

RESOLUTION OF THE
BUDGET AND FINANCE COMMITTEE
OF THE NAVAJO NATION COUNCIL

24TH NAVAJO NATION COUNCIL - Third Year, 2021

AN ACT

RELATING TO BUDGET AND FINANCE COMMITTEE; APPROVING THE
ADOPTION AND ADDITION OF APPENDIX H TO THE NAVAJO NATION
MASTER INVESTMENT POLICY ENTITLED "NON-CORE REAL ESTATE
STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES, AND
PROCEDURES"

SECTION ONE. AUTHORITY

- A. The Budget and Finance Committee of the Navajo Nation Council is empowered with the "authority including but not limited to budget, finance, investment, bonds, contracting, insurance, audits, accounting, taxes, loans, Chapter budget and finance of the following purposes: 1) [t]o coordinate, oversee, regulate the fiscal, financial, investment, contracting and audit policies of the Navajo Nation." 2 N.N.C. §§ 300(C), (C)(1).
- B. The Budget and Finance Committee is empowered to coordinate and review all fiscal, financial and investment activities of the Navajo Nation pursuant to 2 N.N.C. § 301(B)(5).
- C. The Budget and Finance Committee adopted investment policies for all Navajo Nation financial resources, the Master Investment Policy, in Resolution Nos. BFO-61-90, BFJY-114-03, BFJA-01-08, BFJN-17-15, BFD-38-17, and BFD-41-17; the Budget and Finance Committee approved the current version of the Master Investment Policy in BFD-45-18.
- D. The Navajo Nation created the Navajo Nation Investment Committee in Resolution No. CAU-39-73.
- E. The Navajo Nation Investment Committee is an advisory group to the Budget and Finance Committee regarding the management of the Navajo Nation's investment programs, and is responsible for approving and making recommendations to the Budget and Finance Committee for the adoption of

modifications to the Master Investment Policy, Sub-Policies, and Asset Class Guidelines, pursuant to the Master Investment Policy at § 4.3.

SECTION TWO. FINDINGS

- A. The Navajo Nation Controller, pursuant to her duties under the Master Investment Policy at § 4.4, has coordinated with the Navajo Nation's investment consultant, RVK, Inc., and has recommended to the Navajo Nation Investment Committee the adoption of Appendix H to the Navajo Nation Master Investment Policy, entitled "Non-Core Real Estate STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES, AND PROCEDURES."
- B. As shown in Resolution No. NNICFB-06-20 (attached hereto as **Exhibit A**) the Navajo Nation Investment Committee has reviewed the recommendation by the Navajo Nation Controller and RVK, Inc., regarding the adoption of Appendix H to the Navajo Nation Master Investment Policy, entitled "Non-Core Real Estate STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES, AND PROCEDURES." A draft underlined version of the proposed Appendix H is attached as **Subexhibit 1** to the Investment Committee's Resolution No. NNICFB-06-20.
- C. In Resolution No. NNICFB-06-20 the Navajo Nation Investment Committee approved the recommendation by the Navajo Nation Controller and RVK, Inc. to adopt and add Appendix H to the Navajo Nation Master Investment Policy. A final approved version of Appendix H, entitled "Non-Core Real Estate STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES, AND PROCEDURES" is attached as **Subexhibit 2** to the Investment Committee's Resolution No. NNICFB-06-20.
- D. In Resolution No. NNICFB-06-20 the Navajo Nation Investment Committee also recommends to the Budget and Finance Committee the adoption and addition of Appendix H to the Navajo Nation Master Investment Policy.
- E. The Investment Committee's recommendation and Appendix H been reviewed by the Navajo Nation Department of Justice and have been determined "legally sufficient." **Exhibit B.**

SECTION THREE. APPROVAL

The Budget and Finance Committee approves the recommendation of the Navajo Nation Investment Committee, adopting and adding Appendix H to the Navajo Nation Master Investment Policy, entitled "Non-Core Real Estate STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES, AND PROCEDURES" (attached as **Subexhibit 2** to the Investment Committee's Resolution No. NNICFB-06-20).

CERTIFICATION

I, hereby, certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held by teleconference at which a quorum was present and that the same was passed by a vote of 3 in favor and 1 opposed, this 6th day of April 2021.


Raymond Smith, Jr., Vice Chairperson
Budget and Finance Committee

Motion: Honorable Jimmy Yellowhair
Second: Honorable Jamie Henio

NNICFB-06-20

**RESOLUTION OF
THE NAVAJO NATION INVESTMENT COMMITTEE**

**Approving and Recommending to the Budget and Finance Committee
the Adoption and Approval of
the Statement of Investment Objectives, Guidelines, and Procedures
for Non-Core Real Estate
as Appendix H to the Navajo Nation Master Investment Policy**

WHEREAS:

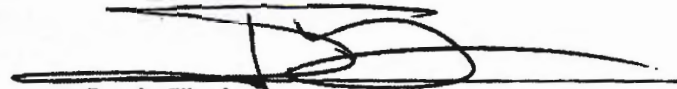
1. The Navajo Nation ("Nation") created the Navajo Nation Investment Committee ("Investment Committee") pursuant to Resolution No. CAU-39-73; and
2. The Budget and Finance Committee adopted the investment policies for all Navajo Nation financial resources (the "Master Investment Policy") pursuant to Resolution No. BFO-61-90, as amended by BFJY-114-03, BFJA-01-08, BFJN-17-15, BFD-38-17, BFD-41-17, and BFD-45-18; and
3. The Investment Committee is an advisory group to the Budget and Finance Committee in the management of the Nation's investment programs and is responsible for approving and making recommendations to the Budget and Finance Committee for the adoption of modifications to the Master Investment Policy, Sub-Policies, and Asset Class Guidelines, pursuant to the Master Investment Policy at §4.3(a); and
4. The Controller, pursuant to her duties under the Master Investment Policy at §4.4, has coordinated with the Nation's investment consultant, RVK, Inc., a recommendation to adopt the Statement of Investment Objectives, Guidelines, and Procedures for Non-Core Real Estate as Appendix H to the Navajo Nation Master Investment Policy; and
5. The Investment Committee has reviewed RVK Inc.'s recommendation relating to the adoption of the Statement of Investment Objectives, Guidelines, and Procedures for Non-Core Real Estate, attached hereto as Exhibit 1; and
6. The Investment Committee finds it is in the best interests of the Nation to approve and recommend to the Budget and Finance Committee the adoption and approval of the Statement of Investment Objectives, Guidelines, and Procedures for Non-Core Real Estate, attached hereto as Exhibit 2, and to attach it as Appendix H to the Navajo Nation Master Investment Policy.

NOW THEREFORE, BE IT RESOLVED THAT:

The Navajo Nation Investment Committee hereby approves and recommends to the Budget and Finance Committee the adoption and approval of the Statement of Investment Objectives, Guidelines, and Procedures for Non-Core Real Estate, attached hereto as Exhibit 2, and to attach it as Appendix H to the Navajo Nation Master Investment Policy.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Navajo Nation Investment Committee, at a duly called meeting at the Quality Inn in Window Rock, Arizona at which a quorum was present and that same was passed by a vote of 3 in favor, 0 opposed, and 0 abstained, this 21st day of February, 2020.



Jamie Henio
Presiding Chairperson
Navajo Nation Investment Committee

Motion: Martin Ashley
Second: Jimmy Yellowhair
Vote: 3-0-0

Appendix H

Non-Core Real Estate

STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES AND PROCEDURES

A. Investment Objectives. The investment objectives of the non-core real estate portfolio are to provide total return, capital appreciation, inflation risk protection, and consistent returns as measured against the appropriate benchmark. The primary role of the non-core real estate portfolio is to generate both capital appreciation and income growth while diversifying the investment assets through the acquisition of commercial real estate properties. Non-core real estate strategies identify properties at low or modest valuations that possess improvement potential that is commonly realized through direct engagement with property management or engaging in capital improvement projects. The practices used by non-core real estate managers create property appreciation through increases in tenant occupancy rates and/or lease rates.

The non-core real estate allocation is invested in commingled real estate funds, limited partnerships, and other approved institutional vehicles. Leverage is allowed and generally ranges from 0% to 70% of loan-to-value in aggregate at the fund level. Equity and/or debt investments can be used by investment managers to allocate capital across a range of different property types and geographical regions. The non-core real estate allocation will be diversified by investment manager, strategy, and vintage year commitment. Investment benchmarks are detailed in Section D of the guidelines.

B. Performance Objectives. The measurement period for complete evaluation will be dependent on the type of vehicle used for investment. For open-ended investment vehicles the typical measurement period typically will be trailing three-year periods and a complete market cycle as represented by a trailing five-year period or longer if appropriate. Market cycles are defined to include both a rising and a declining market environment. Therefore, a minimum period of evaluation shall be three to five years for open-ended investment vehicles.

For closed-end investment vehicles using a capital call structure, the measurement period will be the entire duration of the strategy as defined in the investment agreements but typically represented by the realized sale of investment holdings and subsequent return of all fund capital to investors. The duration of closed-end vehicle types for non-core real estate is expected to range from seven to ten years. The nature of the periodic cash flows of these investment structures requires using an internal rate of return ("IRR") performance measurement calculation.

The performance objectives of the non-core real estate allocation are:

- Outperform the NCREIF ODCE Index by 100 basis points per annum, net of fees, over a market cycle, based on a time-weighted or internal rate of return ("IRR") calculation as determined by the investment vehicle structure.

The performance objectives of the individual managers and funds that in aggregate comprise the non-core real estate allocation may be benchmarked to a lower or higher benchmark premium or an absolute return target over the life of the investment life. Individual manager and fund level benchmarks will be based on the risk and return objectives of the particular investment.

C. Investment Guidelines and Restrictions. Delineated in commingled fund investment policy, subscription agreement, fund prospectus or other relevant documentation.

D. Current Allocation Investment Benchmark

Mandate	Benchmark
Non-Core Real Estate	NCREIF ODCE Index + 100 Basis Points

Appendix H

Non-Core Real Estate

STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES AND PROCEDURES

A. Investment Objectives. The investment objectives of the non-core real estate portfolio are to provide total return, capital appreciation, inflation risk protection, and consistent returns as measured against the appropriate benchmark. The primary role of the non-core real estate portfolio is to generate both capital appreciation and income growth while diversifying the investment assets through the acquisition of commercial real estate properties. Non-core real estate strategies identify properties at low or modest valuations that possess improvement potential that is commonly realized through direct engagement with property management or engaging in capital improvement projects. The practices used by non-core real estate managers create property appreciation through increases in tenant occupancy rates and/or lease rates.

The non-core real estate allocation is invested in commingled real estate funds, limited partnerships, and other approved institutional vehicles. Leverage is allowed and generally ranges from 0% to 70% of loan-to-value in aggregate at the fund level. Equity and/or debt investments can be used by investment managers to allocate capital across a range of different property types and geographical regions. The non-core real estate allocation will be diversified by investment manager, strategy, and vintage year commitment. Investment benchmarks are detailed in Section D of the guidelines.

B. Performance Objectives. The measurement period for complete evaluation will be dependent on the type of vehicle used for investment. For open-ended investment vehicles the typical measurement period typically will be trailing three-year periods and a complete market cycle as represented by a trailing five-year period or longer if appropriate. Market cycles are defined to include both a rising and a declining market environment. Therefore, a minimum period of evaluation shall be three to five years for open-ended investment vehicles.

For closed-end investment vehicles using a capital call structure, the measurement period will be the entire duration of the strategy as defined in the investment agreements but typically represented by the realized sale of investment holdings and subsequent return of all fund capital to investors. The duration of closed-end vehicle types for non-core real estate is expected to range from seven to ten years. The nature of the periodic cash flows of these investment structures requires using an internal rate of return ("IRR") performance measurement calculation.

The performance objectives of the non-core real estate allocation are:

- Outperform the NCREIF ODCE Index by 100 basis points per annum, net of fees, over a market cycle, based on a time-weighted or internal rate of return ("IRR") calculation as determined by the investment vehicle structure.

Appendix H
Non-Core Real Estate
Asset Class Guideline
February 2020

The performance objectives of the individual managers and funds that in aggregate comprise the non-core real estate allocation may be benchmarked to a lower or higher benchmark premium or an absolute return target over the life of the investment life. Individual manager and fund level benchmarks will be based on the risk and return objectives of the particular investment.

C. Investment Guidelines and Restrictions. Delineated in commingled fund investment policy, subscription agreement, fund prospectus or other relevant documentation.

D. Current Allocation Investment Benchmark

Mandate	Benchmark
Non-Core Real Estate	NCREIF ODCE Index + 100 Basis Points

EXHIBIT

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NAVAJO NATION DEPARTMENT OF JUSTICE

**DOCUMENT
REVIEW
REQUEST
FORM**



DOJ
08/18/2020 @ 4:59 pm
DATE / TIME
☐ 7 Day Deadline
DOC #: 014821
SAS #:
UNIT: T&F

☐ RESUBMITTAL

*** FOR NNDOJ USE ONLY - DO NOT CHANGE OR REVISE FORM. VARIATIONS OF THIS FORM WILL NOT BE ACCEPTED. ***

CLIENT TO COMPLETE

DATE OF REQUEST: 8/18/2020 DIVISION: Office of the Controller
CONTACT NAME: Cynthia Scott DEPARTMENT: Investments Section
PHONE NUMBER: X6126 E-MAIL: cscott@nnooc.org

TITLE OF DOCUMENT: NNICFB-06-20 EOR - Non-Core Real Estate and Exhibits

DOJ SECRETARY TO COMPLETE

DATE/TIME IN UNIT: AUG 19 2020

REVIEWING ATTORNEY/ADVOCATE:

DATE TIME OUT OF UNIT:

DOJ ATTORNEY / ADVOCATE COMMENTS

Sufficient

REVIEWED BY: (Print)	Date / Time	SURNAMED BY: (Print)	Date / Time
Adjua Adjei-Da nso	4 December, 2020; 11:12 a m	Mel Radis	December 7, 2020 11:47 a m

DOJ Secret ary Called: for Document Pick U Pon at B Y

PICKED UP BY: (Print) DATE / TIME:

NNDOJ/DRRF-July 2013



SCANNED

& emailed 11:47am

BUDGET AND FINANCE COMMITTEE

6 APRIL 2021

Regular Meeting

VOTE TALLY SHEET:

Legislation No. 0041-21: An Action Relating to Budget and Finance Committee; Approving the Adoption and Addition of Appendix H to the Navajo Nation Master Investment Policy Entitled "Non-Core Real Estate Statement of Investment Objectives, Guidelines, and Procedures" *Sponsored by Jamie Henio, Council Delegate*

Motion: Jimmy Yellowhair

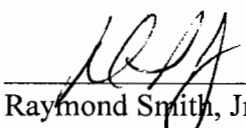
Second: Jamie Henio

Vote: 3-1, Vice Chairman and Elmer P. Begay not voting

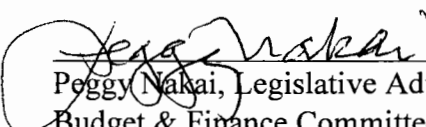
Final Vote Tally:

Jamie Henio	yea	
Raymond Smith Jr.		
Elmer P. Begay		
Nathaniel Brown	yea	
Amber K. Crotty		nay
Jimmy Yellowhair	yea	

Absent: Elmer P. Begay



Raymond Smith, Jr., Vice Chairman
Budget & Finance Committee



Peggy Nakai, Legislative Advisor
Budget & Finance Committee