

**STATEMENT OF INVESTMENT  
OBJECTIVES AND GUIDELINES**

**Fort Worth Employees' Retirement Fund**

**Revised and adopted December 16, 2009**

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## **I. PURPOSE OF THE INVESTMENT POLICY**

The purpose of this Statement of Investment Objectives and Guidelines (“Policy”) is to assist the Fort Worth Employees’ Retirement Fund (the “Fund”) Board of Trustees (“Board” or “Trustees”) in more effectively supervising and monitoring the Fund’s assets and investments.

In the various sections of this policy document, the Trustees define the Fund’s investment program by:

- stating in a written document the Trustees’ attitudes, expectations and objectives in the investment of Fund assets;
- setting forth an investment "structure" for managing assets. This structure includes various asset classes and investment management styles that, in aggregate, are expected to produce a prudent level of diversification and investment return over time;
- providing guidelines for each investment manager portfolio that control the level of risk assumed in the portfolio and ensure that assets are managed in accordance with stated objectives; and
- setting criteria to monitor and evaluate the performance results achieved by the investment managers.

This Policy represents the Trustees’ current philosophy regarding the investment of Fund assets. In addition, although the Trustees shall utilize this Policy in making decisions concerning the Fund, it shall not be bound solely by its contents.

## **II. INVESTMENT PHILOSOPHY**

### **Funding Philosophy**

The Fund’s overall objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. Because of the long-term nature of the Fund’s pension liabilities, the Trustees maintain a long-term perspective in formulating and implementing the Fund’s investment policies, and in evaluating its investment performance. Based on general beliefs about the long-term investment returns available from a well-diversified portfolio, the Trustees adopted the following Total Fund Investment Objectives:

- Within the framework of prudent risk limitations, the minimum investment objective is to achieve an average long-term total rate of return which satisfies the actuarial assumed rate of return. The actuarial rate of return is set at 8.5%.
- The Fund shall also strive to achieve investment performance that exceeds the rate of inflation over time thereby providing a real rate of return.
- The fund’s assets shall earn a sufficient total rate of return over time to meet all benefit and expense obligations.

## **Liquidity Posture**

Liquidity considerations are low in the short-term and intermediate-term resulting in an immaterial impact upon investment policy, objectives and guidelines.

## **Risk**

The investment risk philosophy for the Fund is based on the precepts of capital market theory that are generally accepted and followed by institutional investors, who by definition are long-term oriented investors. This philosophy holds that:

- Increasing risk is rewarded with compensating returns over time and, therefore, prudent risk taking is justifiable for long-term investors.
- Risk can be controlled through diversification of asset classes and investment approaches, as well as diversification of individual securities.
- The primary determinant of long-term investment performance is the strategic or long-term allocation of assets among various asset classes
- Relative performance of various asset classes is unpredictable in the short term and attempts to shift tactically between asset classes are unlikely to be rewarded.

Given these principles, the Fund has established a long-term asset allocation policy (specified in the Asset Allocation section of the Policy) that balances the return required to meet the Fund's objectives and the risk level that is appropriate under existing circumstances. In determining its risk posture, the Trustees have properly considered, in accordance with its fiduciary obligations and statutory requirements, the Fund's purpose and characteristics, current and projected financial condition, liquidity needs, sources of contribution, income, and general operating conditions.

## **Diversification**

In order to achieve this real rate of return, the Fund will rely on an investment strategy utilizing an appropriate long-term, diversified asset allocation model. Diversification distributes a portfolio across many investments to avoid excessive exposure to any one source of risk. The Trustees will determine the proper allocation among asset classes and investment managers, based on advice and analysis provided by the External Investment Consultant(s) with assistance from the Staff.

## **III. DUTIES AND RESPONSIBILITIES**

### **Board of Trustees**

The Board is responsible for overseeing the investment of the funds supporting the retirement and disability pension plans. Its primary duty is to set the asset allocation by determining the asset classes to be used and allocating a certain percentage of funds to each class. The Board follows the Prudent Investor Act of the Texas law and diversifies investments in order to achieve an optimal rate of return for a reasonable amount of risk. It is also responsible for setting an investment policy detailing the process for hiring, evaluating, and terminating investment managers. The Board has the authority to hire investment consultants, investment managers, and custodian banks to assist in the investment and oversight responsibility.

## **Investment Committee**

The Investment Committee is established by the Board and has been delegated certain powers, duties and functions by the Board. The Investment Committee makes recommendations to the Board on investment actions; however, ultimate responsibility for investment and asset allocation decisions remains with the Board. The Investment Committee meets prior to the regular meeting of the Board to address overall investment activities. Staff and Consultant(s) brief the Committee on any topics or issues pertinent to the Fund's investment operations, and make recommendations to the Committee for appropriate courses of action.

## **Executive Committee**

The Executive Committee shall have the authority to make emergency investment decisions that must be made between regular Board meetings. The Executive Committee has the authority to act as necessary in emergency situations requiring immediate action to protect the assets of the Fund. Any actions taken by the Executive Committee shall be reported to both the Investment Committee and the full Board at their next regularly scheduled meetings.

## **Investment Staff**

The Executive Director, with the assistance of staff ("Staff"), has the responsibility and authority to assist the Board and the Investment Committee in establishing investment and administrative policy and to monitor the implementation of the policies and programs established by the Board. The Staff also has the responsibility to work with the Consultant and make recommendations regarding the Board's investment policy, strategy, overall portfolio monitoring and composition, and diversification of Fund investments. The Staff reports to the Board on the status of the Fund and the operations of the Fund.

## **External Investment Consultant(s)**

The External Investment Consultant(s) ("Consultant") is hired by and reports directly to the Board and serves at the pleasure of the Board. The Consultant's duty is to report to and work with the Board, Investment Committee and its Chair, and Staff in the management of the investment process. This includes regular meetings with the Board to provide an independent perspective on the Fund's goals, structure, performance and managers. The Board may elect to retain one or more Consultants that specialize in specific areas of asset consulting. The Consultant will render investment advice to the Fund based on the needs and goals of the Fund regarding such matters as the Board's investment policy, strategy, overall portfolio monitoring and composition, and diversification of Fund investments.

## **External Investment Managers**

The External Investment Managers ("Managers") are selected by, and serve at the pleasure of, the Board. The Board will retain Managers that specialize in the use of particular asset classes. The Staff and Consultant will provide the Managers with explicit written directions detailing their particular assignments. Managers have full discretion to select, buy, and sell specific securities or

investments within the parameters specified in adherence to this Policy within the investment management agreement between the Board and the Manager. Managers will construct and manage investment portfolios that are consistent with the investment philosophy and disciplines for which the Board hired them.

### **Custodian**

The Custodian is selected by, and serves at the pleasure of, the Board. The Custodian(s) will collect income and safe keep all cash and securities, and will regularly summarize these holdings, along with both their individual and collective performance, for Staff's review. The Custodian will provide data and performance reports to the Staff and Consultant at intervals specified by the Fund's written policy or contract. In addition, a bank or trust depository arrangement will be utilized to accept and hold cash flow prior to allocating it to the Managers, and to invest such cash in liquid, interest-bearing instruments.

The Custodian shall ensure that any idle cash not invested by the Managers shall be invested daily via an automatic sweep STIF managed by the Custodian or by others on behalf of each Managers. Each of the above are fiduciaries to the Fund and must act prudently, must diversify the Fund's investments in order to minimize the risk of losses, and must act in accordance with Section 802.203 of the Texas Government Code, the applicable provisions of the Texas Trust Code and any other related laws of the State of Texas as those laws apply to the fiduciary duties of municipal public pensions. The above fiduciaries must also avoid conflicts of interests and may not engage in transactions on behalf of the Fund for the purpose of benefiting other parties unrelated to the Fund.

## **IV. ASSET ALLOCATION STRATEGY**

### **Asset Class Policy Targets and Ranges**

The Fund's asset allocation policy is intended to reflect, and be consistent with, the return objective and risk tolerance expressed in this Policy. It is designed to provide the highest probability of meeting or exceeding the Fund's objectives at a controlled level of risk that is acceptable to the Board.

Specific asset class target allocations, and their acceptable allocation ranges, can be found in Appendix A to this Policy.

### **Rebalancing**

Because the asset classes do not move in concert, deviations within the range will occur through normal market activity. The Upper and Lower Limits define the ranges within which market activity or shorter term tactical decisions will be allowed to shift the allocations. The ranges are designed to allow for a reasonable period of time to elapse before rebalancing the portfolio. When an asset class violates the lower or upper limits, the public market fund will be actively re-balanced back to the target. When any one of the public market asset classes hits a trigger point, the entire fund may be re-balanced back to asset class target allocations with the understanding that it may be impractical to return the real estate and private equity classes precisely to target in the short term. Accordingly, qualitative considerations (e.g., transaction costs, liquidity needs, investment time

horizons, etc.) will be considered in determining the potential timing and extent of rebalancing real estate and private equity portfolios.

When the asset allocation falls out of the ranges as defined above and at the quarterly performance review meeting where that is identified, the Staff/Consultant will make a recommendation as to where the Trustees should allocate back toward the target and within the range of that asset class.

When in market equilibrium, cash flows will be deployed in a manner that returns the portfolio to its target commitments.

## **V. INVESTMENT RETURN OBJECTIVES AND BENCHMARKS**

### **Total Fund Performance Objectives<sup>1</sup>**

The Trustees adopted the following comparative objectives for the Total Fund:

- A. The Total Fund should rank in the fiftieth (50th) percentile or better compared to Total Public Fund Sponsor Databases measured over a minimum period of five (5) years.
- B. The Fund's overall annualized total return, calculated relative to an asset allocation target policy index, measured over a minimum of five (5) years, should exceed the return that would have been achieved if the Fund had been fully invested according to the approved target allocation (the "Target Benchmark").
- C. The Fund's overall annualized total return, calculated relative to the actual collective asset class mix of the Fund measured over a minimum of five (5) years, should exceed the returns that would have collectively been achieved if the Fund had been fully invested in a weighted average of the appropriate indices (the "Dynamic Benchmark").

The Trustees approved the following policy indices for calculating the Target Benchmark and Dynamic Benchmark:

Russell 3000 Index, Morgan Stanley Capital International All Country World ex US Index (Gross) (MSCI ACW ex US), Custom Fixed Income Index, Custom Real Asset Index, Custom Public Real Estate Index, HFRI Fund of Funds Composite Index, Wilshire 5000 + 5%, Merrill Lynch 3 Month U.S. Treasury Bill Index\*.

\*Custom Indexes are defined under Asset Class Objectives.

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<sup>1</sup> These are only investment objectives for the Fund. Failure to meet any of the listed objectives is not an indication that the Board is not in compliance with its fiduciary duty.

## Asset Class Objectives

### 1. Equity

- A. The following minimum performance goals have been established for the Fund's domestic equity segment:
- The domestic equity segment total return should perform at the fiftieth (50th) percentile or better compared to a nationally recognized universe of domestic equity managers measured over a minimum period of five (5) years.
  - The individual domestic equity manager's total return should perform at the fiftieth (50th) percentile or better compared to a nationally recognized universe of domestic equity managers possessing a similar style over a minimum period of five (5) years.
  - The domestic equity segment total return should exceed the total return of the Russell 3000 Index or a more appropriate index over a minimum period of five (5) years.
  - The individual domestic equity manager's total return should exceed the total return of an appropriate domestic equity index for a specific manager mandate over a minimum period of five (5) years.
- B. The following minimum performance goals have been established for the Fund's international equity segment:
- The international equity segment total return should perform at the fiftieth (50th) percentile or better compared to a nationally recognized universe of international equity managers measured over a minimum period of five (5) years.
  - The individual international equity Manager's total return should perform at the fiftieth (50th) percentile or better compared to a nationally recognized universe of international equity managers possessing a similar style measured over a minimum period of five (5) years.
  - The international equity segment total return should exceed the total return of the Morgan Stanley Capital International All Country World excluding U.S. Index (MSCI ACW ex US) over a minimum of five (5) years.
  - The individual international equity Manager's total return should exceed the return of an appropriate international equity index for a specific manager mandate over a minimum period of five (5) years.

## **2. Fixed Income**

The following minimum performance goals have been established for the Fund's fixed-income segment:

- The domestic fixed-income segment total return should perform at the fiftieth (50th) percentile or better compared to a nationally recognized universe of fixed-income managers measured over a minimum period of five (5) years.
- The individual fixed-income Managers total return should perform at the fiftieth (50th) percentile or better compared to a nationally recognized universe of fixed-income managers possessing a similar style over a minimum period of five (5) years.
- The fixed-income segment total returns should exceed the total return of the Custom Fixed Income Index (based on the approved target allocation and corresponding benchmark return for each fixed-income sub-asset class) and/or Barclays Capital U.S. Universal Bond Index measured over a minimum period of five (5) years.
- The individual fixed-income Managers total return should exceed the total return of an appropriate fixed income index for a specific Manager mandate over a minimum period of five (5) years.

## **3. Real Return Strategy**

The following minimum performance goals have been established for the Fund's real return segment:

- The individual real return strategy Manager's total return should perform at the fiftieth (50th) percentile or better compared to a nationally recognized universe of managers possessing a similar style over a minimum period of five (5) years.
- The total real return segment total returns should exceed the total return of the Custom Real Return Index (based on the approved target allocation and corresponding benchmark return for each real return sub-asset class) measured over a minimum period of five (5) years.
- The individual real return Manager's total return should exceed the total return of an appropriate index for a specific manager mandate over a minimum period of five (5) years.

## **4. Real Estate**

Performance objectives for real estate portfolio expectations are stated in Appendix B: Real Estate Portfolio Investment Guidelines.

## **5. Absolute Return Strategy**

Performance objectives for absolute return strategy are stated in Appendix C: Absolute Return Strategy Portfolio Investment Guidelines.

## **6. Cash and Equivalents**

The total cash and equivalents return should exceed the total return of an appropriate Bank STIF Database median, measured over a period of five (5) years.

## **VI. RESPONSIBILITIES OF PUBLIC MARKET MANAGERS**

The duties and responsibilities of each of the Managers retained by the Trustees include:

1. Registration as an investment advisor under the Investment Advisers Act of 1940. The Manager must remain a registered investment advisor throughout the term of Manager's investment of the Fund's assets.
2. Managing the assets under management in accordance with the Policy guidelines and objectives as set forth in the investment management agreement between the Manager and the Trustees.
3. Acknowledging in writing to the Trustees the Manager's intention to comply with this Policy as it currently exists or as modified in the future.
4. Exercising full investment discretion within the guidelines and objectives stated herein. Such discretion includes decisions to buy, hold or sell securities in amounts and proportions reflective of the Manager's current investment strategy and compatible with investment objectives.
5. Promptly informing the Trustees regarding all significant matters pertaining to the investment of the plan assets, for example:
  - changes in investment strategy, portfolio structure and market value of managed assets;
  - the Manager's progress in meeting the investment objectives set forth in this document; and,
  - significant changes in the ownership, affiliations, organizational structure, financial condition, professional personnel staffing and clientele of the investment management organizations.
6. Initiating written communication with the Trustees whenever the Manager believes that this Policy should be altered. No deviation from guidelines and objectives established in the Policy should take place until after such communication has

occurred and the Trustees have approved such deviation in writing. Managers are expected to be familiar with the holdings guidelines expressed in Appendix E of this document.

7. The Trustees formally delegate full authority to each Manager for exercising all proxy and related actions of the Fund investment assets assigned. Each Manager shall promptly vote all proxies and related actions in a manner consistent with the long-term interests of the Fund and its Participants and Beneficiaries. Each Manager shall keep detailed records of all said voting of proxies and related actions and will comply with all regulatory obligations related thereto. The Trustees shall periodically audit and review each investment manager's policies and actions in this area.
8. Each Manager shall utilize the same due care, skill, prudence and diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity, as a fiduciary, and fully familiar with such matters would use in like activities for like plans with like aims, while maintaining appropriate diversification to avoid the risks of large losses, in accordance and compliance with all applicable laws, rules and regulations from local, state, federal and international political entities as pertaining to fiduciary duties and responsibilities.
9. Submitting to the Trustees (and its designated Consultant) exhibits, written material, etc. that will be used during periodic meetings with the Trustees at least ten business days in advance of these meetings. Please refer to Section X for a description of the reporting requirements.
10. The Trustees shall use Consultant to: (1) assist in appraising performance, (2) to provide performance comparison data with other retirement plans, several capital market indices, and to other Managers, (3) assist in evaluating Manager style discipline and peer comparisons, (4) assist in strategic planning and management of the plan, and (5) other factors the Trustees deem appropriate. Managers are required to support and assist the Consultant with their fullest cooperation.

11. Short Selling and Related Restrictions

There shall be no short selling, securities lending, non-collateralized and/or non-delivered repurchase agreements, use of financial futures or options (except where expressly permitted elsewhere), non-marketable direct investments in equity or debt, private placements, leaseback's, Trust Preferred Securities or any other specialized investment activity without the prior written consent of the Trustees.

12. Liquidity and Marketability Restrictions

Liquidity and marketability frequently are perceived to be a function of the quality and the market capitalization of each security holding. From the Fund's perspective, liquidity and marketability also may be a function of a Manager's aggregate holdings in a particular security. A Manager shall not buy or hold a security for the Fund

portfolio if the aggregate holdings among all of that Manager's other accounts in that same security would restrict the Manager's ability to expeditiously liquidate the position at any time.

If, from a Total Fund perspective, the collective holdings among all Fund Managers accounts in that same security would restrict all Managers collective ability to expeditiously liquidate their respective positions in that same security, the Fund retains the sole right to limit any Manager's holding of any security in the Fund at any time in order to prevent the potential for said Fund's collective liquidation and market risk.

13. Usage of Cross Asset Segment Investment Guideline Restrictions

When a Manager's holdings include Fund assets outside of their primary assigned asset segment assignment (e.g.: a primary domestic equity manager also holds some cash equivalents or fixed income securities) the guidelines stated herein for the non primary asset segment shall fully apply to the Manager, in addition to the primary asset assigned segment guidelines.

14. Diversification Restrictions

Except for criteria noted elsewhere in this Policy and in specific written contracts with each Manager, the appropriate and reasonable diversification of securities by such factors as geography, region, sovereign risk, native currency, quality, coupon, country risk, maturity, industry, duration, and sector is within the full discretion and responsibility of the Managers.

15. Fund Asset Utilization Restrictions

All Fund assets, in any form, shall be solely and exclusively: (a) settled, (b) held in custody, and (c) safe kept only with custodians designated by the Trustees at their sole discretion. To the extent that the Trustees invest a portion of the Fund's assets in commingled vehicles or institutional mutual funds, then the investment guidelines of the fund's prospectus will be adopted as the Fund's guidelines.

16. Transaction Agent Assignment Restrictions

Assignment of specific brokerage firms, dealers, financial institutions, and other transaction execution agents to all Managers shall be the sole responsibility of the Fund. From time to time, the Trustees at their sole discretion may specify certain broker/dealers that investment transactions shall be executed through.

## **VII. MONITORING, EVALUATION AND REVIEW**

On a timely basis, but not less than four times a year, the Trustees will review actual investment results achieved by each Manager (with a perspective toward rolling three-year and five-year time horizons) to determine whether:

- the Managers performed in adherence to the investment philosophy and policy guidelines set forth herein,
- the Managers performed satisfactorily when compared with:
  - the objectives set forth in Appendix A, as a primary consideration;
  - their own previously stated investment style;
  - other investment managers, both in asset class and in style group;
  - several different market indices.

In addition to reviewing each Manager's results, the Trustees will re-evaluate, from time to time, progress made in achieving the total fund, equity, fixed-income, international, and cash and equivalents segment objectives previously outlined. The periodic re-evaluation also will involve an evaluation of the continued appropriateness of: (1) the manager structure set forth in Appendix A; (2) the allocation of assets among the managers; and (3) the investment objectives for the Fund's assets.

The Trustees may appoint investment consultants to assist in the on-going evaluation process. The consultants selected by the Trustees are expected to be familiar with the investment practices of other similar retirement plans and will be responsible for suggesting appropriate changes in the Fund's investment program over time.

## **VIII. PLACING MANAGERS ON "WATCH LIST" STATUS**

A manager retention decision is very important to the continued success of a pension fund's investment strategy. The Watch List Policy applies to Managers in the following asset classes: domestic equities, international equities, fixed income, and real assets.

### **Quantitative Factors Resulting in Watch List Additions**

A number of factors may contribute to a Manager's over- or under-performance at any given time such as - market dynamics, investment skill, and/or pure chance. Given this uncertainty, it is unwise to mandate termination purely for lagging performance at any specific point. The following represent guidelines to be used in making a recommendation to the Investment Committee with regards to placing a traditional asset class Manager on the Watch List:

- Test 1     If the Manager's rolling, three-year return (gross of fees) falls below the rolling, three-year benchmark return for three (3) consecutive quarters.
- Test 2     If the Manager's rolling, three-year return (gross of fees) for three (3) consecutive quarters ranks in the bottom third of the Consultant's peer group

universe.

At the discretion of the Investment Committee, a Manager may be included on the Watch List based on these criteria. The Board may place the Manager on the watch list at any time.

Once a Manager is placed on the Watch List, the Investment Committee will be notified by Consultant and/or Staff and performance will be closely monitored and scrutinized. All of the qualitative criteria should be reviewed along with an explanation of the underperformance from the Manager. Additional actions could include Staff meetings with the Manager and a formal re-interview of the Manager by the Board.

Expectations will be established by Consultant and/or Staff on a case-by-case basis specific to the Manager for removal from the Watch List. Failure to achieve these expectations shall result in termination. Generally, one period of a rolling, three (3) year return above the benchmark or above the bottom third of the Consultant's peer group universe following placement on the Watch List will be required for a Manager's removal from the Watch List. The observation process will at this point begin again.

#### Qualitative Factors Resulting in Watch List Additions

A significant and potentially adverse event related, but not limited, to any of the following qualitative issues or events, will be considered a reason to add the Manager to the Watch List. Examples include, but are not limited to, these events:

- Violation of investment guidelines
- Deviation from stated investment style and/ or shifts in the firm's philosophy or process
- Turnover of one or more key personnel
- Change in firm ownership or structure
- Significant loss of clients and/or assets under management
- Significant and persistent lack of responsiveness to client requests
- Litigation
- Failure to disclose significant information, including potential conflicts of interest
- Chronic violations of the Fund's Investment Policy
- Any other issue or situation of which the Staff, Consultant and/or Committee/Trustees become aware that is deemed material.

Should any of these events occur, the recommended courses of action are similar to those contained in the preceding section (Quantitative Factors Resulting in Watch List Additions). After an assessment of the nature of the problem or potential problem, the Investment Committee should then make a determination as to the appropriate course of action at the meeting after notification.

Because of the subjective nature of Qualitative Analysis, both additions and removals should be handled by Consultant, Staff and the Board on a case-by-case basis.

## **XI. USE OF COMMINGLED AND MUTUAL FUND VEHICLES**

The Trustees may choose to invest in mutual funds, commingled funds, partnerships, exchange-traded funds, or other pooled vehicles if they are invested substantially in a manner consistent with guidelines stated in this Policy. However, the Trustees recognize that such investments will be ultimately governed by the vehicle's established guidelines and restrictions, as outlined in the prospectus, subscription agreements, or other offering documents prepared by the investment manager.

## **X. REPORTING REQUIREMENTS**

### **Consultant Reporting**

The Fund's Consultant will provide quarterly reports to the Trustees which, at a minimum, will review the following information about each Manager and the Total Fund:

- Overview of the most recent quarter and year-to-date investment indicators;
- Total Fund asset allocation;
- Source of investment return (income, capital appreciation or loss);
- Comparison of Total Fund return versus CPI inflation, actuarial rate and investment objectives; and,
- Performance results by individual manager and Total Fund compared to appropriate benchmarks.

### **Investment Manager Reporting**

Each Manager will provide the Staff and Consultant with a quarterly report of their activity no later than thirty (30) days after the end of a quarter. Each report will contain the following information:

- Beginning asset value at cost and market.
- Ending asset value at cost and market. New contributions should be separately identified. Asset listings should include appropriate information on each equity security position to include name, number of shares, dividend yield, cost, market, current gain or loss and industry or sector. Debt security information should include name, position size, cost, market, coupon, maturity, rating, yield, current gain or loss. (It should be noted that the Global REIT manager report will include a country allocation breakdown rather than an industry/sector summary.)
- Securities sold and purchased during the quarter.
- Quarterly, year-to-date, and since inception performance results.
- Written discussion of most recent quarterly results and near-term future investment strategy.

- Brokerage fees for the quarter and year-to-date by brokerage firm utilized, including average cents-per-share and total commission dollars expended.
- With each quarter's report, list the name and responsibility of key personnel who have been hired or terminated from the organization. The Manager is to provide verbal and written notice to the Staff within ten days from the date a key person is hired or terminated.

## **APPENDIX A: ASSET CLASS POLICY TARGET ALLOCATIONS AND RANGES**

The Fund's asset allocation policy is intended to reflect, and be consistent with, the return objective and risk tolerance expressed in this Policy. It is designed to provide the highest probability of meeting or exceeding the Fund's objectives at a controlled level of risk that is acceptable to the Board.

The Trustees have reviewed the investment program for the Fund. The result of the review is an updated, long-term strategic asset allocation plan. The review included projections that were based on long-term capital market behavior and the Fund's financial and demographic characteristics. The financial implications of a wide range of investment alternatives (conservative to aggressive) were evaluated.

The Trustees elected to employ eight broad and distinct asset classes in the portfolio:

Domestic Equities	Real Estate
International Equities	Private Equity
Fixed Income	Real Assets
Cash	Absolute Return

Return, risk and diversification assumptions were established for each, and efficient portfolios of the eight asset classes were identified. As a result, commitment to the asset classes listed in the table below will be made to ensure diversification. Based on its determination of the appropriate risk tolerance for the Fund, and its long-term return expectations, the Board has chosen the following Strategic Asset Allocation Policy:

<b><u>Asset Class</u></b>	<b><u>Target</u></b>	<b><u>Minimum</u></b>	<b><u>Maximum</u></b>
Domestic Equity	15.0%	11.0%	18.0%
International Equity	14.0%	11.0%	18.0%
Fixed Income	22.0%	20.0%	24.0%
Real Return	10.0%	9.0%	11.0%
Real Estate	12.0%	9.0%	15.0%
Absolute Return	18.0%	16.0%	20.0%
Private Equity	8.0%	4.0%	12.0%
Cash	1.0%	0.0%	5.0%

The target allocation will be reviewed annually for reasonableness relative to significant economic and market changes or to changes in the Fund's long-term goals and objectives. A formal asset allocation study should be conducted at least every three years to verify or amend the targets.

It is recognized that during periods of transition from one target allocation to another, the portfolio allocations may fall outside the long-term minimum and maximum ranges, and that interim targets may be adopted. Recognizing that a long-term target allocation can often take a matter of years to implement prudently, the Board has also set the following interim asset allocation as an interim target:

<u>Asset Class</u>	<u>Interim Target</u>	<u>Minimum</u>	<u>Maximum</u>
Domestic Equity	17.0%	13.0%	21.0%
International Equity	15.0%	11.0%	19.0%
Fixed Income	27.0%	24.0%	30.0%
Real Return	10.0%	9.0%	11.0%
Real Estate	8.0%	6.0%	10.0%
Absolute Return	18.0%	16.0%	20.0%
Private Equity	4.0%	2.0%	6.0%
Cash	1.0%	0.0%	5.0%

**APPENDIX B: REAL ESTATE PORTFOLIO INVESTMENT GUIDELINES AND PERFORMANCE EXPECTATIONS**

**Investment Guidelines**

It is the Trustees objective that the Real Estate Investment allocation will be opportunistic in nature and therefore, the Trustees will only invest in this sector when an appropriate investment is identified. Because of this fact, there may be times when the Real Estate Investment allocation is below its target weighting, which will cause the other asset classes to be over weighted versus their targets, at the Consultant’s recommendation. The Fund may opportunistically invest overseas up to 20% of the real estate allocation. Diversification by investment style is desired with an objective to allocate according to the following targets:

<b>Investment Style</b>	<b>Lower Range</b>	<b>Target</b>	<b>Upper Range</b>
Core	10%	25%	40%
Value-added	25%	40%	65%
Opportunistic	10%	25%	40%
REITs	0%	10%	15%

With regard to the **Private Real Estate** allocation, diversification by region is desired. The guidelines for regional diversification are as follows:

<b>Region</b>	<b>Policy Range</b>
West	Up to 70%
South	Up to 70%
Midwest	Up to 70%
East	Up to 70%
International	Up to 20%

Diversification by property type is also desired. The guidelines for Private Real Estate property type diversification are as follows:

<b>Property Type</b>	<b>Policy Range</b>
Office	Up to 50%
Retail	Up to 50%
Industrial	Up to 50%
Residential	Up to 50%
Hotel	Up to 30%
Other	Up to 50%

The guidelines for Public Real Estate property type diversification are as follows (these specifically apply to the Global REIT mandate):

- No more than 10% of the non-cash portion of the portfolio will be held outside of the benchmark.
- Individual security weightings will be within +/- 500 bps relative to the benchmark weight for each security in the benchmark.

### **Asset Class Objectives**

A. The following minimum performance goals have been established for the Fund's Public Real Estate segment:

- Public Real Estate Total Return shall be calculated adding realized and unrealized capital appreciation gains and losses plus income. The performance objective of the Public Real Estate Portfolio is to achieve a total time-weighted rate of return over rolling five-year periods in excess of its stated benchmark, which is the FTSE EPRA/NAREIT Index. Different benchmarks, however, may be applied to specific managers.
- The Public Real Estate Portfolio shall employ a risk-controlled, value-added strategy with portfolio holdings and characteristics similar to that of the broader market as represented by the FTSE EPRA/NAREIT index. The dual focuses of the Public Real Estate Portfolio are capital appreciation and income generation.

B. The following minimum performance goals have been established for the Fund's Private Real Estate segment:

- Private Real Estate Total Return shall be calculated adding realized and unrealized capital appreciation gains and losses plus income. The performance objective of the Private Real Estate Portfolio is to achieve a total return over rolling ten-year periods in excess of the NCREIF Fund Index-Open Diversified Core Equity (“NCREIF-ODCE”), provided that the Private Real Estate Portfolio maintains an acceptable level of risk when measured by the standard deviation of quarterly returns of the NCREIF-ODCE.

## **APPENDIX C: ABSOLUTE RETURN STRATEGY PORTFOLIO INVESTMENT GUIDELINES**

### 1. Purpose

The purpose of the Fund's Absolute Return Strategy Program ("Program") is to provide general guidelines to assist the Consultant(s) retained by the Fund and the Staff in carrying out the goals and objectives set forth herein.

This document outlines policies to be used in the evaluation of the Fund's investments in the Program Strategies, as defined below, and in the identification and selection of Program Managers.

The Program is designed to enable the Fund to achieve the highest competitive risk-adjusted returns. Recognizing that capital markets change over time, this document will be revised and updated periodically to reflect these changes. Amendments to the Program must be approved by the Board.

### 2. Definitions

Program Strategies - Program strategies differ from traditional investment strategies in that the former derive a particular return from the skill of the Program Manager, whereas the latter derive a return that captures a risk premium associated with a particular asset class/sub-class (e.g. Domestic Large Cap Equities). While there are many different Program strategies available, the Fund categorizes the various Program strategies into four broad classes defined below (section 3).

Program Fund - any commingled investment vehicle organized to implement the Program Strategies of a Program Manager. Such commingled vehicle may be organized as either a US-based or foreign-based limited liability vehicle such as a Limited Partnership (LP), Limited Liability Company (LLC), Public Limited Company (PLC), Corporation, etc.

Program Manager - any company or individual which, by contractual agreement, the Fund allocates capital to be invested in Program Strategies. The capital invested in Program Strategies will typically be invested via a commingled fund investment structure, but may also be invested via a separate or managed account. The Fund shall not retain authority over the particular investment decisions of individual managers.

### 3. Program Strategy Classes

The Program will be composed of strategies broadly grouped into four categories, as follows:

#### A. Relative Value Strategies

Relative Value strategies seek to earn excess returns by identifying mispricings in particular securities without taking broad asset class directional risk, i.e. “market risk”. Representative strategies would include convertible arbitrage, fixed income arbitrage and equity market neutral strategies.

B. Event Driven Strategies

Event Driven strategies identify securities that can benefit from extraordinary transactions or events such as restructurings, takeovers, mergers, spin-offs, and bankruptcies. Representative strategies would include merger arbitrage and distressed investing.

C. Long/Short Equity Strategies

Long/Short Equity strategies attempt to earn excess returns through selected net market exposures, long or short, and security selection. Representative strategies would include regional and global long/short and sector specialists.

D. Opportunistic Strategies

Such strategies include shifting from directionally biased to non-directionally biased portfolios. Representative strategies would include Global Tactical Asset Allocation (GTAA), CTA and Global Macro.

It is expected that the Fund will access and diversify among these strategies directly and through multi-strategy fund vehicles employing a combination of strategies across the classes.

4. Goals and Objectives

A. General

The Program is composed of diverse alternative strategies which are intended to contribute to long-term investment performance, diversify the broad asset class base of the portfolio and reduce overall portfolio volatility. It is expected that the Program will produce excess returns or alpha compared to a cash benchmark and that the Program will compare favorably to returns earned from tactical alternatives to direct implementation. The Program should also have constrained moderate exposure to equity and bonds.

Consultant, with input from Staff, is to maintain flexibility in creating the Program in order to capitalize on changes in the markets and newer, emerging opportunities. The Fund Staff will control allocations to Program strategies, styles, managers and Program Funds, according to a rebalancing discipline (see below) taking into account current conditions and anticipated changes in the markets.

B. Diversification

It is expected that the Program investments will be diversified, as possible, by strategy, style, manager type, as well as geographic and economic regions, in order to avoid undue concentration in any one category or exposure. However, in constructing the portfolio, consideration will also be given to minimizing the potential impact on the Program of cyclical changes in the economy and capital markets.

#### C. Risk Management

Consultant and Staff will emphasize the evaluation of risk and return in the analysis of appropriate Program strategies and the managers of such strategies.

Portfolio performance and composition will be monitored and managed such that additional active strategies may be implemented and/or existing strategies terminated from time to time in order to improve the overall risk-adjusted performance of the Program.

Consultant will recognize the role of manager selection in creating risk in the Program and shall perform due diligence in making initial selections.

#### D. Liquidity Management

The Program will not generally be considered as a short term liquidity source. However investment guidelines may stipulate certain criteria in relation to the liquidity profile.

#### E. Rebalancing

Consultant and Staff will regularly monitor the strategy exposures, manager weightings and net systematic exposures of the Program. A rebalancing of the Program is dependent upon current market conditions and expectations for the future and is therefore fundamentally discretionary.

### 5. Responsibility of Consultant

The Board may retain a Consultant to assist the Staff with the investments in the Program Strategies. The Consultant shall perform the functions and duties as set forth in the contractual agreement with the Fund. Such duties may include, but are not limited to:

- Recommending strategic and tactical allocation ranges to implement the Program Strategies approved by the Board;
- Initial due diligence on Program Funds identified by the Staff or Consultant for potential investment;
- Recommending underlying Program Funds following such due diligence;
- Risk evaluation and portfolio risk exposure reporting on potential and existing Program Funds;
- The monitoring of qualitative information relevant to the markets, the managers or the funds of the Program;
- The monitoring of existing investments in Program Strategies through continued due

diligence and/or other means; and

- Assistance with any and all performance and other reporting required or requested by the Fund.

#### 6. Program Strategic Guidelines

Consultant, with assistance from Staff, shall formulate Strategic Guidelines setting forth the objectives of the Program with respect to annualized return, risk, and diversification. These guidelines will include broad target ranges for the allocations to the four strategy classes. The Strategic Guidelines will be approved by the Board. Consultant and Staff may, from time to time, recommend revisions to the Strategic Guidelines based upon an evaluation of existing and emerging market conditions and expectations for performance.

#### 7. Program Annual Tactical Plan

With the assistance of the Consultant, Staff shall formulate an annual work plan aimed at achieving program objectives (the “Tactical Plan”). This plan is an implementation vehicle and will be presented to the Board.

The objectives for the Program form the basis for annual tactical allocations among Program funds. The allocations in the Tactical Plan shall consist of percentage allotments, within the Strategic Guideline ranges, to each of the four strategy classes. Acceptable ranges will be specified around each tactical allocation. Consultant and Staff will consider performance expectations, compliance with guidelines and anticipated market conditions in determining the optimal allocations to each Strategy for the current period.

The actual allocation to a Strategy may deviate from the targeted range as a result of changes in investment circumstances and performance. Staff shall review such deviations and determine whether the current weighting is advantageous or the allocation needs to be adjusted to target.

#### 8. Program Fund Selection

Consultant shall screen the relevant universe of Program Funds for potential investments, creating a list of such candidates for due diligence. Consultant shall perform due diligence on candidate Program Funds with assistance from the Staff, and Consultant and Staff will provide the Board with a finalist candidate for investment. Consultant will provide Staff with appropriate documentation reflecting the Consultant’s due diligence with respect to each finalist Program Fund.

In recommending an approved candidate to the Board, Consultant, with assistance from Staff, will provide the Board with a summary of the due diligence materials and recommendations prepared by Staff and Consultant. The Fund’s legal counsel shall review the potential investment for compliance with the laws, statutes, rules and

regulations governing the Fund. The Fund's legal counsel shall examine all the Program Fund's offering documents, subscription agreement and side letter agreements, if any.

The Board will review and evaluate all materials provided by the Consultant and Staff regarding a recommended Program Fund and will approve the appointment of the Program Fund subject to this review.

Staff will negotiate the terms of the investment to be undertaken.

#### 9. Program Monitoring

Staff will meet on-site with all current Program Funds on an "as needed" basis. Staff will update its due diligence reports as a result of these meetings. Accordingly, Staff shall review the Program Fund regarding the monitoring, controls, and procedures employed to limit the risks associated with the particular strategy. Following such visit, Staff shall prepare a written report to the Board highlighting the Program Fund's performance and any changes in strategy, organization or investment outlook since the investment was approved. Staff will also discuss investment performance and other issues with each Program Fund periodically via telephone during the course of the year. These conversations will be appropriately documented. Adverse developments within a Program Fund will be communicated to the Board promptly along with Staff and Consultant recommendations for corrective action.

The Consultant shall perform on-site visits on each existing Program Fund on an annual basis at least. The Consultant shall provide a detailed written report on the outcome of the due diligence meeting to Staff within a reasonable time frame following the due diligence visit. The Consultant shall also provide written quarterly reports on each current Program Fund. These quarterly reports will include information on the aggregate performance of the Program Strategies in which the Fund is invested, individual performance for each Program Fund, the current economic environment impacting Program Strategies, economic forecast and outlook for the particular strategies, and any recommendations for specific action.

Each Program Fund shall provide the following reports to Staff and Consultant in connection with the investments made by the Fund in the particular investment vehicle:

- A. Monthly Net Asset Value (NAV) for the investment reflecting the number of units held by the Fund and the value of such units;
- B. Performance Letter - on at least a semi-annual basis -- the Program Fund must provide a letter that discusses the performance of the Fund's investment during the preceding months;
- C. Annual Audited Financial Statements for the investment; and
- D. Report, in a timely manner, on material developments in the Program Fund which may impact the Fund's relationship and/or investment performance. Examples of such material impacts might include, but are not limited to, regulatory actions and investigations, loss of key investment personnel and other executive personnel including personnel responsible for finances of the organization, changes in

ownership structure, changes in investment processes, unusual client losses in type or magnitude, involvement in “incompatible” activities, changes in the direct investments of Principals, and changes in compensation structure or changes in the estimated capacity for the particular strategy or strategies.

A Program Fund that does not provide the required reports set forth shall be subject to redemption.

#### 10. Termination of a Program Fund

Based upon information gathered regarding a particular Program Fund, Staff and Consultant may determine that the investment is no longer appropriate for the Program. Termination may be indicated by shortfalls in any material item as listed in 9 above or by unusual style drift, underperformance or excessive draw-downs, or other analytical considerations with respect to the strategy or Fund. Staff and the Consultant shall provide the board with a written analysis supporting termination in a timely manner.

#### 11. Program Watch List (Watch List)

Whilst not an absolute requirement, prior to termination a Program Fund may be put on a ‘Watch List.’ A Fund may be added to the Watch List for shortfalls in any material item as listed in 9 above or by unusual style drift, underperformance or excessive drawdowns, or other analytical considerations with respect to the strategy or Fund. In such cases, Staff will document the reasons for concern. Such funds will receive greater scrutiny which may at Staff’s discretion include requests for further information, conference calls and onsite visits with the manager. A manager may stay on the Watch List for any period of time until the documented reasons for concern have been reconciled or corrected or the Fund is terminated.

#### 12. Program Strategies: Scheduled Reports

##### Performance Benchmarks

The performance of individual Program Funds may be benchmarked against a series of benchmarks including cash benchmarks (i.e. T-Bills or LIBOR), selected market indexes, as indicated, and, where appropriate, a style index (e.g. HFRI Equity Market Neutral Index.)

##### Performance Reporting

Each quarter, the Consultant, in collaboration with Staff, will prepare a report that compares the performance of the Program Funds against the benchmarks for the preceding quarter, fiscal year-to-date and annualized periods. The report shall provide the current allocation to each strategy and to each Program Fund. The report will also provide a synopsis of the performance of each active Program Fund and a list of Program Funds

currently schedule for subscription or redemption, if any, as well as such subscription/redemption activity in the preceding quarter.

**APPENDIX D: FORT WORTH EMPLOYEES' RETIREMENT FUND BOARD OF TRUSTEES' POLICY REGARDING THE RETENTION OF MINORITY AND WOMAN-OWNED INVESTMENT MANAGERS**

I. STATEMENT OF POLICY

It is hereby declared to be the policy of the Fort Worth Employees' Retirement Fund that there are no barriers on the basis of race, gender or national origin to the engagement of any firm, partnership or corporation as an investment asset manager for the Fund. It is further declared to be the policy of the Fund, to the greatest extent feasible within the bounds of financial and fiduciary prudence that requires the Fort Worth Employees' Retirement Funds to achieve superior long-term rates of return through the use of a diversified investment portfolio, to use qualified minority and woman-owned investment managers in the investment of Fund assets.

II. DEFINITIONS

For the purposes of this policy, the following terms shall be defined as follows:

1. Fund shall mean the Fort Worth Employees' Retirement Fund.
2. Board or Board of Trustees shall mean the Board of Trustees of the Fort Worth Employees' Retirement Fund.
3. Financial and Fiduciary Prudence shall mean the standard of care applicable to the selection of an investment manager as determined by the Section 802.203 of the Texas Government Code, the applicable provisions of the Texas Trust Code and the common law of the State of Texas as it applies to the fiduciary duties of public pension trustees.
4. Emerging MWBE Investment Manager means a qualified investment advisor with not less than five (5) years experience in the management of the particular asset class for which investment services are sought and who manages an investment portfolio of at least \$10 million but less than \$2 billion and is a minority owned business as defined in this policy. The qualified investment advisor must be also meet the requirements set forth in Section 802.204 of the Texas Government Code.
5. Minority Owned Business means a business concern which is at least 51% owned by one or more minority persons or, in the case of a corporation, at least 51% of the stock of which is owned by one or more minority persons and the management and daily business operations of which are controlled by one or more minority individuals who own it. It shall hereinafter be referred to in this policy as "MWBE".
6. Minority Person means a person who is a citizen or lawful permanent resident of the United States and who is African American, Hispanic, Asian, or is a female of any ethnicity.

### III. IMPLEMENTATION OF THE MWBE MANAGER POLICY

The Fund shall take the following steps to implement this policy:

1. Request the investment consultants to prepare and maintain a database of qualified MWBE managers, including performance data over a period of not less than five (5) years and to forward such data to the Investment Committee for its consideration and review.
2. Include in all asset manager searches qualified MWBE investment managers who meet the financial and fiduciary prudent standards otherwise required of all perspective investment managers.
3. Post a copy of this policy on the Fund website and encourage qualified MWBE investment managers to forward information establishing their qualifications as required under this policy to the Fund consultant for inclusion in his database.
4. The Executive Director shall take reasonable steps to publicize the adoption of this policy in publications of general circulation in the institutional investment community.

### IV. MAINTENANCE OF FIDUCIARY STANDARDS

It shall be the policy of the Fund at all times to observe the prudent investor standard of responsibility as outlined in the Texas Constitution, Section 802.203 of the Texas Government Code, the applicable provisions of the Texas Trust Code, the administrative rules of the Fund and the common law of trusts as they relate to the effective and prudent management of a public employee retirement system. No firm, corporation or partnership shall be retained for an investment of Fund assets who is not qualified by experience and proven performance in the asset class for which an investment manager is sought.

### V. PERIODIC REVIEW OF POLICY; ADOPTION

This policy shall be reviewed annually to determine its continued viability and the need for revision. This policy was adopted by the Board of Trustees at its regular meeting of August 26, 2009.

## **APPENDIX E: FUND SEGMENT GUIDELINES**

### **Fund Segment Guidelines**

Following are general guidelines and objectives established for the Fund segments and for each Manager retained by the Board. Individual Manager guidelines are designed to be consistent, in aggregate, with the Total Fund asset allocation guidelines and investment objectives set forth in this Policy. Each Manager will operate under a formal contract that delineates its responsibilities and appropriate performance expectations, and that includes a formal set of investment guidelines and administrative requirements for management of each portfolio.

#### **A. Domestic Equity Segment**

Each equity Manager is expected to adhere to the following general guidelines:

- Equity holdings in any one company (including common and preferred stock, convertible securities and debt) should not exceed 10% of the market value of the manager's allocation without the consent of the Trustees.
- Equity holdings in any one industry (as defined by manager's respective style and capitalization benchmark) should not exceed fifty percent (50%) of the market value of the manager's allocation. **The exception to this policy is any sector specific strategy approved by the Board.**
- Cash and cash equivalents should not exceed five percent (5%) of the Manager's allocation of assets.
- No purchase shall be made by Manager which would cause a holding to exceed 5% of the issue outstanding.

#### **B. International Equity Segment**

Each international equity Manager is expected to adhere to the following minimum guidelines:

- Equity holdings in any one company and all of its subsidiaries and affiliates (including equities, convertible securities and debt) should not exceed ten percent (10%) of the market value of the manager's allocation without the prior written consent of the Trustees.
- Equity holdings in any one industry should not exceed fifty percent (50%) of the market value of the Manager's allocation. **The exception to this policy is any sector specific strategy approved by the Board.**

- Cash and cash equivalents should not exceed five percent (5%) of the Manager's allocation.
- The Manager may enter into foreign exchange contracts on currency provided that: (a) such contracts have a maturity of one year or less, and (b) use of such contracts is limited solely and exclusively to hedging currency exposure existing within the Manager's portfolio. The intent is to dampen portfolio volatility and prevent currency loss. There shall be no direct foreign currency speculation or any related investment activity.
- The Manager may purchase or sell currency on a spot basis to accommodate specific securities settlements.

**C. Fixed Income Segment**

Each fixed income Manager is expected to adhere to the following guidelines:

- The diversification of securities by maturity, quality, sector, coupon and geography is the responsibility of the Manager.
- The exposure of each Manager's portfolio to any single security other than a security backed by the full faith and credit of the U.S. Government or any of its instrumentalities should be limited to 10% of the Manager's allocation measured at market value.
- No purchase shall be made by a fixed income Manager which would cause a holding, excepting securities backed by the full faith and credit of the U.S. Government or any of its instrumentalities, to exceed 5% of the issue outstanding.
- Futures, and options, and/or swaps are permitted for purposes of managing duration, yield curve, and sector risk, and as a substitute for cash securities.
- Not more than 5% of a Manager's portfolio, valued at market, shall be invested in certificates of deposit, time deposits, bankers acceptances, commercial paper, or related investments of a single issuer financial institution or financial institution holding company family.
- The Manager will use prudence in managing the risk of Collateralized Mortgage Obligations (CMOs).
- No industry, as defined by Barclays Capital, except securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or government sponsored entities or any commingled investment will comprise more than 25% of the Manager's allocation measured at market value.

- Managers may enter into currency forward contracts with counterparties that have a short-term credit rating of at least A-1 or P-1. Managers may enter into netting agreements with these counterparties.
- Counterparties for other OTC derivatives (e.g., swaps and repos) must have a long-term rating from S&P of at least A-.

**D. Cash and Equivalents Segment**

Although Managers will be retained for their expertise in a certain investment segment, it is expected that from time-to-time each will have some cash and equivalents in their portfolios as a result of discretionary asset allocation decisions. Any idle cash not invested by the Managers shall be invested daily via an automatic sweep STIF managed by the custodian. It is the Fund's objective to have no idle cash at any time in any Manager's portfolio.

**E. Pooled Vehicles**

The Trustees may invest a portion of the Fund's assets in commingled vehicles or institutional mutual funds if those investments are invested substantially in a manner consistent with the guidelines stated within this Policy. However, the Trustees recognize that such investments will be ultimately governed by the vehicle's established guidelines and restrictions, as outlined in the prospectus, subscription agreements, or other offering documents prepared by the investment manager.

## **APPENDIX F: MEETING AGENDA**

The Trustees desire that meetings with the Fund Managers have a consistent agenda. The reason for this is threefold. First, the Trustees want to make efficient use of the time with the Managers to cover all salient points. Second, the Trustees want continuity in order to effectively compare and contrast what the Managers have articulated with respect to prospective portfolio strategy vis-à-vis actual portfolio structure and results. Third, the Trustees want to understand how an individual Manager's thinking has evolved since the previous meeting and over time.

Managers will receive fifteen (15) business days notice on all meeting date requests. All meetings shall be held with the Trustees or their designated representatives.

At each meeting, the written and oral presentations shall cover the following points:

- A report of performance for past periods. Standard time periods for each report will be last quarter and latest six (6) months, year-to-date, latest twelve (12) months, two years, three years, four years, etc., since inception and by calendar year. Returns should be annualized and calculated on a time-weighted basis for the total portfolio. All returns should include price change plus income and/or dividends.
- Discussion of the rationale for performance results by relating them specifically to investment strategy and tactical decisions implemented during the current review period.
- Discussion of the Manager's specific strategy for the portfolio over the next six to twelve months with specific reference to asset allocation and sector weighting, as appropriate.
- Supporting discussion of the next period's strategy with reference to the Manager's capital market and economic assumptions, if applicable.

Copies of the written summary should be received by the Trustees at least five (5) business days prior to the meeting.

The Trustees are interested in fostering an effective working relationship with its Managers through a discipline of good communication. The establishment of Objectives, Performance Standards, Policies and Guidelines, and Reporting Requirements is intended to provide the Trustees with a good foundation from which to understand specific management styles and strategies, evaluate results and oversee progress toward overall investment objectives.