



STATE OF SOUTH DAKOTA
OFFICE OF THE GOVERNOR

KRISTI NOEM | GOVERNOR

May 16, 2023

South Dakota Investment Council
4009 West 49th Street, Suite 300
Sioux Falls, SD 57106

Dear Board Members of the South Dakota Investment Council,

I want to thank the South Dakota Investment Council (SDIC) for your commitment to investing our state's taxpayer dollars wisely and responsibly. We are one of the only states in the nation with a fully funded pension and have retained our AAA credit status thanks to your hard work, and I applaud you for those achievements.

I also want to thank you for your partnership and responsiveness as we work to safeguard our state from the threat posed by the Chinese Communist Party (CCP). In December, I asked the SDIC to review their investments and look for ties to Chinese companies. Thankfully, because the SDIC is a wise investor of taxpayer dollars, you found very limited exposure to individual Chinese companies. I appreciate that you decided to divest from those companies – South Dakota is safer and more financially secure because of the decisions you have made.

However, like many states, some of South Dakota's taxpayer dollars are still invested in index funds that include Chinese companies. I believe that we should be taking steps to fully insulate our state's funds from any exposure to companies or funds that could be connected to the CCP.

That's why this week, along with several fellow Republican Governors, I am calling on Vanguard to create a new emerging markets fund that excludes any investments in China. I understand that Vanguard is SDIC's choice to be our asset manager, and I know that you believe you have our state's best interest in mind with this choice. I believe that we can make our investments even more secure if Vanguard creates a fund that excludes China entirely. Should they decide to offer this product, I would strongly encourage the SDIC to take advantage of this option and invest our state funds accordingly.

If Vanguard does not provide this option, I would also encourage the SDIC to consider other asset managers who offer these products and consider moving our state funds to

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a new manager. The CCP poses a significant threat to our nation and, in turn, to our state. They have been ramping up their efforts to infiltrate the United States and are targeting states in order to do so. We must find opportunities to stop the flow of funds going to the CCP, and our taxpayer-funded investments are the right place to start.

Thank you for your attention to this matter. I look forward to continuing to work with you to make South Dakota more safe and financially secure in the future.

Sincerely,



Kristi Noem
Governor