



**2023**  
Fiscal Year



**ANNUAL  
REPORT**

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# Non-Retirement Investment Program

## Environmental and Natural Resources Trust Fund

### Environmental and Natural Resources Trust Fund

The Environmental and Natural Resources Trust Fund (Environmental Trust Fund) was established in 1988 by the Minnesota Legislature to provide a long-term, consistent, and stable funding source for activities that protect and enhance the environment. By statute, the SBI is responsible for investing the assets of the Environmental Trust Fund. The Minnesota Legislature funds environmental projects from a portion of the market value of the Fund.

As of June 30, 2023, the market value of the Fund was \$1.6 billion.

#### Investment Objective

The Environmental Trust Fund's investment objective is to generate long-term capital growth to support a growing level of funding while maintaining adequate portfolio liquidity.

A constitutional amendment passed in November 1998 mandated that 40% of the net proceeds from the state lottery be credited to the Fund through 2025.

The amendment provided for an annual spending rate of 5.5% of the Fund's market value. The amendment eliminated certain accounting restrictions on capital gains and losses and removed the provision that the principal must remain inviolate.

#### Asset Allocation

After the constitutional amendment was adopted in November 1998, SBI staff worked with the Legislative-Citizen Commission on Minnesota Resources to establish an asset allocation policy consistent with the Commission's goals for spending and growth of the Fund. The Fund's asset allocation is designed to provide appropriate long-term growth potential to meet the Fund's objective to produce a growing level of funding, while also providing adequate liquidity and diversification.

The current long-term asset allocation targets for the Fund are:

Domestic Equity	70%
Domestic Bonds	28%
Cash	2%

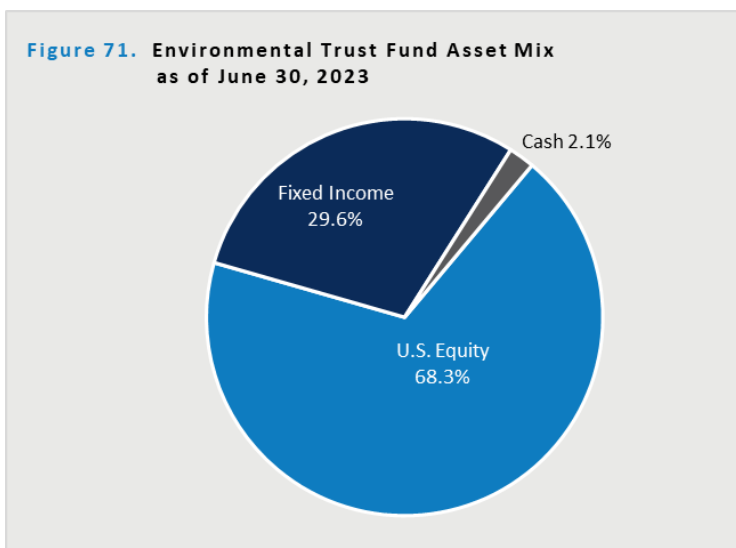
The SBI follows a disciplined approach to rebalancing to maintain the target asset allocation and risk exposure over time.

Figure 71 presents the actual asset mix of the Fund at the end of fiscal year 2023.

#### Investment Management

The Environmental Trust Fund is invested in the Non-Retirement Equity, Bond, and Money Market Funds. Fund Summaries are provided on pages 141-143.

Figure 71. Environmental Trust Fund Asset Mix as of June 30, 2023



# Non-Retirement Investment Program

## Environmental Trust Fund

### Investment Performance

For the 2023 fiscal year, the **equity** segment slightly outperformed its benchmark, the S&P 500 Index.

The **bond** segment outperformed its benchmark, the Bloomberg U.S. Aggregate Index, by 0.3 percentage point for the 2023 fiscal year.

The **cash** segment outperformed its benchmark, the iMoneyNet All Taxable Money Fund Average by 0.5 percentage point for the 2023 fiscal year.

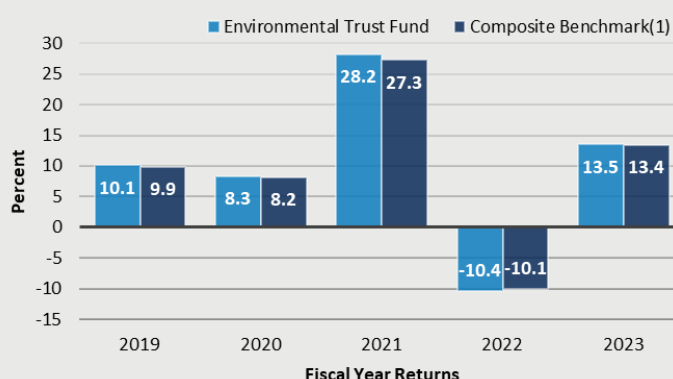
**Overall**, the Environmental Trust Fund provided a return of 13.5% for fiscal year 2023, outperforming its composite index by 0.1 percentage point over the period. The Fund also outperformed its composite index over the trailing three-, five-, ten-, and twenty-year periods ending June 30, 2023.

Historical performance results for the total Fund and each of the asset class segments are presented in Figure 72A and 72B.

Spendable income generated by the Fund over the last five fiscal years is shown below:

<u>Fiscal Year</u>	<u>Millions</u>
2019	\$51
2020	\$61
2021	\$61
2022	\$71
2023	\$71

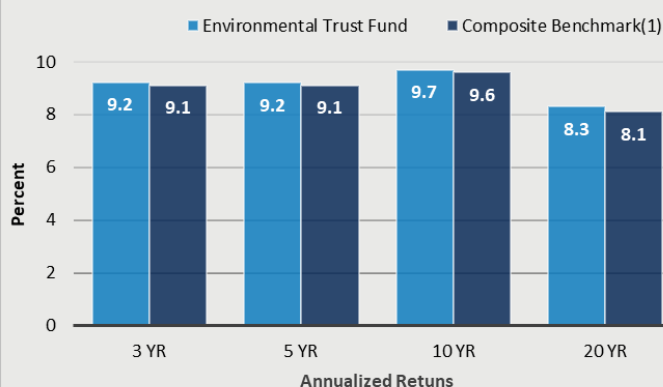
**Figure 72A. Environmental Trust Fund Fiscal Year Returns For Periods Ending June 30**



	Fiscal Year End Return (%)				
	2019	2020	2021	2022	2023
<b>Environmental Trust Fund Total</b>	<b>10.1</b>	<b>8.3</b>	<b>28.2</b>	<b>-10.4</b>	<b>13.5</b>
Composite Benchmark <sup>1</sup>	9.9	8.2	27.3	-10.1	13.4
Equity Segment	10.4	7.5	40.8	-10.6	19.7
S&P 500	10.4	7.5	40.8	-10.6	19.6
Bond Segment	8.4	8.2	1.2	-11.1	-0.6
Bloomberg Agg	7.9	8.7	-0.3	-10.3	-0.9
Cash Segment	2.4	1.5	0.1	0.2	4.0
iMoney Net All Taxable Fund	1.9	1.1	0.0	0.1	3.5

<sup>1</sup> Represents the aggregate returns of the target allocation: S&P 500 70%, Bloomberg U.S. Aggregate 28%, and iMoney Net All Taxable Money Fund Avg 2%.

**Figure 72B. Environmental Trust Fund Annualized Returns For Periods Ending June 30, 2023**



	Annualized Returns (%) as of June 30, 2023			
	3 Yr.	5 Yr.	10 Yr.	20 Yr.
<b>Environmental Trust Fund Total</b>	<b>9.2</b>	<b>9.2</b>	<b>9.7</b>	<b>8.3</b>
Composite Benchmark <sup>1</sup>	9.1	9.1	9.6	8.1
Equity Segment	14.6	12.3	12.9	10.1
S&P 500	14.6	12.3	12.9	10.0
Bond Segment	-3.6	1.0	1.8	3.5
Bloomberg Agg	-4.0	0.8	1.5	3.0
Cash Segment	1.4	1.6	1.1	1.5
Custom Benchmark <sup>2</sup>	1.2	1.3	0.8	1.4

<sup>1</sup> Represents the aggregate returns of the target allocation: S&P 500 70%, Bloomberg U.S. Aggregate 28%, and iMoney Net All Taxable Money Fund Avg 2%.

<sup>2</sup> Custom Benchmark is the iMoneyNet All Taxable Money Fund Average since 1/1/2004; prior to that was the ICE BofA 3 Month Treasury Index.