Permanent School Fund Investments in Russian Assets

April 2022

PSF Investments in Russian Assets

Purpose & Risks

- The Permanent School Fund (PSF) invests in emerging markets due to their:
  - generally growing economies and young populations;
  - generally strong fiscal positions; and,
  - potential for strong returns.
- These markets have provided exceptional returns despite the recent collapse of Russian asset valuations. Emerging equity markets outperformed domestic and developed equity markets.

Asset Class[1]	Annualized Returns
Emerging Market Equities Index	8.50%
US Equities Index	7.47%
PSF Composite[2]	*6.48%*
International Developed Equities Index	4.65%

- The Russian invasion of Ukraine in late-February (February 24th) resulted in significant sanctions levied by the U.S. and Europe against Russia including various capital controls.

1. Asset Class returns are MSCI Index returns. Emerging Market Equities is MSCI EM, US Equities is MSCI USA, and International Developed Equities is MSCI World ex USA. The combination of MSCI USA, MSCI World ex USA and MSCI EM represent the components of the MSCI AC World which is a proxy of global public equity markets. The starting date is first available common period, which is 12/31/2000 ending most recent monthly period of March 31, 2022.
2. PSF Composite March 2022 returns are preliminary and net of fees.

PSF Investments in Russian Assets

Strategy & Exposure

- The PSF's exposure to Russian investments is concentrated in externally managed emerging market portfolios for equity and debt, which model common benchmarks.
- The benchmarks for these portfolios are meant to track the MSCI[1] (equity) and JP Morgan[2] (debt) indices, both of which removed the Russian exposure from their benchmarks in March.

1. MSCI Emerging Market Equity Index
2. JP Morgan GBI Emerging Market Debt Index

PSF Investments in Russian Assets

- Prior to the Ukraine invasion, the Total PSF Portfolio investments in Russian assets was $259.7 million *(December 2021)*.
- After the invasion, these assets declined in value to $14.2 million, for an unrealized loss of 95% *(March 2022)*.
  - This unrealized loss does not include realized capital gains and income earned prior to the sanctions.

PSF Investments in Russian Assets

Current Situation

- Due to trading restrictions and economic sanctions, Russian assets cannot be liquidated, nor payments remitted at this time.
- Once liquidity improves and there is greater clarity in market mechanics, PSF external managers will perform an orderly and prudent sale of assets in the interest of investors.