

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

23RD NAVAJO NATION COUNCIL - Second Year, 2016

AN ACTION
RELATING TO BUDGET AND FINANCE COMMITTEE; APPROVING THE ADDITION OF
INVESTMENT MANAGER HARVEST FUND ADVISORS, LLC TO THE NAVAJO NATION'S
INVESTMENT PORTFOLIO

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 for the following purposes: 1) To coordinate, oversee, regulate the fiscal, financial, investment, contracting and audit policies of the Navajo Nation." 2 N.N.C. §§ 300(C) and 300(C)(1).
- B. The Navajo Nation Investment Committee is responsible for selecting and reviewing Investment Managers for the Navajo Nation's portfolio of assets. See BFJN-17-15 (amending BFJA-01-08), paragraph, 18.1.

Section Two. Findings

- A. The Office of the Controller has coordinated with the Navajo Nation's designated investment consultant, R. V. Kuhns & Associates, Inc., in recommending to the Navajo Nation Investment Committee the addition of a Master Limited Partnership (MLP) manager to the Nation's small/mid cap asset allocation to provide capital appreciation and inflation hedging benefits to improve the diversification of the Nation's portfolio. See NNICO-02-15, paragraph 2, attached as Exhibit A.

B. The Office of the Controller, in coordination with R. V. Kuhns & Associates, Inc., interviewed two MLP managers and recommends adding Harvest Fund Advisors, LLC to the Nation's portfolio in the small/mid cap asset allocation structure. See NNICO-02-15, paragraph 3.

C. The Navajo Nation Investment Committee recommends to the Budget and Finance Committee the addition of Harvest Fund Advisors, LLC to further diversify the Nation's portfolio. See NNICO-02-15, Paragraph 4.

Section Three. Approval

The Budget and Finance Committee hereby approves the recommendation of the Navajo Nation Investment Committee to add Harvest Fund Advisors, LLC as an additional manager for the Navajo Nation's portfolio.

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 at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 3 in favor, 1 opposed, this 24th day of May, 2016.



Honorable Dwight Witherspoon, Vice Chairperson
Budget and Finance Committee

Motion: Honorable Seth Damon

Second: Honorable Tom T. Chee



NNICO-02-15

**RESOLUTION OF
THE NAVAJO NATION INVESTMENT COMMITTEE**

Selecting and Recommending to the Budget and Finance Committee Approval of a Master Limited Partnership (MLP) Manager Held in the Navajo Nation Investment Portfolio

WHEREAS:

1. Pursuant to Budget and Finance Committee Resolution BFJY-114-03 as amended by Budget and Finance Committee Resolution No. BFJA-01-08 and No. BFJN-17-15 which involved adopting investment policies and sub-policies for all Navajo Nation financial resources, the Navajo Nation Investment Committee was continued with delegated authority to approve and recommend investments for adoption to the Budget and Finance Committee; and
2. Pursuant to the delegated authority, the Office of the Controller has coordinated with the Navajo Nation's designated investment consultant, R.V. Kuhns & Associates, Inc. a recommendation to consider the addition of a Master Limited Partnership (MLP) manager to the Navajo Nation investment portfolio small/mid cap asset allocation to provide capital appreciation and inflation hedging benefits to improve diversification for the portfolio structure; and
3. The Office of the Controller in coordination with R.V. Kuhns & Associates, Inc. has interviewed two (2) Master Limited Partnership (MLP) managers and recommends adding Harvest Fund Advisors LLC to the Investment portfolio's small/mid cap asset allocation structure, to further diversify the portfolio; and
4. The Navajo Nation Investment Committee has reviewed the RVK recommendation materials addressing the Master Limited Partnership (MLP) allocation structure hereto as Exhibit A and recommends the same for approval by the Budget and Finance Committee of the Navajo Nation Council

NOW THEREFORE BE IT RESOLVED THAT:

The Navajo Nation Investment Committee hereby approves and recommends to the Budget and Finance Committee of the Navajo Nation Council approval to implement Harvest Fund Advisors LLC into the Investment portfolio to further diversify the portfolio and reduce manager concentration.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Navajo Nation Investment Committee, at a duly called meeting at the Office of Orrick, Herrington & Sutcliffe LLP in Portland, Oregon at which a quorum was present and that same was passed by a vote of 3 in favor and 0 opposed, this 1st day of October, 2015.

A handwritten signature in blue ink that reads "Robert Willie".

Robert Willie
Presiding Chairman
Navajo Nation Investment Committee

Motion: Seth
Second: Ethel
Vote: 3-0

Exhibit A

October 1, 2015

RVK

The Navajo Nation Plans

MLP Manager Comparison



MLP Manager Comparison

Background

- Over the past two years, RVK, in connection with the Office of the Controller's staff has reviewed Master Limited Partnerships (MLPs) as a potential investment for the Navajo Nation Plans.
- MLPs operate in the energy- and hard-asset related infrastructure business, primarily focusing on pipeline and midstream energy companies.
- MLPs are multi-faceted investments, providing capital appreciation characteristics, attractive yields, and inflation-hedging benefits
- RVK has completed a competitive manager search, and has identified the below managers as well-suited options for the Navajo Nation Plans
 - Harvest MLP Alpha
 - Tortoise Midstream MLP

MLP Manager Comparison

Finalist Managers

- Both managers operate in the mid-stream energy chain, and seek to deliver high yield and stable growth from their MLP portfolios.

Harvest	Tortoise
<ul style="list-style-type: none"> Harvest Fund Advisors is a boutique investment management firm that focuses exclusively on MLP investment strategies. Harvest utilizes fundamental bottom-up analysis, creating an investment process that is focused on maximizing return per unit of risk Strategy Name: MLP Alpha Strategy Inception: January 2005 Employee Ownership: 100% Lowest Cost Vehicle: Separate Account Fee: 0.75% on all assets Use of Leverage: No 	<ul style="list-style-type: none"> Founded in 2002, Tortoise Capital Advisors is one of the largest MLP investors, and considered one of the pioneers of the asset class Tortoise utilizes fundamental bottom-up analysis, focusing on qualitative and quantitative analysis and relative value Strategy Name: Midstream MLP Strategy Inception: January 2003 Employee Ownership: 30% Lowest Cost Vehicle: Separate Account Fee: 0.75% on all assets Use of Leverage: No

MLP Manager Comparison

Proposed Small/Mid Cap Equity Structure – Permanent Fund and Retirement Plan

- RVK recommends adding a 2% allocation (based on total Permanent Fund and Retirement Plan assets) to MLPs, which would be incorporated in the Small/Mid (“SMID”) Cap Equity Composite.
- If approved, MLPs would be 25% of the Plans' SMID Cap Composites
- The Plans currently have a 8% target to SMID Cap Equity.

Current SMID Cap Manager Lineup

Manager	Targeted Weight	Targeted Market Value
Westwood SMID Cap Value	50%	\$68.3M (PF) / \$26.9M (R)
Boston Company SMID Cap Growth	50	\$68.3M (PF) / \$26.9M (R)
TOTAL	100%	\$136.6M (PF) / \$53.8M (R)

Proposed SMID Cap Manager Lineup

Manager	Targeted Weight	Targeted Market Value
Westwood SMID Cap Value	37.5%	\$51.2M (PF) / \$20.1M (R)
Boston Company SMID Cap Growth	37.5%	\$51.2M (PF) / \$20.1M (R)
<i>NEW MLP MANAGER</i>	25%	\$34.1M (PF) / \$13.4M (R)
TOTAL	100%	\$136.6M (PF) / \$53.8M (R)

MLP Manager Comparison

Proposed Small/Mid Cap Equity Structure – Sihasin Fund

- RVK recommends adding a 2% allocation (based on total Sihasin Fund assets) to MLPs, which would be incorporated in the Small/Mid (“SMID”) Cap Equity Composite.
- If approved, MLPs would be 40% of the SMID Cap Composite.
- The Plan currently has a 5% target allocation to SMID Cap Equity.

Current SMID Cap Manager Lineup			Proposed SMID Cap Manager Lineup		
Manager	Targeted Weight	Targeted Market Value	Manager	Targeted Weight	Targeted Market Value
Westwood SMID Cap Value	50%	\$12.3M	Westwood SMID Cap Value	30%	\$7.4M
Boston Company SMID Cap Growth	50	\$12.3M	Boston Company SMID Cap Growth	30%	\$7.4M
TOTAL	100%	\$24.6M	NEW MLP MANAGER	40%	\$9.8M
			TOTAL	100%	\$24.6M

Target market values shown are based on an estimated \$401M Sihasin Fund investment

MLP Manager Comparison

Product and Sector Allocation Comparison

Firm / Product	# of Holdings	Preferred Benchmark	Use of Leverage	Ability to Short	Target Returns	Current MLP Yield
Harvest	68	S&P MLP Index	No	No	10% – 15%	5.6%
Tortoise	29	Tortoise MLP Index	No	No	13% – 15%	4.5%

Firm / Product	Natural Gas Pipelines	Oil and Products Pipelines	Gathering and Processing	Exploration and Production	Coal	Shipping	Propane	General Partners	Cash	Other*
Harvest	41%	31%	4%	0%	0%	2%	0%	13%	0%	9%
Tortoise	15%	49%	13%	0%	0%	0%	0%	24%	0%	0%

Harvest's allocation to Other consists of midstream firms with varied businesses

MLP Manager Comparison

Performance Review and Comparison

Trailing Period Performance (%)	1 Year	3 Years	5 Years	7 Years	10 Years
Harvest	-7.4	18.9	22.2	19.0	--
Tortoise	-13.2	18.0	17.9	18.1	15.4
S&P MLP Index	-16.5	10.5	13.3	13.6	11.7

Calendar Year Performance (%)	2014	2013	2012	2011	2010	2009	2008	2007	2006
Harvest	18.8	36.0	12.6	22.8	47.1	77.4	-44.5	24.6	35.0
Tortoise	17.5	36.5	8.7	16.9	33.3	84.5	-37.2	24.7	31.3
S&P MLP Index	7.7	29.8	5.0	14.5	35.2	78.8	-37.5	9.4	25.9

Performance shown is gross of fees and is as of June 30, 2015

RVK