SOUTH DAKOTA INVESTMENT COUNCIL

AUDIT REPORT

Fiscal Year Ended June 30, 2026

State of South Dakota
Department of Legislative Audit
427 South Chapelle
c/o 500 East Capitol
Pierre, SD 57501-5070

SOUTH DAKOTA INVESTMENT COUNCIL
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RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Executive Board
Legislative Research Council

and

Investment Council
State of South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Cash Flow portfolio, an internal investment pool of the State of South Dakota, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Cash Flow portfolio's basic financial statements and have issued our report thereon dated October 2, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Dakota Investment Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Investment Council's internal control. Accordingly, we do not express an opinion on the effectiveness of South Dakota Investment Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cash Flow portfolio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.



Russell A. Olson, Auditor General
Pierre, South Dakota

October 2, 2026

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RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Executive Board
Legislative Research Council

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State of South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Cash Flow portfolio, an internal investment pool of the State of South Dakota, as of and for the year ended June 30, 2026, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the portfolio listed above, as of June 30, 2026, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Dakota Investment Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The financial statements present only the above referenced portfolio managed by the South Dakota Investment Council and do not purport to, and do not, present fairly the financial position of the State of South Dakota, as of June 30, 2026, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Investment Council's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2026, on our consideration of the South Dakota Investment Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Dakota Investment Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Dakota Investment Council's internal control over financial reporting and compliance.



Russell A. Olson, Auditor General
Pierre, South Dakota

October 2, 2026

South Dakota Investment Council
Cash Flow Portfolio
Statement of Net Position
As of June 30, 2026

Assets		
Cash & cash equivalents	$	23,685,360
Receivables		
Investment income receivable		13,842,467
Total receivables		13,842,467
Investments, at fair value		
Short term investment fund		579,543,357
Fixed income		2,682,943,096
Total investments		3,262,486,453
Total assets		3,300,014,280
Liabilities		
Earnings distribution - declared		136,756,660
Total liabilities		136,756,660
Net Position	$	3,163,257,620

The accompanying notes are an integral part of the financial statements.

South Dakota Investment Council
Cash Flow Portfolio
Statement of Changes in Net Position
For the fiscal year ended June 30, 2026

Additions:		
Investment income (loss)		
From investing activities:		
Net depreciation in fair value of investments	$	(5,761,814)
Interest		127,847,192
Investment income		122,085,378
Less investment activity expense		(1,056,258)
Net investment activity income		121,029,120
Total additions		121,029,120
Deductions:		
Withdrawals		155,236,333
Statutorily Required Distributions		136,756,660
Total deductions		291,992,993
Net decrease in net position		(170,963,873)
Net position - Beginning of year		3,334,221,493
Net position - End of year	$	3,163,257,620

The accompanying notes are an integral part of the financial statements.

SOUTH DAKOTA INVESTMENT COUNCIL
CASH FLOW PORTFOLIO
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity:

The South Dakota Investment Council (SDIC) is a principal, functional sub-unit of state government. The SDIC is responsible for the investment of the state's monies in the state treasury. The SDIC provides investment management services on a prefunded cost recovery basis as authorized by South Dakota Codified Laws (SDCL) 4-5-30.

The statements represent the financial activity of the Cash Flow portfolio. The Cash Flow portfolio represents the state's aggregate idle fund monies for all state funds, except certain funds for which separate portfolios have been established.

2. Summary of Significant Accounting Policies:

a. Basis of Presentation:

The accompanying financial statements of the investment activity of the SDIC on behalf of the Cash Flow portfolio are prepared in accordance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB).

b. Basis of Accounting:

The statements for the portfolio are reported on the full accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Security transactions and the related gains and losses are recorded on a trade date basis using the average cost method. Interest income is accrued as earned.

c. Cash and Cash Equivalents:

Cash includes demand deposits. Cash equivalents include non-negotiable certificates of deposit, which are reported at cost.

d. Valuation of Securities:

Investments are reported at fair value, in accordance with GASB Statement No. 72. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 sets forth the framework for measuring value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Valuation inputs are quoted prices in active markets for identical asset or liability as of the measurement date.

Level 2 – Valuation inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Valuation inputs are based on significant unobservable inputs for an asset or liability.

As a practical expedient, GASB 72 allows the net asset value (NAV) or its equivalent to be used when a readily determinable fair value is not available. The NAV valuations are based on valuations of the underlying companies or securities as determined and reported by the fund manager or general partner and are excluded from the fair value hierarchy.

Additional required disclosures can be found in Note 4: Fair Value Measurement.

e. Use of Estimates:

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of net position as of June 30, 2026. Actual results could differ from those estimates.

f. New GAAP Implementation:

Government Accounting Standards Board did not issue any new or updated statements that affected SDIC for fiscal year 2026.

3. Deposits, Investments and Securities Lending:

The State Investment Officer is responsible for the investment of state public funds. The portfolio is governed by the prudent-person standard; that is, the SDIC should use the same degree of care as a prudent person. State public funds in the Cash Flow portfolio are invested using the pooled deposit and investment concept which preserves the integrity of the fund cash balances of each state fund while simultaneously allowing the deposit and investment of aggregate idle fund monies. The Cash Flow portfolio may be invested in the following classes of securities and investments and not otherwise:

(1) Direct and indirect obligations of the United States government;

(2) Agencies and instrumentalities of the United States government;

(3) Mortgage-backed securities of United States government-sponsored enterprises;

(4) Direct obligations of the State of South Dakota and any of its political subdivisions;

(5) Obligations consisting of notes, bonds, debentures, and certificates which are direct obligations of a solvent corporation or trust existing under the laws of the United States or any state thereof, if such investments are rated in the four highest classifications established by at least two standard rating services at the time of purchase;

(6) Savings accounts, share accounts, certificates of deposit of banks, savings and loan associations, building and loan associations, and bankers' acceptances;

(7) Repurchase agreements fully collateralized by securities described in this section;

(8) Shares in exchange-traded funds and open-end, no-load funds that are administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and investments are predominantly in securities described in this section; or

(9) In addition to the investments authorized by subdivisions (1) to (8) of this section, inclusive, the investment council may also allocate a sum certain of state public funds for investment in the accounts and certificates of South Dakota banks and associations. This sum shall initially be offered to South Dakota banks and associations, and if not initially fully subscribed, the investment officer shall immediately reoffer the unsubscribed sum to other qualified public depositories defined by subdivision 4-6A-1(7).

Deposits:

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Cash Flow portfolio's certificates of deposit and other deposits in state financial institutions in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution, but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. As of June 30, 2026, pledged collateral for all depositories equaled at least 100 percent of the total public deposits in excess of depository insurance. As a result, none of the Cash Flow portfolio's certificates of deposit were exposed to custodial credit risk.

Investments:

Securities Lending. State statutes and the SDIC policies permit the use of investments for securities lending transactions. These transactions involve the lending of corporate debt to broker-dealers for collateral in the form of securities, with the simultaneous agreement to return the collateral for the same securities in the future. The SDIC's securities custodian is an agent in lending securities and shall accept only U.S. Government securities or its agencies as collateral for any loan or loaned securities. The collateral required must equal 102% of fair value plus accrued interest for corporate debt securities. The earnings generated from the collateral investments results in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

The Cash Flow portfolio did not have any securities on loan as of June 30, 2026 so the portfolio did not have any credit risk exposure to borrowers.

The contract with the lending agent requires the agent to indemnify the SDIC if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the SDIC or the borrower. The SDIC does not have the ability to pledge or sell collateral securities unless the borrower defaults. Regarding restrictions on loans, the securities lending agreement does limit the total value of securities that can be out on loan on any given day.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The SDIC's securities lending policies are detailed in the preceding Securities Lending section. As of June 30, 2026, the Cash Flow portfolio does not have custodial credit risk with regard to securities lending.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SDIC policy limits or establishes ranges for the durations of the fixed income portfolios. Duration estimates the sensitivity of a bond's price to interest rate changes. The Cash Flow short-term portfolio policy limits average portfolio duration to 2.88 years, and no holding's maturity can exceed 5.25 years. The Cash Flow intermediate-term portfolio is benchmarked to the duration of the FTSE US Broad Investment-Grade Bond Index (USBIG). The fair value (in USD) and weighted duration (in years) of the Cash Flow portfolio as of June 30, 2026 is listed in the following table:

Investment Type	Fair Value	Weighted Duration
U.S. Treasuries	$ 1,046,859,084	2.36
U.S. Treasury Bills	897,211,337	0.09
U.S. Treasury STRIPS	150,284,712	7.16
U.S. Agencies	49,568,408	1.22
Investment Grade Corporates	270,048,350	1.85
Bond Exchange-Traded Funds	186,125,291	2.70
Agency Mortgage-Backed Securities	82,845,914	5.45
Total fixed income securities	$ 2,682,943,096	
Portfolio duration		1.92

The Cash Flow portfolio invests in mortgage-backed securities. These securities are sensitive to prepayments by mortgagees, which is likely in declining interest rate environments, which can reduce the value of these securities.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SDIC guidelines establish a percentage range and a normal allocation to various credit risk categories. The Cash Flow short-term portfolio can invest 4% of the portfolio into each corporate security rated AAA or AA, 3% in A rated, 1% in BBB, and 0.5% in BBB- rated individual holdings of corporate securities. Credit rating limits are 15% of the total short-term portfolio or up to 20% with the State Investment Officer's permission for BBB rated and 5% of the total short-term portfolio or up to 10% with the State Investment Officer's permission on downgraded securities below BBB. The SDIC reviews the investment guidelines annually for the Cash Flow intermediate-term portfolio. These guidelines establish the benchmark percentage invested in each fixed income asset category and the minimum and maximum range of each fixed income asset category. As of June 30, 2026, the total portfolio held the following fixed income and short-term investment fund investments. The investments are grouped as rated by S&P Global Ratings (at fair value):

S&P Global Ratings:		
AAA	$	6,737,044
AA		91,358,591
A		180,778,484
BBB		64,214,075
Total fair value rated securities	$	343,088,194
U.S. Government Guaranteed*		2,153,729,611
Not rated – Bond-Exchange Traded Funds		186,125,291
Not rated - Short Term Investment Funds		579,543,357
Total fixed income and short term investments	$	3,262,486,453

* Comprised of U.S. government and agency obligations issued by or explicitly guaranteed by the U.S. Government and not considered to have credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Cash Flow portfolio has a policy in place limiting its investments in individual holdings. Information regarding the policy is located in the Credit Risk section. Additionally, there are no single issuer exposures (excluding those issued by or explicitly guaranteed by the U.S. Government, or involving mutual funds or investment pools) within the portfolio that comprises 5% of the overall portfolio as of June 30, 2026.

4. Fair Value Measurement:

Investments are reported at fair value as of June 30, 2026, to the extent available. GASB Statement No. 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other than quoted prices included within Level 1 that are observable; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the hierarchy below.

The following table summarizes the Cash Flow portfolio investments within the fair value hierarchy as of June 30, 2026:

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Fixed Income securities				
U.S. Treasuries	$ 1,046,859,084	$ 0	$ 1,046,859,084	$ 0
U.S. Treasury Bills	897,211,337	0	897,211,337	0
U.S. Treasury STRIPS	150,284,712	0	150,284,712	0
U.S. Agencies	49,568,408	0	49,568,408	0
Investment Grade Corporates	270,048,350	0	270,048,350	0
Bond Exchange-Traded Funds	186,125,291	186,125,291	0	0
Agency Mortgage-Backed Securities	82,845,914	0	82,845,914	0
Total fixed income securities	2,682,943,096	186,125,291	2,496,817,805	0
Total investments by fair value level	2,682,943,096	$ 186,125,291	$ 2,496,817,805	$ 0
Investments measured at the net asset value (NAV)				
Short Term Investment Funds	579,543,357			
Total investments measured at the NAV	579,543,357			
Total investments measured at fair value	$ 3,262,486,453			

Fixed Income securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical securities as of the measurement date as issued by pricing vendors.

Fixed income securities classified in Level 2 of the fair value hierarchy are valued using observable inputs other than quoted prices for identical securities. The prices are determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The Cash Flow portfolio did not hold any Level 3 investments as of June 30, 2026.

The Cash Flow portfolio holds shares or interest in investments where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment as a practical expedient. The NAV valuations are based on valuations of the underlying companies or securities as determined and reported by the fund manager.

The following table summarizes the fair value, unfunded commitments, and redemption rules of those investments as of June 30, 2026:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Short Term Investment Funds [(a)]	$ 579,543,357		Daily	0 days
Investments measured at the net asset value (NAV)	$ 579,543,357			

a. Short Term Investment Funds. This type includes investments in three open-end mutual funds that invest exclusively in high-quality, short-term securities that are issued or guaranteed by the U.S. government or by U.S. government agencies and instrumentalities. The fair values of the investments in this type have been determined using the NAV per share of the investments.

5. Rate of Return:

The percentage rate of return for fiscal year 2026 for the Cash Flow portfolio was 4.2%. The percentage was derived by dividing the total investment income by the average daily investment balances.

6. Derivatives:

Derivatives are generally defined as contracts whose values depend on, or derive from, the value of an underlying asset, reference rate, or index. During fiscal year 2026, no derivative instruments were utilized by the Cash Flow portfolio.

7. Proration of Investment Income and Fees:

The cash income received from pooled investments in the Cash Flow portfolio is prorated to state funds which have been certified as participating funds by the Legislative Appropriations Committee. The cash income is prorated to each individual participating fund using the ratio of its average daily cash balance to the total average daily cash balance of all funds. The income is distributed to the participating funds in the next fiscal year.

Per SDCL 4-5-30, the South Dakota Retirement System, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios' share of the SDIC fiscal year budgeted expenditures are transferred to the SDIC Operating Expense Fund. The Cash Flow and School and Public Lands portfolios' share of the SDIC fiscal year budgeted expenditures is deducted from the Cash Flow portfolio income and transferred to the SDIC Operating Expense Fund.

8. Commitments:

On June 30, 2026, the Cash Flow portfolio did not have any uncalled capital commitments.

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RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Executive Board
Legislative Research Council

and

Investment Council
State of South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios, internal investment pools of the State of South Dakota, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios' basic financial statements and have issued our report thereon dated October 2, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Dakota Investment Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Investment Council's internal control. Accordingly, we do not express an opinion on the effectiveness of South Dakota Investment Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.



Russell A. Olson, Auditor General
Pierre, South Dakota

October 2, 2026

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RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Executive Board
Legislative Research Council

and

Investment Council
State of South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios, internal investment pools of the State of South Dakota, as of and for the year ended June 30, 2026, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the portfolios listed above, as of June 30, 2026, and the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Dakota Investment Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As explained in the following table and in Note 2 to the financial statements, the financial statements include investments whose carrying values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners:

Portfolio	Amount	Percent of Net Position
School and Public Lands	$ 75,735,205	17%
Dakota Cement Trust	$ 76,803,883	20%
Education Enhancement Trust	$ 142,329,420	19%
Health Care Trust	$ 36,287,645	16%

The financial statements present only the above referenced investment portfolios managed by the South Dakota Investment Council and do not purport to, and do not, present fairly the financial position of the State of South Dakota, as of June 30, 2026, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Investment Council's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2026, on our consideration of the South Dakota Investment Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Dakota Investment Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Investment Council's internal control over financial reporting and compliance.



Russell A. Olson, Auditor General
Pierre, South Dakota

October 2, 2026

South Dakota Investment Council
Trust Portfolios
Statement of Net Position
As of June 30, 2026

	School and Public Lands Portfolio	Dakota Cement Trust Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Assets				
Cash & cash equivalents	$ 211,067	$ 281,723	$ 479,265	$ 141,493
Receivables				
Investment income receivable	172,675	123,743	309,576	82,342
Unsettled investment sales	145,322	158,533	284,038	72,661
Total receivables	317,997	282,276	593,614	155,003
Investments, at fair value				
Short term investment fund	204,051,651	177,837,224	379,686,474	106,491,935
Fixed income	76,020,945	65,551,138	138,882,766	39,829,286
Equities	101,617,349	71,733,367	180,766,239	58,124,658
Alternative investments	75,735,205	76,803,883	142,329,420	36,287,645
Total investments	457,425,150	391,925,612	841,664,899	240,733,524
Total assets	457,954,214	392,489,611	842,737,778	241,030,020
Liabilities				
Unsettled investment purchases	145,658	158,900	284,695	72,829
Earnings distribution - declared	0	0	29,294,783	8,727,324
Total liabilities	145,658	158,900	29,579,478	8,800,153
Net Position	$ 457,808,556	$ 392,330,711	$ 813,158,300	$ 232,229,867

The accompanying notes are an integral part of the financial statements.

South Dakota Investment Council
Trust Portfolios
Statement of Changes in Net Position
For the fiscal year ended June 30, 2026

	School and Public Lands Portfolio	Dakota Cement Trust Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Additions:				
Contributions	$ 9,169,081	$ 0	$ 18,757,972	$ 0
Investment income (loss)				
From investing activities:				
Net appreciation in fair value of investments	26,355,476	20,231,184	45,020,655	14,143,544
Interest	10,795,164	9,512,230	19,177,040	5,524,690
Dividends	2,035,819	1,555,993	3,468,841	1,190,022
Real estate income	462,247	437,486	862,546	241,835
Investment income	39,648,706	31,736,893	68,529,082	21,100,091
Less investment activity expense	(838,938)	(1,039,112)	(2,111,301)	(596,944)
Net investment activity income	38,809,768	30,697,781	66,417,781	20,503,147
From securities lending activities:				
Securities lending income	16,060	11,330	14,778	9,146
Securities lending expenses	(4,816)	(3,398)	(4,432)	(2,742)
Net securities lending activity income	11,244	7,932	10,346	6,404
Total investment income	38,821,012	30,705,713	66,428,127	20,509,551
Total additions	47,990,093	30,705,713	85,186,099	20,509,551
Deductions:				
Statutorily Required Distributions	20,872,101	15,079,721	29,294,783	8,727,324
Total deductions	20,872,101	15,079,721	29,294,783	8,727,324
Net increase (decrease) in net position	27,117,992	15,625,992	55,891,316	11,782,227
Net position - Beginning of year	430,690,564	376,704,719	757,266,984	220,447,640
Net position - End of year	$ 457,808,556	$ 392,330,711	$ 813,158,300	$ 232,229,867

The accompanying notes are an integral part of the financial statements.

SOUTH DAKOTA INVESTMENT COUNCIL
TRUST PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity:

The South Dakota Investment Council (SDIC) is a principal, functional sub-unit of state government. The SDIC is responsible for the investment of the state's monies in the state treasury. The SDIC provides investment management services on a prefunded cost recovery basis as authorized by South Dakota Codified Laws (SDCL) 4-5-30.

The statements represent the financial activity of the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios. The statements report investments by each portfolio. The School and Public Lands portfolio represents assets held in permanent school funds. The Dakota Cement Trust portfolio represents proceeds from the sale of the South Dakota Cement Plant. The Education Enhancement Trust portfolio represents assets held in trust from the master settlement agreement between the State of South Dakota and major United States tobacco product manufacturers and other funds. The Health Care Trust portfolio represents assets held in trust from federal reimbursement for Medicaid and Medicare costs associated with publicly owned and operated nursing facilities and other funds.

2. Summary of Significant Accounting Policies:

a. Basis of Presentation:

The accompanying financial statements of the investment activity of the SDIC on behalf of the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios are prepared in accordance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB).

b. Basis of Accounting:

The statements for the portfolios are reported on the full accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Security transactions and the related gains and losses are recorded on a trade date basis using the average cost method. Purchases and sales of foreign investments and the related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the Statement of Changes in Net Position. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned.

c. Cash and Cash Equivalents:

Cash includes demand deposits and foreign currency cash balances. Foreign currency cash balances are translated into United States Dollars (USD) using the year-end spot foreign currency exchange rates.

d. Valuation of Securities:

Investments are reported at fair value, in accordance with GASB Statement No. 72. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 sets forth the framework for measuring value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Valuation inputs are quoted prices in active markets for identical asset or liability as of the measurement date.

Level 2 – Valuation inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Valuation inputs are based on significant unobservable inputs for an asset or liability.

As a practical expedient, GASB 72 allows the net asset value (NAV) or its equivalent to be used when a readily determinable fair value is not available. The NAV valuations are based on valuations of the underlying companies or securities as determined and reported by the fund manager or general partner and are excluded from the fair value hierarchy.

Additional required disclosures can be found in Note 4: Fair Value Measurement.

Alternative investments, which consist of investments in a variety of markets and industries through limited partnerships, are valued as Level 3 on the fair value hierarchy or at NAV. These fair value estimates are subjective and based on judgment. The alternative investments fair values as a percentage of net position as of June 30, 2026 for School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios were 17%, 20%, 19%, and 16%, respectively.

Investments denominated in foreign currencies are translated into USD using the year-end spot foreign currency exchange rates. Foreign exchange rate gains and losses are included with the net appreciation in fair value of investments.

e. Use of Estimates:

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of net position as of June 30, 2026. Actual results could differ from those estimates.

f. New GAAP Implementation:

Government Accounting Standards Board did not issue any new or updated statements that affected SDIC for fiscal year 2026.

3. Deposits, Investments and Securities Lending:

The State Investment Officer is responsible for the investment of state public funds. The portfolios are governed by the prudent-person standard; that is, the SDIC should use the same degree of care as a prudent person. The SDIC dictates the limits on the percentages the portfolios invest in various asset classes.

Deposits:

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The SDIC has a formal deposit policy specific to custodial credit risk for the global equity portfolios of School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust. The policy states that the USD equivalent of aggregated cash, domestic and foreign, cannot exceed 2.0% of the portfolio fair value on a trade date + 2 business day basis. As of June 30, 2026, the portfolios had bank balances in various foreign currencies. These deposits are not collateralized or covered by depository insurance. As a result, the following amounts were exposed to custodial credit risk:

	School & Public Lands Portfolio	Dakota Cement Trust Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Foreign Currency Cash Balances	$ 210,756	$ 281,522	$ 478,758	$ 141,336

Investments:

Securities Lending. State statutes and the SDIC policies permit the use of investments for securities lending transactions. These transactions involve the lending of corporate debt, foreign equity securities, and domestic equity securities to broker-dealers for collateral in the form of securities, with the simultaneous agreement to return the collateral for the same securities in the future. The SDIC's securities custodian is an agent in lending securities and shall accept only U.S. Government securities or its agencies as collateral for any loan or loaned securities. The collateral required must equal 102% of fair value plus accrued interest for corporate debt securities, 102% of fair value for U.S. equity securities and 105% of fair value for foreign securities except in the case of loans of foreign securities which are denominated and payable in USD, in which event the collateral required is 102% of fair value. The earnings generated from the collateral investments result in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

The fair value of securities on loan as of June 30, 2026 and the collateral held on the same date is listed in the following table:

	School & Public Lands Portfolio	Dakota Cement Trust Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Fair Value of Securities on Loan	$ 2,135,983	$ 970,084	$ 3,299,082	$ 853,076
Collateral Held	2,204,716	1,006,375	3,404,325	882,124
Collateral % Held	103.22%	103.74%	103.19%	103.41%

The School & Public Lands, Dakota Cement Trust, Education Enhancement Trust and Health Care Trust portfolios have no credit risk exposure to borrowers because the amounts the portfolios owe the borrowers exceed the amounts the borrowers owe the portfolios. The contract with the lending agent requires the agent to indemnify the portfolios if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

All securities loans can be terminated on demand by either the SDIC or the borrower. The SDIC does not have the ability to pledge or sell collateral securities unless the borrower defaults, therefore no asset and corresponding liability for the collateral value of securities received has been established on the Statement of Net Position. Regarding restrictions on loans, the securities lending agreement does limit the total value of securities that can be out on loan on any given day.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The SDIC's securities lending policies are detailed in the preceding Securities Lending section. As of June 30, 2026, the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios do not have custodial credit risk with regard to securities lending.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SDIC policy limits or establishes ranges for the durations of the investment grade fixed income portfolios. Duration estimates the sensitivity of a bond's price to interest rate changes. The investment grade fixed income portfolios of School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust are benchmarked to the duration of the FTSE US Broad Investment-Grade Bond Index (USBIG). The fair value (in USD) and weighted duration (in years) of the portfolios as of June 30, 2026 are listed in the following table:

	School & Public Lands Portfolio		Dakota Cement Trust Portfolio		Education Enhancement Trust Portfolio		Health Care Trust Portfolio	
Investment Type	Fair Value	Wgtd. Dur.	Fair Value	Wgtd. Dur.	Fair Value	Wgtd. Dur.	Fair Value	Wgtd. Dur.
Bond Exchange-Traded Funds	$ 76,020,945	5.15	$ 65,551,138	5.15	$ 138,882,766	5.14	$ 39,829,286	5.15
Total fixed income securities	$ 76,020,945		$ 65,551,138		$ 138,882,766		$ 39,829,286	
Portfolio duration		5.15		5.15		5.14		5.15

The School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios may invest in mortgage-backed securities. These securities are sensitive to prepayments by mortgagees, which is likely in declining interest rate environments, which can reduce the value of these securities. As of June 30, 2026, no mortgage-backed securities were directly held.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The SDIC sets the investment policy annually for the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios. This policy establishes the benchmark percentage invested in each asset category and the minimum and maximum range of each asset category. As of June 30, 2026, the portfolios held the following fixed income and short-term investment fund investments. The investments are grouped as rated by S&P Global Ratings (at fair value):

	School & Public Lands Portfolio	Dakota Cement Trust Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
S&P Global Ratings:				
Total fair value rated securities	$ 0	$ 0	$ 0	$ 0
U.S. Government Guaranteed*	0	0	0	0
Not rated – Bond-Exchange Traded Funds	76,020,945	65,551,138	138,882,766	39,829,286
Not rated – Short Term Investment Funds	204,051,651	177,837,224	379,686,474	106,491,935
Total fixed income and short-term investments	$ 280,072,596	$ 243,388,362	$ 518,569,240	$ 146,321,221

*Comprised of U.S. government and agency obligations issued by or explicitly guaranteed by the U.S. Government and not considered to have credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The SDIC does not have a formal policy in place to limit investments in any particular issuer for the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios. Additionally, there are no single issuer exposures (excluding those issued by or explicitly guaranteed by the U.S. Government, or investments involving exchange traded funds, mutual funds or investment pools) within the portfolios that comprise 5% of the overall portfolios as of June 30, 2026.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios' exposure to foreign currency risk derives from their positions in foreign currency and foreign currency-denominated equity investments. To match the unhedged benchmark, the SDIC's normal procedure is not to hedge foreign currency back to USD. SDIC's procedure does allow hedging under certain circumstances when deemed appropriate by the State Investment Officer and portfolio manager. The portfolios' exposure to foreign currency risk as of June 30, 2026 was as follows (in USD fair values):

	School & Public Lands Portfolio			Dakota Cement Trust Portfolio		
Currency	Equities	Cash	Totals	Equities	Cash	Totals
Australian Dollar	$ 227,151	$ 23,675	$ 250,826	$ 162,059	$ 53,514	$ 215,573
British Pound	2,873,597	2,559	2,876,156	2,070,156	34,456	2,104,612
Canadian Dollar	1,340,228	309	1,340,537	997,207	432	997,639
Danish Krone	324,588	0	324,588	228,810	0	228,810
Euro	9,628,544	145,658	9,774,202	6,726,656	158,900	6,885,556
Japanese Yen	3,185,735	9,739	3,195,474	2,202,663	7,630	2,210,293
Norwegian Krone	127,220	24,978	152,198	89,097	22,383	111,480
Singapore Dollar	33,372	3,803	37,175	25,332	4,183	29,515
South Korean Won	2,423,314	35	2,423,349	1,707,631	24	1,707,655
Swedish Krona	256,755	0	256,755	179,565	0	179,565
Swiss Franc	1,970,334	0	1,970,334	1,375,589	0	1,375,589
Total	$ 22,390,838	$ 210,756	$ 22,601,594	$ 15,764,765	$ 281,522	$ 16,046,287

Currency	Education Enhancement Trust Portfolio			Health Care Trust Portfolio		
	Equities	Cash	Totals	Equities	Cash	Totals
Australian Dollar	$ 412,813	$ 71,222	$ 484,035	$ 117,222	$ 21,966	$ 139,188
British Pound	4,933,987	40,699	4,974,686	1,488,066	19,424	1,507,490
Canadian Dollar	2,306,984	544	2,307,528	690,728	169	690,897
Danish Krone	577,413	0	577,413	173,899	0	173,899
Euro	16,104,125	284,695	16,388,820	4,849,765	72,829	4,922,594
Japanese Yen	5,438,345	16,361	5,454,706	1,606,644	4,853	1,611,497
Norwegian Krone	186,524	58,426	244,950	55,792	19,938	75,730
Singapore Dollar	59,208	6,749	65,957	18,759	2,138	20,897
South Korean Won	4,036,868	62	4,036,930	1,207,764	19	1,207,783
Swedish Krona	428,334	0	428,334	134,108	0	134,108
Swiss Franc	3,335,027	0	3,335,027	1,000,934	0	1,000,934
Total	$ 37,819,628	$ 478,758	$ 38,298,386	$ 11,343,681	$ 141,336	$ 11,485,017

Investments with external managers, which are not included in the table above, may expose the portfolios to additional foreign currency risk. The fair values (in USD) of externally managed real estate, private equity, and other fund investments as of June 30, 2026, were as follows:

	School & Public Lands Portfolio	Dakota Cement Trust Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Real Estate Funds	$ 43,502,235	$ 42,872,993	$ 81,366,452	$ 20,725,167
Private Equity Funds	32,232,970	33,930,890	60,962,968	15,562,478
Total	$ 75,735,205	$ 76,803,883	$ 142,329,420	$ 36,287,645

4. Fair Value Measurement:

Investments are reported at fair value as of June 30, 2026, to the extent available. GASB Statement No. 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other than quoted prices included within Level 1 that are observable; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the hierarchy below.

The following tables summarize the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolio investments within the fair value hierarchy as of June 30, 2026:

	School & Public Lands Portfolio			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Fixed Income securities				
Bond Exchange Traded Funds	$ 76,020,945	$ 76,020,945	$ 0	$ 0
Total fixed income securities	76,020,945	76,020,945	0	0
Equity securities				
Domestic Stock	79,226,165	79,226,165	0	0
International Stock	22,390,838	22,390,838	0	0
Stock Warrants	346	346	0	0
Total equity securities	101,617,349	101,617,349	0	0
Total investments by fair value level	177,638,294	$ 177,638,294	$ 0	$ 0
Investments measured at the net asset value (NAV)				
Short Term Investment Funds	204,051,651			
Alternative investments				
Real Estate Funds	43,502,235			
Private Equity Funds	32,232,970			
Total alternative investments	75,735,205			
Total Investments measured at the NAV	279,786,856			
Total Investments measured at fair value	$ 457,425,150			

Dakota Cement Trust Portfolio

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Fixed Income securities				
Bond Exchange Traded Funds	$ 65,551,138	$ 65,551,138	$ 0	$ 0
Total fixed income securities	65,551,138	65,551,138	0	0
Equity securities				
Domestic Stock	55,968,351	55,968,351	0	0
International Stock	15,764,765	15,764,765	0	0
Stock Warrants	251	251	0	0
Total equity securities	71,733,367	71,733,367	0	0
Total investments by fair value level	137,284,505	$ 137,284,505	$ 0	$ 0
Investments measured at the net asset value (NAV)				
Short Term Investment Funds	177,837,224			
Alternative investments				
Real Estate Funds	42,872,993			
Private Equity Funds	33,930,890			
Total alternative investments	76,803,883			
Total Investments measured at the NAV	254,641,107			
Total Investments measured at fair value	$ 391,925,612			

Education Enhancement Trust Portfolio

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Fixed Income securities				
Bond Exchange Traded Funds	$ 138,882,766	$ 138,882,766	$ 0	$ 0
Total fixed income securities	138,882,766	138,882,766	0	0
Equity securities				
Domestic Stock	142,946,045	142,946,045	0	0
International Stock	37,819,628	37,819,628	0	0
Stock Warrants	566	566	0	0
Total equity securities	180,766,239	180,766,239	0	0
Total investments by fair value level	319,649,005	$ 319,649,005	$ 0	$ 0
Investments measured at the net asset value (NAV)				
Short Term Investment Funds	379,686,474			
Alternative investments				
Real Estate Funds	81,366,452			
Private Equity Funds	60,962,968			
Total alternative investments	142,329,420			
Total Investments measured at the NAV	522,015,894			
Total Investments measured at fair value	$ 841,664,899			

Health Care Trust Portfolio

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Fixed Income securities				
Bond Exchange Traded Funds	$ 39,829,286	$ 39,829,286	$ 0	$ 0
Total fixed income securities	39,829,286	39,829,286	0	0
Equity securities				
Domestic Stock	46,780,804	46,780,804	0	0
International Stock	11,343,681	11,343,681	0	0
Stock Warrants	173	173	0	0
Total equity securities	58,124,658	58,124,658	0	0
Total investments by fair value level	97,953,944	$ 97,953,944	$ 0	$ 0
Investments measured at the net asset value (NAV)				
Short Term Investment Funds	106,491,935			
Alternative investments				
Real Estate Funds	20,725,167			
Private Equity Funds	15,562,478			
Total alternative investments	36,287,645			
Total Investments measured at the NAV	142,779,580			
Total Investments measured at fair value	$ 240,733,524			

Equity and Fixed Income securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical securities as of the measurement date as issued by pricing vendors.

The School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios did not hold any Level 2 or Level 3 investments as of June 30, 2026.

The School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios hold shares or interests in investments where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment as a practical expedient. The NAV valuations are based on valuations of the underlying companies or securities as determined and reported by the fund manager or general partner.

The following tables summarize the fair value, unfunded commitments, and redemption rules of those investments as of June 30, 2026:

School & Public Lands Portfolio

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Short Term Investment Funds [a]	$ 204,051,651		Daily	0 days
Alternative investments				
Real Estate Funds [b]	43,502,235	$ 18,166,342		
Private Equity Funds [c]	32,232,970	7,737,207		
Total alternative investments	75,735,205			
Investments measured at the net asset value (NAV)	$ 279,786,856			

Dakota Cement Trust Portfolio

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Short Term Investment Funds [a]	$ 177,837,224		Daily	0 days
Alternative investments				
Real Estate Funds [b]	42,872,993	$ 16,139,549		
Private Equity Funds [c]	33,930,890	7,873,298		
Total alternative investments	76,803,883			
Investments measured at the net asset value (NAV)	$ 254,641,107			

Education Enhancement Trust Portfolio

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Short Term Investment Funds [a]	$ 379,686,474		Daily	0 days
Alternative investments				
Real Estate Funds [b]	81,366,452	$ 33,058,455		
Private Equity Funds [c]	60,962,968	14,454,561		
Total alternative investments	142,329,420			
Investments measured at the net asset value (NAV)	$ 522,015,894			

	Health Care Trust Portfolio			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Short Term Investment Funds [a]	$ 106,491,935		Daily	0 days
Alternative investments				
Real Estate Funds [b]	20,725,167	$ 9,093,808		
Private Equity Funds [c]	15,562,478	4,070,873		
Total alternative investments	36,287,645			
Investments measured at the net asset value (NAV)	$ 142,779,580			

a. Short Term Investment Funds. This type includes investments in one open-end mutual fund that invests exclusively in high-quality, short-term securities that are issued or guaranteed by the U.S. government or by U.S. government agencies and instrumentalities. The fair value of the investment in this type has been determined using the NAV per share of the investment.

b. Real Estate Funds. This type includes twenty real estate funds that invest primarily in commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

c. Private Equity Funds. This type includes fifteen private equity funds that invest primarily in leveraged buyouts. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

5. Rate of Return:

The percentage rates of return for fiscal year 2026 for the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios were 9.0%, 8.2%, 8.7%, and 9.3%, respectively. The percentages were derived using the net-of-fee time-weighted rate of return calculation and the geometric linking of those returns.

6. Derivatives:

Derivatives are generally defined as contracts whose values depend on, or derive from, the value of an underlying asset, reference rate, or index. The School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios may be exposed to various derivative products through the investment management of the SDIC and its external managers. During fiscal year 2026, no derivative instruments were utilized by SDIC in the internally managed portfolios.

7. Statutorily Required Distributions:

The cash income received from investments in the School and Public Lands portfolio is received and deposited into the trust fund. Annual distributions of the receipted income are distributed to the permanent school and other educational and charitable funds administered by the Commissioner of School and Public Lands.

The cash income from investments in the Dakota Cement Trust portfolio is received and deposited into the trust fund. By June 30th, annual distributions of four percent of the lesser of the average fair value of the sixteen most recent calendar quarter ends as of the prior December 31st or the fair value as of the prior December 31st are made from the Dakota Cement Trust to the State General Fund.

The cash income from investments in the Education Enhancement Trust and Health Care Trust portfolios is received and deposited into the respective trust funds. At the beginning of each fiscal year, amounts equal to four percent of the average fair value at the end of the sixteen most recent calendar quarter ends as of the prior December 31st are transferred from the Education Enhancement Trust and the Health Care Trust portfolios to the State General Fund. The transfer amount cannot invade the principal of either trust.

8. Commitments:

As of June 30, 2026, the School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios had uncalled capital commitments to private equity and real estate limited partnerships funds. The commitments may be called at the discretion of the general partner or may never be called. As capital is called, it is funded from capital and earnings returned by the limited partnerships or from other assets. Approximate uncalled capital commitments as of June 30, 2026 were as follows:

	School & Public Lands Portfolio	Dakota Cement Trust Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Real Estate Funds	$ 18,166,342	$ 16,139,549	$ 33,058,455	$ 9,093,808
Private Equity Funds	7,737,207	7,873,298	14,454,561	4,070,873
Total	$ 25,903,549	$ 24,012,847	$ 47,513,016	$ 13,164,681