ND STATE INVESTMENT BOARD MEETING

Friday, April 26, 2013, 8:30 a.m.
Workforce Safety & Insurance
1600 E Century, Bismarck, ND

AGENDA

I. CALL TO ORDER AND ACCEPTANCE OF AGENDA

II. ACCEPTANCE OF MINUTES (March 22, 2013)

III. EDUCATION

A. India Real Estate - JP Morgan (enclosed) (60 min)

IV. INVESTMENTS

A. Legacy Fund - Mr. Schulz (enclosed) (20 min)
B. Bank of North Dakota (to follow)
Possible Executive Session for Attorney Consultation
N.D.C.C. §44-04-19.1(2), N.D.C.C. §44-04-19.1(5) and N.D.C.C. §44-04-19.2
C. Westridge/WG Trading - Ms. Murtha (5 min)
Possible Executive Session for Attorney Consultation
N.D.C.C. §44-04-19.1(2), N.D.C.C. §44-04-19.1(5) and N.D.C.C. §44-04-19.2

V. GOVERNANCE

A. Administration
1. Search Committee Update - Search Committee (enclosed) (15 min)
2. Compensation Committee - Ms. Ternes (15 min)
3. Tentative Meeting Schedule 2013-14 - Mr. Schulz (enclosed) (5 min)

VI. LEGISLATIVE UPDATE - Mr. Schulz, Ms. Flanagan (enclosed) (15 min)

VII. MONITORING REPORTS (acceptance needed - questions only) (5 min)

A. Budget and Financial Conditions - Ms. Flanagan (enclosed)
B. Executive Limitations/Staff Relations - Ms. Kopp (enclosed)
C. Investment Program - Mr. Schulz (enclosed)
D. Retirement Program - Ms. Kopp (enclosed)
E. Watch List - Mr. Schulz (to follow)

VIII. OTHER

Next Meetings:
SIB meeting - May 17, 2013, 8:30 a.m. - State Capitol Peace Garden Room
SIB Audit Committee meeting - May 17, 2013, 1:00 p.m. - State Capitol Peace Garden Room

IX. ADJOURNMENT

Any individual requiring an auxiliary aid or service, please contact the Retirement and Investment Office
(701) 328-9885 at least three (3) days prior to the scheduled meeting.

NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
MARCH 22, 2013, BOARD MEETING

BOARD MEMBERS PRESENT:	Mike Sandal, Vice Chair Clarence Corneil, TFFR Board Levi Erdmann, PERS Board Lance Gaebe, Land Commissioner Mike Gessner, TFFR Board Howard Sage, PERS Board Kelly Schmidt, State Treasurer Cindy Ternes, Workforce Safety & Insurance Bob Toso, TFFR Board
BOARD MEMBERS ABSENT:	Drew Wrigley, Lt. Governor, Chair Adam Hamm, Insurance Commissioner
STAFF PRESENT:	Connie Flanagan, Fiscal & Investment Officer Bonnie Heit, Office Manager Fay Kopp, Interim Executive Director Leslie Moszer, Compliance Officer Darren Schulz, Interim CIO Susan Walcker, Investment Accountant
OTHERS PRESENT:	Jeff Engleson, Land Dept. Eric Hardmeyer, Bank of ND Bob Humann, Bank of ND Ron Leingang, former PERS & SIB trustee Jan Murtha, Attorney General's Office Tim Porter, Bank of ND Dave Thompson, Prairie Public Al Weisbeck, Bank of ND

CALL TO ORDER:

Mr. Sandal called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, March 22, 2013, at Workforce Safety & Insurance, 1600 E Century, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

MR. ERDMANN MOVED AND MR. GESSNER SECONDED TO ACCEPT THE REVISED MARCH 22, 2013, AGENDA.

AYES: COMMISSIONER GAEBE, TREASURER SCHMIDT, MR. SANDAL, MR. CORNEIL, MS. TERNES, MR. GESSNER, MR. ERDMANN, MR. TOSO, AND MR. SAGE
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER HAMM, LT. GOVERNOR WRIGLEY

MINUTES:

The minutes were considered from the February 22, 2013, meeting,

MR. ERDMANN MOVED AND MS. TERNES SECONDED TO ACCEPT THE FEBRUARY 22, 2013, MINUTES AS WRITTEN.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MR. SAGE, MS. TERNES, TREASURER SCHMIDT, MR. TOSO, MR. CORNEIL, MR. ERDMANN, AND MR. SANDAL
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER HAMM, LT. GOVERNOR WRIGLEY

EDUCATION:

Mr. Schulz presented an educational segment on risk factors and asset allocations which included a review of past and current trends as it relates to asset allocation for institutional investors and risk factor classification and analysis.

Discussion took place on the subject matter. Mr. Schulz will continue to follow up with the SIB on this issue.

GOVERNANCE:

Search Committee – Mr. Sandal updated the SIB on the Executive Director/Chief Investment Officer search. Human Resource Management Services (HRMS) received 200 applications and completed their review and scoring of the applications for both minimum qualifications and attributes above and beyond the minimums. The top 30 applications were then evaluated by Mr. Sandal, Treasurer Schmidt, Mr. Schulz, and Ms. Flanagan. Evaluation results indicated that of the 30 applications reviewed none brought all of the necessary skills needed for the position.

The Search Committee met on March 4, 2013, to discuss the evaluation results and instructed staff to work with State Procurement to issue a Request for Proposal (RFP) for Executive Recruitment Services the week of March 4, 2013.

The Search Committee also met on March 12, 2013, to discuss their recruitment efforts and evaluation process to date and concurred that changing the course of the search was needed in order to move forward and find the best possible candidate based on the attributes that are needed for the position.

The RFP for Executive Recruitment Services was issued on March 6, 2013. The deadline for receipt of proposals is March 27, 2013. Mr. Sandal, Commissioner Gaebe, and Treasurer Schmidt will work with State Procurement to evaluate the proposals received. The Search Committee is hoping to have a consultant in place by the end of April 2013.

The Search Committee, at their March 12, 2013, meeting, instructed staff to draft a letter notifying the existing applicants that if they wished to continue to be considered for the position they could do so by applying directly to the executive recruitment service selected by State Procurement and the Search Committee. The applicants were also notified that updates and information will be made available on the SIB's web site. The Search Committee also instructed staff to draft a letter notifying the SIB clients on the status of the recruitment process. Both letters were distributed on March 15, 2013.

Interim Executive Director & Interim Chief Investment Officer Annual Review Committee – SIB Governance Policy C-4, Monitoring Executive Performance, states each March the SIB will conduct a formal evaluation of the Executive

Director/Investment Officer and also appoint a three member committee to review the SIB's evaluation and submit a recommendation to the SIB regarding compensation.

The SIB discussed the Interim Executive Director and Interim Chief Investment Officer appointments with Ms. Kopp and Mr. Schulz and both were willing to continue to serve. The SIB thanked staff for their willingness to serve and also for their additional responsibilities and support during the interim.

The following SIB members volunteered to serve on the committee; Ms. Ternes, Chair, Treasurer Schmidt, and Mr. Erdmann.

Audit Committee Report – Mr. Gessner updated the SIB on the Audit Committee meeting which was held on February 22, 2013. The Retirement and Investment Office's (RIO) Internal Audit Division's work plan states a specific number of school district audits must be completed each fiscal year in order to complete an audit of every school district who is a participant of the Teachers' Fund for Retirement (TFFR) within a five year period. The Audit Committee discussed with staff their concerns on the progress made and also discussed the necessary changes that will need to take place in order to achieve the goals of the work plan. The work plan is established and agreed upon at the beginning of each fiscal year by the Audit Committee and staff. The Audit Committee will be monitoring the situation more diligently and following up with staff.

The Audit Committee is also reviewing and updating their Charter. The Charter will be brought before the SIB for their acceptance once completed.

The Audit Committee also received reports on routine audits and no exceptions were noted.

LEGISLATIVE UPDATE:

Ms. Flanagan and Mr. Schulz provided an update on legislation and reviewed the following bills with the SIB; HB 1022 – RIO Budget Bill, HB 1167 – relating to the definition of earnings of the Legacy Fund, HB 1249 – relating to the membership of the State Investment Board, HB1304 – relating to the divestiture of state investment funds in certain companies liable to sanctions under the Iran Sanctions Act of 1996; and to provide an expiration date, HB1395 – relating to membership of the Legacy and Budget Stabilization Fund Advisory Board, SB2124 - provides for the legislative management to study methods to assure that the Legacy Fund provides the lasting benefits intended by the voters, and HCR3018 – relating to transfer of a portion of the earnings of the Legacy Fund to the Legacy Scholarship Fund.

The SIB recessed at 10:10 a.m. and reconvened at 10:20 a.m.

INVESTMENTS:

"Watch List" Discussion – Mr. Schulz reviewed the objective of a "Watch List" and its correlation to the SIB's Governance Policy E-11, "Investments/Performance Related Investment Manager Review." Discussion followed on the policy and if it still meets the needs of the investment program. The SIB Policy Review Committee consisting of Mr. Corneil, Chair, Ms. Ternes, Mr. Gessner, Mr. Sandal, Treasurer Schmidt, and Commissioner Hamm reviewed the SIB Governance policies in 2009 and felt this policy was adequate and no changes were necessary.

Staff was instructed to provide an educational segment on the process and analysis they follow when determining a mandate warrants "watch list" status.

Bank of North Dakota (BND) – Mr. Schulz reviewed the timeline of events since BND was instructed by staff to transition the Pension Trust assets from a Barclays Capital Government Index mandate to a Barclays Capital Long Treasury Index on March 20, 2012, as a result of the SIB's investment grade fixed income restructuring of the Pension Trust.

Mr. Schulz also stated the BND and staff were not able to find a suitable vendor in the State of North Dakota to conduct an analysis of the losses that occurred as a result of the delay in transitioning of the assets. Counsel for both entities are reaching out to out of state vendors.

Mr. Schulz recommended terminating BND's passive fixed income mandates of approximately $47 million in the Pension Trust (BC Long Treasury) and $113 million in the Insurance Trust (BC Government/Credit) as a result of the BND's investment process, and the opportunity for lower cost and lower tracking error alternatives. Mr. Schulz also recommended the assets be transitioned to State Street Global Advisors.

After discussion,

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO TERMINATE BND'S PASSIVE FIXED INCOME MANDATES OF $160 MILLION AND TRANSITION THE ASSETS TO STATE STREET.

After discussion,

COMMISSIONER GAEBE MOVED AND MR. SAGE SECONDED TO TABLE THE MOTION FOR ONE MONTH.

After discussion, a roll call vote was taken,

AYES: MR. GESSNER, MS. TERNES, COMMISSIONR GAEBE, MR. SAGE, AND MR. ERDMANN
NAYS: TREASURER SCHMIDT, MR. TOSO, MR. CORNEIL, AND MR. SANDAL.
MOTION CARRIED
ABSENT: LT. GOVERNOR WRIGLEY AND COMMISSIONER HAMM

OTHER:

The next SIB meeting is scheduled for April 26, 2013, 8:30 am at Workforce Safety & Insurance.

The next Audit Committee meeting is scheduled for May 17, 2013, 1:00 pm at the State Capitol, Peace Garden Room.

ADJOURNMENT:

With no further business to come before the SIB, Mr. Sandal adjourned the meeting at 11:40 a.m.

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Mr. Mike Sandal, Vice Chair
State Investment Board

____
Bonnie Heit
Assistant to the Board

North Dakota State Investment Board

J.P. Morgan India Property Fund II

April 26, 2013

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J.P.Morgan
Asset Management

Today's presenters

Hrushikesh (Rishi) Kar, *Managing Director*, is head of J.P. Morgan Asset Management – Global Real Assets – Real Estate India, which shall serve as the India Sub-Adviser. Rishi has 15 years of business experience, including more than 9 years of Indian investment experience. Rishi was instrumental in advising and launching IPF I and has been a senior officer of Global Real Assets – Real Estate India since its inception in 2006, and formally assumed the head position on the India Sub-Adviser team in 2009 after the departure of Arvind Pahwa. Prior to joining Global Real Assets, Rishi was a vice president with J.P. Morgan Asset Management's Strategy & Development team which had the mandate for strategic acquisition & disposition of assets. In that role he was involved in the successful sale of BrownCo, an online brokerage business owned by JPMorgan, for USD 1.6bn in 2005. Prior to joining JPMorgan in 2004, Rishi had worked for McKinsey & Company, Capital One and Goldman Sachs. Earlier in his career, he served as a portfolio manager and equity trader with GIC Mutual Fund (a subsidiary of Soros Fund Management) in India from 1994 through 1999. Rishi earned an M.B.A. from New York University and a B.S. in Physics from Utkal University, India.

George L. Ochs, *Managing Director*, is a client portfolio manager in J.P. Morgan Asset Management – Global Real Assets' Client Relations and Strategy group and is responsible for advising clients on the opportunities and risks associated with investing in India real estate. An employee since 1995, George has been responsible for serving the global real estate investment needs of existing and prospective institutional investors. He served in JPMAM – GRA's London office for three years and also served as a portfolio manager for a U.S. value-added real estate fund. Prior to his employment with J.P. Morgan, George served as a senior development officer with Prudential Insurance. He is a member of the Urban Land Institute, the Pension Real Estate Association, a LEED Green Associate, and holds the FINRA series 7 and 63 licenses.

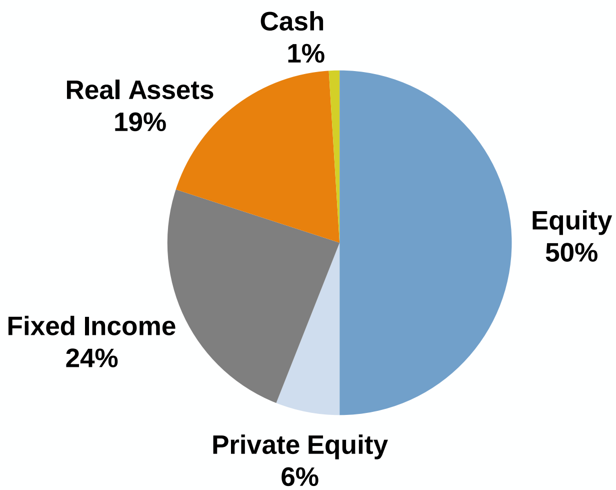
Chanakya (Chan) Chakravarti, *managing director*, is the head of acquisitions of J.P. Morgan Asset Management – Global Real Assets – Real Estate India. He has over 20 years of real estate and hospitality industry experience, including more than 15 years of real estate experience in India. Chan has previously served as the country manager for Cushman & Wakefield in India from 1998 until 2006 where he oversaw the growth of the company from 100 employees to over 900 employees across thirty India cities over four years. During his tenure, the Indian office of Cushman & Wakefield was the most profitable among its Asian offices. Subsequently, in his role as the managing director of Actis Capital, Chan was responsible for the real estate investing activities for the fund in India and was a member of its African Real Estate Fund Investment Committee. Prior to joining JPMorgan, Chan served as the Chief Executive of Indian Ocean Real Estate Company, an Actis portfolio company, where he managed a portfolio of real estate development projects in residential, retail and hospitality sectors with gross value of over USD 200 million. Chan earned his business degree in Accounting and Management from Sydenham College of Commerce & Economics, Mumbai.

Jim Sakelaris, *executive director*, is a client advisor in Institutional Asset Management and is responsible for implementation of investment management strategies in institutional accounts. An employee since 1990, Jim has held various roles within the organization including credit analyst, commercial loan officer and manager of Fixed Income Credit Research. Prior to joining the firm, he was employed as a financial futures specialist for Kidder, Peabody & Co. and was responsible for the management of regional and national institutional financial futures investment portfolios. Jim obtained a B.G.S. in economics and political science from the University of Michigan and an M.B.A. in finance from the University of Chicago. He also holds FINRA Series 3, 7, 63, and 65 licenses.

India Property Fund II

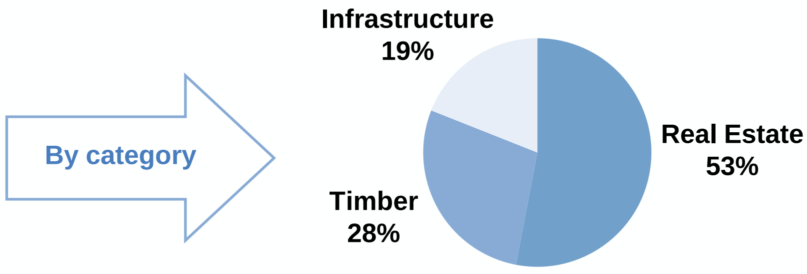
Snapshot of SIB's current allocations

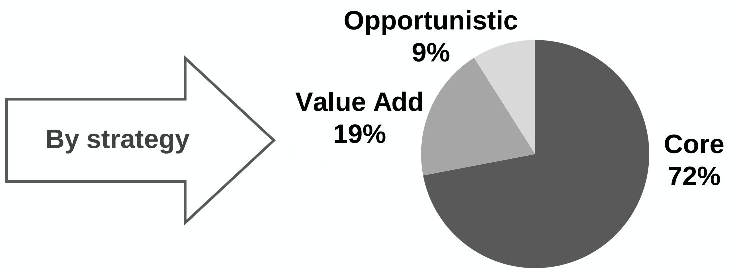
Overall Portfolio

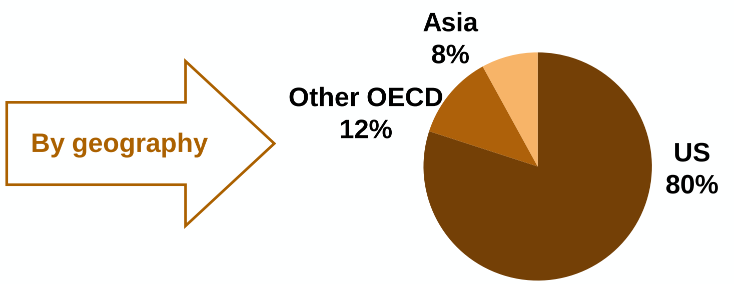


Major Asset Class	Current Allocation	Target Allocation	Over/ (Under)
Global Equity	50%	52%	(2%)
Private Equity	6%	5%	1%
Global Fixed Income	24%	22%	2%
Global Real Assets	**19%**	**20%**	**(1%)**
Cash	1%	1%	0%

Global Real Assets Portfolio







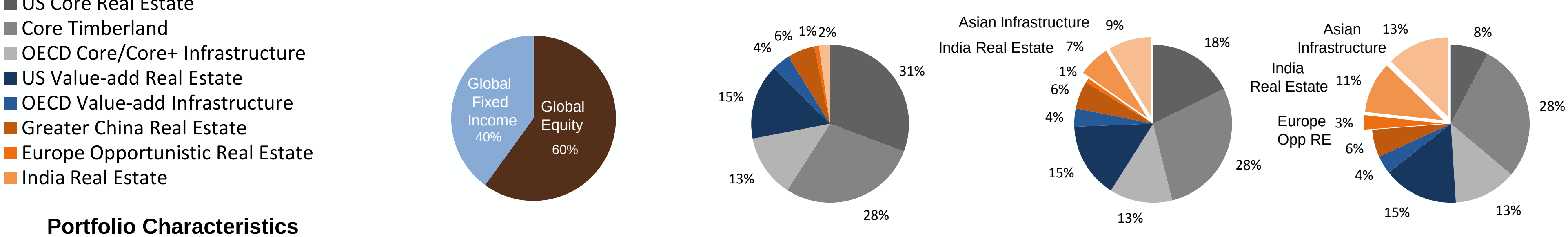
Source: North Dakota Retirement and Investment Office Annual Report 2012. All weights are calculated off reported fair values. Real Assets allocations are updated as of 10/31/2012. A 50/50 US/Other OECD split is assumed for the non-JPM Infrastructure strategy. Figures may not add up to a 100% due to rounding. For discussion purposes only.

J.P.Morgan Asset Management

SIB portfolio: from core US focused to globally diversified income plus growth

Illustrative real assets allocation scenarios

	60/40 Global Equity / Fixed Income	Current Core/Non-Core (72/28)	60/40 Core/Non-Core	50/50 Core/Non-Core



Portfolio Characteristics

	60/40 Global Equity / Fixed Income	Current Core/Non-Core (72/28)	60/40 Core/Non-Core	50/50 Core/Non-Core
Target Total Return	5 – 7%	9 – 10%	10 – 11%	11 – 12%
Target Income	1.5 – 2.5%	4 – 5%	3.5 – 4.5%	3 – 4%
Historical Return	**6.9%**	**9.7%**	**11.0%**	**12.1%**
Historical Volatility	**12.1%**	**8.4%**	**8.8%**	**9.5%**
Exp Sharpe Ratio (est.)	0.36	0.92	1.01	1.05
% of Time Over CPI + 4%	44%	81%	81%	88%
Correlation to Headline CPI	0.25	0.44	0.51	0.54
Max Annual Drawdown (Year)	-22.3% (‘08)	-16.8% (‘09)	-13.5%(‘09)	-10.8% (‘09)
Max Total Drawdown (Year)	- 22.3% (’08)	-21.3% (’08 – ‘09)	-18.7% (‘08 – ‘09)	-17.1% (‘08 – ‘09)

Real Assets Portfolio Diversification

	60/40 Global Equity / Fixed Income	Current Core/Non-Core (72/28)	60/40 Core/Non-Core	50/50 Core/Non-Core
Core / Value-add / Opportunistic	--	72 / 19 / 9%	60 / 19 / 21%	50 / 19 / 31%
Real Estate / Timber / Infra	--	53 / 28 / 19%	47 / 28 / 25%	43 / 28 / 29%
US / Other OECD / Asia	--	80 / 12 / 8%	68 / 12 / 20%	58 / 14 / 28%

The back-tested calculations are shown for illustrative purposes only and are not meant to be representative of actual results achieved by the manager while investing in the respective strategies over the time periods shown. The back-tested calculations for the respective asset classes are gross of fees. If fees were included, returns would be lower. Back-tested returns reflect the reinvestment of all dividends. The back-test period is from 1992-2011. The back-tested performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under-or-over compensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. These back-tested results do not take into consideration the ongoing implementation of the manager's proprietary investment strategies. No representation is being made that any portfolio will or is likely to achieve profits or losses similar to those shown. Past performance is not indicative of future results. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Notes: (1) Sharpe Ratio assumes risk-free rate of 1.75%. (2) The portfolios assume annual re-balancing. (3) % Time Over CPI + 4% is measured over 5-year rolling time periods. Historical annual data used is for the 20 year time period ending 2011 (1992 – 2011). (4) Historical characteristics for the 60/40 global equity / fixed income portfolio assume benchmark returns: Global Equity = MSCI World and Global Fixed Income = Barclays Global Agg. The expected return ranges for equity and fixed income are derived from the 2013 JPMAM Long-Term Capital Market Assumptions, and the income metrics are based on current dividend yield and yield to worst on the global indices. (5) The maximum annual drawdown is defined as the maximum portfolio loss value in any single year and maximum total drawdown is defined as the total peak to trough drop in portfolio value over the last 20 years; both the metrics are calculated in annual USD terms. (6) Sources: Bloomberg, JP Morgan GRA research, NCREIF, NCREIF ODCE, NCREIF Townsend, DTZ, Jones Lang La Salle, RBI and Propequity, UBS. DISCLAIMER: Past performance is not indicative of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. J.P. Morgan seeks to achieve the stated objectives, but there can be no guarantee the objectives will be met. For discussion purposes only.

J.P.Morgan Asset Management

Key takeaways

1. SIB's current real assets allocation is predominantly focused on core investments in the US and other developed markets, with an emphasis on current income from a real estate-tilted portfolio

2. Given SIB's interest in additional growth potential and further geographic/strategy diversification, a reallocation from some core investments to more value-added/opportunistic in other geographies can make sense

3. US Core Real Estate is assumed to be the most logical candidate for near-term re-allocation due to the comparative liquidity and open-end nature of the asset class

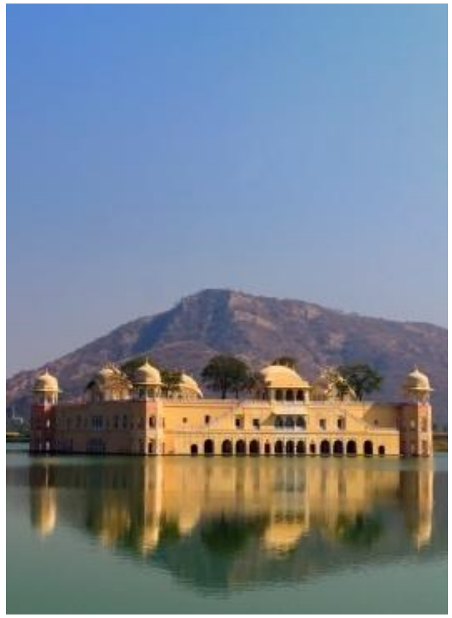
4. Real estate and infrastructure in developing Asia, in particular, can provide the lowly correlated, total return capacity needed to introduce more growth aspects to the portfolio, while enhancing the risk-adjusted return potential of the real assets allocation and SIB's overall portfolio

5. Depending on SIB's ultimate preferences for the core/non core split and for geographic diversification, SIB may also want to consider additional allocations to value-added and opportunistic investments in the US and Europe, given current pricing gaps and market dislocations

6. Portfolios are illustrative and the allocations are meant to reflect strategic guideposts, not finish lines.

Executive Summary: An opportunity driven by growth and capital scarcity

The many faces of India Property






These examples are for illustrative purposes only. They do not represent any investment of the Global Real Assets fund, including the J.P. Morgan India Property Fund II.

India Property Fund II:
An opportunity driven by growth and capital scarcity

- **Demand driven by favorable demographic trends**
  - By 2030, McKinsey Global Institute forecasts[1]
    - GDP grows 5X
    - 250 million additional urban residents
    - Middle class households rise 4X, to 91 million
    - Median age is currently 26 years, 270 million new job entrants

- **Capital scarcity**
  - Post GFC (Global Financial Crisis) economic environment limits capital sources
  - A 74% downturn of available investment capital in the real estate sector

- **Capitalizing on the opportunity**
  - Middle income housing – a lower risk, high demand investment sector
  - "Last mile capital" for long gestation, large capital projects
  - Joint ventures with local developers, high touch value add partnerships

INDIA TODAY

Accelerated GDP growth

+ historical urban migration

+ increase in per capita income

+ 4X increase in urban middle class

+ tens of millions of new jobs

= sustainable demand for real estate

[1] Source: McKinsey Global Institute, April 2010

Opinions, estimates, forecasts, projections and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

India Property Fund II: summary of principal terms

- USD 500 million closed-end opportunistic fund
- First close March 30, 2012: USD 77.3 million; Additional commitment on January 15, 2013: USD 5.0 million
- Target Return to investors of at least 18%, net of incentive and allocation and management fees[2]
- Invest in India's seven major urban centers
- Primary focus on middle-income residential (≥70%) and "last-mile capital" projects, directed towards the office & hospitality sectors (≤30%)
- 8-year fund life after the Offering Period, with two optional 1-year extensions
- India real estate investment team on the ground and operating in India since 2006
- Supported by our Global Real Assets team, which has over 409 investment professionals (as of March 2013)

[1] Please note these terms are preliminary and subject to change. No investment can or should be made on the basis of this Overview. This Overview is not an offering of securities.
[2] The Target Return has been established by J.P. Morgan Asset Management. "J.P. Morgan" based on its assumptions and calculations using data available to it and in light of current market conditions and available investment opportunities and is subject to the risks set forth in "Risks and Disclaimers" herein and more fully in the Memorandum. The Target Return is for illustrative purposes only and is subject to significant limitations. An investor should not expect to achieve actual returns similar to the Target Return shown above. Because of the inherent limitations of target returns, potential investors should not rely on them when making a decision on whether or not to invest in the Fund. The Target Return cannot account for the impact that economic, market, and other factors may have on the implementation of an actual investment program. Unlike actual performance, the Target Return does not reflect actual trading, liquidity constraints, fees, expenses, and other factors that could impact the future returns of the Fund. The Investment Adviser's ability to achieve the Target Return is subject to risk factors over which the Investment Adviser may have no or limited control. There can be no assurance that the Fund will achieve its investment objective, the Target Return or any other objectives. The return achieved may be more or less than the Target Return. The data supporting the Target Return is on file with J.P. Morgan and is available for inspection upon request.

India: Favorable demographic and economic trends

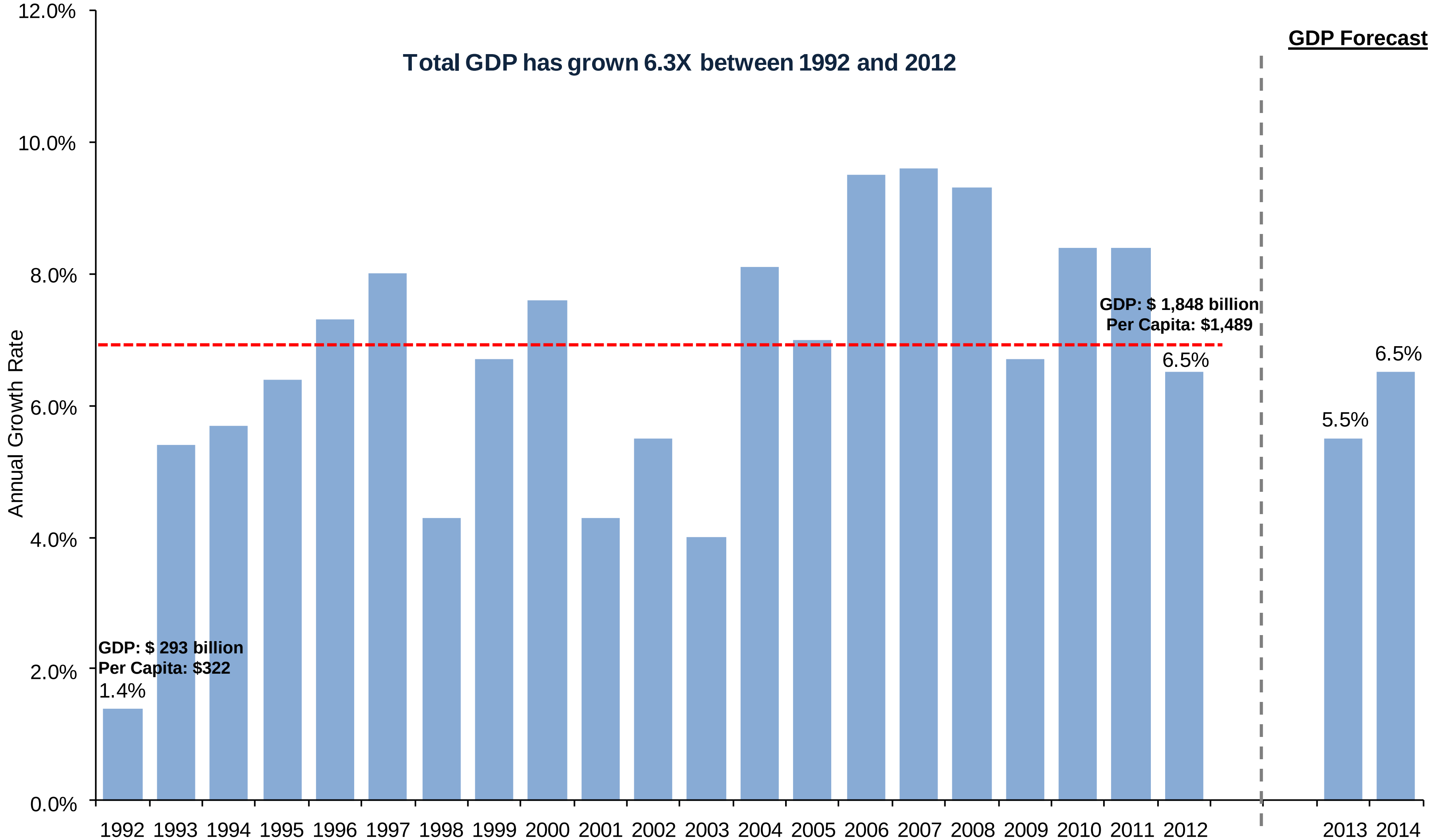
"A new Chicago every year"

By 2030, McKinsey Global Institute forecasts:[1]

- **India's GDP will be 5X what it is today** – split 70% urban/30% rural (in 1995, it was split 50/50)
- **590 million people will live in cities**, nearly twice the U.S. population (in 2011 it was 312 million [2])
- **Per capita income will increase nearly 4X** in India's fast-growing cities
- **91 million urban households will be middle class** compared to 22 million today
- **68 cities will have populations exceeding 1 million**; Europe has 35 today. India is expected to have 6 cities with over 10 million people
- **700-900 million square meters of residential and commercial space needed** – comparable to a new Chicago every year
- **270 million new job seekers** will enter India's workforce
- **Average age is 25 years**, median age is 26 years

[1] Source: McKinsey Global Institute, April 2010
[2] U.S. Census Bureau

Indian economy has achieved an average annual GDP growth rate of 7% since initiating the market reforms in 1992



Source: Bloomberg, World Bank; UBS GDP forecast from Bloomberg as of January 29, 2013

The "Arc of Growth"

GDP growth typically has *led to*

New job growth for the young demographics, *which has led to*

Urbanization *and* **new household creation,** *which has led to*

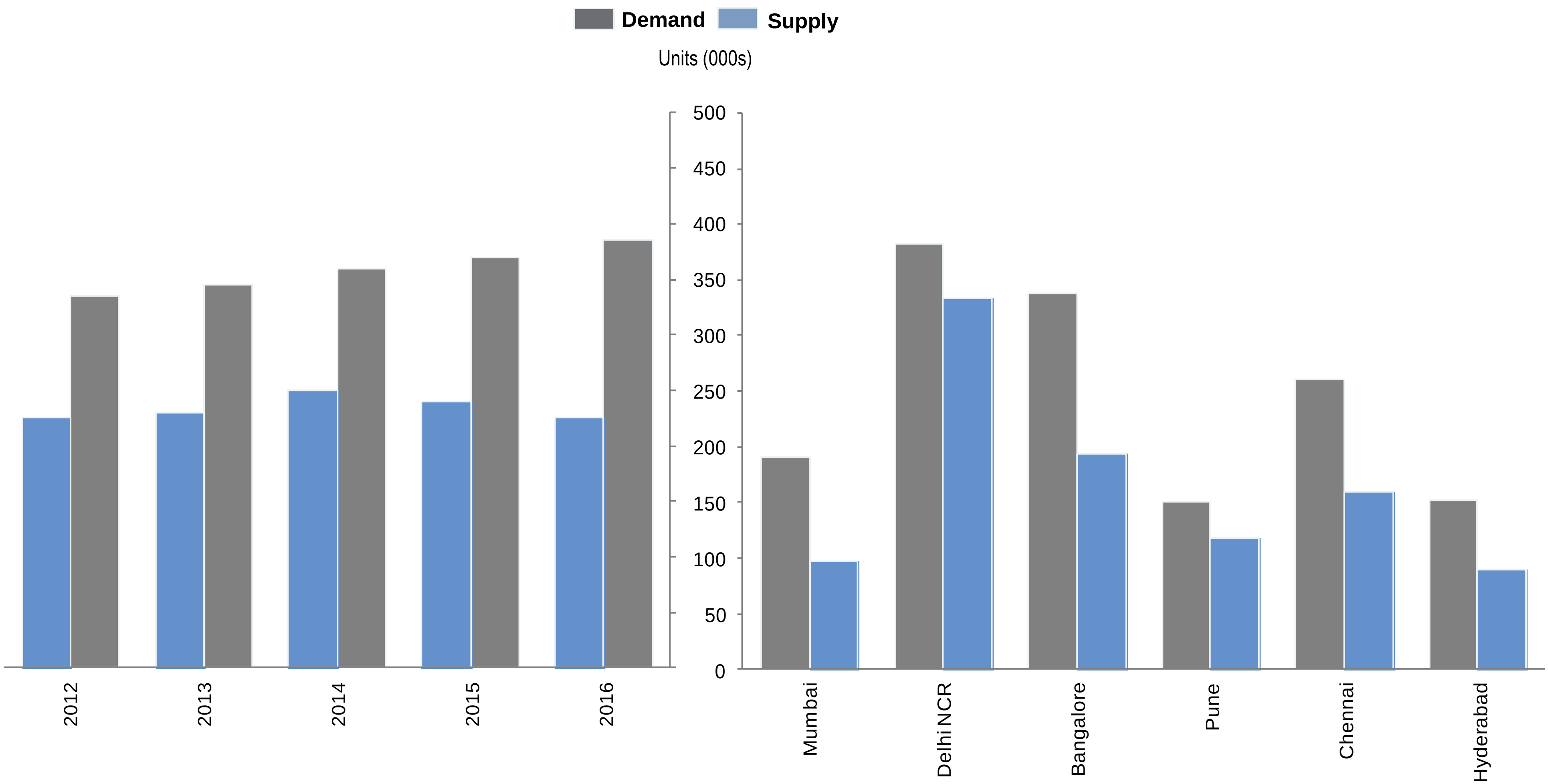
High demand for additional middle income housing

Source: JPMIM

Residential demand supply gap of close to 1 million new units

Residential Demand Supply projections by year: 2012-16

Residential Demand Supply projections by cities: 2012-16



Source: Cushman & Wakefield estimates as quoted in Evolving Paradigm, Future of Indian Real Estate - Cushman and Wakefield, October 2012
Note: The pan-India demand and supply estimate is a consolidation of the top 8 cities of Mumbai, Delhi NCR, Bangalore, Pune, Chennai, Hyderabad, Ahmedabad and Kolkata
The charts and/or graphs shown above and throughout the presentation are for illustration and discussion purposes only

The "scarcity of capital" for Indian real estate may improve risk/return profile

…an "unintended consequence" of the Global Financial Crisis (GFC)

Indian real estate markets opened up to Foreign Direct Investment (FDI) in 2005

Before GFC (late 2008):

- Excessive foreign capital in pursuit of Indian real estate

After GFC:

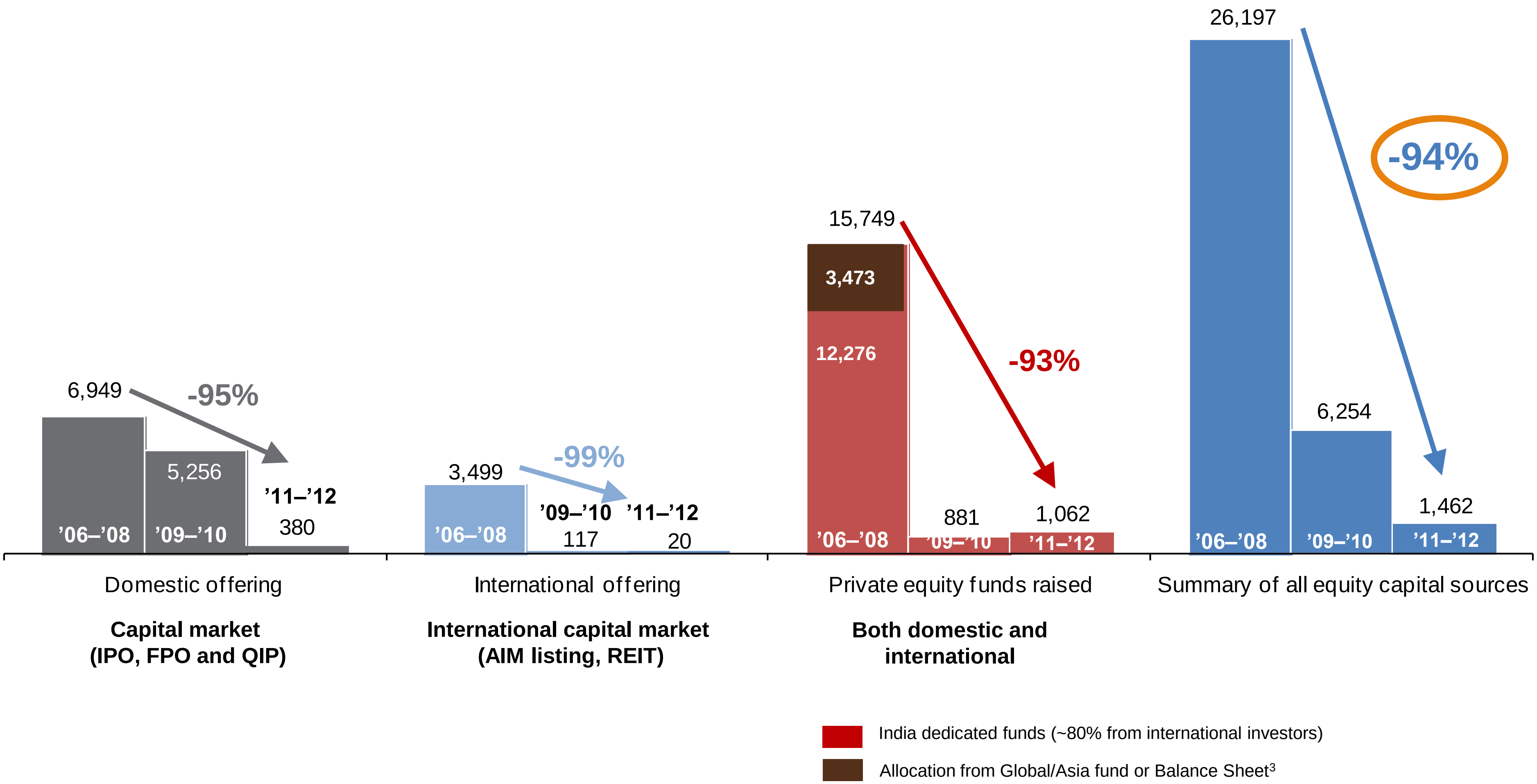
- Opportunistic real estate platforms sponsored by Citibank, Merrill Lynch, Lehman, AIG, Wachovia, D.E. Shaw and others (over USD 3 billion invested in 2006–08) shut down or drastically curtailed activity
- Acute shortage of growth capital for Indian real estate due to the departure of most international investors

[1] Credit Suisse–India Property Sector dated September 15, 2010

Opinions, estimates, forecasts, projections and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

Despite robust economic growth and healthy real estate market, investment in real estate has dried up

New equity capital in the real estate sector: 2006–08 vs. 2011–12 (USD million)



Source: DeaLogic for domestic, international issues; Prequin for private equity fund raising

Notes: 1. Domestic offering comprises IPOs, follow-on investments, QIP and IPP 2. International offering comprises overseas listings 3. Allocations are actual investments made by Asia/global funds or from balance sheet of international banks

Key Residential Transaction Parameters – India

The established requirements are . . .

- Developers are prohibited from using borrowed capital to acquire land for development projects (including residential).
  - India's population and land area statistics result in a 16X density factor versus the U.S. Thus, a "New Jersey"-like density exists across India.
- Developers are allowed to pre-sell units on an "off plan" basis.
  - Purchasers are typically required to provide a down payment in the 20 – 25% range of the purchase price.
  - Mortgage companies make loan commitments for pre-approved projects.
- The developer can draw upon purchasers' down payments and mortgage commitment proceeds for project construction linked to defined construction milestones.

Five advantages for the developer & investor include . . .

- Risk reduction via the pre-sale of a large portion of the project prior to breaking ground.
- Risk transference - the purchaser is fully liable upon contract signing.
- The developer has the ability to use purchaser capital for construction expenses.
- The project is a "**self-liquidating**" investment – which can result in a shorter holding period without a single exit event several years after project commencement.
- Very low project financial leverage required by the developer.

Amrapali Silicon City, Noida – National Capital Region
Significantly pre-sold, mid-income housing project – Closed August 2012

Design rendering

Amrapali Group
An ISO 9001:2000 Co.
Developing India

Underwriting comparison[1]

- Amrapali Silicon City, August 2012: 25% IRR
- Amrapali Zodiac, September 2010: 25.5% IRR
- Comparable transactions, 2006 – 08: 14-16% IRR

- Investment partnership with Amrapali Group, a leading NCR (New Delhi) real estate development firm specializing in middle-income housing with a focus on first time home buyers
- Amrapali Group is our partner in Zodiac, an IPF I investment located approximately 5 km from Amrapali Silicon City
- A two-tranche investment commitment: a USD 25.3 million initial investment with an optional USD 10.9 million tranche expected to be made by the end of Q2 2013
- **The initial tranche investment is expected to generate a 13.5% annual coupon, and 95% of all free cash flows are contributed until a 24% Internal Rate of Return (IRR) is achieved**
- Overall, the investment is expected to generate an IRR of 25% (net of local taxes) with an equity multiple of 1.83x over a 3 year hold period
- Silicon City consists of 4,642 residential units, with 2,889 units (62%) currently pre-sold
- Construction commenced in February 2010 with over a million square feet constructed, with completion targeted for Q1, 2018
- **First quarterly distribution to investors made in March 2013**

[1] The IRR shown above is calculated based upon internal JPMIM data. There can be no guarantee the IRR will be achieved.
Past performance is not necessarily indicative of the future performance. Investing is subject to significant risks.
This example is included solely to illustrate the investment process and strategies which have been utilized by the manager. Please note that this investment is not necessarily representative of future investments that the manager will make. There can be no guarantee of future success.

Amrapali Zodiac, Noida
Significantly pre-sold, mid-income housing project – Closed September 2010

Design rendering

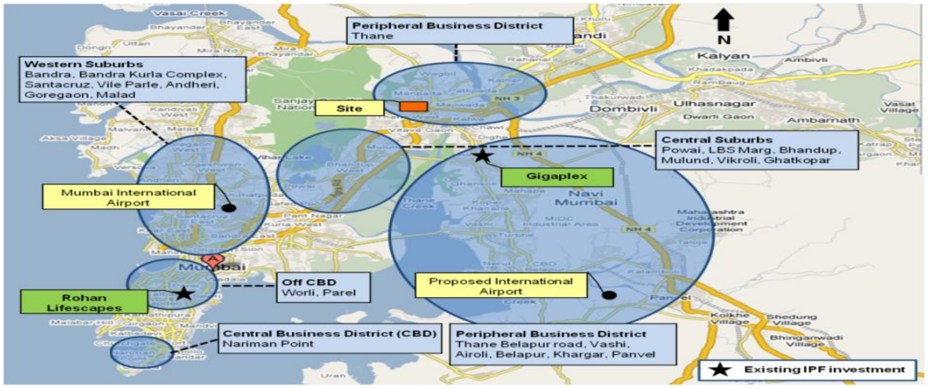
AMRAPALI GROUP
An ISO 9001:2000 Co.
Developing India

- 44% acquisition of a substantially pre-sold mid-income housing development located in Noida, a key suburb of New Delhi
- Total site area: 17 acres
- Total built-up area: 2.8 million sq. ft.
- Total units: 2,030
- Total buildings: 22 – all currently under construction
- Total IPF I equity invested: USD 18.7 million
- Investment thesis
  - Achieve opportunistic-type return in a development project with significant sales and entitlement risks already mitigated
  - Project 78% pre-sold at the time of acquisition, establishing the location and sales price. As of December 31, 2012, 92% of the 2,030 units have been sold
  - Construction commenced with all major construction related approval: reduced entitlement and approval risks
  - Construction financing in place
- Underwriting comparison[1]
  - Amrapali Zodiac, September 2010: 25.5% IRR
  - Comparable transactions, 2006 – 08: 14-16% IRR

[1] The IRR shown above is calculated based upon internal JPMIM data. There can be no guarantee the IRR will be achieved.
The above investment is an example of an investment made by JPMorgan India Property Fund ("IPF I"). Investors should not assume that similar types of investments will be available, or if available, will be selected for investment by the Fund. Past performance is not necessarily indicative of the future performance. Investing is subject to significant risks. See pages 39-40 for a more detailed description of IPF I's investments.

Development of a prime residential site in north-eastern Mumbai with a leading developer

UNDER NEGOTIATION



Investment details:

Location: Thane West, Mumbai
Property type: Upscale residential apartments
Land area: 5 acres
Saleable area: approx 940,417 sft (~ 354 units), including a commercial office portion of ~140,000 sft
Potential investment amount: **INR 1,100 mm ($20.4 mm)**

Development period: 54 months
Average development cost: INR 4,200 ($77.8)[1] per sft
Average all-in residential sales price: INR 11,200 ($207.4)[1] per sft
Fund's Gross IRR (estimated)[2]: ~21%-23%*

Investment thesis:

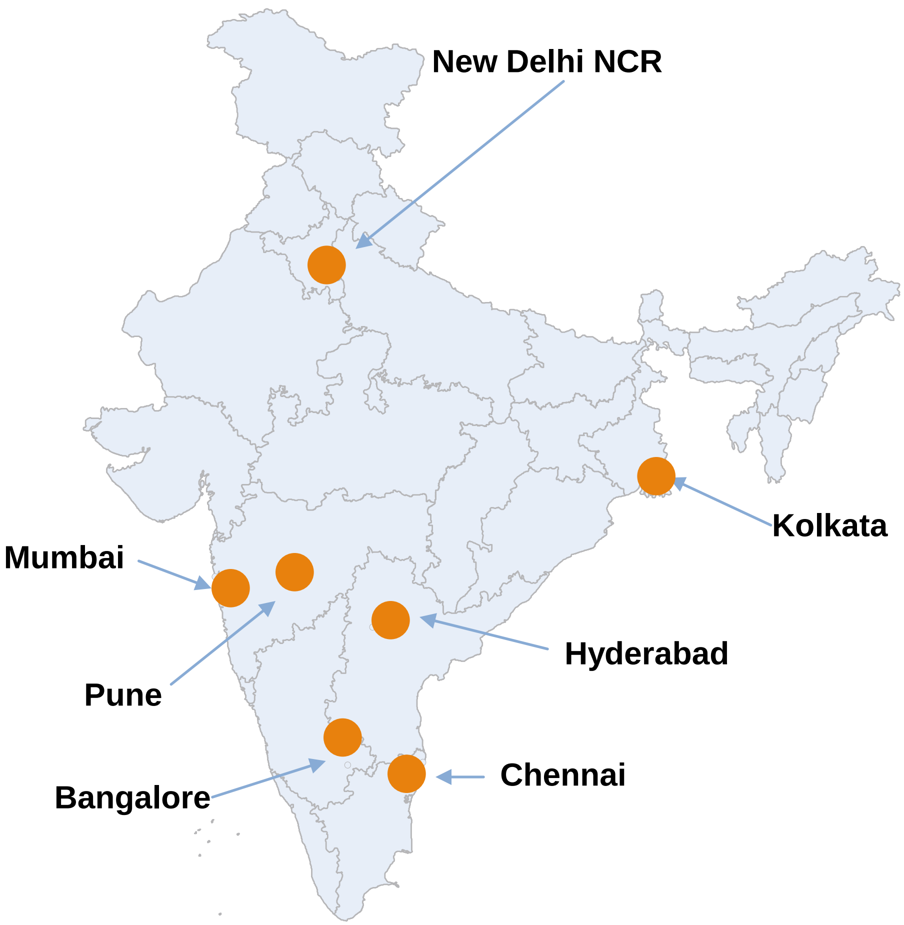
- **Infill location:** The Project is located in Thane West, which is one of the established suburbs in northeast Mumbai. The site adjoins the developer's successfully completed residential project, enjoys connectivity with other parts of city and has well-developed social infrastructure (schools, hospitals etc.) in the vicinity. The developer is also in the process of completing a 1 mm sft retail mall adjacent to the site, which is expected to be operational in June 2013
- **Clear, marketable and unencumbered site:** The land was acquired by the Developers from a large corporate in 2002. Land is clear and vacant with defined entitlements in place. Land is converted to 'non-agriculture' and is zoned 'residential'. It is extremely difficult to find large land parcels without any encroachments / encumbrances in a prime location in Mumbai Metropolitan Region (MMR)
- **Initial pre-development work underway:** The master plan and designs have been finalized and initial plans have been submitted for development approvals with the local development authority
- **Credible sponsor:** The sponsor is a leading real estate group in Mumbai and is associated with iconic residential projects in Mumbai
- **Attractive risk adjusted return:** The waterfall structure provides for downside protection to the Fund, resulting in attractive risk adjusted returns. Based on the cash flow distribution structure, the Fund would have the preference to receive an accrued coupon (~12%) and an enhanced share of cash flows till the Fund achieves an IRR of 22%

* Note: Distribution related taxes to be paid by the SPV
[1] 1 USD = 54.0 INR
[2] The IRR shown above is calculated based upon internal JPMIM data. There can be no guarantee the IRR will be achieved.
Note: This transaction is under evaluation. There is no assurance or guarantee that the transaction will eventually consummate.

The three-part IPF II Investment Strategy

1. Investment locations are focused on high growth, diversified economic metropolitan areas

- **Geographic focus: Seven key "Indian gateway" metropolitan areas**



The characteristics of these cities include…

- Diversified economic generators
- High levels of job and population growth
- Largest stable of qualified real estate developers

2. Investment strategy directed towards middle-income housing and selected "late stage" high quality projects

A potential lower risk/higher return investment strategy tailored to match India's current economic conditions

- **70% or more invested in middle income housing**
  - Benefits from a 3:1 demand/supply imbalance in core cities
  - Minimizes early stage development risks
  - Generates significant pre sale activity
  - Results in purchasers largely financing project build out
  - Is a self liquidating investment

- **30% or less invested in "late stage" capital opportunities in the office and hospitality sectors**
  - Reduces execution risk; long gestation, high cost projects often suffer from cost over runs
  - Benefits from "last in/first out" profile of "last mile" capital

The above investment highlights are based on investments made by IPF I. Investors should not assume that similar types of investments will be available, or if available, will be selected for investment by IPF II. Past performance is not necessarily indicative of future performance. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Investing is subject to significant risks. See pages 39-40 for a more detailed description of IPF I's investments.

Investment strategy directed towards later stage opportunities for better returns visibility

Higher Risk → **Lower Risk**

IPF II's Preferred Investment Stages

Stage I: Early Stage

Key Risks
- Land Aggregation
- Zoning
- FAR entitlements
- Building permits
- Construction (cost & schedule)
- Marketing/pricing

Asset Class Focus
- Residential
- Office

Risk: High (binary outcome)
Indicative Gross Returns: 26% - 28%+

Stage II: Pre-Development Stage

Key Risks
- Permits
- Construction (cost & schedule)
- Financing
- Marketing/pricing

Asset Class Focus
- Residential
- Office

Example:
IPF I invested in Hiranandani Lakeshore, a residential development in Bangalore with zoning and density in place but permits to be secured

Risk: Medium (timing for permits is key)
Indicative Gross Returns: 23% - 26%

Stage III: Project Launch Stage

Key Risks
- Construction (cost & schedule)
- Marketing risk (Project pre-sold or pre-leased to varying degrees)

Asset Class Focus
- Residential
- Office
- Hotel

Example:
IPF I invested in Amrapali Zodiac, a residential project in National Capital Region, with all permits and a significant portion pre-sold

Risk: Medium (mostly execution related)
Indicative Gross Returns: 20% - 23%

Stage IV: Project Nearing Completion/Completed

Key Risks
- Costs (balance to be spent)
- Operating/ tenant roll-over
- Re-financing

Asset Class Focus
- Hotel
- Office
- No opportunity in housing

Example:
IPF I invested in a 277-key Renaissance by Marriott hotel in Bangalore with the building shell nearing completion, permits in place and re-financing complete

Risk: Low (operating & exit)
Indicative Gross Returns: 16% - 20%

The capital shortage should create better risk-adjusted opportunities

Project status at acquisition

Design perspective

- 60% acquisition of a 277-key business hotel managed by Marriott under the Renaissance brand in Bangalore city center
- Total equity committed: USD19.9 million, summer 2011
- Hold period: 3.5 years
- Investment thesis
  - City-centre location in one of the strongest hotel markets at near complete stage
  - Participation of IPF I at an advanced stage of construction at the Fund's entry means no entitlement risk and limited development risk
  - Experienced developer with a world class operator.

The above investments are example of investments made by IPF I. Investors should not assume that similar types of investments will be available, or if available, will be selected for investment by the Fund. Past performance is not necessarily indicative of the future performance. Investing is subject to significant risks. See pages 39-40 for a more detailed description of IPF I's investments.

3. A disciplined, investor oriented JV partner strategy

We offer a "value-add" complementary partnership with experienced JV partners

- Asset level Joint Ventures only
- "High touch / high control" relationship with our JV partners
  - Governance
  - Financial management
  - Project management
- Creates greater control and focus for IPF II in project development
- Allows the Fund to choose different developers for different markets

Hiranandani Upscale

VICEROY

Arihant Foundations & Housing Limited

rohan Lifescapes

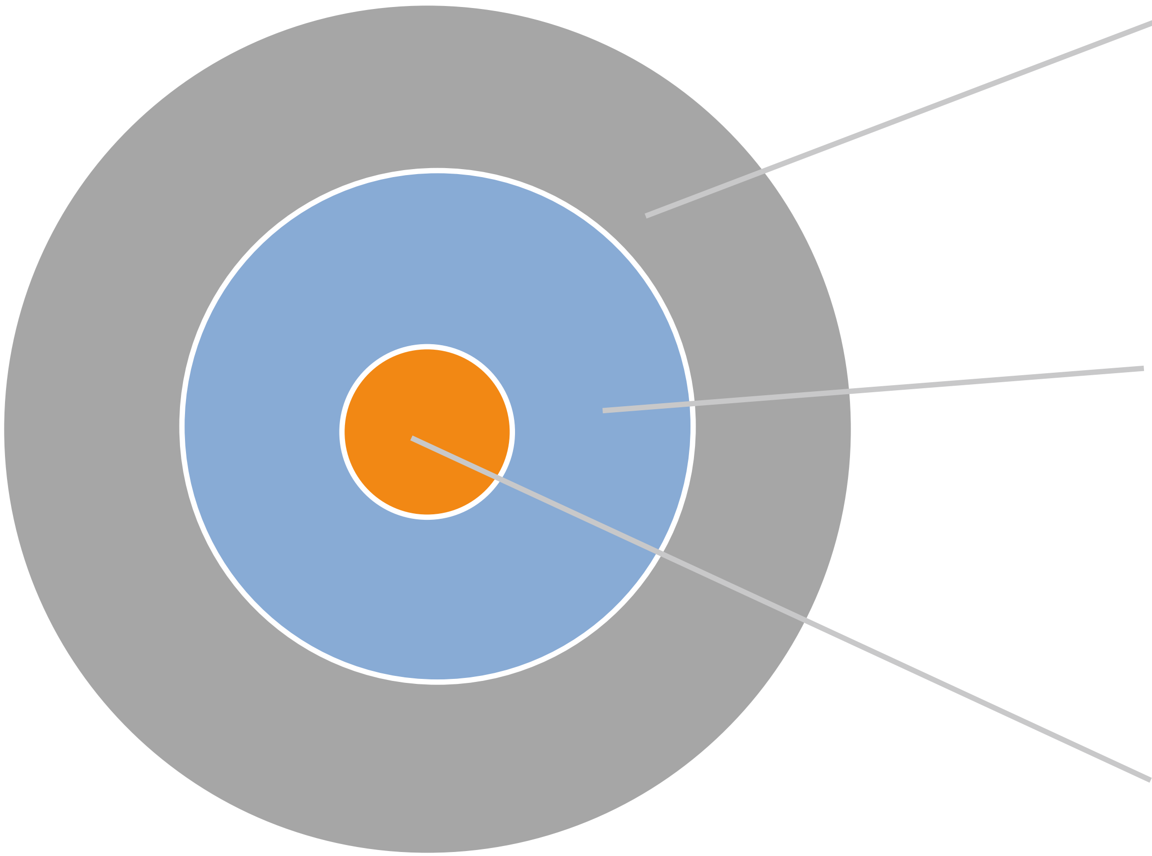
AMRAPALI GROUP Developing India

K RAHEJA CORP

The above are examples of the JV Partners from IPF I. Investors should not assume that the same or similar type JV Partners will be available, or if available, will partner with IPF II. Past performance is not necessarily indicative of the future performance. See appendix for a more detailed description of investments. Companies above are shown for illustrative purposes only. The use of the above company logos is in no way an endorsement for JPMIM investment management services.

J.P. Morgan Asset Management / JV partnership terms

Established minimum standards for all JV partners



Governance

- Board representation
- All decision making at board level
- Compliance matters
- Safety, child labor laws

Financial

- Big Four accounting firm required
- MIS reporting standards
- Access to JV bank accounts

Project

- Appointment of general contractor, key consultants
- Proposed changes in budget, schedule or specifications
- Major expense approvals

J.P.Morgan Asset Management

Active partnerships with many of India's top developers and operators

Residential

Hiranandani Upscale

- One of India's most recognized/respected brands in housing with a track record of 30 +years
- Pioneers in creating large integrated townships
- Developed 30 mm sq. ft. of mixed-used space

Arihant Foundations

- One of most recognized names in Chennai residential sector
- 25-year track record in development
- Over 6 mm sq. ft. completed/under construction projects

Amrapali Group

- Residential developer in NCR - Noida
- Good brand recognition in NCR region and strong execution and marketing capability
- Over 15 mm sq. ft. completed/under construction projects

Rohan Lifescapes

- Developer with exclusive focus in Mumbai
- Strong capabilities in potentially lucrative South Mumbai market

Office

K Raheja Corp

- Second largest office developer in India
- Operates under some of the most recognized brand names:
  - Mindspace: IT Office (Mumbai, Hyderabad & Navi Mumbai)
  - Vivarea: High-end Housing (Mumbai, Bangalore & Hyderabad)
  - Retail/Mall: Inorbit (Mumbai, Hyderabad)
- Tenants include J.P. Morgan, Bank of America, HSBC, Accenture, IBM, Morgan Stanley and Capgemini

Hospitality

East India Hotels

- Owns the second largest chain of hotels in India under the brand name of "The Oberoi" & "Trident"
- Track record of over 75 years
- Publicly traded on the Bombay Stock Exchange
- Manages 28 luxury hotels and luxury cruisers across Asia and the Middle East, including hotels in Seoul and Bali and cruisers on the Nile
- Oberoi Vanyavilas is ranked the best hotel in the world by Travel+Leisure, USA Readers' poll 2010

Viceroy Hotels

- Hotel developer in South India
- Owns 2 operational hotels viz. Marriott Hyderabad and Courtyard Hyderabad
- Pipeline includes JW Marriott in Chennai and Renaissance in Bangalore and Renaissance in Vizag

The above are examples of the JV Partners from IPF I. Investors should not assume that the same or similar type JV Partners will be available, or if available, will partner with IPF II. Past performance is not necessarily indicative of the future performance. See appendix for a more detailed description of investments. Companies above are shown for illustrative purposes only. The use of the above company logos is in no way an endorsement for JPMIM investment management services.

Imperatives to succeed while investing in India – Our experience

- Access the market through the Indian ‘gateway’* cities with the potential to benefit from rapid urbanization creating sustainable demand
- Position mid-market residential at the front and center of investment strategy
- Invest at an asset level in later stage developments in an effort to mitigate risks around zoning and consents
- High-touch/high-control asset management to meet schedule/ budget/quality as opposed to adopting an allocation strategy

•Tier I cities like Delhi NCR, Mumbai, Bangalore (Bengaluru), Chennai, Pune, Hyderabad and Kolkata
The manager seeks to achieve the stated objectives. There can be no guarantee the objectives will be met.

Experienced team on the ground in India since the easing of Foreign Direct Investment restrictions

J.P. Morgan Asset Management – Global Real Assets
A seasoned India investment team built for asset level investing

Joseph Azelby, MD
Global Head of
Real Assets

David Chen, MD
Head of Real Assets Asia

Portfolio Management

Rishi Kar, MD, Head of Real Estate India

Acquisitions

Chanakya (Chan) Chakravarti, MD
Gunjan Bahl, VP
Amol Gokhale, VP
Amit Sharma, Asc

Asset/Development Management

Suraj Chhabria, VP
Ashvinder Kaushik, Asc
Prakash Ingle, ED
Parag Pradhan, Asc

Research

Ashvinder Kaushik, Asc
TBD, Asc

Finance

Saurabh Shah, ED
Aditya Mohata, Asc

Chief Operating Officer

Todd Wong, MD

Tax

Helen Tindle, VP

As of April 1, 2013

There can be no assurance that the professionals currently employed by JPMAM will continue to be employed by JPMAM or that the past performance or success of any such professional serves as an indicator of such professional's future performance or success.

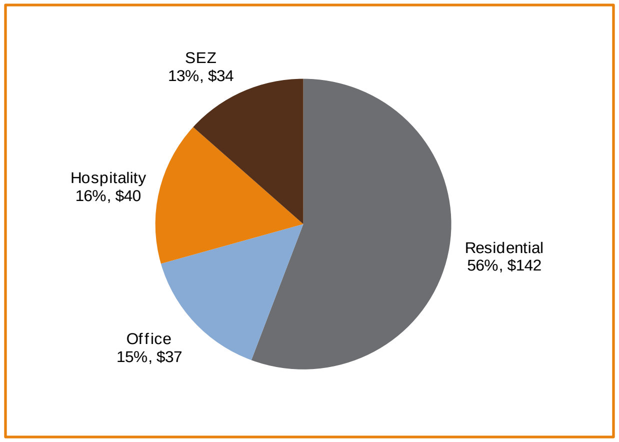
J.P. Morgan's India Property Fund (IPF I) invested across major markets and property types

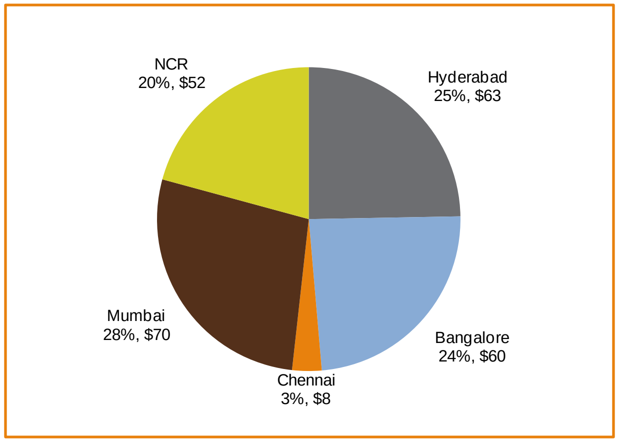
Investments shown are that of the IPF I and is not meant to represent the investments or types of investments that may be made by IPF II. Numeration indicates the order investments were made by IPF I. Investors should not assume that similar types of investments will be available, or if available, will be selected for investment by IPF II. Past performance is not necessarily indicative of future performance of an investment. Investing is subject to significant risks. See pages 39-40 for a more detailed description of IPF I's investments.

India real estate investment team on the ground and operating in India since 2006

JPMorgan India Property Fund I experience

- Ten investments closed with aggregate capital commitment of USD 255 million
- Diversified India property portfolio
  - Investments in major target markets of Mumbai, New Delhi (NCR), Bangalore, Chennai and Hyderabad
  - Investments in all major sectors
  - Focus on housing sector in "Value Housing"
- All investments are project-level joint ventures with high quality developers in different Indian cities
- Portfolio exits achieved to date:
  - Approximately 34% of the housing units liquidated
  - Approximately 24% of the invested equity of the commercial portfolio exited and distribution completed
- Experience throughout the development value-creation cycle
- Projected IPF I performance: 16.6% IRR, 2.3x equity multiple*





The above investment highlights are based on investments made by IPF I. Investors should not assume that similar types of investments will be available, or if available, will be selected for investment by IPF II. Past performance is not necessarily indicative of future performance. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Investing is subject to significant risks. See pages 39-40 for a more detailed description of IPF I's investments.

*Represents IRR and equity multiple at the Indian Investment vehicle level, which is gross of fees and expenses to the Manager and excludes net unrealized gain/loss from foreign-currency translation.

J.P. Morgan India Property Fund II:
An opportunity driven by growth and capital scarcity

Summary of terms
- Capital raise: USD 500 mm
- First close: 1Q12
- Target Return (net): 18% IRR[1]; 1.8x eq. multiple
- 8 year fund life, with two optional 1-year extensions

Investment thesis
- Favorable demographic outlook
- Robust growing economy
- Prevailing capital scarcity
- Arc of economic growth indicates high demand for new middle income housing

Investment strategy
- Disciplined "high touch" JV investment program
- Middle income housing; selective "late stage" office and hospitality
- Geographic focus on 7 largest "gateway" metro areas

Seasoned team
- Experienced team, on-the-ground since easing of FDI
- Demonstrated record of partnering with high-quality, local operators and developers
- Supported by 415 -professional Global Real Assets team

[1] The IRR shown above is calculated based upon internal JPMIM data. There can be no guarantee the IRR will be achieved.

Appendix

IPF II: Summary of Principal Terms

Fund Structure:	Closed-end; investors will purchase interests in fund investor vehicles, which will directly or indirectly co-invest in a Singapore private limited company
Investment Objective and Strategy:	The Fund intends to seek primarily capital appreciation by investing in a portfolio of wholly-owned investments and joint ventures formed with strategic or operating JV partners to acquire and/or develop real estate and real estate-related assets in India. The Fund may also invest in other real estate and real estate-related assets in India, either directly or in the form of debt, equity, indices or other interests or securities related thereto.
Target IRR[1]:	At least 18%, net of the incentive allocation and management fees over the life of IPF II. The Target Return does not factor in the effect of taxes that may be payable by or in respect of any Intermediate Entity, Fund Investor Vehicle or Investor and does not reflect changes in currency fluctuations, which can impact the Fund's return.
Participation of JP Morgan:	An entity affiliated with J.P. Morgan which will commit to an amount in the aggregate approximately equal to (but not greater than) 3% of the Total Commitments.
Strategy Commitments:	Aggregate commitments to date of USD 82.5 mm through Jan. 31, 2013. Total Commitments will not exceed USD 500 mm (or such greater amounts in the discretion of the Investment Adviser).

1.Net of management fee and carried interest, but gross of taxes payable by certain entities or any taxes payable by investors in respect of any distributions. The Target Return has been established by J.P. Morgan Investment Management Inc. "J.P. Morgan" based on its assumptions and calculations using data available to it and in light of current market conditions and available investment opportunities and is subject to the risks set forth herein and to be set forth more fully in the Memorandum when completed. Please note these terms are preliminary and subject to change. No investment can or should be made on the basis of this Summary. This Summary is not an offering of securities. The target returns are for illustrative purposes only and are subject to significant limitations. An investor should not expect to achieve actual returns similar to the target returns shown above. Because of the inherent limitations of the target returns, potential investors should not rely on them when making a decision on whether or not to invest in the strategy. The target returns cannot account for the impact that economic, market, and other factors may have on the implementation of an actual investment program. Unlike actual performance, the target returns do not reflect actual trading, liquidity constraints, fees, expenses, and other factors that could impact the future returns of the strategy. The manager's ability to achieve the target returns is subject to risk factors over which the manager may have no or limited control. There can be no assurance that the Fund will achieve its investment objective, the Target Return or any other objectives. The return achieved may be more or less than the Target Return. The data supporting the Target Return is on file with J.P. Morgan and is available for inspection upon request.

The information contained in this summary is qualified in its entirety by reference to the Memorandum, which contains additional information about the investment about the investment objective, terms and conditions of an investment in the Fund and also contains tax information and disclosures that are important to any investment decision regarding the Fund. If there are any conflicts between information contained herein, information contained in the Memorandum shall prevail. Any investment in the Fund may be made in reliance on the Memorandum only.

IPF II: Summary of Principal Terms (continued)

Investment Period: The Fund's Investment Period shall begin on the date of the Initial Closing and end on the third anniversary of the final date on which a Closing of the Fund may occur, with an option to extend by the Investment Adviser for up to an additional two-year period with Investors' Consent.

Term: 8-year fund life after the Offering Period, with two optional 1-year extensions, or such earlier date upon which all of its Investments have been realized or written off.

Currency: U.S. Dollar

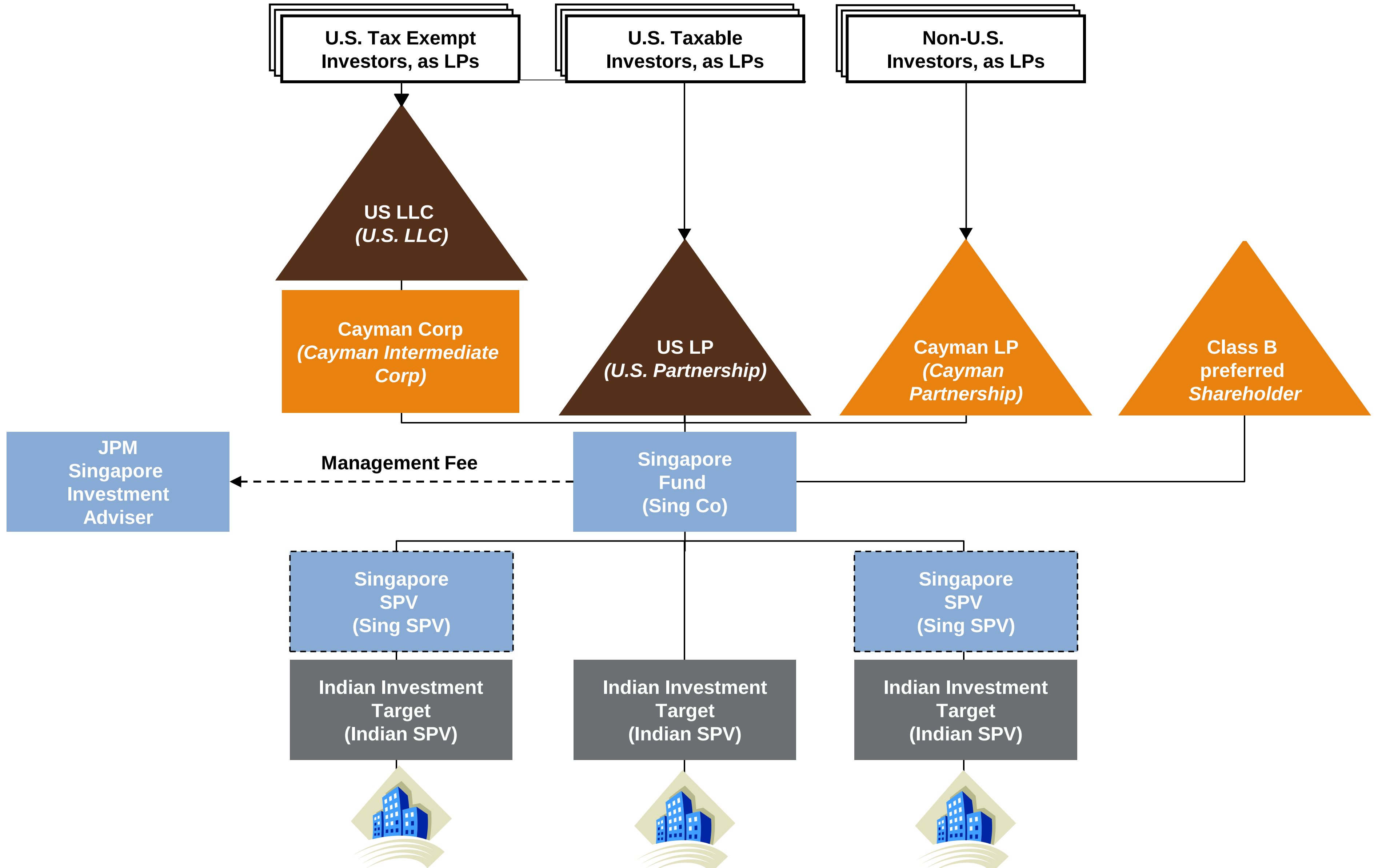
Leverage Guidelines: The Investment Adviser intends generally that, commencing on the date the Fund has called an aggregate of 50% of Total Commitments, the maximum aggregate indebtedness incurred by the Fund shall not exceed 50% of the greater of the Fair Market Value or Total Cost of all of the Fund's investments, measured solely at the time such leverage is incurred.

Management Fees: The Fund will pay to the Investment Advisor a Management Fee equal to 1.75% of Total Commitments during the Investment Period, and, thereafter, on the aggregate amount of capital contributions made by Investors to the Fund with respect to each Investment made by the Fund (including capital contributions used to fund Fund Expenses allocated to such Investment) until such Investment is no longer owned, directly or indirectly, by the Fund. The Management Fee will be calculated as of the end of each fiscal quarter and paid quarterly in advance on the first day of the applicable succeeding fiscal quarter.

Incentive Allocation: J.P. Morgan Investment Management Inc. ("JPMIM") or an affiliate thereof will be entitled to receive an incentive allocation equal to 20% of the Fund's return subject to the Investors achieving a preferred return of 9% per annum, compounded annually and further subject to a JPMIM/Investor catch-up of 60%/40%.

The information contained in this summary is qualified in its entirety by reference to the Memorandum, which contains additional information about the investment about the investment objective, terms and conditions of an investment in the Fund and also contains tax information and disclosures that are important to any investment decision regarding the Fund. If there are any conflicts between information contained herein, information contained in the Memorandum shall prevail. Any investment in the Fund may be made in reliance on the Memorandum only.

IPF II: Singapore Fund Structure



J.P.Morgan Asset Management

IPF I: Brief investment descriptions

Modi Residential Developments **Residential, Hyderabad, India**

Multi-storied, mid-income apartment developments in two fast-growing suburbs of Hyderabad. Splendour is a development of 800,000 square feet (480 units) spread over 4.5 acres and Emerald Heights is a development of 1.3 million square feet (876 units) spread over 10 acres. Target market is entry-level executives in the IT industry -- the demographic that constitutes the largest segment of new home buyers across India.

JV Partner: Modi Builders & Realtors Group

Closing Date: May 2007 Committed (Invested) Equity: USD 13.6 mm (USD 13.6 mm)

Arihant Township **Residential, Chennai, India**

Multi-phase development of villas, townhouses and low-rise apartments spread over 45 acres in an emerging suburb in southern Chennai, targeted at the mid-income buyer. Location is experiencing acute shortage of quality housing due to increase in local commercial development.

JV Partner: Arihant Foundations and Housing Ltd.

Closing Date: May 2007 Committed (Invested) Equity: USD 8.4 mm (USD 8.4 mm)

Gigaplex Information Technology Park **Information Technology (IT) Office Space, Navi Mumbai, India**

Grade-A IT park, designed as a campus-like facility, with 4.8 million square feet spread over 50 acres in Airoli, Navi Mumbai. Located in a suburb near Mumbai that should be able to offer lease rates which represent a significant discount to Mumbai's central business district.

JV Partner: K. Raheja Corporation

Closing Date: November 2007 Committed (Invested) Equity: USD 36.6 mm (USD 36.6 mm)

Aparna Kanopy **Residential, Hyderabad, India**

Multi-phase 72-acre villa and mid-rise apartment development in established northern Hyderabad suburb. Consists of quality, mid-income housing with modern amenities targeted at affluent trading community of neighboring Secunderabad and mid-level IT and pharmaceutical executives.

JV Partner: Aparna Constructions and Estates Pvt. Ltd.

Closing Date: June 2008 Committed (Invested) Equity: USD 30.1 mm (USD 30.1 mm)

The Oberoi and Trident **Hotel, Hyderabad, India**

The Oberoi, a 221-room luxury hotel, and Trident Tower, a 324-room first-class business hotel. These two hotels are being developed on a single site measuring 4.3 acres in HITEC City, the main IT hub of Hyderabad, which contains over 20 million sq.ft. of operational, class "A" office space.

JV Partner: Vizag Bottling Company Group

Closing Date: October 2008 Committed (Invested) Equity: USD 20.6 mm (USD 20.6 mm)

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[1] USD = 54.78 INR as of December 31, 2012

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IPF I: Brief investment descriptions (continued)

ASF IT SEZ **Information Technology Special Economic Zone (IT SEZ), Gurgaon, India**

Grade-A IT SEZ with 5.2 million square feet in a campus-style development, spread over a 48-acre land parcel in Gurgaon, the preferred destination for IT tenants in the National Capital Region (NCR) and one of the most popular IT hubs in India.

JV Partner: ASF Group

Closing Date: November 2008 Committed (Invested) Equity: USD 33.5 mm (USD 32.6 mm)

Hiranandani Lakeshore **Residential, Bangalore, India**

Lake-front, high-rise apartment development comprising 1,611 units over 34 acres of land in an in-fill location in South Bangalore, targeted towards the upper end of the middle-income buyer segment. The location is a well-known hub of commercial activities and has a shortage of quality housing.

JV Partner: Hiranandani Upscale

Closing Date: November 2008 Committed (Invested) Equity: USD 40.5 mm (USD 40.5 mm)

Amrapali Zodiac **Residential, NOIDA, NCR, India**

"For sale" apartment development of 2.8 million square feet in NOIDA, a key suburb of New Delhi. The project had pre-sold 78% of the total area of development at the time of investment.

JV Partner: Amrapali Group

Closing Date: September 2010 Committed (Invested) Equity: USD 18.7 mm (USD 18.7 mm)

Lodha Venezia *(formerly Lifescapes Eastbay)* **Residential, Mumbai, India**

High-end apartment development over 3 acres in Central Mumbai with saleable area up to 800,000 square feet.

JV Partner: Rohan Developers Pvt. Ltd.

Closing Date: December 2010 Committed (Invested) Equity: USD 22.2 mm (USD 22.2 mm)

Renaissance Central Bangalore Hotel **Hotel, Bangalore, India**

First-class business hotel (277 rooms) to be managed by Marriott under the Renaissance brand in a central business district location. The hotel is in advanced stages of construction with all design and development approvals in place, resulting in reduced construction and entitlement risks.

JV Partner: Viceroy Hotels Ltd.

Closing Date: July 2011 Committed (Invested) Equity: USD 19.9 mm (USD 19.9 mm)

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[1] USD = 54.78 INR as of December 31, 2012

The above investments are examples of investments made IPF I. Investors should not assume that similar types of investments will be available, or if available, will be selected for investment by the Fund. Past performance is not necessarily indicative of future performance. Investing is subject to significant risks.

Gigaplex IT Park, Navi Mumbai
Grade-A IT office space development – Partial exit in November 2010

Design rendering

Building I (May 2011)

- One of the first few exits by any FDI Real Estate fund in India
- Fund sold 39.6% of its ownership stake in Gigaplex IT Park to K. Raheja Corp (KRC) for USD 16.4 million in net proceeds, against a basis of USD 12.3 million
- Fund expects significant additional upside attributable to KRC's first-class reputation and leasing capabilities, together with improvements in local market conditions
- Disposition thesis
  - Attractive returns especially for a 2007 vintage investment
  - Unique opportunity to not only achieve an exit but to partner with KRC (with a significant shareholding of 49.9%), one of the largest landlords and office space developers in the country
- Realized Returns on Partial Exit (post-tax gross)
  - IRR (INR) 16.7%
  - Equity multiple 1.5x

The above investment is an example of an investment made by IPF I. Investors should not assume that similar types of investments will be available, or if available, will be selected for investment by the Fund. An investor should not expect to achieve actual returns similar to the IRR shown above. Past performance is not necessarily indicative of future performance. Investing is subject to significant risks. See pages 39-40 for a list of a more detailed description of IPF I's investments.

Lodha Venezia (*formerly Lifescapes Eastbay*), Central Mumbai
High-end residential project in prime location – Closed in December 2010

Design rendering

- Committed USD 32.8[1] million for a 26%[2] stake in a high-end residential project in one of the prime residential locations in Central Mumbai
- Investment thesis
  - To develop 800,000 square feet of "for sale", high-end residential apartments in a prime residential location in Central Mumbai
  - Located near well-developed social infrastructure and the upcoming monorail network in the city, this project provides an entry point to the highly lucrative Mumbai residential market
  - Rohan Developers Pvt Ltd. is one of the leading developers in Mumbai with a focus on redevelopment opportunities in the Mumbai market.
- Expected Hold Period: 5 year
- Negotiated a sale of IPF's interest to a local developer
  - Due to FDI requirements, closing occurs December 2013
  - 1.6 Equity Multiple, and an 18% IRR
  - Avoids a lengthy development process
  - Demonstrates the continuing strength of the Mumbai housing market

[1] USD = 54.78 INR as of December 31, 2012
[2] Economic interests may vary
The above investment is an example of an investment made by IPF I. Investors should not assume that similar types of investments will be available, or if available, will be selected for investment by the Fund. An investor should not expect to achieve actual returns similar to the IRR shown above. Past performance is not necessarily indicative of future performance. Investing is subject to significant risks. See pages 39-40 for a list of a more detailed description of IPF I's investments.

J.P. Morgan Asset Management – Global Real Assets
Anti-Corruption Policy and Procedures

Investments in India

J.P. Morgan Investment Management Inc. or one of its affiliates ("JPMIM"), as a registered investment adviser is firmly committed to managing the assets under its management, including the assets of the JPMorgan India Property Fund and the J.P. Morgan India Property Fund II (each, a "Fund" and collectively, "IPF"), in compliance with applicable laws, rules and regulations, including but not limited to the United States' Foreign Corrupt Practices Act of 1977 ("FCPA"), which prohibits corrupt payments to foreign officials for the purpose of obtaining or keeping business. It is the policy of JPMorgan Chase & Co. and JPMIM to not partner or cater to corrupt foreign officials, and IPF has established robust policies to ensure compliance with the FCPA and other applicable anti-corruption laws, rules and regulations. As part of the asset acquisitions and management process, JPMIM generally follows a three-step process intended to comply with our high standards of ethical practice:

1. Prior to making any new investments: IPF makes investments only upon completion of a thorough due diligence review of any investment target or potential joint venture partner. This due diligence review includes thorough background checks of targeted investments or potential partners and is conducted by professional advisors, usually Big Four accounting firms which includes an FCPA review designed to uncover any potential or actual breach of FCPA rules or weaknesses in the accounting systems of any targeted investment that may lead to FCPA violations. The due diligence review and background checks are presented to the JPMAM-GRA Investment Committee for the Fund, which includes senior managers from JPMAM-GRA's regional and global businesses prior to making any investment decision.

2. JPMAM-GRA has developed a set of robust anti-corruption practices to ensure compliance with anti-corruption standards on an on-going basis in all its JV companies. These include contractual agreements between the Fund and its JV partners in form of representations, warranties and undertakings to be incorporated in investment documentation and engagement agreements with intermediaries involved in non-routine business interactions with government agencies. Such model provisions are adapted as appropriate for each particular transaction in consultation with external counsel. These contractual agreements include severe penalties on the JV partners for non-compliance with the anti-corruption provisions.

3. Lastly, during the asset management stage of its portfolio investments, the JPMAM-GRA personnel working with IPF conducts FCPA training for the relevant personnel of the Fund's portfolio companies and engage third-party advisers as deemed appropriate by JPMAM-GRA to assist the portfolio companies in devising systems and policies intended to ensure compliance with the FCPA and other applicable anti-corruption laws, rules and regulations.

4. JPMorgan Asset Management Real Assets (Singapore) Limited undertakes that it will not, on behalf of or for the benefit of the Provider or any third party, give, offer, receive, pay or solicit, (either directly or through a third party), the payment of any financial or other advantage to any third parties with the intention of inducing or rewarding any person to perform improperly a function or activity that he or she is otherwise expected to perform in good faith, or to otherwise obtain an improper advantage for the Provider itself or any third party. Furthermore, the Fund Manager undertakes to comply with all applicable laws relating to bribery, money laundering and/or corrupt payments, including, without limitation, the US Foreign Corrupt Practices Act and the UK Bribery Act 2010 (the "Applicable Laws"), and undertakes not to do, or omit to do, any act that will cause or lead the Provider to be in breach of the Applicable Laws. In the event of receipt of a request from the Provider to do so, the Fund Manager will provide the Provider with all reasonable assistance to enable the Provider to perform any activity required by any government or agency in any relevant jurisdiction for the purpose of compliance with any Applicable Laws.

Diversification benefits within diversification benefits: low correlations of real assets in developing Asia can further diversify SIB's allocation

20 year annual correlation matrix, U.S. Dollar denominated returns

1992 - 2011	Global Equities	Global Fixed Income	US Core Real Estate	Core Timberland	OECD Core/Core+ Infrastructure	US Value-add Real Estate	Europe Opportunistic Real Estate	Greater China Real Estate	India Real Estate	Asian Infrastructure
Global Equities	1.0									
Global Fixed Income	0.1	1.0								
US Core Real Estate	0.1	-0.1	1.0							
Core Timberland	0.1	-0.1	0.1	1.0						
OECD Core/Core+ Infrastructure	0.1	0.6	0.3	-0.1	1.0					
US Value-add Real Estate	0.2	-0.1	1.0	0.1	0.3	1.0				
Europe Opportunistic Real Estate	0.4	0.2	0.6	-0.2	0.3	0.6	1.0			
Greater China Real Estate	0.1	-0.2	-0.1	0.4	-0.4	0.0	-0.2	1.0		
India Real Estate	0.4	-0.1	0.3	0.4	-0.1	0.4	0.3	0.4	1.0	
Asian Infrastructure	0.0	0.3	0.0	0.4	0.4	0.0	-0.2	0.5	0.0	1.0

Low (Negative) High (+1.0)

Note: Global Equities = MSCI World Total Returns, Global Fixed Income = Barclays Global Aggregate total returns
Source: NCREIF, DTZ, JLL, Propequity/RBI, Bloomberg, J.P. Morgan GRA Research estimates. Data as of December 2011
Past performance is not indicative of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. The above table is for illustrative and discussion purposes only.

Biographies

Joseph K. Azelby, Managing Director, is head of J.P. Morgan Asset Management – Global Real Assets. An employee since 1986, he is responsible for the group's global business vision, strategy and execution. Joe chairs the Global Real Assets' Global Management Committee. He is also a member of the Asset Management Investment and Operating Committees. Prior to joining Global Real Assets, he led the Mortgage Investment Strategy Group of the firm's Fixed Income Group. There, as a portfolio manager, he specialized in both public and private mortgages and other asset-backed securities. Joe joined the firm after playing professional football for the Buffalo Bills. He has a B.A. in economics from Harvard University and an M.B.A. in finance from New York University.

David Chen, *managing director*, is the chief investment officer and head of J.P. Morgan Asset Management – Global Real Assets – Asia. An employee since 1990, David has been based in Hong Kong since 2007 and leads the J.P. Morgan Asset Management – Global Real Assets – Asia investment platform focusing on Greater China and India. David was previously based in London as head of Asset Management for Real Estate Europe and a member of the Investment Committee for such group and the Operating Committee of The Peabody Fund. Prior to relocating to London to play a key role in the startup of the group and the launching of the European Property Fund, he held a number of investment roles within JPMAM–Real Estate Americas, including member of the Investment Committee, office/industrial sector team leader for the Western U.S. /Midwestern U.S. region, senior asset manager for a portfolio of commingled fund and separate account investments, and assistant portfolio manager for the Strategic Property Fund and the Special Situation Property Fund. Before transferring to Global Real Assets in 1994, he was an Associate in the Audit Department responsible for various projects in Corporate Finance/M&A, Global & Emerging Markets, Risk Management, and Operations. David completed a B.S.B.A. in finance and management from Georgetown University and an M.B.A. in finance, management, and international business from NYU's Stern School of Business.

Hrushikesh (Rishi) Kar, *managing director*, is head of J.P. Morgan Asset Management – Global Real Assets – Real Estate India, which shall serve as the India Sub-Adviser. Rishi has 15 years of business experience, including more than 9 years of Indian investment experience. Rishi was instrumental in advising and launching IPF I and has been a senior officer of Global Real Assets – Real Estate India since its inception in 2006, and formally assumed the head position on the India Sub-Adviser team in 2009 after the departure of Arvind Pahwa. Prior to joining Global Real Assets, Rishi was a vice president with J.P. Morgan Asset Management's Strategy & Development team which had the mandate for strategic acquisition & disposition of assets. In that role he was involved in the successful sale of BrownCo, an online brokerage business owned by JPMorgan, for USD 1.6bn in 2005. Prior to joining JPMorgan in 2004, Rishi had worked for McKinsey & Company, Capital One and Goldman Sachs. Earlier in his career, he served as a portfolio manager and equity trader with GIC Mutual Fund (a subsidiary of Soros Fund Management) in India from 1994 through 1999. Rishi earned an M.B.A. from New York University and a B.S. in Physics from Utkal University, India.

Chanakya (Chan) Chakravarti, *managing director*, is the head of acquisitions of J.P. Morgan Asset Management – Global Real Assets – Real Estate India. He has over 20 years of real estate and hospitality industry experience, including more than 15 years of real estate experience in India. Chan has previously served as the country manager for Cushman & Wakefield in India from 1998 until 2006 where he oversaw the growth of the company from 100 employees to over 900 employees across thirty India cities over four years. During his tenure, the Indian office of Cushman & Wakefield was the most profitable among its Asian offices. Subsequently, in his role as the managing director of Actis Capital, Chan was responsible for the real estate investing activities for the fund in India and was a member of its African Real Estate Fund Investment Committee. Prior to joining JPMorgan, Chan served as the Chief Executive of Indian Ocean Real Estate Company, an Actis portfolio company, where he managed a portfolio of real estate development projects in residential, retail and hospitality sectors with gross value of over USD 200 million. Chan earned his business degree in Accounting and Management from Sydenham College of Commerce & Economics, Mumbai.

There can be no assurance that the professionals currently employed by JPMAM will continue to be employed by JPMAM or that the past performance or success of any such professional serves as an indicator of such professional's future performance or success.

Biographies (continued)

Prakash Ingle, *executive director*, is head of Development & Engineering, J.P. Morgan Asset Management – Global Real Assets – Real Estate India, and has 23 years of experience in the construction industry. Prakash joined J.P. Morgan Asset Management in August 2007. Prakash has broad exposure in the field of real estate and infrastructure in India and abroad. Prakash earned a Bachelor's degree in Civil Engineering (1988), D.B.M., D.F.M., D.A. & P.R. and holds an M.B.A. from the Institute for Technology and Management, Mumbai.

Saurabh Shah, *executive director*, is head of the Financial group of J.P. Morgan Asset Management – Global Real Assets – Real Estate India, and has 15 years of experience in the financial services sector. Prior to joining JPMorgan, he was a Director with BSR & Associates, a full member firm of KPMG in India. He worked at KPMG for more than 10 years in their audit discipline. He was part of the financial services practice with KPMG and has diverse experience across various constituents of the financial services sector including banks, NBFCs, brokerage houses, private equity/venture capital funds, BPOs, and investment banks. Saurabh holds a Bachelor's degree in Commerce and Accounting from the University of Mumbai and is a Chartered Accountant from the Institute of Chartered Accountants of India.

Gunjan Bahl, *vice president*, is an officer of J.P. Morgan Asset Management - Global Real Assets – Real Estate India since 2006. Prior to joining J.P. Morgan Asset Management, Gunjan worked with Hospitality Valuation Services ("HVS"), a hospitality sector-specific consulting and valuation company with 23 offices worldwide. At HVS, he was involved in conducting hotel valuations and feasibility studies for major hotel chains, private equity funds and real estate developers. Gunjan earned an M.B.A from the Indian School of Business, Hyderabad and a B.A. in Hospitality from I.I.H.M, Aurangabad.

Suraj Chhabria, *vice president*, has recently joined J.P.Morgan Asset Management – Global Real Assets – Real Estate India and has over 6 years of relevant experience. Suraj started his career with Standard Chartered Bank and then with Avendus Capital. Most recently, he was leading real estate investments in West India for The Xander Group prior to joining J.P. Morgan. Suraj holds a MBA with a specialization in finance from Jamnalal Bajaj Institute of Management Studies, Mumbai and is also a CFA charterholder..

Amol Gokhale, *vice president*, is an officer of J.P. Morgan Asset Management – Global Real Assets – Real Estate India since 2007. Prior to joining J.P. Morgan Asset Management, Amol worked with Kotak Realty Fund, a private equity fund promoted by Kotak Mahindra Group. Earlier in his career he worked with A.F. Ferguson & Co. (a member firm of Deloitte Touche Tohmatsu) in their audit and assurance practice. Amol earned an M.B.A from the Indian School of Business, Hyderabad and a Bachelor's in Commerce from the University of Pune. He has also passed the three levels of the CFA program from the CFA Institute, USA.

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Biographies (continued)

Ashvinder Kaushik, *associate*, is part of the asset management team for J.P. Morgan Asset Management – Global Real Assets – Real Estate India. Ashvinder assists in the ongoing asset management activities as well as in preparation of quarterly dashboards and investment updates. His additional responsibilities include assisting the acquisition team with market research and analysis, competition analysis, periodic market updates and database updates. In his previous role at J.P. Morgan, he was a part of the Investment Bank finance team in Global Finance handling financial reporting and analysis activities. He holds a Bachelor's degree in Commerce from Osmania University and holds an M.B.A. from the ICFAI Business School, Hyderabad.

Aditya Mohata, *associate*, is a member of the finance team of J.P. Morgan Asset Management – Global Real Assets – Real Estate India. His responsibilities include fund management activities, monitoring of the real estate investments, corporate accounting and budgeting. Prior to joining the firm, he was with Birla SunLife Asset Management Company for three years in the Operations team handling fund accounting and custody & settlements activities. He holds a Bachelor's degree in Commerce from the University of Mumbai and is a Chartered Accountant from the Institute of Chartered Accountants of India. He has also passed the three levels of the CFA program from the CFA Institute, USA.

Parag Pradhan, *associate*, is a member of the development & engineering India team of J.P. Morgan Asset Management – Global Real Assets – Real Estate India. Parag has been involved in creating new systems and fine tuning the existing systems for monitoring schedules and budgets. Parag has over 8 years of experience in real estate construction. Prior to joining the firm, Parag has worked in the field of Project Management with Offbeat Developers (The Phoenix Mills Group), Fairwood Consultants India and K. Raheja Corp. Parag earned his Post Graduate Diploma in Advanced Construction Management from NICMAR, Pune. He also holds a Bachelor's Degree in Construction Engineering from the University of Mumbai.

Amit Sharma, *associate*, is an officer of J.P. Morgan Asset Management – Global Real Assets – Real Estate India since 2009. Prior to joining J.P. Morgan Asset Management, Amit worked on the acquisitions side with Morgan Stanley Real Estate Fund in India. Earlier in his career, he has worked in the Investment Banking team of Kotak Mahindra Capital Company (a unit of Kotak Mahindra Bank) on strategic M&A fund raising from private equity and capital markets. He holds a Bachelor's in Commerce degree from the University of Mumbai and is also a chartered accountant.

Helen Tindle, *vice president*, is a tax officer for J.P. Morgan Asset Management – Global Real Assets – Asia. Prior to joining J.P. Morgan in November 2009, Helen was a vice president at Nomura and Lehman Brothers, Hong Kong, where she was responsible for the monitoring and reduction of tax risk in Asia Pacific, including the drafting and implementation of regional tax policies and partnering with principal investment groups and the Equities division to provide tax structuring advice. Prior to Nomura, Helen was a senior manager with Deloitte, Hong Kong, where she worked with Private Equity and M&A clients to design and implement tax efficient acquisition structures for investments in the Asia Pacific region. Before joining Deloitte Hong Kong, she was an associate through to manager in the Corporate Tax, Banking and Capital Markets group at Deloitte, London and a graduate in the Corporate Tax group at Andersen, Manchester. Helen is a Chartered Accountant and holds a Bachelor of Economics, First Class from University of Manchester.

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Biographies (continued)

George L. Ochs, *managing director*, is a client portfolio manager in J.P. Morgan Asset Management – Global Real Assets' Client Relations and Strategy group and is responsible for advising clients on the opportunities and risks associated with investing in India real estate. An employee since 1995, George has been responsible for serving the global real estate investment needs of existing and prospective institutional investors. He served in JPMAM – GRA's London office for three years and also served as a portfolio manager for a U.S. value-added real estate fund. Prior to his employment with J.P. Morgan, George served as a senior development officer with Prudential Insurance. He is a member of the Urban Land Institute, the Pension Real Estate Association, a LEED Green Associate, and holds the FINRA series 7 and 63 licenses.

Angeline Leong-Sit, *vice president,* is a member of the real estate marketing and client relations team. An employee since 2000, she is responsible for servicing real estate client portfolios with a focus on the real estate securities strategies. Previously, Angeline worked in the client portfolio management team in the Institutional U.S. Large Cap Equity team. Angeline holds a Bachelor of Commerce from the University of British Columbia.

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Risks and Disclaimers

The following summarizes certain key risk factors. Please see the Fund's Memorandum for a more detailed discussion of risks.

The information contained herein is preliminary and therefore subject to change without notice. If there are any conflicts between information contained herein and the information contained in the Private Placement Memorandum, the information contained in the Private Placement Memorandum shall prevail. Any investment in the Fund may be made in reliance on the Private Placement Memorandum and the Charter Documents of the Fund only.

Risks and Disclaimers

General. The Fund is intended for long-term Investors who can accept the significant risks associated with investing in illiquid securities. An investment in the Fund involves various risk factors, including the possibility of partial or total loss of the Fund capital, and prospective Investors should not subscribe unless they can readily bear the consequences of such loss. There can be no assurance that the Fund will achieve its Investment Objective or Target Return, or that there will be any return on capital. In particular, potential Investors should take into account the fact that the actual return achieved may be more or less in any particular year, and that different returns may be achieved by different investments, according to their different cost bases, and that different Fund Investor Vehicles may have different returns.

No Offer. The Interests mentioned herein are not being offered for sale or subscription but are being privately placed with a limited number of qualified investors eligible to invest in these securities. This Booklet is neither a prospectus nor an offer to subscribe to the Fund and is subject to the detailed information, disclosures and risks contained herein and in the Memorandum. The recipient is advised to refer to the same and consult his or her own advisors for the legal, regulatory and tax implications of investing in the Fund prior to deciding to make a commitment to the Fund.

Lack of Liquidity of Interests. The Interests are subject to restrictions on transferability and resale under various securities laws and may not be transferred or resold except in compliance with those laws and with the prior written approval of the Investment Adviser or the relevant Managing Entity, as applicable (which may be withheld or conditioned in their respective absolute discretion).

Basis for any Investment in the Fund. Any investment in the Fund will be based solely on the basis of the Memorandum and the applicable Charter Documents. Accordingly, this Booklet, in whole or in part, will not form the basis of and should not be relied upon in connection with any subsequent investment in the Fund. To the extent that any statements are made in this Booklet, they are qualified in their entirety by the terms of the Memorandum and the applicable Charter Documents. A copy of the Memorandum and the applicable Charter Documents must be reviewed prior to making a decision to invest in the Fund.

Risks Associated with Investments in Real Estate Generally. An investment in the Fund is subject to certain risks associated with the ownership of real estate and the real estate industry in general, including: the burdens of ownership of real property; local, national and international economic conditions; the supply and demand for properties; the financial condition of tenants, buyers and sellers of properties; changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable; changes in environmental laws and regulations, planning laws and other governmental rules and fiscal and monetary policies; environmental claims arising in respect of properties acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; changes in real property tax rates; changes in energy prices; negative developments in the economy that depress travel activity; uninsured casualties; force majeure acts, terrorist events, under-insured or uninsurable losses; and other factors which are beyond the reasonable control of the Fund and the Investment Adviser. In addition, as recent experience has demonstrated, real estate assets are subject to long-term cyclical trends that give rise to significant volatility in values.

Risks Relating to Investments in India. All of the investments contemplated by the strategy will be made in India. Investments in India involve certain risks and special considerations. Such risks include but are not limited to: (a) social, economic and political uncertainty, including war; (b) the ability to sustain strong economic growth; (c) greater price fluctuations and market volatility; (d) less liquidity and smaller capitalization of securities markets; (e) currency exchange rate fluctuations; (f) interest rate fluctuations; (g) government involvement in and control over the economy; (h) government decisions to discontinue support of economic reform programs; (i) differences in accounting, auditing and financial reporting standards; (j) the availability and effectiveness of the Indian legal system; and (k) Foreign Direct Investment control. Before purchasing Interests or otherwise investing in the Fund, prospective investors should consider, among other things, the investment considerations which will be described in the Memorandum in determining whether to invest in the Fund.

Risks to Returns from Real Estate Investments Other than Properties. The Fund may invest in investments other than direct real estate investments. The performance of those investments will be inherently linked to the value of the real estate from which they derive their inherent value. Accordingly, all of the risks which apply in respect of direct real estate described above and are further described in the Memorandum will, to varying degrees, impact the value of any other investments the Fund makes.

Risks Relating to the Fund's Investment Objective and Investment Strategy. An Investment in the Fund is not a bank deposit, is not insured by the U.S. Federal Deposit Insurance Corporation, and is not the obligation of, or guaranteed by, JPMIM, JPMorgan Chase Bank, N.A. or any of their affiliates. An Investment in the Fund involves investment risks, including the possible loss of the principal amount invested.

The investment objective of the Fund is to seek primarily capital appreciation by investing in real estate and real estate – related assets investments in India. There can be no assurance that a Fund Investor Vehicle will achieve this Investment Objective. Although the Investment Adviser will endeavor to recommend Investments that are consistent with the Investment Objective, investments in real estate and real estate-related assets involve an inherently greater risk of loss of capital than various other types of investments, due in large part to the risk factors set forth in this Booklet. Therefore, prospective investors must recognize that, notwithstanding the Investment Objective, the Fund may be unable to preserve an Investor's capital through its program of investments in real estate.

Risks and Disclaimers (continued)

Lack of Liquidity of Underlying Real Estate Investments. Investments will generally be illiquid and it may be difficult from time to time for the Fund to realize, sell or dispose of an Investment at an attractive price or at the appropriate time. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposal of an Investment. It is generally expected that income from Investments will not be realized until a number of years after they are made. Prospective Investors should therefore be aware that they may be required to bear the financial risk of their investment for an indefinite period of time.

Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments. The recent deterioration of the global credit markets has made it more difficult for financial sponsors like J.P. Morgan to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new investments or to only offer committed financing for these investments on unattractive terms. The Fund's ability to generate attractive investment returns for its Investors may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments.

Future Investments; Inability to Invest Committed Capital. The investments that will be acquired by the Fund have not yet been identified, and the activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The Fund is likely to compete for desirable investments with other private investment funds, real estate investment vehicles, family groups and wealthy individuals, foreign investors, various types of financial institutions (such as mortgage banks and pension funds) and other institutional investors, with similar investment objectives, some or all of which may have capital and resources in excess of those of the Fund.

Appraisals and Valuations. Most of the Fund's Investments will be highly illiquid, and will most likely not be publicly-traded or readily marketable. The Investment Adviser, therefore, will not have access to readily-ascertainable market prices when establishing valuations of the Investments. While the Investment Adviser will endeavor to determine and establish valuations of the Fund's Investments based on its estimate of the market values of such Investments and underwriting principles it considers to be sound, as a result of the illiquidity of a substantial portion of the Investments, the Investment Adviser and the Fund can provide no assurance that any given Investment could be sold at a price equal to the market value ascribed to such Investment in connection with the Investment Adviser's valuation thereof.

Dependence on Investment Adviser. Most of the investment decisions with respect to the Fund will be made by the Investment Adviser. The success of the Fund depends significantly on the Investment Adviser's ability to identify, select, manage and dispose of appropriate investments. There is no guarantee that suitable investments will be available or that investments will be successful.

Leverage. Certain of the Fund's Investments may be leveraged, which may adversely affect income earned by the Fund or may result in a loss of principal. The use of leverage creates an opportunity for increased net income, but at the same time involves a high degree of financial risk and may increase the exposure of the Fund or its Investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the investment collateral. The Fund may be unable to secure attractive financing as market fluctuations may significantly decrease the availability and increase the cost of leverage. Principal and interest payments on any leverage will be payable regardless of whether the Fund has sufficient cash available. Senior lenders would be entitled to a preferred cash flow prior to the Fund's entitlement to payment on its Investment.

Lack of Diversification. The Fund may invest in a limited number of Investments, and, as a consequence, the aggregate returns realized by the Investors may be adversely affected by the unfavorable performance of a small number of such Investments. The investments may also involve geographic concentration, and hence an inability to diversify risk. Finally, since many of the Investments may involve a high degree of risk, poor performance by a few of the Investments could significantly affect the total returns to the Investors.

Regulatory Risks And Tax Risks. The operation of the Fund and the tax consequences of an investment in the Fund are substantially affected by legal requirements, including those imposed by ERISA, the U.S. Internal Revenue Code and regulations promulgated under each statute, and, by the laws, including tax laws, of any jurisdiction in which an Entity may be organized, formed or incorporated.

Diversity of Investor Base. Investors in the Fund will include taxable and tax-exempt entities, and persons or entities residing in or organized in various jurisdictions, including non-US jurisdictions, and may, therefore, have conflicting investment, tax and other interests with respect to their investment in the Fund. Conflicting interests of Investors may relate to or arise from, among other things, the structuring and nature of the Investments and the timing of disposition of Investments. Such factors may result in different after-tax returns being realized by different Investors. Conflicts may also arise in connection with decisions made by the Investment Adviser that may be beneficial for one or more Investors but not others, particularly with respect to Investors' tax status. In selecting Investments appropriate for the Fund and structuring such Investments, the Investment Adviser will consider the Investment Objective of the Fund as a whole rather than the investment objectives, or particular tax or regulatory status of any individual Investor.

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Legacy Fund
Asset Allocation Adopted by Advisory Board
April 2, 2013

Asset Class	Target %
Broad US Equity	30%
Broad International Equity	20%
Fixed Income	35%
Core Real Estate	5%
Diversified Real Assets	10%

Efficient Frontier Portfolios with Six Candidate Portfolios

	Min	Max	1	2	3	4	5	6	7	8	9	10	30% Equity	45% Equity	50% Equity	55% Equity	60% Equity	75% Equity
Broad US Equity	20	60	20	26	28	30	32	34	36	38	39	50	20	28	30	33	35	40
Broad International Equity	10	40	10	10	14	17	21	24	28	31	36	40	10	17	20	22	25	35
Fixed Income	10	55	55	49	43	38	32	27	21	15	10	10	55	40	35	30	25	10
Core Real Estate	0	5	5	5	5	5	5	5	5	5	5	0	5	5	5	5	5	5
Diversifed Real Assets	0	10	10	10	10	10	10	10	10	10	10	0	10	10	10	10	10	10
Total			100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Capital Appreciation			30	36	42	47	53	58	64	70	75	90	30	45	50	55	60	75
Capital Preservation			55	49	43	38	32	27	21	15	10	10	55	40	35	30	25	10
Alpha			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inflation			15	15	15	15	15	15	15	15	15	0	15	15	15	15	15	15
Expected Return			**5.44**	**5.70**	**5.96**	**6.22**	**6.48**	**6.74**	**7.00**	**7.26**	**7.52**	**7.78**	5.44	6.12	6.35	6.58	6.81	7.52
Risk (Standard Deviation)			**7.35**	**8.13**	**8.99**	**9.88**	**10.81**	**11.76**	**12.73**	**13.72**	**14.71**	**16.70**	7.35	9.54	10.36	11.17	12.03	14.70
Return (Compound)			5.18	5.39	5.58	5.76	5.94	6.10	6.25	6.39	6.53	6.51	5.18	5.69	5.85	6.00	6.14	6.53
Return/Risk Ratio			0.74	0.70	0.66	0.63	0.60	0.57	0.55	0.53	0.51	0.47	0.74	0.64	0.61	0.59	0.57	0.51
RVK Expected Eq Beta (LC US Eq = 1)			0.35	0.41	0.46	0.52	0.57	0.62	0.68	0.73	0.78	0.90	0.35	0.49	0.54	0.59	0.64	0.78
RVK Liquidity Metric (T-Bills = 100)			80	80	80	81	81	82	82	82	83	92	80	81	81	81	82	83

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD

Tuesday, April 2, 2013
Medora Room, State Capitol
Bismarck, North Dakota

Representative Keith Kempenich, Acting Chairman, called the meeting to order at 2:49 p.m.

Members present: Representatives Keith Kempenich, Gary Kreidt; Senators Jim Dotzenrod, Jerry Klein; Bank of North Dakota President - Eric Hardmeyer; Office of Management and Budget Director - Pam Sharp; Tax Commissioner - Cory Fong

Others present: Darren Schulz, Retirement and Investment Office, Bismarck

Connie Flanagan, Retirement and Investment Office, Bismarck

Ronald Klotter, R. V. Kuhns & Associates, Inc., Chicago, Illinois

Joshua Kevan, R. V. Kuhns & Associates, Inc., Boise, Idaho

John McLaughlin, R. V. Kuhns & Associates, Inc., Chicago, Illinois

It was moved by Mr. Hardmeyer, seconded by Senator Dotzenrod, and carried on a voice vote that the minutes of the November 15, 2012, meeting be approved as distributed.

SELECTION OF ADVISORY BOARD CHAIRMAN AND VICE CHAIRMAN

It was moved by Senator Dotzenrod, seconded by Representative Kreidt, and carried on a roll call vote that the Legacy and Budget Stabilization Fund Advisory Board select Representative Kempenich to serve as advisory board Chairman. Representatives Kempenich and Kreidt, Senators Dotzenrod and Klein, Ms. Sharp, Mr. Fong, and Mr. Hardmeyer voted "aye." No negative votes were cast.

It was moved by Mr. Fong, seconded by Representative Kreidt, and carried on a roll call vote that the Legacy and Budget Stabilization Fund Advisory Board select Senator Klein to serve as advisory board Vice Chairman. Representatives Kempenich and Kreidt, Senators Dotzenrod and Klein, Ms. Sharp, Mr. Fong, and Mr. Hardmeyer voted "aye." No negative votes were cast.

ASSET ALLOCATION AND SPENDING POLICY PROJECT OF THE LEGACY FUND

Chairman Kempenich called on Mr. Joshua Kevan, CFA - Senior Consultant, R. V. Kuhns & Associates, Inc., to lead a discussion regarding the asset allocation and spending study for the legacy fund. Mr. Kevan presented a discussion outline (appendix), including topics related to fund revenue, asset allocation, and spending for consideration by the advisory board. Advisory board members and the representatives of R. V. Kuhns & Associates, Inc., discussed the topic areas relating to the potential asset allocation portfolios for the legacy fund.

Mr. Kevan discussed the lifecycle of the fund and said the legacy fund is in the accumulation stage. He discussed anticipated revenue, the fund's ability to absorb capital market risk, and the correlations between the market and anticipated revenue. He said R. V. Kuhns & Associates, Inc., compared various investment portfolios to various market scenarios--both optimistic and pessimistic--during the analysis to provide the best-suited portfolios for the fund.

Mr. Kevan reviewed the two key concepts used during the R. V. Kuhns & Associates, Inc., analysis. First was the focus on building a corpus for future generations, and second was the focus on preserving purchasing power. He said there is a need for a rate of return of 6.6 percent per year in order to preserve the future purchasing power of the fund.

Mr. Kevan recommended the advisory board revisit the allocation portfolio of the funds in three years to four years to reevaluate the conditions of the fund.

In response to a question from Mr. Hardmeyer, Mr. Kevan said it is appropriate to consider the expected spending rate in the analysis example due to the long-term planning of the fund.

REVENUE FORECASTS - BACKGROUNDS AND ASSUMPTIONS

Mr. John McLaughlin, CFA - Consultant, R. V. Kuhns & Associates, Inc., discussed the revenue forecasts used in the analysis. He said R. V. Kuhns & Associates, Inc., worked closely with the Tax Department to gather effective and forecasted tax rates, average oil barrels in production per day, production cycles, and current and forecasted assumptions of oil prices for the analysis.

Mr. McLaughlin provided the formula R. V. Kuhns & Associates, Inc., used to forecast the total monthly revenue from current production and the total monthly distribution to the legacy fund. He discussed the two cashflow scenarios that R. V. Kuhns & Associates, Inc., created for the legacy fund--a base case scenario and an adverse case scenario. He said the adverse case reduces the base case scenario's average daily production levels and oil prices by 50 percent and reduces the effective tax rate for oil revenue decreases from 10.8 to 9.0 percent.

Mr. McLaughlin said the analysis provided a sufficient baseline and adverse scenario for the accumulation phase of the fund. In addition, he said, R. V. Kuhns & Associates, Inc., analyzed the cashflows of the fund during the permanent phase of the fund. He said within the modeling assumptions after year 2016, R. V. Kuhns & Associates, Inc., assumed that monthly cashflow into the fund was static. In the base case scenario, this represents a monthly fund income of $65.8 million, and in the adverse case scenario, this monthly income is reduced to $11.8 million. He said the legacy fund is currently in the accumulation phase which means the liquidity requirements are unnecessary, regular cash inflows create a natural dollar cost averaging process, and the inflows are large relative to the size of the existing assets.

In response to a question from Representative Kreidt, Mr. Kevan said the assumptions and data used may be conservative.

Mr. Fong said the forecast used by R. V. Kuhns & Associates, Inc., is from the executive budget forecast for the 2013-15 biennium.

ASSET ALLOCATION STUDY

Mr. Kevan discussed the analysis of the correlation statistics between the revenue and the asset class returns. He said R. V. Kuhns & Associates, Inc., measured the change in the price of West Texas Intermediate crude oil and the correlation between monthly change percentages for the past 10 years and the returns experienced in the different asset classes.

Mr. Kevan discussed the asset class selection. He said R. V. Kuhns & Associates, Inc., received input from the State Investment Board for guidance in choosing the asset classes available for investing the legacy fund. He said the asset classes identified include large and small domestic equity, international equity, fixed income, and diversified real assets. He said during the analysis, the restriction of the assets of pooling of the funds was taken into consideration and made a policy recommendation to allow the assets of the legacy fund to be pooled in order for cost-savings and cost-efficiencies.

Mr. Kevan reviewed six possible portfolios at different levels of equity exposure. He said each portfolio shows the composition, expected return, and expected risk. He discussed the downside risk analysis. Based on the analysis, he said, during the accumulation phase the legacy fund over the next 4.5 years showed the base case annualized return ranges from approximately 5.4 percent (30 percent equity) to 7.0 percent (75 percent equity). He said the worst-case scenario during the analysis resulted in the returns ranging from an annualized loss of approximately 1.4 percent (30 percent equity) to an annualized loss of approximately 7.4 percent (75 percent equity). He said in the best-case scenario, the annualized returns range from 11.4 to 18.6 percent.

SPENDING POLICY - CONSIDERATIONS AND ASSUMPTIONS

Mr. Ronald Klotter, Senior Consultant and Director of Midwest Consulting, R. V. Kuhns & Associates, Inc., discussed the permanent spending phase of the legacy fund post-June 2017. He said given the positive cashflow characteristics during the accumulation phase, the corpus will increase during the phase under every modeling scenario considered by R. V. Kuhns & Associates, Inc. He said there is a wide range of potential values for the fund as of June 2017; however, all of the projected values are higher than the current market value. He said R. V. Kuhns & Associates, Inc., tested three spending scenarios--spending only income, modeled at 3 percent per year paid at the end of each biennium; spending 5 percent of the fund per year paid at the end of each biennium; and spending the 10.5 percent per year paid at the end of each biennium.

In response to a question from Representative Kempenich, Mr. Klotter said if the Legislative Assembly would spend the maximum amount of funds allowed, none of the simulations R. V. Kuhns & Associates, Inc., analyzed would produce a high enough return in order to protect the corpus.

In response to a question from Mr. Fong, Mr. Klotter said the simulated target percentages do not consider inflation; however, the probabilities of the equity mixes do consider inflation.

SUMMARY OF CONCLUSIONS

Mr. Kevan discussed the conclusions of the analysis. He said R. V. Kuhns & Associates, Inc., considered the primary mission of the legacy fund--which is to preserve the real, inflation-adjusted purchasing power of the money deposited into the fund while finalizing the recommendation process. He said the most difficult aspect of determining an appropriate asset allocation recommendation is not knowing future spending from the fund. He said R. V. Kuhns & Associates, Inc., recommends the advisory board assume a traditional "endowment-like" long-term level of spending, which is 4 to 5 percent per year for the purpose of asset allocation planning. He said assuming a higher level of spending would require a very aggressive portfolio allocation. He said there is risk in assuming that only income will be spent, as it could lead to portfolio allocations that fail to meet the real wealth preservation objectives of the fund.

Mr. Kevan said R. V. Kuhns & Associates, Inc., recommends the selection of one of the target asset allocation portfolios investing between 50 and 60 percent in equities. He said in the next 4.5 years the fund has no liquidity requirements; therefore, the fund may be exposed to higher risks. He said the fund will eventually enter the permanent phase, in which there will be both revenue into and disbursements out of the fund. He said at that point it will be become very important to provide a balance between long-term growth objectives and near-term liquidity needs--which are uncertain at this point. He said even though the permanent phase will not commence for approximately 4.5 years, R. V. Kuhns & Associates, Inc., believes it is appropriate to develop a long-term asset allocation policy now, that will not likely need significant alteration within a relatively short period of time.

In response to a question from Representative Kempenich, Mr. Kevan said R. V. Kuhns & Associates, Inc., focused on asset classes that were currently being used in the State Investment Board's insurance investment pool in the analysis.

In response to a question from Representative Kreidt, Mr. Kevan said the broad international equities include mostly Western Europe and Japan.

In response to a question from Representative Kempenich, Mr. Kevan suggested to separate the long-term policy decisions from the implementation decisions. He said the advantage of not having liquidity requirements now is the ability to average into the long-term target.

It was moved by Mr. Fong, seconded by Mr. Hardmeyer, and carried on a voice vote the R. V. Kuhns & Associates, Inc., report be approved as distributed.

ADVISORY BOARD DISCUSSION AND STAFF DIRECTIVES

In response to a question from Mr. Fong, Mr. Darren Schulz, Interim Chief Investment Officer, State Investment Board, discussed the current asset allocation policy of the legacy fund. Mr. Schulz said the advisory board selected an asset mix in December 2012 that was recommended to the State Investment Board and accepted the portfolio that consisted of 100 percent short-term fixed income which is currently managed by two managers--Babson Capital and JP Morgan.

In response to a question from Representative Kempenich, Mr. Schulz said the management fees are approximately 35 base points. He said the average annualized returns of the fund have been approximately 2 percent compared to the annual consumer price index which is approximately 1.6 to 1.7 percent.

In response to a question from Mr. Hardmeyer, Mr. Schulz said the State Investment Board will consider the recommendation from the Legacy and Budget Stabilization Fund Advisory Board and make a decision on whether to accept the recommendation or not. He said pooling of the fund would result in cost-efficiencies in comparison to being a stand-alone portfolio. He said in addition to cost-efficiencies, operational advantages within the internal management would also result.

In response to a question from Representative Kempenich, Mr. Schulz said the legacy fund would be accounted for separately, but the ability to pool the funds would result in cost-savings.

In response to a question from Ms. Sharp, Mr. Schulz said State Investment Board policy provides that the legacy fund not be pooled with other funds.

In response to a question from Representative Kreidt, Mr. Schulz said the investment programs of the State Investment Board utilize external managers. He said during the manager selection process, the State Investment Board reviews the firm's institutional grade, fixed income, equity, real estate, and other alternative investment managers to meet the investment objectives of individual clients. He said staff internally conducts due diligence--both monitoring existing managers, as well as reviewing other investment managers that may be well-suited to offer investment programs for which the State Investment Board oversees.

Representative Kempenich requested a list of investment managers currently utilized by the State Investment Board.

It was moved by Mr. Fong, seconded by Mr. Hardmeyer, and carried on a roll call vote that the Legacy and Budget Stabilization Fund Advisory Board adopt for incorporation into the legacy fund investment policy statement the 50 percent equity portfolio recommendation of R. V. Kuhns & Associates, Inc. Representatives Kempenich and Kreidt, Senators Dotzenrod and Klein, Ms. Sharp, Mr. Fong, and Mr. Hardmeyer voted "aye." No negative votes were cast.

Mr. Schulz asked the advisory board to consider making a recommendation regarding the pooling of the legacy fund with other funds.

Mr. Fong asked Mr. Schulz to provide the current State Investment Board policy precluding the pooling of funds to board members.

Mr. Hardmeyer suggested the committee receive information on how the 50 percent equity model would be implemented.

No further business appearing, Chairman Kempenich adjourned the meeting at 4:44 p.m.

Brittani S. Reim
Fiscal Assistant

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:1

Investment Pooling

Legacy and Budget Stabilization Fund Advisory Board
April 25, 2013

Darren Schulz, CFA
Interim CIO
Retirement and Investment Office/State Investment Board

From the Legacy Fund Investment Policy Statement…

7. RESTRICTIONS

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the legacy fund's assets will be invested, it is understood that:

a. It is the preference of the board that legacy fund assets not be pooled with any other fund assets managed by the SIB.

What Is Pooling?

- A pooled fund is an investment for which two or more parties "pool", or combine, their investments. Each entity is entitled to a proportionate interest in the value of a pooled fund.

- Pooled funds are very similar to mutual funds. Investors deposit their investment into an account and the amount of the deposit determines the ownership interest to which the investor is entitled.

- When invested in a pooled fund, in contrast to owning a segregated portfolio of securities, an investor achieves lower costs for portfolio diversification and benefits from the efficiencies of economies of scale.

Investment fees are typically quoted in "basis points." What is a basis point?

One basis point is equal to 0.01% or one one-hundreth of a percent. As an example, if the fees on a portfolio are $200 and the total value of the fund is $100,000, the fees would be 200/100,000 or 0.20% which is 20 basis points.

Tiered Fee Schedule Examples

0.60% on first $25 million
0.50% on next $25 million
0.40% on next $50 million
0.30% on amounts over $100 million

Fee Calculation for various portfolio values:

$25m portfolio ($25m X 0.60%) = $150,000
effective rate 0.60% (150K/25M)

$40m portfolio ($25m X 0.60%) + ($15m X 0.50%) = $225,000
effective rate 0.563% (225K/40m)

$80m portfolio ($25m X 0.60%) + ($25m X 0.50%) + ($30m X 0.40%) = $395,000
effective rate 0.494% (395K/80m)

$150m portfolio ($25m X 0.60%) + ($25m X 0.50%) + ($50m X 0.40%) + ($50m X 0.30%) = $625,000
effective rate 0.417% (625K/150m)

What Difference Does This Make?

Example #1 - Assume Legacy Fund is not pooled and has $40 million invested with this manager.

Effective Fee Rate if not pooled would be $225,000 or 0.563%

Example #2 - Assume Legacy Fund has $40 million invested in pool with this manager and pooled portfolio value is $150 million.

Effective Fee Rate if pooled would be $166,800 or 0.417%

Results in savings of $58,200 per year for this sample manager.

Trading Cost Savings

- Segregated clients own each individual security directly. This results in many transactions and higher trade settlement fees.

- There are significant trading cost savings using pooled funds because the investment in a pooled fund constitutes one trade.

- Pooled funds provide for the possibility of purchasing and selling securities more efficiently. This may result in lower brokerage costs. In addition, a reduction in negative market impact costs may be realized when using pooled funds.

Administrative Efficiencies of Pooling

- Staff only has to conduct due diligence and compliance reviews on one portfolio relationship.
- Rebalancing may be accommodated without the need to sell/purchase securities which would result in lower trading costs (paper rebalancing).
- Because accounting is conducted at the pool level, there are less transactions to reconcile and record in the general ledger.
- Custodian bank fees include an account based fee of $500-$750 per account. If pooled, all funds split that fee pro rata, if not pooled, one fund pays all.
- Consultant performance measurement fees are generally based on number of portfolios being reviewed.
- Management fee invoices must be reconciled on a per account basis.
- Annual financial audit costs could increase based on additional portfolios required to be reviewed.
- Legal fees increase due to additional contracts that must be reviewed.
- In all instances, if assets are pooled, each fund pays their pro rata share of the actual expenses incurred.

Insurance Pool Participants

Fund	Total Fund Value 2/28/13
Workforce Safety & Insurance (WSI)	$ 1,541,587,505
State Fire & Tornado	26,842,879
State Bonding	3,174,944
Insurance Regulatory Trust	1,033,268
Petroleum Tank Release Compensation Fund	7,003,335
Risk Management Fund	5,627,407
Risk Management Workers Compensation Fund	4,185,066
ND Association of Counties (NDACo) Fund	2,213,462
PERS Group Insurance	41,958,214
City of Bismarck Deferred Sick Leave	1,013,266
City of Fargo FargoDome Permanent Fund	35,713,050
Cultural Endowment Fund	312,691
Budget Stabilization Fund	401,633,055
	$ 2,072,298,142

Insurance Pool Participants

Fund	Asset Class Pools
Workforce Safety & Insurance (WSI)	Lg Cap, Sm Cap, Int'l Eq, FI, RE, RA, Cash
State Fire & Tornado	Lg Cap, Sm Cap, Int'l Eq, FI, Cash
State Bonding	FI, Cash
Insurance Regulatory Trust	Lg Cap, Sm Cap, Int'l Eq, FI, Cash
Petroleum Tank Release Compensation Fund	FI, Cash
Risk Management Fund	Lg Cap, Sm Cap, FI, Cash
Risk Management Workers Compensation Fund	Lg Cap, Sm Cap, FI, Cash
ND Association of Counties (NDACo) Fund	Lg Cap, Sm Cap, Int'l Eq, FI, Cash
PERS Group Insurance	Cash
City of Bismarck Deferred Sick Leave	Lg Cap, Sm Cap, Int'l Eq, FI, Cash
City of Fargo FargoDome Permanent Fund	Lg Cap, Sm Cap, Int'l Eq, FI, RA, Cash
Cultural Endowment Fund	Lg Cap, Sm Cap, Int'l Eq, FI, RE, Cash
Budget Stabilization Fund	STFI, Cash

Insurance Asset Class Pools

Asset Class	Abbreviation
Large Cap Domestic Equity	Lg Cap
Small Cap Domestic Equity	Sm Cap
International Equity	Int'l Eq
Fixed Income	FI
Real Estate	RE
Real Assets	RA
Short Term Fixed Income	STFI
Cash	Cash

Insurance Pool Investment Managers

Large Cap Domestic Equity Pool	Style	Total Insurance Pool Values 2/28/13	Estimated Pooled Fees
Los Angeles Capital Management	Lg Cap Growth	51,662,146	
LSV Asset Management	Lg Cap Value	54,246,025	
Los Angeles Capital Management	Enhanced Russell 1000	33,993,370	
The Clifton Group	Enhanced S&P 500	35,303,568	
Total Large Cap Domestic Equity Pool		175,205,109	0.23%
Small Cap Domestic Equity Pool			
Research Affiliates	Core	30,625,171	
The Clifton Group	Enhanced Russell 2000	30,718,873	
Total Small Cap Domestic Equity Pool		61,344,044	0.47%
International Equity Pool			
Capital Guardian	Core	47,987,211	
LSV Asset Management	Core	50,774,625	
Dimensional Fund Advisors (DFA)	Small Cap Value	11,216,135	
Vanguard	Small Cap Growth	11,031,449	
Total International Equity Pool		121,009,420	0.55%
Real Estate Pool			
JP Morgan	Core Commingled	62,475,921	
Invesco	Core Commingled	40,442,611	
Total Real Estate Pool		102,918,532	0.81%

Insurance Pool Investment Managers

Fixed Income Pool	Style	Total Insurance Pool Values 2/28/13	Estimated Pooled Fees
Western Asset Management	Core	209,634,171	
Prudential	Core Plus	70,025,835	
Declaration Management & Research	Mortgage Backed	52,035,457	
Bank of ND	Government/Credit	112,592,631	
Wells Capital Management	Baa Average Quality	278,512,880	
PIMCO	Distressed Sr. Debt	90,691,024	
Total Fixed Income Pool		813,491,998	0.41%
Short Term Fixed Income Pool			
Babson Capital	US Gov't & Bank Loans	151,645,730	
JP Morgan	US Gov't & Credit	150,792,581	
Total Short Term Fixed Pool		302,438,311	0.12%
Real Assets Pool			
Western Asset Management	Global TIPS	184,952,700	
Timberland Investment Resources	Timber	60,751,511	
JP Morgan	Infrastructure	68,212,358	
Credit Suisse	Infrastructure	13,287,779	
Total Real Assets Pool		327,204,348	0.75%
Cash Equivalents Pool			
Bank of ND	Enhanced Money Market	77,084,406	0%

Suggested Modifications to Investment Policy Statement

- New Strategic Asset Allocation (approved at April 2 meeting) – Page 3
- Pooling Language – Pages 2 & 3
- Other Miscellaneous Corrections and Clarifications – in Red

NORTH DAKOTA LEGACY FUND

INVESTMENT POLICY STATEMENT

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota legacy fund was created in 2010 when the voters of North Dakota approved a constitutional amendment--now Article X, Section 26, of the Constitution of North Dakota--to provide that 30 percent of oil and gas gross production and oil extraction taxes on oil and gas produced after June 30, 2011, be transferred to the legacy fund. The principal and earnings of the legacy fund may not be spent until after June 30, 2017, and any expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly. Not more than 15 percent of the principal of the legacy fund may be spent during a biennium. The Legislative Assembly may transfer funds from any source to the legacy fund, and such transfers become part of the principal of the fund. The State Investment Board (SIB) is responsible for investment of the principal of the legacy fund. Interest earnings accruing after June 30, 2017, are transferred to the general fund at the end of each biennium. North Dakota Century Code Section 21-10-11 provides that the goal of investment for the legacy fund is principal preservation while maximizing total return.

2. FUND MISSION

The legacy fund was created, in part, due to the recognition that state revenue from the oil and gas industry will be derived over a finite timeframe. The legacy fund defers the recognition of 30 percent of this revenue for the benefit of future generations. The primary mission of the legacy fund is to preserve the real inflation-adjusted purchasing power of the money deposited into the fund while maximizing total return.

3. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD

The Legacy and Budget Stabilization Fund Advisory Board (the board) is charged by law under Section 21-10-11 with the responsibility of recommending policies on investment goals and asset allocation of the legacy fund. The SIB is charged with implementing policies and asset allocation and investing the assets of the legacy fund in the manner provided in Section 21-10-07--the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers, which are also required to employ investment strategies consistent with the investment policy. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.

At the discretion of the SIB, the fund’s assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pool.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, retaining, and terminating money managers. The SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB shall notify the board within 30 days of any substantial or notable changes in money managers; performance measurement services; and consultants, including hiring or terminating a money manager, performance measurement service, or a consultant.

The SIB, after consultation with the board, will implement necessary changes to this policy in an efficient and prudent manner.

4. RISK TOLERANCE

The board's risk tolerance with respect to the primary aspect of the legacy fund's mission is low. The board is unwilling to undertake investment strategies that might jeopardize the ability of the legacy fund to maintain principal value over time. The board recognizes that the plan will evolve as the legacy fund matures and economic conditions and opportunities change.

5. INVESTMENT OBJECTIVES

The board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The legacy fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

a. The legacy fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

b. The legacy fund's risk, measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.

c. The risk-adjusted performance of the legacy fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

6. POLICY ASSET MIX

After consideration of all the inputs and a discussion of its own collective risk tolerance, the board approves the following policy asset mix for the legacy fund as of April 2, 2013:

Asset Class	**Policy Target Percentage**

Broad US Equity	**30%**
Broad International Equity	**20%**
Fixed Income	**35%**
Core Real Estate	**5%**
Diversified Real Assets	**10%**

Rebalancing of the fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

7. RESTRICTIONS

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the legacy fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.

c. No transaction may be made that would threaten the tax-exempt status of the legacy fund.

d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

e. No unhedged short sales or speculative margin purchases may be made.

f. Social investing is prohibited unless it meets the exclusive benefit rule, and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk. For the purpose of this document, social investing is defined as the consideration of socially responsible criteria in the investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the Fund.

g. Economically targeted investing is prohibited unless the investment meets the exclusive benefit rule.

   For the purpose of this document, economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the exclusive benefit rule is met if the following four conditions are satisfied:

   - The cost does not exceed the fair market value at the time of investment.
   - The investment provides the legacy fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   - Sufficient liquidity is maintained in the legacy fund to permit distributions in accordance with the terms of the plan.
   - The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity, are equivalent, the board's policy favors investments which will have a positive impact on the economy of North Dakota.

8. INTERNAL CONTROLS

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

9. EVALUATION AND REVIEW

Investment management of the legacy fund will be evaluated against the fund's investment objectives and investment performance standards. Emphasis will be placed on 5-year and 10-year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy statement for achieving those objectives.

Performance reports will be provided to the board periodically, but not less than quarterly. Such reports will include asset returns and allocation data. Additionally, not less than annually, reports will include information regarding all significant and/or material matters and changes pertaining to the investment of the legacy fund, including:

- Changes in asset class portfolio structures, tactical approaches, and market values.
- Loss of principal, if any.
- Management costs associated with various types of investments.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.
- An evaluation of the national economic climate.
- A forecast of the expected economic opportunities and dangers.
- Management of risk by the SIB.

In addition to the quarterly and annual evaluation and review process, the SIB shall notify the board within 30 days of any substantial or notable deviation from the normal management of the legacy fund, including any anomalies, notable losses, gains, or liquidation of assets affecting the fund.

BND
Bank of North Dakota

April 25, 2013

Lieutenant Governor Drew Wrigley, Chairman
Members of the North Dakota State Investment Board
1930 Burnt Boat Drive
Bismarck, ND 58507-7100

Dear Lieutenant Governor Wrigley and Members of the State Investment Board:

This letter follows up on the State Investment Board's ["SIB's"] March 22, 2013, request that the Bank of North Dakota ["BND"] consider providing the investment management services it currently delivers to SIB at a lesser fee and that BND change its current process related to rebalancing the accounts more frequently—as offered by State Street Global Advisors, another investment manager.

I thank SIB for allowing BND the opportunity to consider adjusting its fees and processes. BND, however, respectfully declines to provide its services under terms that are materially different from those it presently offers. BND further proposes that the parties mutually agree to terminate their July 1, 1989, Investment Management Agreement, which appointed BND as an investment manager for SIB.

I thank SIB for supporting BND during our nearly 25-year investment relationship. We look forward to the continuation of the parties' mutual participation in the MATCH Program and to partnering our resources in other ways that would provide economic development opportunities in North Dakota.

Sincerely,

Eric Hardmeyer
President and CEO

1200 Memorial Hwy | PO Box 5509 | Bismarck, ND 58506-5509 | 1-800-472-2166 | 1-701-328-5600 | TDD: 1-800-643-3916 | www.banknd.nd.gov

STATE INVESTMENT BOARD SEARCH COMMITTEE
MINUTES OF THE
APRIL 3, 2013, MEETING

BOARD MEMBERS PRESENT:	Lance Gaebe, Land Commissioner Mike Sandal, PERS Board Kelly Schmidt, State Treasurer
STAFF PRESENT:	Bonnie Heit, Office Manager
OTHERS:	Tricia Opp, State Procurement

CALL TO ORDER:

A meeting of a sub-set of the State Investment Board Search Committee was called to order on Wednesday, April 3, 2013, at 1:40 pm at the State Treasurer's Office, State Capitol 3rd Fl, Bismarck, ND.

The meeting was held for the purposes of reviewing the Committee's evaluation results of the proposals received for the Executive Recruitment Services for the ND Retirement and Investment Office.

The Committee discussed their evaluation results and determined that of the three firms evaluated, none of them brought forth the required experience, specialization, and history of successfully recruiting an investment professional such as the State Investment Board is seeking.

After further discussion,

MR. SANDAL MOVED AND TREASURER SCHMIDT SECONDED TO REISSUE THE REQUEST FOR PROPOSAL FOR EXECUTIVE RECRUITMENT SERVICES FOR THE ND RETIREMENT AND INVESTMENT OFFICE.

AYES: MR. SANDAL, TREASURER SCHMIDT, COMMISSIONER GAEBE
NAYS: NONE

MOTION CARRIED

The Committee reviewed the mandatory requirements and revised the language to more accurately reflect the criteria needed and instructed Ms. Opp to reissue the Request for Proposal as soon as possible with a due date of April 18, 2013.

ADJOURNMENT:

With no further issues to come before the Committee, the meeting adjourned at 2:30 p.m.

____
State Investment Board Search Committee

____
Bonnie Heit
Assistant to the Board

STATE INVESTMENT BOARD SEARCH COMMITTEE
MINUTES OF THE
MARCH 28, 2013, MEETING

BOARD MEMBERS PRESENT:	Lance Gaebe, Land Commissioner Mike Sandal, PERS Board Kelly Schmidt, State Treasurer
STAFF PRESENT:	Bonnie Heit, Office Manager
OTHERS:	Tricia Opp, State Procurement

CALL TO ORDER:

A meeting of a sub-set of the State Investment Board Search Committee was called to order on Thursday, March 28, 2013, at 1:30 pm at the State Procurement Office, State Capitol 14th Fl, Bismarck, ND.

The meeting was held for the purposes of reviewing the proposals received for the Executive Recruitment Services for the ND Retirement and Investment Office. The Request for Proposal (RFP) was issued March 6, 2013, with proposals due by March 27, 2013, at 3:00 p.m., CT. State Procurement received six proposals of which three were rejected for failure to submit their proposal by the required due date.

Ms. Opp reviewed the RFP evaluators guide with the Committee. Each Committee member will evaluate the proposals and submit their scores to Ms. Opp. The Committee will meet again on April 3, 2013, to discuss the results. The Committee also tentatively scheduled April 5, 2013, for phone interviews. The contract is tentatively scheduled to be awarded on April 8, 2013. Once the award is made, all of the proposals received become open record. The firm awarded the contract will start approximately May 1, 2013.

ADJOURNMENT:

With no further issues to come before the Committee, the meeting adjourned at 2:10 p.m.

____
State Investment Board Search Committee

____
Bonnie Heit
Assistant to the Board

SIB Tentative Meeting Schedule 2013-14

July 26, 2013

August 23, 2013

September 27, 2013

October 25, 2013

November 22, 2013

December 2013 No Meeting

January 24, 2014

February 28, 2014

March 28, 2014

April 25, 2014

May 23, 2014

June 27, 2014

Meetings generally start at 8:30 a.m.
Scheduled for 4th Friday of each month.

AGENDA ITEM VI.
UPDATE

Legislative Bill Tracking Status Report
As of April 26, 2013 (Final)

1. HB1022 – RIO Budget Bill

1/08/2013 – Introduced, first reading, referred to Appropriations Committee
1/16/2013 10:00 am – Committee Hearing - House Appropriations-Government Operations

- Fay, Connie and Darren provided testimony to the committee. The tone was positive. The bill will be assigned to a sub-group who will follow-up with us on any further detail needed.

1/23/2013 2:30 pm - House Appropriations-Government Operations (follow-up)

- Fay provided general information on TFFR plan but there were no specific budget related questions.

2/15/2013 9:30 am – House Appropriations-Government Operations (additional discussion)

- Connie and Darren provided information regarding the fiscal note for HB1304 which had been discussed by the full Appropriations committee the day before and given a "Do pass" recommendation.
- Committee approved an amendment to add one additional FTE for an "Investment Analyst" position and related costs and then gave amended bill a "Do pass" recommendation.

2/22/2013 – Full Appropriations Committee gave amended bill a "Do pass" recommendation (19-3)
2/25/2013 – Amendment adopted and second reading passed on House Floor (92-0)
3/14/2013 8:30 am – Senate Appropriations Committee Hearing

- Fay, Connie and Darren provided testimony to the committee. The tone was positive. No action was taken.

4/10/2013 – Reported back amended, "Do Pass" (13-0-0) – amendments restore retirement contribution increases and salary increases from Executive Budget (add'l FTE remains)
4/11/2013 – Passed on Senate Floor (44-0)
4/16/2013 – House "Does Not Concur" – will go to Conference Committee
4/23/2013 – Reported back from Conference Committee, amended salary package (add'l FTE remains), placed on calendar
4/24/2013 – Passed on House Floor (92-0)
4/24/2013 – Passed on Senate Floor (47-0)

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2. HB1167 – Relating to the definition of earnings of the legacy fund

This bill defines earnings for purposes of Title X, Section 26 of the state constitution as interest and dividends only, not capital gains. (The bill, as introduced, erroneously references Title IX rather than Title X.)

1/11/2013 – Introduced, first reading, referred to Finance and Taxation Committee.
1/21/2013 9:15 am – Committee Hearing - House Finance and Taxation

- Darren and Connie attended the hearing. Darren provided neutral testimony describing relationship between realized and unrealized capital gains. Amendment will be necessary to correct title reference. No questions were asked.

1/31/2013 – Reported back amended, "Do pass" (14-0)

- Amendment corrects title reference and replaces "capital gain" with "unrealized gains on investments".

2/01/2013 – Amendment adopted, placed on calendar
2/04/2013 – Passed on House floor (91-0)
3/22/2013 9:00 am – Committee Hearing – Senate Government and Veterans Affairs

- Connie provided neutral testimony, requesting amendments to further clarify whether realized gains and losses should be included in the definition of earnings.

4/03/2013 - An additional amendment has been offered by staff to address a similar issue with Budget Stabilization Fund. No action has been taken by the committee.

4/10/2013 – Reported back amended, “Do Pass” (7-0) – amendment further clarified earnings to be net income excluding unrealized gains and losses. Additional amendment for Budget Stabilization Fund was not adopted.
4/11/2013 – Passed on Senate Floor (44-0)
4/16/2013 – House “Concurred” and Passed (93-0)

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3. HB1249 – Relating to the membership of the state investment board.

This bill would provide for two additional members on the state investment board; one appointed by the majority leader of the senate and the other appointed by the majority leader of the house of representatives.

1/14/2013 – Introduced, first reading, referred to Government and Veterans Affairs Committee.
1/24/2013 8:00 am – Committee Hearing - House Government and Veterans Affairs

- Darren, Connie and Fay attended hearing. Darren provided clarification on questions asked of the bill sponsor and followed up with additional information about the SIB program at the request of the chairman.

1/30/2013 – Reported back amended, “Do pass” (12-1-1)

- Amendment changes appointment responsibility from majority leaders to chairman of legislative management.

1/31/2013 – Amendment adopted, placed on calendar
2/01/2013 – Re-referred to Appropriations Committee (fiscal note)
2/11/2013 – Reported back amended, “Do pass” 14-4

- Amendment sets compensation and expense reimbursement for legislative members to NDCC 54-35-10 ($157) and indicates legislative council (not RIO) will pay those expenses.

2/12/2013 – Amendment adopted, placed on calendar
2/13/2013 – Passed on House Floor (63-27)
3/07/2013 9:45 am – Committee Hearing – Senate Government and Veterans Affairs

- Darren, Connie and Fay attended the hearing as well as the Lt. Governor who provided testimony in opposition of the bill. The committee took no action on the bill.

3/29/2013 – Reported back, “Do Not Pass” (7-0-0)
4/02/2013 – Failed on Senate Floor (8-39)

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4. HB1304 – Relating to the divestiture of state investment funds in certain companies liable to sanctions under the Iran Sanctions Act of 1996; and to provide an expiration date

This bill would require certain restrictions, monitoring and reporting of “scrutinized companies” relating to the Iran Sanctions Act of 1996, within the state investment board portfolios.

1/14/2013 – Introduced, first reading, referred to Government and Veterans Affairs Committee.
2/07/2013 2:30 pm – Committee Hearing – House Government and Veterans Affairs

- Darren presented neutral testimony regarding costs and other considerations. Representatives for TFFR and PERS as well as Treasurer Schmidt presented testimony in opposition.

2/11/2013 – Reported back amended, “Do pass” (8-5)

- Amendment requires exclusive benefit rule be applied before any other provisions for any public employees retirement system fund.

2/12/2013 – Amendment adopted. Re-referred to Appropriations
2/15/2013 – Reported back, “Do pass” (20-2); placed on calendar
2/21/2013 – Passed on House Floor (84-9)
3/07/2013 9:15 am – Committee Hearing – Senate Government and Veterans Affairs

- Darren, Connie and Fay attended the hearing. Darren provided testimony on behalf of the SIB in opposition of the bill. Fay provided testimony on behalf of TFFR in opposition of the bill. Treasurer Schmidt also provided testimony in opposition. No one other than the bill sponsor spoke in favor of the bill. The committee members asked many good questions of all those who testified but took no action on the bill.

4/04/2013 – Reported back, “Do Not Pass” (5-2-0).The bill is on the Senate Calendar.

4/08/2013 – Failed on Senate Floor (5-42)

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5. HB1395 – Relating to membership of the legacy and budget stabilization fund advisory board.

This bill would add two members to the advisory board, appointed by the chairman of the legislative management.

1/21/2013 – Introduced, first reading, referred to Political Subdivisions Committee
2/15/2013 10:00 am – Committee Hearing – House Political Subdivisions
2/22/2013 – Reported back amended, “Do pass” (13-0-2)

- Amendment stipulates the two additional members will have “experience in the investment field”

2/25/2013 – Amendment adopted; Second reading passed on House Floor (90-2)
3/22/2013 9:20 am – Committee Hearing – Senate Government and Veterans Affairs
3/22/2013 – Reported back “Do Not Pass” (7-0)
3/25/2013 – Failed on Senate Floor (0-47)

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6. SB2124 – Provides for the legislative management to study methods to assure that the legacy fund provides the lasting benefits intended by the voters

1/09/2013 – Introduced, first reading, referred to Industry, Business and Labor Committee
1/14/2013 11:00 am – Senate Industry, Business and Labor Committee

- Committee heard testimony from bill drafter and various interested parties and gave the bill a Do-pass recommendation (7-0).

1/15/2013 – Passed on Senate Floor (46-0)
3/07/2013 8:00 am – Committee Hearing – House Government and Veterans Affairs
3/12/2013 – Reported back “Do Pass” (12-0-2)
3/13/2013 – Second reading, passed (88-6)
Bill has been signed on both sides, signed by the Governor and filed with Secretary of State

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7. HCR3018 – Relating to transfer of a portion of the earnings of the legacy fund to the legacy scholarship fund.

This bill proposes a constitutional amendment to section 26 of article X regarding the legacy fund which would direct ten million dollars of the earnings of the legacy fund to a legacy scholarship fund for ND high school graduates who attend ND colleges and meet certain academic performance and other minimum standards.

1/25/2013 – Introduced, first reading, referred to House Finance and Taxation Committee
2/06/2013 10:15 am – Committee Hearing – House Finance and Taxation Committee
2/19/2013 – Reported back amended, “Do pass” (13-0-1)

- Amendment changes bill to a study of the most beneficial use of the earnings of the Legacy Fund (similar to SB2124)

2/20/2013 – Amendment adopted, placed on calendar
2/21/2013 – Second reading, adopted
3/22/2013 9:45 am – Committee Hearing – Senate Government and Veterans Affairs
3/22/2013 – Reported back, “Do Not Pass” (7-0)
3/29/2013 – Second reading, Failed to adopt

Legislative Bill Tracking Status Report
As of April 19, 2013

1. HB1022 – RIO Budget Bill

1/08/2013 – Introduced, first reading, referred to Appropriations Committee
1/16/2013 10:00 am – Committee Hearing - House Appropriations-Government Operations

- Fay, Connie and Darren provided testimony to the committee. The tone was positive. The bill will be assigned to a sub-group who will follow-up with us on any further detail needed.

1/23/2013 2:30 pm - House Appropriations-Government Operations (follow-up)

- Fay provided general information on TFFR plan but there were no specific budget related questions.

2/15/2013 9:30 am – House Appropriations-Government Operations (additional discussion)

- Connie and Darren provided information regarding the fiscal note for HB1304 which had been discussed by the full Appropriations committee the day before and given a "Do pass" recommendation.
- Committee approved an amendment to add one additional FTE for an "Investment Analyst" position and related costs and then gave amended bill a "Do pass" recommendation.

2/22/2013 – Full Appropriations Committee gave amended bill a "Do pass" recommendation (19-3)
2/25/2013 – Amendment adopted and second reading passed on House Floor (92-0)
3/14/2013 8:30 am – Senate Appropriations Committee Hearing

- Fay, Connie and Darren provided testimony to the committee. The tone was positive. No action was taken.

4/10/2013 – Reported back amended, "Do Pass" (13-0-0) – amendments restore retirement contribution increases and salary increases from Executive Budget (add'l FTE remains)
4/11/2013 – Passed on Senate Floor (44-0)
4/16/2013 – House "Does Not Concur" – Conference Committee has been assigned

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2. HB1167 – Relating to the definition of earnings of the legacy fund

This bill defines earnings for purposes of Title X, Section 26 of the state constitution as interest and dividends only, not capital gains. (The bill, as introduced, erroneously references Title IX rather than Title X.)

1/11/2013 – Introduced, first reading, referred to Finance and Taxation Committee.
1/21/2013 9:15 am – Committee Hearing - House Finance and Taxation

- Darren and Connie attended the hearing. Darren provided neutral testimony describing relationship between realized and unrealized capital gains. Amendment will be necessary to correct title reference. No questions were asked.

1/31/2013 – Reported back amended, "Do pass" (14-0)

- Amendment corrects title reference and replaces "capital gain" with "unrealized gains on investments".

2/01/2013 – Amendment adopted, placed on calendar
2/04/2013 – Passed on House floor (91-0)
3/22/2013 9:00 am – Committee Hearing – Senate Government and Veterans Affairs

- Connie provided neutral testimony, requesting amendments to further clarify whether realized gains and losses should be included in the definition of earnings.

4/03/2013 - An additional amendment has been offered by staff to address a similar issue with Budget Stabilization Fund. No action has been taken by the committee.
4/10/2013 – Reported back amended, "Do Pass" (7-0) – amendment further clarified earnings to be net income excluding unrealized gains and losses. Additional amendment for Budget Stabilization Fund was not adopted.
4/11/2013 – Passed on Senate Floor (44-0)
4/16/2013 – House "Concurred" and Passed (93-0)

3. HB1249 – Relating to the membership of the state investment board.

This bill would provide for two additional members on the state investment board; one appointed by the majority leader of the senate and the other appointed by the majority leader of the house of representatives.

1/14/2013 – Introduced, first reading, referred to Government and Veterans Affairs Committee.
1/24/2013 8:00 am – Committee Hearing - House Government and Veterans Affairs

- Darren, Connie and Fay attended hearing. Darren provided clarification on questions asked of the bill sponsor and followed up with additional information about the SIB program at the request of the chairman.

1/30/2013 – Reported back amended, "Do pass" (12-1-1)

- Amendment changes appointment responsibility from majority leaders to chairman of legislative management.

1/31/2013 – Amendment adopted, placed on calendar
2/01/2013 – Re-referred to Appropriations Committee (fiscal note)
2/11/2013 – Reported back amended, "Do pass" 14-4

- Amendment sets compensation and expense reimbursement for legislative members to NDCC 54-35-10 ($157) and indicates legislative council (not RIO) will pay those expenses.

2/12/2013 – Amendment adopted, placed on calendar
2/13/2013 – Passed on House Floor (63-27)
3/07/2013 9:45 am – Committee Hearing – Senate Government and Veterans Affairs

- Darren, Connie and Fay attended the hearing as well as the Lt. Governor who provided testimony in opposition of the bill. The committee took no action on the bill.

3/29/2013 – Reported back, "Do Not Pass" (7-0-0)
4/02/2013 – Failed on Senate Floor (8-39)

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4. HB1304 – Relating to the divestiture of state investment funds in certain companies liable to sanctions under the Iran Sanctions Act of 1996; and to provide an expiration date

This bill would require certain restrictions, monitoring and reporting of "scrutinized companies" relating to the Iran Sanctions Act of 1996, within the state investment board portfolios.

1/14/2013 – Introduced, first reading, referred to Government and Veterans Affairs Committee.
2/07/2013 2:30 pm – Committee Hearing – House Government and Veterans Affairs

- Darren presented neutral testimony regarding costs and other considerations. Representatives for TFFR and PERS as well as Treasurer Schmidt presented testimony in opposition.

2/11/2013 – Reported back amended, "Do pass" (8-5)

- Amendment requires exclusive benefit rule be applied before any other provisions for any public employees retirement system fund.

2/12/2013 – Amendment adopted. Re-referred to Appropriations
2/15/2013 – Reported back, "Do pass" (20-2); placed on calendar
2/21/2013 – Passed on House Floor (84-9)
3/07/2013 9:15 am – Committee Hearing – Senate Government and Veterans Affairs

- Darren, Connie and Fay attended the hearing. Darren provided testimony on behalf of the SIB in opposition of the bill. Fay provided testimony on behalf of TFFR in opposition of the bill. Treasurer Schmidt also provided testimony in opposition. No one other than the bill sponsor spoke in favor of the bill. The committee members asked many good questions of all those who testified but took no action on the bill.

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BUDGETING / FINANCIAL CONDITION

AS OF MARCH 31, 2013

			EXPENDITURES			
	2011-2013 BUDGET	ADJUSTED APPROPRIATION	BIENNIUM TO DATE ACTUAL	BUDGET AVAILABLE	% BUDGET AVAILABLE	% OF BIENNIUM REMAINING
SALARIES AND BENEFITS	$ 3,203,114.00	$ 3,203,114.00	$ 2,446,941.37	$ 756,172.63	23.61%	12.50%
OPERATING EXPENDITURES	947,840.00	947,840.00	763,573.30	184,266.70	19.44%	12.50%
CONTINGENCY	82,000.00	82,000.00	0.00	82,000.00	100.00%	12.50%
TOTAL	$ 4,232,954.00	$ 4,232,954.00	$ 3,210,514.67	1,022,439.33	24.15%	12.50%

EXPENDITURE REPORT

QUARTER ENDED MARCH 31, 2013

CONTINUING APPROPRIATIONS	INVESTMENT	RETIREMENT	QUARTERLY TOTALS	FISCAL YEAR TO - DATE	BIENNIUM TO - DATE
INVESTMENT EXPENDITURES (SEE ATTACHED DETAIL)	$ 4,324,913.69	$ 0.00	$ 4,324,913.69	$ 13,914,367.97	$ 33,119,101.11
MEMBER CLAIMS					
1. ANNUITY PAYMENTS	0.00	36,043,459.13	36,043,459.13	108,426,487.46	243,195,968.90
2. REFUND PAYMENTS	0.00	642,603.72	642,603.72	3,027,708.44	6,039,005.28
TOTAL MEMBER CLAIMS	0.00	36,686,062.85	36,686,062.85	111,454,195.90	249,234,974.18
OTHER CONTINUING APPROPRIATIONS	15,682.99	46,840.29	62,523.28	208,285.92	476,278.69
TOTAL CONTINUING APPROPRIATIONS	4,340,596.68	36,732,903.14	41,073,499.82	125,576,849.79	282,830,353.98
BUDGETED EXPENDITURES					
1. SALARIES & BENEFITS					
SALARIES	90,878.90	165,409.10	256,288.00	767,602.00	1,837,952.00
OVERTIME/TEMPORARY	0.00	0.00	0.00	0.00	0.00
TERMINATION SALARY & BENEFITS	0.00	0.00	0.00	0.00	0.00
FRINGE BENEFITS	29,066.65	61,495.51	90,562.16	263,477.45	608,989.37
TOTAL SALARY & BENEFITS	119,945.55	226,904.61	346,850.16	1,031,079.45	2,446,941.37
2. OPERATING EXPENDITURES					
DATA PROCESSING	2,293.27	14,459.38	16,752.65	45,763.52	119,526.16
TELECOMMUNICATIONS - ISD	868.49	2,073.42	2,941.91	7,855.90	20,028.09
TRAVEL	1,102.04	691.39	1,793.43	17,571.29	45,527.87
IT - SOFTWARE/SUPPLIES	12.38	26.32	38.70	74.64	317.50
POSTAGE SERVICES	664.57	16,249.09	16,913.66	34,841.70	66,319.67
IT - CONTRACTUAL SERVICES	97.48	10,706.75	10,804.23	93,005.54	248,767.58
EQUIPMENT RENTS AND LEASES	0.00	0.00	0.00	0.00	0.00
BUILDING/LAND RENT & LEASES	8,549.60	17,054.72	25,604.32	64,295.80	142,278.76
DUES & PROF. DEVELOPMENT	84.50	3,170.17	3,254.67	11,213.67	22,914.17
OPERATING FEES & SERVICES	27,915.94	348.01	28,263.95	30,734.70	44,454.65
REPAIR SERVICE	0.00	0.00	0.00	636.95	985.95
PROFESSIONAL SERVICES	649.17	1,300.83	1,950.00	6,750.00	17,370.00
INSURANCE	0.00	0.00	0.00	1,042.77	2,075.54
OFFICE SUPPLIES	135.73	360.37	496.10	1,823.38	3,345.79
PRINTING	201.86	3,740.34	3,942.20	10,980.03	20,575.41
PROFESSIONAL SUPPLIES & MATERIALS	336.84	69.36	406.20	1,637.16	4,229.41
MISCELLANEOUS SUPPLIES	40.27	95.59	135.86	889.40	1,629.76
IT EQUIPMENT UNDER $5000	0.00	0.00	0.00	0.00	19.99
OTHER EQUIPMENT UNDER $5000	0.00	0.00	0.00	0.00	3,207.00
TOTAL OPERATING EXPENDITURES	42,952.14	70,345.74	113,297.88	329,116.45	763,573.30
3. CONTINGENCY	0.00	0.00	0.00	0.00	0.00
TOTAL BUDGETED EXPENDITURES	162,897.69	297,250.35	460,148.04	1,360,195.90	3,210,514.67
TOTAL EXPENDITURES	$ 4,487,811.38	$ 36,983,313.20	$ 41,533,647.86	$ 126,937,045.69	$ 286,040,868.65

INVESTMENT EXPENDITURE DETAIL

FEES PAID DURING THE QUARTER ENDED MARCH 31, 2013

FOR QUARTER ENDED 9/30/12		
PENSION LARGE CAP EQUITY POOL		
Northern Trust		48,091.87
PENSION REAL ESTATE		
JP Morgan (Special & Strategic)		277,126.79
CUSTODIAN		
Northern Trust		204,030.03
TOTAL FOR QUARTER ENDED 9/30/12		**529,248.69**
FOR QUARTER ENDED 12/31/12		
PERS Retiree Health Credit		
SEI		45,905.78
PENSION DEVELOPED INTERNATIONAL EQUITY POOL		
Capital Guardian	74,990.74	
LSV	147,888.00	
Clifton - EAFE Index	42,648.00	
State Street	78,365.79	
Wellington	134,875.48	
TOTAL PENSION INTERNATIONAL EQUITY		478,768.01
PENSION GLOBAL EQUITY POOL		
Calamos	95,983.00	
Epoch	339,769.30	
Pension Global Equity Pool		435,752.30
PENSION BELOW INVESTMENT GRADE FIXED		
Loomis Sayles		216,320.29
PENSION INVESTMENT GRADE FIXED INCOME POOL		
Bank of ND	7,337.54	
PIMCO	65,900.83	
Western Asset	45,660.54	
TOTAL PENSION FIXED INCOME		118,898.91
PENSION INFRASTRUCTURE POOL		
JP Morgan		304,408.49
PENSION LARGE CAP EQUITY POOL		
LA Capital	181,220.92	
LSV	189,803.00	
TOTAL PENSION LARGE CAP EQUITY		371,023.92
PENSION INTERNATIONAL FIXED INCOME		
Brandywine	108,475.97	
UBS	73,487.47	
TOTAL PENSION INTERNATIONAL FIXED INCOME		181,963.44

INVESTMENT EXPENDITURE DETAIL

FEES PAID DURING THE QUARTER ENDED MARCH 31, 2013

PENSION EMERGING MARKETS		
JP Morgan	79,547.49	
PanAgora	28,921.84	
UBS	87,957.55	
TOTAL PENSION EMERGING MARKETS		196,426.88
PENSION PRIVATE EQUITY		
Adams Street Partners		43,260.50
PENSION CASH		
Northern Trust		15,938.50
INSURANCE FIXED INCOME POOL		
Bank of ND	16,945.37	
Declaration	64,975.00	
Prudential	51,593.64	
Wells	152,545.63	
Western Asset	94,331.34	
TOTAL INSURANCE FIXED INCOME		380,390.98
INSURANCE LARGE CAP EQUITY POOL		
LA Capital	36,732.78	
LSV	38,793.00	
TOTAL INSURANCE LARGE CAP		75,525.78
INSURANCE SMALL CAP EQUITY POOL		
Research Affiliates		34,345.82
INSURANCE INT'L EQUITY		
Capital Guardian	60,714.57	
LSV	59,295.00	
TOTAL INSURANCE INT'L EQUITY		120,009.57
INSURANCE INFLATION PROTECTED		
JP Morgan	208,281.98	
Western Asset	83,882.50	
TOTAL INSURANCE INFLATION PROTECTED		292,164.48
INSURANCE REAL ESTATE		
JP Morgan		196,367.00
BUDGET STABILIZATION SHORT TERM FIXED		
Babson		54,881.35
LEGACY FUND SHORT TERM FIXED		
Babson		117,141.50
CONSULTANT		
Adams Street	39,190.00	
Callan	76,981.50	
TOTAL CONSULTANT		116,171.50
TOTAL FOR QUARTER ENDED 12/31/12		**3,795,665.00**
TOTAL FEES PAID DURING QUARTER ENDED 3/31/2013		**4,324,913.69**

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

QUARTERLY MONITORING REPORT

Quarter Ended March 31, 2013

STAFF RELATIONS

The Executive Limitation "Staff Relations" deals with the treatment of staff at RIO. The executive director "shall not cause or allow any condition or any communication which is unfair, undignified, or disrespectful." This Executive Limitation lists six specific limitations that range from personnel policies to exit interviews. All the limitations are intended to protect staff from unfair, undignified, or disrespectful treatment by management.

During the past quarter, there were no exceptions to this Executive Limitation.

During the past quarter, there were no exceptions to this Executive Limitation.

RIO staff was kept informed of SIB and Search Committee discussions relating to status of search for Executive Director/CIO.

Quarterly Report on Ends
Q3:FY13

Investment Program

Continuing due diligence conducted on following:

Prudential	Bank of North Dakota	Standard Life
Hearthstone	EIG	PIMCO
Thornburg	JP Morgan	Western
Loomis Sayles	AllianceBernstein	TIR
Epoch	Calamos	

Staff is working with consultant R.V. Kuhns to finalize the completion of an asset allocation and spending study for the Legacy Fund.

Staff is holding discussions with the Bank of North Dakota.

Staff is continuing its research of inflation-protected strategies for the WSI portfolio.

Staff worked with Callan to complete an investment management fee study.

Staff has completed the installation and implementation of Tamale Software product.

Staff continues to work on its review of the current global equity mandate structure.

Staff continues to conduct preliminary due diligence on possible managers/products for future consideration.

Staff continues to monitor each client's asset allocation monthly and makes rebalancing decisions based on rebalancing policy and cash flow requirements.

Quarterly Report on TFFR Ends
Q3: FY13

Retirement Program

This report highlights exceptions to normal operating conditions.

- TFFR Board approved a comprehensive funding policy that will be applied to future actuarial valuations beginning July 1, 2013.

- SB 2061 was approved by the 2013 Legislature. The bill includes technical corrections and administrative changes to the plan, most of which are designed to maintain compliance with federal statutes or rules.

- HB1230 was approved by the 2013 Legislature. The bill maintains the increased TFFR member and employer contribution rates approved by the 2011 Legislature until TFFR reaches 100% funded ratio (not 90% as was in current law). Once 100% funded, the member and employer contribution rates will drop to 7.75% each.

- 2011 legislative implementation project continues to be on schedule. The project includes developing and modifying pension software, forms, publications, processes, procedures, and presentations.

  HB 1134 (funding improvement) will be completed in two phases:
  Phase 1 provisions effective 7/1/12 – complete.
  Phase 2 provisions effective 7/1/13 – 90% complete.

- TFFR Board member Bob Toso has announced he will retire as Superintendent of Jamestown Public Schools on June 30, 2013. Therefore, he will also resign from the TFFR Board and State Investment Board. Governor Dalrymple will name another active administrator to succeed him on the TFFR Board.

- TFFR Board member Lowell Latimer has announced he will not seek reappointment when his term on the TFFR Board expires June 30, 2013. Governor Dalrymple will name another retired member to succeed him on the TFFR Board.

SIB Managers Currently Under Review

Manager	Pool	Review Inception	Reason	Status
Bank of North Dakota	Pension, Insurance	Oct-12	Pension transition error	Remedy pending, Staff recommends termination and transition to State Street
Calamos	Pension	Feb-13	Nick Calamos resignation as co-CIO, Gary Black hiring as co-CIO	Ongoing review, on-site visit pending
Clifton Group	Pension, Insurance	Nov-12	Acquisition by Parametric Portfolio Associates	Ongoing review, acquisition closed
Credit Suisse	Pension, Insurance	Aug-12	Credit Suisse announced intention to divest Customized Fund Investment Group (CFIG)	Ongoing review, sale pending
Epoch Investment Partners	Pension	Dec-12	Acquisition by TD Bank Group	Ongoing review, on-site visit pending
Loomis Sayles	Pension	Oct-12	Full Discretion co-PM Kathleen Gaffney departure	Ongoing review of two additions to Full Discretion team and Dan Fuss succession plan
State Street	Pension	Jun-12	Process change: Addition of dynamic component to existing static model	Ongoing review of dynamic model, contingent upon global equity mandate structure review