker
South Dakota House of Representatives
500 E. Capitol Avenue
Pierre, SD 57501-5070

Hon. Lee Schoenbeck, President Pro Tempore
South Dakota Senate
500 E. Capitol Avenue
Pierre, SD 57501-5070

Dear Governor Noem, Speaker Bartels and President Pro Tempore Schoenbeck:

The South Dakota Investment Council (Council) is pleased to submit our twenty-second annual report on the Higher Education Savings Program as required by South Dakota Codified Law, Chapter 13-63, originally passed into law by the Legislature in 2001. The CollegeAccess 529 Plan was implemented by the Council in April of 2002. The plan allows South Dakota citizens, as well as citizens across the nation, to save and invest for post-secondary educational expenses with federal tax benefits.

VP Distributors, LLC (VPD) is the current program manager for CollegeAccess 529 and is responsible for managing, marketing, investing and administering the plan. Virtus Fund Advisors, an affiliate of VPD, is responsible for fund selection and asset allocation for the plan. Virtus Investment Partners (NASDAQ: VRTS), the parent company of VPD, operates through affiliated advisors, including well-recognized names like Duff & Phelps and Kayne Anderson Rudnick. The \$1.5 billion market-cap firm was formed in 1995 and has more than \$149 billion in assets under management.

Allianz Global Investors Distributors (originally known as PIMCO Fund Distributors), the previous program manager for CollegeAccess 529, transferred its program management duties to VPD as part of a strategic partnership between Allianz Global Investors (AGI) and Virtus Investment Partners, effective February 1, 2021. Fund selection and asset allocation duties remained at AGI until July 25, 2022, after which those duties were transferred to Virtus Fund Advisors, an affiliate of VPD. This transfer was due to Allianz pleading guilty to a fraudulent scheme that concealed the downside risks of an options trading strategy. SEC sanctions disqualified them from providing advisory services to US Investment Funds for 10 years.

CollegeAccess 529 is offered and maintained at no cost to the State or taxpayers, as mandated by law, and features the following:

- Nationally competitive cost versus actively-managed funds for South Dakota residents who choose to invest directly;

January 20, 2023

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- High quality and diversified offering of funds from PIMCO, Virtus, Dodge & Cox, and other nationally-recognized investment firms;
- Scholarship funding for South Dakota students who enroll in South Dakota post-secondary institutions as undergraduate students in programs that will prepare them to work in critical need occupations in South Dakota following graduation.

The plan is available to South Dakotans directly by calling toll-free (1-866-529-7462) or visiting the web site www.collegeaccess529.com. The plan is also available through qualified financial advisors.

As of December 31, 2022, the plan had assets of \$822,903,594, down 20% from last year. For the most recent full program year (calendar year 2022), returns for South Dakota direct investors ranged from -5.33% for the Age-Based 17+ portfolio to -15.84% for the Age-Based 0-8 portfolio.

Of the 24 mutual funds utilized by the plan and rated by Morningstar, 50 percent have an overall rating of 4 or 5 stars, with 5 being the highest possible rating. Additionally, 14 of the funds were deemed Morningstar Medalists. Morningstar, a leading provider of independent investment research, provides strictly quantitative mutual fund ratings that measure how well a fund has balanced return and risk in the past.

Scholarship Program

A benefit of implementing the higher education savings plan has been to provide scholarship funds for South Dakota students to attend South Dakota public and private post-secondary institutions. Since 2001, over \$22 million in scholarships has been awarded to South Dakota high school seniors as part of the Council's agreement with the program manager for CollegeAccess 529.

Starting in 2007, with input from then Governor Rounds and approval by the LRC Executive Board, the Council began to direct scholarship monies generated through the program management agreement to the Dakota Corps Scholarship Program. The amount contributed to the Dakota Corps Scholarship Program since 2007 totals \$18.86 million. The contribution for calendar year 2022 was \$894,438. The Dakota Corps Scholarship Program is designed to encourage South Dakota high school graduates to obtain their post-secondary education in South Dakota, remain in the state upon graduation, and contribute to the state and its citizens by working in critical need occupations. The scholarship pays for four years of tuition and generally applicable fees. More information is available at <https://www.sdbor.edu/dakotacorps/>.

Scholarships totaling \$3.2 million were awarded to over 900 high school seniors during the six years of the original contract term, 2001 to 2007, through a scholarship program managed by the Investment Council.

Thank you for your interest in the Higher Education Savings Program.

Sincerely,

Matthew L. Clark, CFA
State Investment Officer

SOUTH DAKOTA RETIREMENT SYSTEM

INTERNALLY MANAGED

Global Large-Cap Equity

		<u>Cost Value</u>	<u>Fair Value</u>
Microsoft Corp.	547,900	\$ 36,014,994	\$ 186,581,866
Apple, Inc.	875,320	16,839,339	169,785,820
Amazon.com, Inc.	733,730	77,672,899	95,649,043
Alphabet, Inc. - Cl. C	507,260	15,488,233	61,363,242
Alphabet, Inc. - Cl. A	483,880	12,327,670	57,920,436
Berkshire Hathaway, Inc.	149,399	25,979,850	50,945,059
Meta Platforms, Inc.	172,700	29,712,519	49,561,446
Roche Holding AG	157,062	41,561,514	48,014,818
SAP SE	325,145	31,692,695	44,391,326
Samsung Electronics Co., Ltd.	805,967	28,536,117	44,162,575
NVIDIA Corp.	100,400	11,849,701	42,471,208
Wells Fargo & Co.	981,572	30,802,690	41,893,493
Suncor Energy, Inc.	1,391,626	31,307,886	40,868,004
UnitedHealth Group, Inc.	71,472	9,007,004	34,352,302
Visa, Inc.	139,600	15,186,414	33,152,208
Eli Lilly & Co.	68,374	9,906,549	32,066,039
Novartis AG	315,700	21,453,589	31,758,788
Hess Corp.	214,197	13,002,265	29,120,082
Pfizer, Inc.	787,525	24,815,838	28,886,417
Merck & Co., Inc.	249,200	15,985,780	28,755,188
Nestle SA	231,200	11,529,119	27,806,539
Mastercard, Inc.	70,700	19,025,885	27,806,310
Comcast Corp.	663,409	26,111,232	27,564,644
Applied Materials, Inc.	188,250	11,924,577	27,209,655
PayPal Holdings, Inc.	404,897	41,758,817	27,018,777
ConocoPhillips	257,900	12,952,991	26,721,019
Canadian Natural Resources, Ltd.	470,998	12,748,193	26,510,433
Adobe, Inc.	54,050	20,919,183	26,429,910
Medtronic plc	295,776	19,951,337	26,057,866
JPMorgan Chase & Co.	168,131	11,476,436	24,452,973
Humana, Inc.	53,769	19,066,945	24,041,733
Exxon Mobil Corp.	216,700	11,272,118	23,241,075
Johnson & Johnson	139,160	18,853,871	23,033,763
Citigroup, Inc.	499,139	24,472,533	22,980,360
Anheuser-Busch Inbev SA	402,106	28,295,923	22,737,706
US Bancorp	675,835	22,554,618	22,329,588
Bank of New York Mellon Corp.	476,741	17,083,129	21,224,509
Edwards Lifesciences Corp.	220,507	14,355,258	20,800,425
Walmart, Inc.	128,105	10,875,826	20,135,544
Advanced Micro Devices, Inc.	176,150	11,913,553	20,065,247
TotalEnergies SE	347,586	16,515,938	19,927,824
Walt Disney Co.	217,787	22,675,265	19,444,023
GSK plc	1,078,400	19,868,914	19,040,791
Unilever plc	364,907	18,864,164	19,009,318
Occidental Petroleum Corp.	319,600	13,555,174	18,792,480
Centene Corp.	273,907	13,435,799	18,475,027
Schlumberger, Ltd.	374,494	17,439,513	18,395,145
Delta Air Lines, Inc.	373,169	13,806,526	17,740,454
Alaska Air Group, Inc.	331,313	17,361,840	17,619,225
FedEx Corp.	69,086	11,840,641	17,126,419
Total Top 50 Securities		\$ 1,031,648,864	\$ 1,825,438,142
Remaining Global Large-Cap Equity		1,590,116,048	1,811,707,107
Global Large-Cap Equity		\$ 2,621,764,912	\$ 3,637,145,249
Emerging Markets ETF		\$ 574,781,556	\$ 564,769,695
Small/Mid-Cap Equity		\$ 690,547,544	\$ 789,392,096
REIT		\$ 176,904,247	\$ 154,492,968
Investment Grade		\$ 1,170,553,621	\$ 1,071,418,798
High Yield		\$ 661,666,004	\$ 629,673,810
Cash Account		\$ 4,007,169,165	\$ 3,983,848,021
Total SDRS Internally Managed		\$ 9,903,387,049	\$ 10,830,740,637

SOUTH DAKOTA RETIREMENT SYSTEM

EXTERNALLY MANAGED

Public Equity

	<u>Cost Value</u>	<u>Fair Value</u>
Sanders Capital, LLC	\$ 59,250,954	\$ 87,077,785
Total Public Equity	\$ 59,250,954	\$ 87,077,785

Private Equity

	<u>Cost Value</u>	<u>Fair Value</u>
Blackstone Capital Partners IV & V, L.P.	\$ 0	\$ 1,745,942
Blackstone Capital Partners VI, L.P.	18,593,979	35,602,170
Blackstone Capital Partners VII, L.P.	52,794,099	89,420,089
Blackstone Energy Partners II, L.P.	41,393,446	75,328,760
Blackstone Energy Partners III, L.P.	44,816,574	84,390,236
Capital International Private Equity Fund V & VI, L.P.	26,311,901	13,810,572
Carlyle Partners V, L.P.	4,008,844	2,393,943
Carlyle Partners VI, L.P.	30,304,649	45,152,475
EnCap Energy Capital Fund XI, L.P.	38,236,853	52,695,938
The Fourth Cinven Fund & The Fifth Cinven Fund	35,362,700	22,026,346
The Sixth Cinven Fund	70,350,937	122,955,201
The Seventh Cinven Fund	72,562,470	96,653,301
CVC European Equity Partners IV & V, L.P.	32,417,654	1,520,218
CVC Capital Partners VII, L.P.	86,248,262	170,939,118
CVC Capital Partners VIII, L.P.	65,587,264	77,742,028
Cypress Merchant Banking Partners II, L.P.	17,454	17,454
Doughty Hanson & Co. IV, L.P.	147,584	533,324
KKR European Fund II, L.P.	0	353,720
PineBridge Capital Management Corp.	3,187,058	3,048,518
Riverstone/Carlyle Global Energy & Power Fund IV, L.P.	0	33,023
Riverstone Global Energy & Power Fund V, L.P.	26,494,758	22,146,729
Riverstone Global Energy & Power Fund VI, L.P.	85,320,437	91,128,082
Silver Lake Partners III, L.P.	8,913,185	21,339,492
Silver Lake Partners IV, L.P.	85,054,514	231,799,328
Silver Lake Partners V, L.P.	134,600,267	207,457,246
Silver Lake Partners VI, L.P.	139,956,298	157,059,269
Silver Lake Partners VII, L.P. ³⁰	(832,878)	(832,878)
Total Private Equity	\$ 1,101,848,309	\$ 1,626,459,644

Aggressive Absolute Return

	<u>Cost Value</u>	<u>Fair Value</u>
Bridgewater Pure Alpha Fund II, Ltd.	\$ 36,742,005	\$ 100,995,151
Telsey Consumer Fund	14,873,934	14,641,888
Total Aggressive Absolute Return	\$ 51,615,939	\$ 115,637,039

Real Estate

	<u>Cost Value</u>	<u>Fair Value</u>
Blackstone Real Estate Partners IV & V, L.P.	\$ 803,183	\$ 2,758,884
Blackstone Real Estate Partners VI, L.P.	2,529,276	4,433,621
Blackstone Real Estate Partners VII, L.P.	21,141,213	13,178,578
Blackstone Real Estate Partners VIII, L.P.	162,335,932	227,507,995
Blackstone Real Estate Partners IX, L.P.	222,765,176	320,854,947
Blackstone Real Estate Partners X, L.P.	10,038,792	10,084,848
Blackstone Real Estate Partners Europe III, L.P.	31,290,545	12,282,284
Blackstone Real Estate Partners Europe V, L.P.	173,075,363	159,877,511
Blackstone Real Estate Partners Europe VI, L.P.	117,549,367	134,560,498
Blackstone Real Estate Partners Asia II, L.P.	198,675,410	245,689,718
Blackstone Real Estate Partners Asia III, L.P.	12,068,116	11,582,393
Brookfield Strategic Real Estate Partners III	79,151,488	105,623,743
Brookfield Strategic Real Estate Partners IV	133,356,478	143,481,576
Lone Star Real Estate Fund II & III, L.P.	1,557,258	961,218
Lone Star Real Estate Fund IV, L.P.	53,927,784	60,770,985
Lone Star Real Estate Fund V, L.P.	27,619,232	15,944,602
Lone Star Real Estate Fund VI, L.P.	46,977,779	44,624,261
Rockpoint Real Estate Fund IV, L.P.	8,827,613	4,268,663
Rockpoint Real Estate Fund V, L.P.	74,798,152	60,836,218
Rockpoint Real Estate Fund VI, L.P.	61,832,556	75,299,447
Starwood Distressed Opportunity Fund IX Global	8,109,952	4,153,045
Starwood Distressed Opportunity Fund X Global	37,288,706	27,359,466
Starwood Distressed Opportunity Fund XI Global	107,425,812	108,936,858
Starwood Distressed Opportunity Fund XII Global	26,340,375	31,267,099
Total Real Estate	\$ 1,619,485,558	\$ 1,826,338,458

Total SDRS Externally Managed

	<u>Cost Value</u>	<u>Fair Value</u>
Total SDRS Externally Managed	\$ 2,832,200,760	\$ 3,655,512,926

SCHOOL AND PUBLIC LANDS

INTERNALLY MANAGED	Cost Value	Fair Value
Public Equity	\$ 76,593,069	\$ 94,759,584
REIT	\$ 2,944,370	\$ 2,585,717
Investment Grade	\$ 55,967,581	\$ 51,319,014
Cash Account	\$ 150,471,922	\$ 151,095,588
Total SPL Internally Managed	\$ 285,976,942	\$ 299,759,903

EXTERNALLY MANAGED	Cost Value	Fair Value
Private Equity		
Blackstone Capital Partners V, L.P.	\$ 0	\$ 27,089
Blackstone Capital Partners VI, L.P.	240,160	459,837
Blackstone Capital Partners VII, L.P.	897,501	1,520,129
Carlyle Partners VI, L.P.	753,846	1,123,382
The Sixth Cinven Fund	1,852,278	3,237,304
The Seventh Cinven Fund	1,773,749	2,362,635
CVC Capital Partners VII, L.P.	2,156,207	4,273,478
CVC Capital Partners VIII, L.P.	1,768,005	2,095,655
Riverstone Global Energy & Power Fund VI, L.P.	2,730,248	2,916,091
Silver Lake Partners III, L.P.	211,272	505,813
Silver Lake Partners IV, L.P.	2,019,883	5,504,789
Silver Lake Partners V, L.P.	3,439,816	5,301,697
Silver Lake Partners VI, L.P.	3,654,451	4,101,029
Silver Lake Partners VII, L.P. ³⁰	(22,284)	(22,284)
Total Private Equity	\$ 21,475,132	\$ 33,406,644

Real Estate

Blackstone Real Estate Partners V, L.P.	\$ 0	\$ 9,714
Blackstone Real Estate Partners VI, L.P.	49,397	86,602
Blackstone Real Estate Partners VII, L.P.	455,781	284,121
Blackstone Real Estate Partners VIII, L.P.	4,058,396	5,670,362
Blackstone Real Estate Partners IX, L.P.	5,775,393	8,318,462
Blackstone Real Estate Partners X, L.P.	268,696	269,928
Blackstone Real Estate Partners Europe III, L.P.	755,644	296,606
Blackstone Real Estate Partners Europe V, L.P.	4,497,133	4,154,205
Blackstone Real Estate Partners Europe VI, L.P.	2,938,734	3,364,012
Blackstone Real Estate Partners Asia II, L.P.	5,150,844	6,369,735
Blackstone Real Estate Partners Asia III, L.P.	308,407	296,011
Brookfield Strategic Real Estate Partners IV	3,457,392	3,719,897
Lone Star Real Estate Fund III, L.P.	29,755	14,046
Lone Star Real Estate Fund IV, L.P.	1,360,193	1,532,796
Lone Star Real Estate Fund V, L.P.	707,662	408,530
Rockpoint Real Estate Fund V, L.P.	1,914,833	1,557,408
Rockpoint Real Estate Fund VI, L.P.	1,580,167	1,924,321
Starwood Distressed Opportunity Fund X Global	1,078,859	808,844
Starwood Distressed Opportunity Fund XI Global	2,791,312	2,830,574
Starwood Distressed Opportunity Fund XII Global	725,144	860,775
Total Real Estate	\$ 37,903,742	\$ 42,776,949

High Yield Debt (Corporate)

Vanguard High Yield Fund	\$ 15,053,881	\$ 13,930,468
Total High Yield Debt	\$ 15,053,881	\$ 13,930,468

Total SPL Externally Managed	\$ 74,432,755	\$ 90,114,061
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SOUTH DAKOTA CASH FLOW FUND

INTERNALLY MANAGED	Cost Value	Fair Value
Intermediate-Term Fixed Income	\$ 340,544,292	\$ 314,128,511
Short-Term Fixed Income	\$ 907,006,196	\$ 877,768,545
Cash Account	\$ 2,349,014,362	\$ 2,365,288,366
Certificates of Deposit	\$ 22,138,000	\$ 22,835,984
Total SDCFF Internally Managed	\$ 3,618,702,850	\$ 3,580,021,406

DAKOTA CEMENT TRUST

INTERNALLY MANAGED	Cost Value	Fair Value
Public Equity	\$ 61,182,277	\$ 75,982,334
REIT	\$ 2,605,453	\$ 2,276,165
Investment Grade	\$ 56,984,871	\$ 52,198,745
Cash Account	\$ 137,960,282	\$ 138,526,799
Total DCT Internally Managed	\$ 258,732,883	\$ 268,984,043

EXTERNALLY MANAGED	Cost Value	Fair Value
Private Equity		
Blackstone Capital Partners V, L.P.	\$ 0	\$ 45,464
Blackstone Capital Partners VI, L.P.	203,213	389,097
Blackstone Capital Partners VII, L.P.	1,055,882	1,788,412
Carlyle Partners VI, L.P.	904,612	1,347,835
The Sixth Cinven Fund	1,959,140	3,424,069
The Seventh Cinven Fund	1,934,999	2,577,423
CVC Capital Partners VII, L.P.	2,315,926	4,590,031
CVC Capital Partners VIII, L.P.	1,710,972	2,028,053
Riverstone Global Energy & Power Fund VI, L.P.	3,128,407	3,341,350
Silver Lake Partners III, L.P.	344,680	825,118
Silver Lake Partners IV, L.P.	2,524,877	6,880,923
Silver Lake Partners V, L.P.	3,589,372	5,532,204
Silver Lake Partners VI, L.P.	3,498,948	3,926,527
Silver Lake Partners VII, L.P. ³⁰	(20,426)	(20,426)
Total Private Equity	\$ 23,150,602	\$ 36,676,080

Real Estate

Blackstone Real Estate Partners V, L.P.	\$ 0	\$ 15,596
Blackstone Real Estate Partners VI, L.P.	79,537	139,445
Blackstone Real Estate Partners VII, L.P.	532,913	332,203
Blackstone Real Estate Partners VIII, L.P.	4,545,405	6,350,801
Blackstone Real Estate Partners IX, L.P.	5,775,393	8,318,462
Blackstone Real Estate Partners X, L.P.	242,573	243,687
Blackstone Real Estate Partners Europe III, L.P.	755,644	296,606
Blackstone Real Estate Partners Europe V, L.P.	4,818,357	4,450,933
Blackstone Real Estate Partners Europe VI, L.P.	2,938,734	3,364,012
Blackstone Real Estate Partners Asia II, L.P.	5,150,844	6,369,735
Blackstone Real Estate Partners Asia III, L.P.	268,180	257,401
Brookfield Strategic Real Estate Partners IV	2,963,478	3,188,482
Lone Star Real Estate Fund III, L.P.	34,573	16,318
Lone Star Real Estate Fund IV, L.P.	1,520,227	1,713,133
Lone Star Real Estate Fund V, L.P.	779,753	450,151
Rockpoint Real Estate Fund V, L.P.	2,094,348	1,703,414
Rockpoint Real Estate Fund VI, L.P.	1,511,463	1,840,653
Starwood Distressed Opportunity Fund X Global	809,145	606,632
Starwood Distressed Opportunity Fund XI Global	2,950,823	2,992,328
Starwood Distressed Opportunity Fund XII Global	685,947	814,248
Total Real Estate	\$ 38,457,337	\$ 43,464,240

High Yield Debt (Corporate)

Vanguard High Yield Fund	\$ 15,386,911	\$ 14,234,387
Total High Yield Debt	\$ 15,386,911	\$ 14,234,387

Total DCT Externally Managed	\$ 76,994,850	\$ 94,374,702
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EDUCATION ENHANCEMENT TRUST

INTERNALLY MANAGED	Cost Value	Fair Value
Public Equity	\$ 138,699,534	\$ 172,051,308
REIT	\$ 5,246,699	\$ 4,585,270
Investment Grade	\$ 61,458,149	\$ 56,191,477
Cash Account	\$ 284,580,151	\$ 285,749,215
Total EET Internally Managed	\$ 489,984,533	\$ 518,577,270

EXTERNALLY MANAGED	Cost Value	Fair Value
Private Equity		
Blackstone Capital Partners V, L.P.	\$ 0	\$ 65,840
Blackstone Capital Partners VI, L.P.	351,005	672,074
Blackstone Capital Partners VII, L.P.	1,689,411	2,861,423
Carlyle Partners VI, L.P.	1,417,232	2,111,957
The Sixth Cinven Fund	3,348,343	5,852,043
The Seventh Cinven Fund	3,466,874	4,617,880
CVC Capital Partners VII, L.P.	4,072,835	8,072,125
CVC Capital Partners VIII, L.P.	3,307,879	3,920,902
Riverstone Global Energy & Power Fund VI, L.P.	5,232,982	5,589,183
Silver Lake Partners III, L.P.	498,049	1,192,455
Silver Lake Partners IV, L.P.	3,945,047	10,751,402
Silver Lake Partners V, L.P.	6,356,169	9,796,616
Silver Lake Partners VI, L.P.	6,920,117	7,765,762
Silver Lake Partners VII, L.P. ³⁰	(40,391)	(40,391)
Total Private Equity	\$ 40,565,552	\$ 63,229,271

Real Estate		
Blackstone Real Estate Partners V, L.P.	\$ 0	\$ 22,457
Blackstone Real Estate Partners VI, L.P.	116,374	203,992
Blackstone Real Estate Partners VII, L.P.	897,538	559,486
Blackstone Real Estate Partners VIII, L.P.	7,629,790	10,660,270
Blackstone Real Estate Partners IX, L.P.	10,725,730	15,448,572
Blackstone Real Estate Partners X, L.P.	500,074	502,368
Blackstone Real Estate Partners Europe III, L.P.	1,167,813	458,399
Blackstone Real Estate Partners Europe V, L.P.	8,223,328	7,596,259
Blackstone Real Estate Partners Europe VI, L.P.	5,759,919	6,593,465
Blackstone Real Estate Partners Asia II, L.P.	9,565,854	11,829,505
Blackstone Real Estate Partners Asia III, L.P.	603,406	579,150
Brookfield Strategic Real Estate Partners IV	6,420,869	6,908,369
Lone Star Real Estate Fund III, L.P.	57,105	26,959
Lone Star Real Estate Fund IV, L.P.	2,540,370	2,862,731
Lone Star Real Estate Fund V, L.P.	1,323,027	763,782
Rockpoint Real Estate Fund V, L.P.	3,530,473	2,871,469
Rockpoint Real Estate Fund VI, L.P.	3,091,628	3,764,973
Starwood Distressed Opportunity Fund X Global	1,618,288	1,213,265
Starwood Distressed Opportunity Fund XI Global	5,183,870	5,256,786
Starwood Distressed Opportunity Fund XII Global	1,352,294	1,605,228
Total Real Estate	\$ 70,307,750	\$ 79,727,485

Investment Grade Debt		
Vanguard Total Bond Market Fund	\$ 41,260,221	\$ 41,019,445
Total Investment Grade Debt	\$ 41,260,221	\$ 41,019,445

High Yield Debt (Corporate)		
Vanguard High Yield Fund	\$ 28,041,623	\$ 25,943,873
Total High Yield Debt	\$ 28,041,623	\$ 25,943,873

Total EET Externally Managed	\$ 180,175,146	\$ 209,920,074
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HEALTH CARE TRUST

INTERNALLY MANAGED	Cost Value	Fair Value
Public Equity	\$ 46,301,626	\$ 54,683,898
REIT	\$ 1,679,555	\$ 1,462,217
Investment Grade	\$ 24,822,251	\$ 22,772,414
Cash Account	\$ 81,485,676	\$ 81,820,229
Total HCT Internally Managed	\$ 154,289,108	\$ 160,738,758

EXTERNALLY MANAGED	Cost Value	Fair Value
Private Equity		
Blackstone Capital Partners V, L.P.	\$ 0	\$ 17,911
Blackstone Capital Partners VI, L.P.	129,317	247,602
Blackstone Capital Partners VII, L.P.	475,145	804,781
Carlyle Partners VI, L.P.	392,003	584,159
The Sixth Cinven Fund	854,909	1,494,150
The Seventh Cinven Fund	886,875	1,181,319
CVC Capital Partners VII, L.P.	1,038,174	2,057,601
CVC Capital Partners VIII, L.P.	741,422	878,823
Riverstone Global Energy & Power Fund VI, L.P.	1,421,995	1,518,789
Silver Lake Partners III, L.P.	126,340	302,383
Silver Lake Partners IV, L.P.	1,136,284	3,096,510
Silver Lake Partners V, L.P.	1,570,343	2,420,355
Silver Lake Partners VI, L.P.	1,477,331	1,657,852
Silver Lake Partners VII, L.P. ³⁰	(12,533)	(12,533)
Total Private Equity	\$ 10,237,605	\$ 16,249,702

Real Estate		
Blackstone Real Estate Partners V, L.P.	\$ 0	\$ 5,545
Blackstone Real Estate Partners VI, L.P.	30,977	54,303
Blackstone Real Estate Partners VII, L.P.	252,431	157,371
Blackstone Real Estate Partners VIII, L.P.	2,002,144	2,797,376
Blackstone Real Estate Partners IX, L.P.	2,475,169	3,565,056
Blackstone Real Estate Partners X, L.P.	145,544	146,212
Blackstone Real Estate Partners Europe III, L.P.	412,170	161,787
Blackstone Real Estate Partners Europe V, L.P.	2,120,076	1,958,409
Blackstone Real Estate Partners Europe VI, L.P.	1,293,043	1,480,165
Blackstone Real Estate Partners Asia II, L.P.	2,207,504	2,729,884
Blackstone Real Estate Partners Asia III, L.P.	160,908	154,441
Brookfield Strategic Real Estate Partners IV	1,975,651	2,125,650
Lone Star Real Estate Fund III, L.P.	15,276	7,211
Lone Star Real Estate Fund IV, L.P.	660,088	743,851
Lone Star Real Estate Fund V, L.P.	290,097	167,474
Rockpoint Real Estate Fund V, L.P.	897,577	730,033
Rockpoint Real Estate Fund VI, L.P.	687,028	836,660
Starwood Distressed Opportunity Fund X Global	539,429	404,422
Starwood Distressed Opportunity Fund XI Global	1,276,033	1,293,982
Starwood Distressed Opportunity Fund XII Global	293,976	348,962
Vanguard Real Estate Fund	4,772,183	4,427,462
Total Real Estate	\$ 22,507,304	\$ 24,296,256

Investment Grade Debt		
Vanguard Total Bond Market Fund	\$ 8,615,004	\$ 7,396,582
Total Investment Grade Debt	\$ 8,615,004	\$ 7,396,582

High Yield Debt (Corporate)		
Vanguard High Yield Fund	\$ 8,934,513	\$ 8,200,364
Total High Yield Debt	\$ 8,934,513	\$ 8,200,364

Total HCT Externally Managed	\$ 50,294,426	\$ 56,142,904
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On June 30, 2023, there was \$22,138,000 in Certificates of Deposit (CDs) outstanding with South Dakota banks and credit unions. Fourteen South Dakota banks hold \$21,638,000 in CDs and two credit unions hold \$500,000 in CDs. The CDs carry an interest rate of 4.2% and mature September 29, 2023.

The original allocation made in September of 2022 was to twenty-six banks. Twelve banks did not participate this year. This is the twenty-second year a reoffering was made to other qualified public depositories in the state. In the reoffering, two credit unions accepted \$500,000 in CDs, leaving \$12,862,000 in CDs unassigned. The size of the certificates ranged from \$250,000 to \$10,014,000.

**Summary of Statistics
Certificates of Deposit Outstanding**

CDs Issued to Banks

CDs maturing 9/29/23	\$ <u>21,638,000</u>
Interest earned during FY 2023	\$ 690,758
Average CDs Outstanding During FY 2023	\$ 20,725,507
Rate of Return	3.3%

CDs Issued to Credit Unions

CDs maturing 9/29/23	\$ <u>500,000</u>
Interest earned during FY 2023	\$ 16,521
Average CDs Outstanding During FY 2023	\$ 772,501
Rate of Return	2.1%

Total Certificates of Deposit

CDs maturing 9/29/23	\$ <u>22,138,000</u>
Interest earned during FY 2023	\$ 707,279
Average CDs Outstanding During FY 2023	\$ 21,498,008
Rate of Return	3.3%

**South Dakota Certificates of Deposit
Due 9/29/23**

<u>Banks</u>	<u>Location</u>	<u>CD Amount</u>
First Bank & Trust	Brookings	\$ 10,014,000
One American Bank	Centerville	250,000
First Financial Bank	Dupree	250,000
BankStar Financial	Elkton	889,000
Reliabank Dakota	Estelline	1,994,000
CorTrust Bank	Mitchell	3,060,000
Farmers State Bank	Parkston	515,000
First National Bank	Pierre	1,975,000
Farmers & Merchants State Bank	Plankinton	416,000
Heartland State Bank	Redfield	250,000
First State Bank of Roscoe	Roscoe	276,000
Farmers State Bank	Turton	250,000
Security State Bank	Tyndall	904,000
Commercial State Bank	Wagner	<u>595,000</u>
Total Banks		\$ 21,638,000

Credit Unions

Healthcare Plus Federal CU	Aberdeen	\$ 250,000
Minuteman Community Federal CU	Rapid City	<u>250,000</u>
Total Credit Unions		\$ <u>500,000</u>

Total Certificates of Deposit \$ 22,138,000

AGGRESSIVE ABSOLUTE RETURN: A non-directional strategy designed to generate a steady return no matter what the market does.

ALTERNATIVE INVESTMENTS: Investments that are not one of the three traditional asset types (stocks, bonds, and cash). Alternative investments include hedge funds, real estate, private equity, and commodities.

ARBITRAGE: Acting on disparities between the existing price of a security and the estimated present value of consideration to be received at a later time as a result of restructuring activity.

ASSET ALLOCATION: The mix of stocks, bonds, cash equivalents, and other assets in which capital is invested.

BLOOMBERG MUNICIPAL 7 YEAR INDEX: The 7-year (6-8 Years to Maturity) component of the US Municipal Bond Index which covers the USD-denominated long-term tax exempt bond market. It was used for benchmarking purposes during fiscal years 2003-2023.

BOND-LIKE RISK: A measure of the sensitivity to changes in the bond market. The measure includes the percentage invested in investment grade bonds plus the percentage invested in other asset categories scaled to reflect the degree of embedded investment grade bond sensitivity.

CAPITAL MARKETS BENCHMARK (CMB): The asset allocation policy approved by the Investment Council applied to the appropriate index returns.

CARRIED INTEREST: A share of the profits of a fund paid to the fund manager which is not received until the investors' contributed capital is returned and a previously agreed-upon preferred return is earned.

CASH ACCOUNT: Portfolio of cash equivalent securities that supports the cash flows and the futures positions used to adjust the allocation of the total assets among stocks, bonds, and cash.

CASH EQUIVALENT: Cash or assets that can be converted to cash quickly.

CERTIFICATES OF DEPOSIT (CDs): Relatively low-risk debt instruments purchased directly through a commercial bank or savings and loan institution. CDs are insured by the FDIC (Federal Deposit Insurance Corp.) up to \$250,000.

COMMODITY: Basic materials that are reasonably interchangeable with others of the same type. Examples include oil, metals, and grains.

CORRELATION: The degree to which the fluctuations of one asset are similar to those of another.

DEFLATION: A general decline in prices or reduction in spending.

DERIVATIVES: Securities with a price that is dependent upon or derived from one or more underlying assets. The most common underlying assets include stocks, bonds, commodities, interest rates, and market indexes.

DURATION (MODIFIED): The weighted average maturity of the stream of payments associated with a bond. It is a measure of the bond price volatility for a given change in interest rates.

EMERGING MARKET: Emerging market is a term that investors use to describe a developing country. Investments in emerging markets may be accompanied by greater risk.

EQUITIES (STOCKS): Securities representing shares of ownership in the issuing company.

EQUITY-LIKE RISK: A measure of the sensitivity of a fund to downturns in the equity market. The measure includes the percentage invested in equities (stocks) plus the percentage invested in other asset categories scaled to reflect the degree of embedded equity sensitivity during severe market downturns.

EXCHANGE-TRADED FUND (ETF): A pooled investment security that tracks a particular index, sector, commodity, or other assets that can be traded on the stock exchange.

FIXED INCOME SECURITIES (BONDS, NOTES, BILLS, ETC.): Securities representing loans to governments, agencies, corporations, and banks for a stated period at a stated interest rate.

FTSE US HIGH-YIELD CASH-PAY CAPPED INDEX: The index represents the cash-pay securities of the FTSE US High-Yield Market Capped Index, which is a modified version of the FTSE US High-Yield Market Index by delaying the entry of fallen angel (formerly investment grade bonds that have been reduced to high-yield status) issues and capping the par value of individual issuers. It has been used for benchmarking purposes during fiscal years 2011-2023.

FTSE US HIGH-YIELD CASH-PAY CAPPED CUSTOM INDEX: The index is a custom index calculated by FTSE Russell on behalf of the South Dakota Investment Council. It is the FTSE US High-Yield Cash-Pay Capped Index customized to include only Cash-Pay bonds issued by the US or Canada. It has been used for benchmarking purposes since fiscal year 2023.

FTSE US HIGH-YIELD MARKET INDEX: The index includes cash-pay, deferred-interest, and Rule 144A bonds with a remaining maturity of at least one year and a speculative-grade rating by both Moody's Investor Service and Standard & Poor's. It has been used for benchmarking purposes since fiscal year 2001.

FTSE US 3-MONTH TREASURY BILL INDEX: The index measures monthly return equivalents of yield averages that are not marked to market. The 3-Month Treasury Bill Index is an average of the last three 3-month Treasury bill month-end rates. It has been used for benchmarking purposes since fiscal year 1974.

FTSE US BROAD INVESTMENT-GRADE (USBIG®) BOND INDEX: The index is market capitalization weighted and includes fixed-rate Treasury, government-sponsored, mortgage, asset-backed, and investment-grade issues (minimum quality BBB- or Baa3) with a maturity of one year or longer. It has been used for benchmarking purposes since fiscal year 1981.

FUTURES CONTRACTS: An obligation to accept or make future delivery of securities or cash at a specified price and date. The contracts are marked-to-market daily with the resulting gains/losses settled in cash. An initial margin is required as a good faith deposit.

GROSS-OF-FEES: Indicates that the impact of fees (management fees and performance-based fees) has not been reflected in the return.

HEDGE FUNDS: Alternative investments that may use a number of different strategies. Hedge funds may be aggressively managed or make use of derivatives and leverage. A manager typically receives a percentage of profits, commonly 20%, in addition to management fees.

HIGH YIELD CORPORATE DEBT SECURITIES: Issues with a financial rating of BB or lower because of high relative default risk.

HIGH YIELD REAL ESTATE DEBT SECURITIES: Debt securities that have a higher risk of default and are collateralized by real estate.

INFLATION: The rate at which the general level of prices of goods and services are rising.

INSTITUTIONAL PRIME MONEY MARKET FUND: The TempFund, which is managed by the BlackRock Advisors, Inc., is a leading short-term portfolio. The predecessor firm's fund inception was October 1973, and estimates are used for prior periods.

INTERNAL RATE OF RETURN (IRR): The annualized implied discount rate calculated from a series of cash flows. IRR is the return that equates the present value of all invested capital in an investment to the present value of all cash flows equal to zero.

INVESTMENT GRADE FIXED INCOME SECURITIES: Issues with a financial rating of BBB or higher because of low relative default risk.

LARGE-CAP EQUITY (STOCKS): Securities representing shares of ownership in the issuing company with a market capitalization of more than \$10 billion.

MERGER CUSTOM INDEX: The index is a representative sample of transactions that exposes one to a merger arbitrage strategy. It employs an indexing approach that utilizes factual information and index guidelines.

MSCI ACWI INVESTABLE MARKET INDEX (IMI): The index is a free float-adjusted market capitalization weighted index that is designed to capture large, mid and small cap representation across developed and emerging markets. The index currently consists of 23 developed and 24 emerging market countries and covers approximately 99% of the global equity investment opportunity set. The index was used for benchmarking purposes during fiscal years 2020-2022.

MSCI ACWI IMI EX REAL ESTATE INDEX: The index is a custom index calculated by MSCI on behalf of the South Dakota Investment Council. It is the MSCI ACWI Investable Market Index (IMI) excluding constituents in the Real Estate 60 GICS sector. It has been used for benchmarking purposes since fiscal year 2023.

MSCI US REIT INDEX: The index is a free float-adjusted market capitalization weighted index that is comprised of equity Real Estate Investment Trusts (REITs), which generate a majority of their revenue and income from rents, mortgages, and sales of property. It has been used for benchmarking purposes since fiscal year 2005.

MSCI USA INVESTABLE MARKET INDEX (IMI): The index is designed to measure the performance of the large, mid and small cap segments of the US market. The index covers approximately 99% of the free float-adjusted market capitalization in the US. The index was used for benchmarking during fiscal years 2020-2022.

MSCI USA IMI EX REAL ESTATE INDEX: The index is a custom index calculated by MSCI on behalf of the South Dakota Investment Council. It is the MSCI USA Investable Market Index (IMI) excluding constituents in the Real Estate 60 GICS sector. It has been used for benchmarking purposes since fiscal year 2023.

NET-OF-FEES: Indicates that the impact of fees (management fees, performance-based fees, and general partner carried interest) has been reflected in the return.

OPPORTUNISTIC REAL ESTATE: A high-risk/high-return real estate strategy. Investments are tactical and involve properties that require a high degree of enhancements.

PEER FUNDS: Databases comprised of state pension plans used for comparison purposes.

PRIVATE EQUITY: Investments made directly into a private company not quoted on a public exchange.

PRIVATE SECTOR MEDIAN: Median rate of return for large private sector funds. Wilshire Trust Universe Comparison Service data was used for fiscal years 2021-2023, BNY Mellon Master Trust data was used for fiscal years 2017-2020, Callan data was used fiscal years 2014-2016, Mellon Analytical data was used fiscal years 1987-2013, and SEI data was used fiscal years 1974-1986. All the returns are reported gross-of-fees.

PUBLIC MARKET EQUIVALENT (PME): The PME is a method where a public market index is expressed in terms of a since inception internal rate of return (SH-IRR), using the same cash flows and timing as those of the alternative investment composite over the same time period.

QUALITY RATING: Rating of a company's credit by a rating service.

REAL ESTATE: Property holdings used to generate ongoing rental income and capital gains as property values increase over time.

REAL RETURN: Actual return minus inflation.

SMALL/MID-CAP EQUITY (STOCKS): Securities representing shares of ownership in the issuing company with a small to mid-sized market capitalization. Small-Cap market capitalization is between \$250 million and \$2 billion; Mid-Cap market capitalization is between \$2 billion and \$10 billion.

STANDARD AND POOR'S 500[®] INDEX: The index is a market-capitalization-weighted index of 500 large-cap U.S. companies. It is the US component of the S&P Global 1200 Index. It has been used for benchmarking purposes since fiscal year 1974.

STANDARD AND POOR'S 1000[®] INDEX: The index combines the S&P MidCap 400[®] and the S&P SmallCap 600[®] to form an investable benchmark for the mid- to small-cap segment of the U.S. equity market. It has been used for benchmarking purposes during fiscal years 2011-2022.

STANDARD AND POOR'S 1000 EX-REAL ESTATE INDEX: The index is a custom index calculated by Standard & Poor's on behalf of the South Dakota Investment Council. It is the S&P 1000[®] Index excluding constituents in the Real Estate 60 GICS sector. It has been used for benchmarking purposes since fiscal year 2022.

STANDARD AND POOR'S GLOBAL 1200 EX-EMERGING MARKETS INDEX: The index is a custom index calculated by Standard & Poor's on behalf of the South Dakota Investment Council. It is the S&P Global 1200 Index excluding constituents in emerging market countries as defined by Standard & Poor's. The index was used for benchmarking purposes during fiscal years 2020-2022.

STANDARD AND POOR'S GLOBAL 1200 EX-EMERGING MARKETS, EX-REAL ESTATE INDEX: The index is a custom index calculated by Standard & Poor's on behalf of the South Dakota Investment Council. It is the S&P Global 1200 Index excluding constituents in emerging market countries as defined by Standard & Poor's and the Real Estate 60 GICS sector. It has been used for benchmarking purposes since fiscal year 2022.

STANDARD DEVIATION: A measure of the volatility of returns often used as a measure of risk.

STATE FUND MEDIAN: Median rate of return for the state fund universe. The returns are reported net-of-fees fiscal years 2014-2023 and gross-of-fees fiscal years 1974-2013.

STATE FUND UNIVERSE: A universe linking two state fund universe medians to form a 50-year performance history. The most recent 41 years represents a group of state funds. The prior nine years of the universe represent the SEI state universe. This universe was the largest state universe available at the time.

TIME-WEIGHTED RATE OF RETURN: The rate of investment growth earned on a unit of assets held continuously for the entire period measured.

US CONSUMER PRICE INDEX-ALL URBAN CONSUMERS (CPI-U): The index is compiled monthly by the Bureau of Labor Statistics for the purpose of calculating inflation rates.

VOLATILITY: Variability, fluctuation. In investing, the range of likely outcomes for a given investment over a period of time. The smaller the estimated range of an investment's future returns, the lower the investment's volatility and vice versa. One of the most common measures of investment risk.

YIELD TO MATURITY (YTM): The rate of return anticipated on a fixed income security if held until the maturity date.

- Bond Index is the FTSE US Broad Investment-Grade (USBIG) Bond Index in fiscal year 2023.
- Fixed Income Benchmark is the FTSE USBIG Bond Index in fiscal years 2007-2023, FTSE USBIG Bond Index duration adjusted weighted 80% and FTSE US All BB-Rated Index weighted 20% in fiscal years 1996-2006, FTSE USBIG Bond Index in fiscal years 1981-1995, and Lehman Brothers Government/Corporate Index in prior periods.
- Annual returns for the US Consumer Price Index-All Urban Consumers (CPI-U) for the most recent 14 years and the 5, 10, 15, 20, 25, 30, and 50-year annualized returns as of 6/30/23 are as follows:

Fiscal Year	Annual Return	Fiscal Year	Annual Return	Annualized Returns of as of 6/30/23	
2023	3.0%	2016	1.0%	5 Years	3.9%
2022	9.1%	2015	0.1%	10 Years	2.7%
2021	5.4%	2014	2.1%	15 Years	2.2%
2020	0.6%	2013	1.8%	20 Years	2.6%
2019	1.6%	2012	1.7%	25 Years	2.5%
2018	2.9%	2011	3.6%	30 Years	2.5%
2017	1.6%	2010	1.1%	50 Years	3.9%

- Investment Grade Debt:** FTSE USBIG Bond Index (1981-2023), Lehman Brothers Gov/Corp Index (1974-1980). **Cash:** FTSE US 3-Month Treasury Bill Index (1974-2023). **Public Equity:** $\frac{3}{4}$ custom MSCI ACWI IMI ex Real Estate + $\frac{1}{4}$ custom MSCI USA IMI ex Real Estate Index (2023), $\frac{3}{4}$ MSCI ACWI IMI Index + $\frac{1}{4}$ MSCI USA IMI Index (2020-2022), $\frac{2}{3}$ MSCI ACWI Index + $\frac{1}{3}$ MSCI US Index (2005-2019). **Domestic Equity:** Russell 1000 Index (1996-2004), S&P 500 Index (1974-1995). **International Equity:** MSCI ACWI ex US Index (2002-2004), $\frac{3}{4}$ MSCI EAFE + $\frac{1}{4}$ MSCI EASEA Index (1997-2001), MSCI EAFE Index (1996), MSCI EAFE $\frac{1}{2}$ Japan Index (1993-1995). **Arbitrage:** weighted index (1999-2011), Merger Custom Index (2008-2011), 3-Month Treasury Bill Index +4.25% (1993-2007), Convertible Benchmark (1999-2011). **Real Estate:** MSCI US REIT Index (2014-2023), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2002-2010), NCREIF Classic Property Index (1995-2001). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2005-2010), Russell 1000 +3.5% (2002-2004), Russell 1000 +5.0% (1999-2001). **High Yield Debt (Corporate):** FTSE US High-Yield Market Index (2003-2023). **Commodities:** S&P GSCI (2003-2015). **TIPS:** FTSE US-ILSI (2012-2015).

Capital Markets Benchmark (policy) rounded weightings for the South Dakota Retirement System were as follows:

	IG Debt		Public EQ & Dom / Intl			HY Debt			Comm TIPS	
	Debt	Cash	Dom	Intl	Arb	RE	PE	Debt	Comm	TIPS
07/22 - 06/23	23%	2%	56%		0%	12%	0%	7%	0%	0%
07/15 - 06/22	23%	2%	58%		0%	10%	0%	7%	0%	0%
07/14 - 06/15	19%	2%	60%		0%	10%	0%	7%	1%	1%
07/12 - 06/14	18%	2%	56%		0%	8%	7%	7%	1%	1%
07/11 - 06/12	18%	2%	58%		0%	8%	5%	7%	1%	1%
07/09 - 06/11	18%	1%	57%		5%	7%	5%	6%	1%	0%
07/06 - 06/09	18%	1%	57%		7%	5%	5%	6%	1%	0%
07/05 - 06/06	18%	1%	57%		7%	6%	4%	6%	1%	0%
07/04 - 06/05	19%	1%	57%		5%	6%	4%	7%	1%	0%
07/03 - 06/04	19%	1%	40% / 16%		6%	7%	4%	6%	1%	0%
07/02 - 06/03	19%	1%	40% / 16%		7%	7%	3%	6%	1%	0%
07/01 - 06/02	23%	1%	40% / 16%		9%	8%	3%	0%	0%	0%
07/99 - 06/01	23%	5%	36% / 16%		9%	8%	3%	0%	0%	0%
07/98 - 06/99	23%	4%	40% / 16%		8%	7%	2%	0%	0%	0%
07/97 - 06/98	23%	7%	40% / 16%		7%	7%	0%	0%	0%	0%
07/96 - 06/97	25%	7%	40% / 15%		6%	7%	0%	0%	0%	0%
07/95 - 06/96	25%	6%	42% / 15%		8%	4%	0%	0%	0%	0%
07/94 - 06/95	31%	5%	41% / 13%		9%	1%	0%	0%	0%	0%
07/93 - 06/94	33%	7%	45% / 9%		6%	0%	0%	0%	0%	0%
07/92 - 06/93	35%	9%	49% / 5%		2%	0%	0%	0%	0%	0%
07/90 - 06/92	38%	10%	52% / 0%		0%	0%	0%	0%	0%	0%
07/86 - 06/90	38%	7%	55% / 0%		0%	0%	0%	0%	0%	0%
07/78 - 06/86	50%	10%	40% / 0%		0%	0%	0%	0%	0%	0%
07/73 - 06/78	65%	10%	25% / 0%		0%	0%	0%	0%	0%	0%

- High Yield Benchmark is the FTSE US High-Yield Cash-Pay Capped Custom Index (covered industries only) starting 2/1/23 for fiscal year 2023, FTSE US High-Yield Cash-Pay Capped Index (covered industries only starting 7/1/14) in fiscal years 2011-2023 through 1/31/23 and the FTSE US All BB-Rated Index in fiscal years 2007-2010.
- CFFST Benchmark is a weighted index of FTSE 1-5 year US Treasuries, 1-3 year US BIG Credit, and 3-month and 6-month US Treasury Bills in fiscal years 2019-2023; a weighted index of Bank of America Merrill

Lynch 1-5 year US Treasuries, 1-3 year A-AAA rated US Corporates, and 3-6 month US Treasury Bills in fiscal years 2005-2018; equal-weighted yields of the 3-month and 6-month US Treasury Bills and the 1-year, 2-year, 3-year, and 5-year US Treasury Bonds in fiscal years 1987-2004.

- Composites are valued monthly and portfolio returns are weighted by using beginning-of-month fair values or weighted cash flows.
- Fair values for private equity and real estate limited partnerships are adjusted in the reporting period when received by the Council.
- The South Dakota Department of Legislative Audit conducted the South Dakota Investment Council fiscal year 2023 annual and interim procedures audit work for total fees of \$68,024.60.
- 1-year total fund performance results are presented net-of-fees for fiscal years 2014-2023 and gross-of-fees in prior periods.
- Management fee rates (excluding profit sharing) as of 6/30/23 in basis points (bp):

Investment Office (expected average)	10 bp
Blackstone Capital Partners IV, V & VI	0 bp
Blackstone Capital Partners VII	100 bp
Blackstone Energy Partners II	100 bp
Blackstone Energy Partners III	150 bp
Blackstone Real Estate Partners IV & IV - ML	0 bp
Blackstone Real Estate Partners V & V - ML	0 bp
Blackstone Real Estate Partners VI & VI - LC	0 bp
Blackstone Real Estate Partners VII	0 bp
Blackstone Real Estate Partners VIII	125 bp
Blackstone Real Estate Partners VIII - BMR	0 bp
Blackstone Real Estate Partners IX	125 bp
Blackstone Real Estate Partners X	133 bp
Blackstone Real Estate Partners Asia II	125 bp
Blackstone Real Estate Partners Asia III	150 bp
Blackstone Real Estate Partners Europe III	0 bp
Blackstone Real Estate Partners Europe V	125 bp
Blackstone Real Estate Partners Europe VI	150 bp
Bridgewater Pure Alpha Fund II (embedded)	150 bp + incentive
Brookfield Strategic Real Estate Partners III	135 bp
Brookfield Strategic Real Estate Partners IV	95 bp
Capital International Private Equity Fund V	0 bp
Capital International Private Equity Fund VI	100 bp
Carlyle Partners V	0 bp
Carlyle Partners VI	40 bp
The Fourth Cinven Fund	0 bp
The Fifth Cinven Fund	0 bp
The Sixth Cinven Fund	125 bp
The Seventh Cinven Fund	125 bp
CVC European Equity Partners IV & V	0 bp
CVC European Equity Partners VII	125 bp
CVC European Equity Partners VIII	143 bp
Cypress Merchant Banking Partners II	0 bp
Doughty Hanson & Co. IV	0 bp
Exchange-Traded Funds (embedded)	
iShares Core US Aggregate Bond ETF	3 bp
SPDR S&P 500 ETF Trust	9 bp
Vanguard FTSE Emerging Markets ETF	8 bp
EnCap Energy Capital Fund XI	150 bp
KKR European Fund II	0 bp
Lone Star Real Estate Fund II	45 bp
Lone Star Real Estate Fund III	60 bp
Lone Star Real Estate Fund IV	60 bp
Lone Star Real Estate Fund V	60 bp
Lone Star Real Estate Fund VI	60 bp
PineBridge Global Emerging Markets Partners I & II	0 bp
Riverstone/Carlyle Global Energy & Power Fund IV	0 bp
Riverstone Global Energy & Power Fund V	100 bp

Riverstone Global Energy & Power Fund VI	100 bp
Rockpoint Real Estate Fund IV	142 bp
Rockpoint Real Estate Fund V	131 bp
Rockpoint Real Estate Fund VI	138 bp
Sanders Capital (Global Value Equities)	
\$0 - \$15 Million -	90 bp
\$15 - \$50 Million -	50 bp
over \$50 Million -	40 bp
Silver Lake Partners III	0 bp
Silver Lake Partners III (SPV-2)	100 bp
Silver Lake Partners IV	100 bp
Silver Lake Partners V	100 bp
Silver Lake Partners VI	150 bp
Silver Lake Partners VII	150 bp
Starwood Distressed Opportunity Fund IX Global	125 bp
Starwood Opportunity Fund X Global	100 bp
Starwood Opportunity Fund X Global - TMI	125 bp
Starwood Opportunity Fund XI Global	100 bp
Starwood Opportunity Fund XII Global	100 bp
Telsey Consumer Fund (embedded)	100 bp + incentive
Vanguard High-Yield Fund (embedded)	13 bp
Vanguard Real Estate Fund (embedded)	12 bp
Vanguard Total Bond Market Fund (embedded)	4 bp

12 There have been no changes in investment personnel that would alter the returns presented.

13 Past performance is no guarantee of future results.

14 **Investment Grade Debt:** FTSE USBIG Bond Index (February 2001-2023), Salomon Smith Barney Treasury/GNMA Index (1985 - January 2001). **Public Equity:** ¾ custom MSCI ACWI IMI ex Real Estate + ¼ custom MSCI USA IMI ex Real Estate Index (2023), ¾ MSCI ACWI IMI + ¼ MSCI USA IMI Index (2020-2022), ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2012-2019 and 2007-2010), ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅓ MSCI ACWI + ⅓ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (February 2001-2004). **International Equity:** MSCI ACWI ex US Index (2005). **High Yield Debt (Corporate):** FTSE US High-Yield Market Index (2010-2023 and February 2001-2006), FTSE US All BB-Rated Index (2007-2009). **TIPS:** FTSE US-ILSI (2007-2015). **Cash/Commodities:** FTSE US 3-Month Treasury Bill Index (2007-2023). **Real Estate:** MSCI US REIT Index (2014-2023), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2007-2010). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

Capital Markets Benchmark (policy) weightings for the School and Public Lands Fund were as follows:

	IG Debt	Public EO & Dom / Intl	HY Debt	TIPS	Cash/Comm	RE	PE
07/22 - 06/23	30%	50%	7%	0%	2%	11%	0%
07/15 - 06/22	30%	51%	7%	0%	2%	10%	0%
07/14 - 06/15	26%	53%	7%	2%	2%	10%	0%
07/11 - 06/14	28%	52%	5%	5%	2%	6%	2%
07/06 - 06/11	33%	48%	5%	5%	2%	5%	2%
07/05 - 06/06	40%	50%	10%	0%	0%	0%	0%
07/04 - 06/05	40%	40% / 10%	10%	0%	0%	0%	0%
07/03 - 06/04	50%	40% / 0%	10%	0%	0%	0%	0%
07/02 - 06/03	60%	30% / 0%	10%	0%	0%	0%	0%
07/01 - 06/02	70%	20% / 0%	10%	0%	0%	0%	0%
02/01 - 06/01	Weighted based on Investment Council asset allocation.						
07/84 - 01/01	100%	0% / 0%	0%	0%	0%	0%	0%

15 Internal International Equity Benchmark is the MSCI All Country World ex-US Index in fiscal years 2002-2004 and ¾ MSCI EAFE + ¼ MSCI EASEA Index in prior periods.

16 **Investment Grade Debt:** FTSE USBIG Bond Index (2002-2023). **Public Equity:** ¾ custom MSCI ACWI IMI ex Real Estate index + ¼ custom MSCI USA IMI ex Real Estate Index (2023), ¾ MSCI ACWI IMI + ¼ MSCI USA IMI Index (2020-2022), ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2012-2019 and 2007-2010), ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅓ MSCI ACWI + ⅓ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2002-

2004). **International Equity:** MSCI ACWI ex US Index (2005). **Real Estate:** weighted index (2006), MSCI US REIT Index (2014-2023 and 2005-2006), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2006-2010), REIT Benchmark (2002-2004). **High Yield Debt (Corporate):** FTSE US High-Yield Market Index (2010-2023), FTSE US All BB-Rated Index (2002-2009). **TIPS:** FTSE US-ILSI (2007-2015). **Cash/Commodities:** FTSE US 3-Month Treasury Bill Index (2007-2023). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

Capital Markets Benchmark (policy) weightings for the Dakota Cement Trust Fund were as follows:

	IG Debt	Public EO & Dom / Intl	RE	HY Debt	TIPS	Cash/Comm	PE
07/22 - 06/23	30%	50%	11%	7%	0%	2%	0%
07/15 - 06/22	30%	51%	10%	7%	0%	2%	0%
07/14 - 06/15	26%	53%	10%	7%	2%	2%	0%
07/11 - 06/14	28%	52%	6%	5%	5%	2%	2%
07/06 - 06/11	33%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	40%	40%	10%	10%	0%	0%	0%
07/04 - 06/05	50%	20% / 5%	15%	10%	0%	0%	0%
07/01 - 06/04	55%	20% / 0%	15%	10%	0%	0%	0%

17 **Investment Grade Debt:** FTSE USBIG Bond Index (2003-2023). **Tax-Exempt Debt:** Bloomberg Municipal 7 Year Index (2003-2023). **Public Equity:** ¾ custom MSCI ACWI IMI ex Real Estate + ¼ custom MSCI USA IMI ex Real Estate Index (2023), ¾ MSCI ACWI IMI + ¼ MSCI USA IMI Index (2020-2022), ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2012-2019 and 2007-2010), ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅓ MSCI ACWI + ⅓ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2003-2004). **International Equity:** MSCI ACWI ex US Index (2005). **Real Estate:** weighted index (2006), MSCI US REIT Index (2014-2023 and 2005-2006), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2006-2010), REIT Benchmark (2003-2004). **High Yield Debt (Corporate):** FTSE US High-Yield Market Index (2010-2023 and 2003-2006), FTSE US All BB-Rated Index (2007-2009). **TIPS:** FTSE US-ILSI (2003-2015). **Cash/Commodities:** FTSE US 3-Month Treasury Bill Index (2007-2023). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

Capital Markets Benchmark (policy) weightings for the Education Enhancement Trust Fund were as follows:

	IG Debt	Tax-Exempt Debt	Public EO & Dom / Intl	RE	HY Debt	TIPS	Cash/Comm	PE
07/22 - 06/23	24%	6%	50%	11%	7%	0%	2%	0%
07/21 - 06/22	24%	6%	51%	10%	7%	0%	2%	0%
07/18 - 06/21	22%	8%	51%	10%	7%	0%	2%	0%
07/15 - 06/18	20%	10%	51%	10%	7%	0%	2%	0%
07/14 - 06/15	16%	10%	53%	10%	7%	2%	2%	0%
07/13 - 06/14	17%	11%	52%	6%	5%	5%	2%	2%
07/11 - 06/13	0%	30%	52%	6%	5%	3%	2%	2%
07/10 - 06/11	0%	35%	48%	5%	5%	3%	2%	2%
07/09 - 06/10	0%	37%	48%	5%	5%	1%	2%	2%
07/08 - 06/09	3%	30%	48%	5%	5%	5%	2%	2%
07/07 - 06/08	8%	25%	48%	5%	5%	5%	2%	2%
07/06 - 06/07	3%	30%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	3%	32%	40%	10%	10%	5%	0%	0%
07/04 - 06/05	7%	33%	24% / 6%	10%	10%	10%	0%	0%
07/02 - 06/04	10%	35%	25% / 0%	10%	10%	10%	0%	0%

18 **Investment Grade Debt:** FTSE USBIG Bond Index (2003-2023). **Public Equity:** ¾ custom MSCI ACWI IMI ex Real Estate + ¼ custom MSCI USA IMI ex Real Estate Index (2023), ¾ MSCI ACWI IMI + ¼ MSCI USA IMI Index (2020-2022), ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2012-2019 and 2007-2010), ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅓ MSCI ACWI + ⅓ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2003-2004). **International Equity:** MSCI ACWI ex US Index (2005). **Real Estate:** weighted index (2006), MSCI US REIT Index (2014-2023 and 2005-2006), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2006-2010), REIT Benchmark (2003-2004). **High Yield Debt (Corporate):** FTSE US High-Yield Market Index (2010-2023 and 2003-2006), FTSE US All BB-Rated Index (2007-2009). **TIPS:** FTSE US-ILSI (2003-2015). **Cash/Commodities:** FTSE US 3-Month Treasury Bill Index (2007-2023). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

Capital Markets Benchmark (policy) weightings for the Health Care Trust Fund were as follows:

	IG Debt	Public EQ & Dom / Intl	RE	HY Debt	TIPS	Cash/ Comm	PE
07/22 - 06/23	30%	50%	11%	7%	0%	2%	0%
07/15 - 06/22	30%	51%	10%	7%	0%	2%	0%
07/14 - 06/15	26%	53%	10%	7%	2%	2%	0%
07/11 - 06/14	28%	52%	6%	5%	5%	2%	2%
07/06 - 06/11	33%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	35%	40%	10%	10%	5%	0%	0%
07/04 - 06/05	40%	24% / 6%	10%	10%	10%	0%	0%
07/02 - 06/04	45%	25% / 0%	10%	10%	10%	0%	0%

- 19 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 2022-2023, custom S&P Global 1200 Ex-Emerging Markets Index in fiscal years 2020-2022 through 1/31/22, $\frac{2}{3}$ S&P Global 1200 + $\frac{1}{3}$ S&P 500 Index in fiscal years 2012-2019 and 2005-2010; in fiscal year 2011 the $\frac{2}{3}$ custom S&P Global 1200 Ex-Iran + $\frac{1}{3}$ 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 $\frac{3}{4}$ MSCI EAFE + $\frac{1}{4}$ 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.
- 20 Internal Domestic Equity Benchmark is the Russell 1000 Index in fiscal years 1996-2004 and S&P 500 Index in prior periods.
- 21 Convertible Benchmark was calculated using the duration-adjusted Bank of America Merrill Lynch Corporate Bond Indices for each rating category for the bond portion and the prime money market rate plus 100 basis points annually for the hedged equity option portion. It was based on the risk characteristics of the portfolio.
- 22 Merger Benchmark was the implemented Merger index portfolio from 1/1/11-6/30/12, the Merger Custom Index from 7/1/07-12/31/10, and the 3-Month Treasury Bill Index return plus 4.25% annually in prior periods.
- 23 Asset growth is affected by contributions, withdrawals, management fees, and investment income.
- 24 Investment income includes realized and unrealized capital gain/loss income and received and accrued securities income.
- 25 Real Estate Benchmark is the MSCI US REIT Index in fiscal years 2014-2023, NCREIF Property Index + 1.25% in fiscal years 2011-2013, NCREIF Property Index in fiscal years 2002-2010, and NCREIF Classic Property Index starting 12/1/94 for fiscal years 1995-2001.
- 26 Private Equity Benchmark is the $\frac{3}{4}$ custom MSCI ACWI IMI ex Real Estate + $\frac{1}{4}$ custom MSCI USA IMI ex Real Estate Index in fiscal year 2023, $\frac{3}{4}$ MSCI ACWI IMI + $\frac{1}{4}$ MSCI USA IMI Index in fiscal years 2020-2022, $\frac{2}{3}$ MSCI ACWI + $\frac{1}{3}$ MSCI US Index in fiscal years 2015-2019, S&P 500 Index in fiscal year 2014, S&P 500 Index + 1.75% in fiscal years 2011-2013, S&P 500 + 3.5% in fiscal years 2005-2010, Russell 1000 + 3.5% in fiscal years 2002-2004, and Russell 1000 + 5.0% in fiscal years 1999-2001.
- 27 South Dakota Cement Plant Retirement Fund (CPRF) was consolidated into the South Dakota Retirement System (SDRS) on 4/1/14 per SDCL 3-12C-1642. For fiscal years 1973-2013, CPRF assets are included with SDRS.
- 28 South Dakota Cash Flow Fund assets include the Coronavirus Relief Fund for fiscal years ended 2020-2023.
- 29 SDRS Small/Mid-Cap Equity Benchmark is the custom S&P 1000 Ex-Real Estate Index starting 2/1/22 for fiscal years 2022-2023, S&P 1000 Index in fiscal years 2011-2022 through 1/31/22.
- 30 New fund with manager accruing fees and/or expenses but no capital called as of 6/30/23.



SOUTH DAKOTA INVESTMENT COUNCIL

4009 West 49th Street, Suite 300

Sioux Falls, SD 57106-3784

(605) 362-2820

<http://sdic.sd.gov>