

**MINUTES OF THE MEETING OF THE BOARD OF INVESTORS FOR THE
OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT FUND**

February 23, 2021

Zoom Video Conference 831 1054 5711

Call to order

Treasurer Randy McDaniel, board chair, called the meeting to order at 10:30 a.m. on Tuesday, February 23, 2021.

Confirmation of quorum

Members of the Board present via video conference for the meeting were Chairman McDaniel, Brenda Bolander, Bill Schonacher, Debbie Mueggenborg and Tyson Goetz.

Others present were OST Assistant State Treasurer for Operations Kiranmaye Nallayahgari, OST Chief Investment Officer Lisa Murray, OST Director of Portfolio Accounting and Reporting Charles Hover, OST Manager of Portfolio Accounting and Reporting Phyllis Chan, and Assistant Attorney General Benjamin Graves, counsel to the Board.

Tim Allen, OST Deputy Treasurer for Communication & Program Administration, served as recording secretary.

Approval of minutes from the meeting on November 12, 2020

Ms. Mueggenborg moved to approve the minutes of the November 12, 2020 meeting of the board. Ms. Bolander provided a second and the motion was unanimously adopted by roll-call vote.

Presentation of report in regard to Tobacco Free Investments

Sandra Rochell with Bank of Oklahoma verified the Trust was in compliance with the no-tobacco policy for the quarter ending December 31, 2020.

Discussion and Possible Action regarding class action proof of claims filed by BOK Financial and/or Chicago Clearing Corporation on behalf of the Board of Investors for Second Quarter FY-21

Lisa Murray presented a report from BOK Financial/Chicago Clearing Corporation listing class action proof of claims filed between October 1, 2020 and December 31, 2020, consisting of Allied Nevada Gold, LIBOR Bondholder Antitrust Settlement, Spectrum Brands Holdings, Zimmer Biomet Holdings, and Satyam Computer Services Fair Fund. Ms. Mueggenborg moved to approve the filings of the claims, which was seconded by Mr. Schonacher. The motion was unanimously approved by roll-call vote.

Discussion and Possible Action regarding NEPC's 2021 observations and forecasts

Don Stracke, NEPC investment consultant, explained the firm's geometric 10-year and 30-year return assumptions and the NEPC building blocks methodology that is utilized to develop the projected returns. Taking into account the long-term current target mix of the TSET portfolio, NEPC is estimating a 10-year portfolio return of 5.1%, this was in comparison to 5.5% for the previous year. Four key market themes were then discussed comprising of the virus trajectory, permanent interventions by central banks, global backlash due to stagnant wage growth and growing wealth inequality and China's ascending geopolitical power on the global stage. Mr. Stracke then discussed assumptions for fixed income, real assets and alternative investments.

No action was taken by the board.

Presentation and discussion of FY-21 second quarter investment performance

Mr. Stracke said the markets strongly performed across all asset classes with the S & P 500 earning 12.15% and 18.40%, respectively for the quarter and one-year. The Barclay's Aggregate earned 0.67% for the quarter and 7.51% for one-year. He said the global real gross domestic product had not yet recovered from what it was in 2017 and the world economy shrank in 2020, due to the pandemic. If Facebook, Amazon, Alphabet, Microsoft and Google were removed from the S&P in 2020, the return would have been 10% instead of 18%. The market value of the Trust was \$1,512,424,898 as of December 31, 2020. The one-year return was 11% net of fees ranking in the 69th percentile, outperforming the 5% spending rate plus inflation. The return for 3 and 5-years were 7.5% and 8.9%, respectively net of fees.

No action was taken by the board.

Review of 2020 calendar year focus and discussion and possible direction for calendar year 2021 activities including a review of possible Board educational topics

Mr. Stracke thought it would be helpful to engage in a Board discussion regarding potential activities for the rest of 2021. Discussion ensued and the Board decided that a private equity research specialist from NEPC would be utilized, at the next quarterly meeting. The specialist would provide education about private equity and would also address the subset of venture capital and private equity blended with infrastructure. The idea of preferred and convertible stocks for an alternative to fixed income, could also be discussed.

No formal action was taken by the board.

Ratification of Amendment to the Tortoise Investment Management Agreement for the 2021 calendar year

The market value for Tortoise, for the mid-stream energy securities was approximately \$55 million as of December 31st. The current fees were a flat .75% and considering the difficult absolute performance recently of their primary benchmark, they have lowered their fees for the 2021 calendar year. With this change, Tortoise will only earn their full fee if the portfolio earns 14% or more. If the returns are lower than 14%, TSET will benefit from a reduced base fee of .60%.

Ms. Mueggenborg moved to approve the Tortoise fee adjustment for the 2021 calendar year, which was seconded by Mr. Goetz. The motion was unanimously adopted by roll-call vote.

Discussion of estimated FY-21 earnings as of December 31, 2020

OST Director of Portfolio Accounting and Reporting Charles Hover presented a report showing estimated earnings to TSET through the end of the second quarter of the fiscal year were \$59,306,301.96.

Update on TSET Board of Directors activities

Julie Bisbee, TSET executive director, updated the Board of Investors on initiatives being undertaken by the Board of Directors, including the Healthy Young Initiative to improve the health of Oklahoma teens, the TSET Youth Tobacco Cessation Program, "My Life, My Quit" and its website, ok.mylifemyquit.org. Ms. Bisbee discussed two media intervention campaigns targeting adolescents – Down and Dirty, aimed at rural youth, and Behind the Haze, aimed at stopping vaping. She also introduced SwapUp, a program to prevent teen obesity.

Comments and questions from Board members

There were none.

New Business

There was none.

Adjournment

Seeing no additional items for the Board to consider, Mr. Goetz moved the meeting be adjourned and Mr. Schonacher offered a second. By unanimous roll-call vote, Chairman McDaniel declared the meeting adjourned at 11:49 a.m.

Randy McDaniel, Chair
Tobacco Settlement Endowment Trust Fund Board of Investors