

Texas Investment Focus Plan

by Aaron Kinsey

- ✚ The Board should review all new investment managers (and those up for contract renewal) to ensure that they align with State policy regarding oil and gas investment and can meet their fiduciary obligations to the PSF.
- ✚ A modest target should be set for Texas-based firms to manage 15% of the allocations handled by external management. There is no reason that the PSF should feel pressure to use activist firms whose interests diverge from our own.
- ✚ Adjust the Emerging Manager portfolio to include a mandate that qualified Texas-based firms receive a portion of the allocation, set at 0.5% (of a total 1.5%) by the end of 2025. The State is a world leader in finance and has countless qualified emerging managers. We should be investing in managers who share the same long-term interests in our State, not those who seek to grow by gaining favor with international bureaucrats while torpedoing large sectors of our State's economy.
- ✚ The Board should update the asset allocation to include opportunities to invest Texas-based firms solving Texas energy constraints.
- ✚ The PSF should add a new significant allocation specifically for mineral and royalty investing that will replenish depletion on that portfolio. The correlation of this asset class with others already in the portfolio is likely low, so more significant investment would also diversify the investment portfolio and reduce risk. Returns for this asset class are in the mid-teens to mid-twenties.