



Thursday, March 21, 2024

VIA PLAIN TEXT EMAIL

Aaron Kinsey
Chairman, Texas State Board of Education
1701 N. Congress Avenue
Austin, TX 78701

Subject: A \$250 Million Decision

Chairman Kinsey,

We were dismayed by your announcement to terminate BlackRock's management of approximately \$8.5 billion of Texas Permanent School Fund assets. Your actions put short-term politics over your long-term fiduciary responsibilities. We urge you to reconsider your decision and prioritize Texas schools and families who have benefited from BlackRock's consistent, long-term investment outperformance.

In announcing your decision, you said, "The Texas Permanent School Fund (PSF) has a fiduciary duty to protect Texas schools." BlackRock has been a trusted partner to Texas PSF in fulfilling this duty for nearly two decades - delivering consistently strong performance for Texas PSF over that time. Our international mandate outperformed Texas PSF's own benchmark since our partnership began in 2006 - generating in excess of \$250 million for Texas PSF - with competitive fees. Fiduciaries should prioritize performance and fees when executing their duty.

You also said, "BlackRock's destructive approach towards the energy companies that this state and our world depend on is incompatible with our fiduciary duty to Texans." The notion that we discriminate against oil and gas is simply false based on the investments we make on behalf of our clients. BlackRock holds more than \$320 billion in global energy investments, including approximately \$120 billion in Texas-based, publicly traded energy companies. We are also significant investors in private energy infrastructure throughout Texas. And beyond managing our clients' investments in Texas, we are proud to help manage pension assets for over 2 million Texans.

We fully comply with Texas law and fundamentally disagree with your assessment based on BlackRock's performance for Texas PSF and our investments in Texas energy companies. Additionally, Senate Bill 13 makes clear divestment is not required when a government entity determines divestment is inconsistent with its fiduciary responsibilities. The outperformance BlackRock has demonstrated shows divestment would not be in the best interest of Texas PSF.



Furthermore, the process by which this decision was reached remains unclear to the public. We learned of your decision to end Texas PSF and BlackRock's 18-year relationship through a press release. Ending a long, successful partnership that has been a positive force for thousands of Texas schools and families in such a reckless manner is irresponsible.

We've come to learn that not all Texas PSF board members were made aware of your decision before it was announced and did not have an opportunity to ask questions or share views. How our clients invest and whom they entrust to manage their money is entirely their decision, but we feel an action of this magnitude warrants transparency and consensus – not political-driven decision making. Texas schools and families deserve that.

The welfare of all Texans remains our shared priority. We are fiduciaries with a mandate to maximize performance for the people that entrust us to manage their money. That has been our guiding principle since our founding in 1988. We are asking for a reevaluation of your decision in order to preserve the productive and mutually advantageous relationship between Texas PSF, our company, and the Texans we serve.

We would like to engage with you as soon as possible and look forward to a thoughtful and constructive dialogue.

Sincerely,

Mark McCombe
Vice Chairman