

**MINUTES OF THE MEETING OF THE BOARD OF INVESTORS FOR THE
OKLAHOMA TOBACCO SETTLEMENT TRUST FUND (TSET)**

November 19, 2025

State Capitol Building, Room 230

2300 N. Lincoln Blvd.

Oklahoma City, OK 73105

Call to order

Treasurer Todd Russ, Chair of the Board, called the meeting to order at 10:03 am on Wednesday, November 19, 2025.

Confirmation of quorum

Members of the Board present were Treasurer Russ, Deborah Mueggenborg, Aaron Ackerman, and John Waldo.

Others present at the meeting were OST Chief Investment Officer Lisa Murray; OST Manager of Portfolio Accounting and Reporting Donna Beeman; Assistant Attorney General Ben Graves; Innovest Advisor's Wendy Dominguez and Wyck Brown; Chance Allison with Finley & Cook; Evan Walter and Paul Pustmueller with BOK Financial; TSET Director of Public Information and Government Affairs Thomas Larson, TSET Accountant Britt Chapman; Paul Monies with Oklahoma Watch; OST Chief Policy Advisor Andy Ferguson; OST Digital Media Coordinator Lara Blubaugh; and OST Investment Analyst Kuda Rupuwu.

Lisa Murray served as recording secretary.

Approval of minutes from the meeting on August 20, 2025

Upon a motion by Mr. Ackerman and a second by Ms. Mueggenborg, the minutes from the August 20, 2025 Board meeting were unanimously approved.

Annual election of vice-chair pursuant to 62 O.S. § 2305(D)

Ms. Mueggenborg moved to approve Mr. Ackerman to be Vice Chair of the Tobacco Board of Investors for 2026. The motion was seconded by Mr. Waldo and accepted unanimously by roll call vote.

Discussion and possible action and adoption of the 2026 regular meeting schedule

The proposed 2026 meeting dates for the TSET Board of Investors were February 18th, June 17th, August 19th, and November 18th.

Mr. Waldo moved to approve the submitted Board meeting schedule for 2026. The motion was seconded by Ms. Mueggenborg and accepted unanimously by roll call vote.

Discussion on consent of Comvest Partners selling 75% stake of their private credit business to Manulife's Global Wealth and Asset Management

Chairman Russ recognized Wendy Dominguez of Innovest to present this item. Ms. Dominguez reported that Innovest met with the Comvest team regarding the sale of 75% stake in its private business to Manulife's Global Wealth and Asset Management. She described the transaction as a liquidity event for the founder, noting that Comvest management will maintain contractual control over the business, including hiring, firing, and investment decisions. She highlighted that the management team is locked into seven-year non-compete and equity vesting agreements. Ms. Dominguez advised that while Innovest is "at ease" with the transaction, they will list it as a "minor concern" on the organizational report card to ensure heightened monitoring over the next year.

Chairman Russ noted that he had previously executed the consent to meet the deadline and requested a motion to approve that action.

Upon a motion by Mr. Ackerman to approve the previous consent signed by the Chairman, and a second by Ms. Mueggenborg, the motion was unanimously adopted by roll call vote.

Discussion and possible action of proxy voting guideline changes

Chairman Russ recognized Wendy Dominguez of Innovest and Jerry Bowyer of Bowyer research to present on this item. Ms. Dominguez opened the discussion by noting that while the Board initially engaged Bowyer Research to audit past votes and handle corporate engagement, Innovest now recommends a proactive solution to correct voting alignment at the source. She explained that the current system often results in asset managers casting votes based on standardized recommendations from proxy advisors (such as ISS and Glass Lewis) that may conflict with Oklahoma's specific economic interests.

Mr. Bowyer provided a detailed analysis of the current proxy landscape. He highlighted a recurring issue where asset managers, acting as fiduciaries, unwittingly vote against the Board's own shareholder proposals or support ESG-driven mandates that could harm key Oklahoma industries like energy and agriculture. To resolve this, Mr. Bowyer proposed utilizing a specialized sub-advisor, Vident, to execute the Trust's proxy votes. He explained that Vident is currently the only third-party administrator fully integrated with Bowyer Research's custom, state-specific voting guidelines.

Ms. Dominguez outlined a "two-step" implementation strategy:

1. **Direct Engagement:** Innovest will formally request that the Board's 4 equity asset managers utilize Vident to execute proxy votes for the Trust's shares, adhering to the Bowyer Research guidelines. This solution relieves managers of the administrative burden and potential conflicts of interest associated with voting on sensitive political or social issues.
2. **Policy Enforcement:** If any manager refuses this request, the Board will then consider amending the Investment Policy Statement (IPS) to mandate compliance or evaluate whether that manager remains a suitable partner for the Trust.

The Board engaged in a robust discussion regarding the logistics and costs of this transition. Mr. Bowyer and Ms. Dominguez clarified that the cost of the sub-advisor (Vident) is typically borne by the asset manager, resulting in a cost-neutral change for the Trust. Questions were raised regarding the immediate need for policy changes; however, it was determined that the

most prudent first step is to issue the request to managers before rewriting the IPS.

Upon a motion by Mr. Ackerman to approve the proxy voting guidelines as recommended by Innovest, specifically instructing Innovest to work on behalf of the Board to request that the asset managers utilize Vident to vote proxies in accordance with Bowyer Research guidelines, and a second by Ms. Mueggenborg, the motion was unanimously adopted by roll call vote.

Update regarding TSET Board of Directors activities

Chairman Russ recognized Thomas Larson, Director of Public Information and Government Affairs for TSET, to present this item. Mr. Larson reported that November marks the 25th anniversary of the vote creating TSET.

Mr. Larson provided a detailed update on the Board's current grant activities:

- Legacy Grants: The Board of Directors will meet November 21st to award TSET's first-ever "Legacy Grants." Mr. Larson noted the overwhelming response to this opportunity, with 167 applications received totaling \$1.5 billion in requests. The Board has narrowed this field to a select number of finalists. These grants prioritize projects with transformative potential for health outcomes that can sustain their impact beyond the life of the grant.
- Built Environment Grants: The application period for these grants, which fund infrastructure such as sidewalks, trails, and parks to promote physical activity, closed on November 18th.
- Targeted Achievement Grants: TSET is continuing to deploy these grants with a focus on "Tobacco 21" retailer compliance and physical activity initiatives.

Mr. Larson also shared key performance statistics for the Oklahoma Tobacco Helpline:

- Usage: Last fiscal year, 27,000 Oklahomans utilized helpline services, the highest volume since 2020.
- Quit Rate: The helpline achieved a quit rate of over 45%, significantly exceeding the national benchmark of 30%.
- Smoking Rate: The adult smoking rate in Oklahoma has dropped to 14.1%, the lowest level in state history, down from 15.6% the previous year.

Discussion and possible action regarding class action proof of claims filed by BOK Financial and/or the Chicago Clearing Corp. on behalf of the Board of Investors for the 1st quarter of FY 2026.

Chairman Russ recognized OST Chief Investment Officer Lisa Murray to present this agenda item. Lisa Murray requested after the fact approval of the filings.

Upon a motion from Ms. Mueggenborg to approve the class action claims filed in April through September 2025 and a second from Mr. Waldo the motion was accepted unanimously by a roll call vote.

Presentation of annual audit for FY25 by Finley & Cook

Chairman Russ recognized Chance Allison to present the annual audit.

Finley & Cook audited the financial statements for TSET as of June 30, 2025. The firm rendered

a clean opinion, also known as an unmodified opinion, the highest level of assurance the firm can provide in relation to their professional standards. The auditors performed a risk-based assessment of the key TSET's key activities, such as the disbursement cycle of program expenses and the investment cycle for investment holdings, through sample testing. The auditors did not have any disagreements with management, or the investment managers and consultants hired by the Board, and they did not identify any fraud.

Discussion and possible action regarding revised earnings based on the Audit Report

Chairman Russ recognized OST Manager of Portfolio Accounting and Reporting Donna Beeman to present the revised earnings.

Ms. Beeman presented the revised FY 25 certified earnings for the 12 months ending June 30th, 2025. Total income was \$78.7 million, and the net gain was \$69.5 million. The total income with net gains was \$151.7 million. After deducting investment expenses of \$10.6 million and the August certification of \$140.6 million, there were \$141,088,753.79 million in additional revised earnings before the Board. Ms. Beeman asked for approval and certification of the additional earnings of \$2,384,507.01. Mr. Waldo made a motion to accept the fiscal year 2025 earnings as presented. The motion was seconded by Mr. Ackerman. The motion was unanimously adopted by roll-call vote.

Presentation of Tobacco Free Investments report by Bank of Oklahoma

Chairman Russ recognized Mr. Walter to present this item. Mr. Walter verified that the Trust was in compliance with the no-tobacco policy for the quarter that ended September 30, 2025.

Discussion of estimated FY26 earnings as of September 30, 2025

Chairman Russ recognized Donna Beeman to present the next agenda item.

For the three months, ending September 30, 2025, total income with net gains was \$30.4 million. After deducting investment expenses of \$1.89 million and reserving \$500 thousand for auditing purposes, the estimated earnings were \$28.0 million.

Presentation and discussion of FY26 first quarter investment performance

Chairman Russ recognized Ms. Dominguez to present the investment performance report for the quarter ending September 30, 2025. She reported that the total market value of the Trust was **\$2,156,794,338** and the portfolio generated a return of **2.83%** for the quarter and **8.85%** year-to-date.

A detailed analysis of the portfolio's performance relative to its benchmark was discussed, noting that the portfolio underperformed at 2.83% when compared to the benchmark of 4.26%. The variance was primarily attributed to asset allocation and manager selection:

- **Defensive Asset Allocation:** The portfolio is currently underweight in equities and overweight in fixed income relative to its targets. Ms. Dominguez explained that while

this defensive positioning is intended to protect the corpus, it resulted in a performance drag during a quarter characterized by a strong equity market rally.

- **Manager Performance:** Two active managers, Barrow Hanley (Large Cap Value) and Schroders (International Equity), underperformed their respective benchmarks for the quarter. Conversely, the fixed income portfolio provided stability and performed well.

Ms. Dominguez also reviewed the **Manager Scorecard**, highlighting specific organizations Innovest is monitoring due to recent changes:

- Western Asset: Flagged due to the departure of their Co-CIO amid regulatory investigations.
- PIMCO All Asset: Noted due to a key sub-advisor taking a medical leave of absence.
- UBS Trumbull Property Fund: Discussed regarding its extended redemption queue, with full exit not expected until 2026.

Ms. Dominguez noted that Innovest will continue to monitor all managers for adherence to these principles.

Discussion and possible action of portfolio allocation changes and new asset allocations

Chairman Russ recognized Ms. Dominguez and Mr. Wick Brown of Innovest to present the 2025 Asset Allocation Study and recommendations for portfolio restructuring.

Ms. Dominguez presented "Mix 2" from the Asset Allocation Study as the recommended strategic target. She outlined the following key changes to the portfolio structure:

- Liquidity Management: Establishing a dedicated 5% Liquidity Sleeve (Cash & Equivalents) to improve operational efficiency for managing capital calls from private market investments.
- Simplification & Cost Reduction: Eliminating the dedicated Global Equity and Global Fixed Income allocations. Ms. Dominguez explained that these sectors have added complexity and fees without providing the expected yield or diversification benefits.
- New Asset Classes: Adding a 5% allocation to Infrastructure to serve as an inflation hedge and diversifier, and a 5% allocation to Private Equity to enhance long-term return potential.

Mr. Brown elaborated on the liquidity strategy, noting that the dedicated cash sleeve allows the Trust to manage private market drawdowns without disrupting the strategic balance of the broader portfolio. Ms. Dominguez outlined the implementation timeline, recommending the immediate release of a request for proposal (RFP) for an Infrastructure manager (November 2025), followed by a Private Equity RFP in February 2026.

Discussion and possible action of liquidity management and buffer for additional capital calls and planned distributions

Chairman Russ recognized Mr. Brown of Innovest, and he referred to the presentation materials, noting that the Trust has increasingly diversified into private market strategies such as private debt and real estate, which utilize a "drawdown" capital structure rather than upfront funding.

Mr. Brown explained that the Trust currently has approximately \$220 million in outstanding commitments to these private investments. As these capital calls are unpredictable, the Trust requires a reliable source of immediately available cash and as such. Innovest recommended establishing a dedicated Liquidity Sleeve targeted at 5% of the total portfolio (approximately \$100 million). Mr. Brown outlined the benefits of this approach:

- Operational Efficiency: It prevents the need to disrupt the strategic asset allocation by forced-selling other assets during market downturns to meet capital calls.
- Cost vs. Benefit: While holding cash can create a "performance drag" in strong equity markets, Mr. Brown noted that current money market yields (approx. 5%) mitigate this cost, making it a prudent insurance policy for the portfolio's private market obligations.

The Board discussed the mechanics of the sleeve, confirming that it would serve as the primary funding source for capital calls and would be replenished through portfolio rebalancing and income distributions.

Upon a motion by Mr. Ackerman to approve the asset allocation changes as presented in "Mix 2".

- Including the establishment of a liquidity sleeve,
- The elimination of Global Tactical and Global Multi-Sector Fixed Income allocations
- The issuance of RFPs for Infrastructure and Private Equity

a second by Ms. Mueggenborg, the motion was unanimously adopted by roll call vote.

New Business

There was none.

Adjournment

Upon a motion by Mr. Waldo and a second by Ms. Mueggenborg, the Board voted unanimously to adjourn at 12:37 p.m.

Todd Russ, Chair
Tobacco Settlement Endowment Trust Fund Board of Investors