



**TESTIMONY OF FRANK MIHAIL
CHIEF INVESTMENT OFFICER
North Dakota Department of Trust Lands**

House Bill 1184

House Industry, Business and Labor Committee
January 14, 2025

Chairman Warrey and members of the Committee, I am Frank Mihail, Chief Investment Officer for North Dakota Department of Trust Lands and I am here to testify neutral to House Bill 1184.

The Board of University and School Lands (Board), as established by the North Dakota Constitution, is charged with overseeing the management of state trust lands and investing the revenue generated therefrom to grow as a source of long-term income for the support of certain trust beneficiaries. The Board is comprised of the Governor, Secretary of State, Attorney General, State Treasurer, and Superintendent of Public Instruction. The Department of Trust Lands (Department) is the administrative arm of the Land Board, serving under its direction and authority. The Board is also responsible for managing various trust funds established by the North Dakota Constitution and/or statute, the largest of which is the Common Schools Trust Fund (CSTF).

House Bill 1184 is well-intentioned in its goal of making North Dakota a leader in technology and innovation investments as well as broadening the asset allocation scope to produce diversification benefits for state investments. However, even absent the legislation proposed in this HB 1184, the Board already has full authority to invest in digital assets and precious metals.

The grant of land to the State of North Dakota in the Enabling Act for educational purposes was in trust and the terms of the grant required the state, as trustee, to maintain the permanency of the funds acquired through the grant. The legislature has granted the board “[f]ull control of the investment of the permanent funds” derived from the sale and management of state trust lands

and such investments must be made in accordance with the prudent investor rule. N.D.C.C. §§ 15-01-02, 15-03-04.

Furthermore, the Board has authority to set asset allocation targets and does so at a minimum cadence of every four years through the review of its Investment Policy Statement which governs the strategic asset allocation. A strategic asset allocation review process uses capital market assumption inputs to optimize portfolio allocations with the goal of maximizing return per unit of risk. Current allocations include public equity, private equity, public fixed income, private credit, hedge funds, real estate, and infrastructure. At the Board's discretion, allocations may change over the next decade, as they have done during the previous decade.

For example, in 2015, the CSTF portfolio invested in diversified commodity strategies which included exposures to energy, agriculture, livestock, industrial metals, and precious metals. This position was divested in 2020 because of high correlation to the revenue generated from the Department's surface and mineral leases.

The Board already has full legislative authority to revisit a dedicated allocation to precious metals or explore the possible fit for digital assets in the portfolio at any time.

Thank you for your time and consideration. I would be happy to answer any questions you may have.