February 3, 2017

ADDENDUM NO. 1

TO

REQUEST FOR PROPOSALS NO. 17-001

INVESTMENT CONSULTING SERVICES

The following are responses to written questions that were submitted:

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  What are the annual fees for the existing contract that the Board is</td>
<td>The current annual fee is $138,000 for general investment consulting, and $140,000 for private equity and real estate consulting combined. An optional service for analysis of public market manager’s trading costs is available for a flat fee of $2,500. There are no separate contracts for private real estate and private equity consulting.</td>
</tr>
<tr>
<td>paying to its current consultant? Are there project-related fees</td>
<td></td>
</tr>
<tr>
<td>associated with the current arrangement that are not part of the base</td>
<td></td>
</tr>
<tr>
<td>fee? Does the Board have a separate consulting contract to provide real</td>
<td></td>
</tr>
<tr>
<td>estate and private equity consulting?</td>
<td></td>
</tr>
<tr>
<td>2  Does the Board wish to hire separate firms for the generalist and</td>
<td>The Board will entertain both options (hiring one firm or hiring separate firms).</td>
</tr>
<tr>
<td>the specialist (real estate and private equity) roles?</td>
<td></td>
</tr>
<tr>
<td>3  Other than the implementation of the current strategic asset mix,</td>
<td>The Scope of Services is described on page 26 in Section IV, Scope of Work.</td>
</tr>
<tr>
<td>are there any other projects underway that a new consultant might become</td>
<td></td>
</tr>
<tr>
<td>involved with?</td>
<td></td>
</tr>
<tr>
<td>4  [p. 50, Section J, General Consulting Services] Question 9 of Section</td>
<td>Question 9 of Section J can be ignored; do not alter the numbering of questions.</td>
</tr>
<tr>
<td>J is a duplicate of Question 8 in the same section. Can you please</td>
<td></td>
</tr>
<tr>
<td>confirm whether this question can be removed, or is it meant to be</td>
<td></td>
</tr>
<tr>
<td>replaced by another question?</td>
<td></td>
</tr>
<tr>
<td>5  [p. 51, Section K, Private Equity Consulting Services] Question 14 of</td>
<td>Question 14 of Section K can be ignored; do not alter the numbering of questions.</td>
</tr>
<tr>
<td>Section K is a duplicate of Question 13 in the same section. Can you</td>
<td></td>
</tr>
<tr>
<td>please confirm whether this question can be removed, or is it meant to</td>
<td></td>
</tr>
<tr>
<td>be replaced by another question?</td>
<td></td>
</tr>
</tbody>
</table>

EUTF’s Mission: We care for the health and well being of our beneficiaries by striving to provide quality benefit plans that are affordable, reliable, and meet their changing needs. We provide informed service that is excellent, courteous, and compassionate.
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>6</strong></td>
<td>Question 16 of Sections K and L requests that OFFERORS describe the firm’s process and sources of data for analyzing, monitoring, and reporting numerical and operating performance of client’s public market investment portfolio. Can you please confirm that this question is asking for information on a client’s public market investment portfolio, given these sections relate to the OFFEROR’s private equity and private real estate consulting services?</td>
</tr>
<tr>
<td><strong>7</strong></td>
<td>Question 14 of Section L is a duplicate of Question 13 in the same section. Can you please confirm whether this question can be removed, or is it meant to be replaced by another question?</td>
</tr>
<tr>
<td><strong>8</strong></td>
<td>In regards to the Real Estate Component Allocations listed on page 3 of the RFP, will the Private Real Estate Consultant also manage the REIT portion of the portfolio?</td>
</tr>
<tr>
<td><strong>9</strong></td>
<td>The RE Strategic Class shown on page 3 of the RFP indicates that the RE allocation includes both the REITs and Core RE. As it relates to Core RE, we would like a clarification of the definition of Core RE. Attachment 7 – HRS 88-119 stipulates that investments may be made in RE loans and mortgages as well as interests in real property, but there is no mention of the level of risk permitted in RE investments. In other words, does Core RE allow for investments in core, core+, value-add, opportunistic, and debt? Or is the plan restricted to a more narrow definition of core and, if so, what criteria are used for such a determination?</td>
</tr>
<tr>
<td><strong>10</strong></td>
<td>On page 8 of the RFP, electronic copies of the proposal sheets and questions with answers are requested in Word format, but no preferred format</td>
</tr>
</tbody>
</table>

**Question 16** of Section K and L should read, “...client’s private market investments...”

Question 14 of Section L can be ignored; do not alter the numbering of questions.

The Private Real Estate Consultant will not be managing the REIT portion of the Real Estate allocation.

Please see Section XII (Real Estate Program) of the attached, most recent version of the Statement of Investment Policy and Guidelines.

Attachments may be submitted in PDF format.
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>is listed for attachments. Are attachments in .pdf format acceptable?</td>
<td>A separate box within a box is not necessary.</td>
</tr>
<tr>
<td>11</td>
<td>[p. 8] On page 8 of the RFP, mailing instructions are provided. Given the size and weight of the materials requested, our submission will need to be boxed. Do you require the proposal materials be packaged in a separate box within the mailing box and marked as follows? State of Hawaii Hawaii Employer-Union Health Benefits Trust Fund Proposal Submitted in Response to: RFP 17-001, Investment Consulting Services</td>
</tr>
<tr>
<td>12</td>
<td>[pgs. 31-38] As it relates to performance mentioned in the private equity and private real estate Scope of Services, pages 31-38, what is your process for benchmarking? Is there a specific benchmark to be utilized for the portfolio in its entirety or by sub-strategy (i.e., private equity, real estate, etc.)? Who is responsible for identifying the benchmarks used?</td>
</tr>
<tr>
<td>13</td>
<td>[p. 31] Page 31 states that the consultant will be required to attend Investment Committee and/or Board meeting up to five (5) times a year. Is there a set schedule for Board meetings and which subset of those meetings that the selected consultant will be required to attend?</td>
</tr>
<tr>
<td>14</td>
<td>[p. 32] Page 32 of the RFP outlines the Due Diligence expectations. What is the anticipated process for investment approval? Will General Partners be required to present before the Board?</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Financial Statements, listed on page 56 of the RFP, are requested as Exhibit J. As a privately held company, we do not disclose financial statements during the RFP process without an NDA. Would the Hawaii Employer-Union Health Benefits Trust Fund be willing to sign an NDA or is there an alternative available? Can we provide the Auditor opinion letter, instead?</td>
</tr>
</tbody>
</table>
Hawaii Employer-Union Health Benefits Trust Fund

Statement of Investment Policy and Guidelines

Adopted by the Hawaii EUTF Investment Committee December 2009
Revised by the Hawaii EUTF Investment Committee & Board September 2011
Revised by the Hawaii EUTF Investment Committee & Board December 2011
Revised by the Hawaii EUTF Investment Committee & Board February 2013
Revised by the Hawaii EUTF Investment Committee & Board August 2013
Revised by the Hawaii EUTF Investment Committee & Board September 2014
Revised by the Hawaii EUTF Investment Committee & Board November 2014
Revised by the Hawaii EUTF Investment Committee & Board August 2015
Revised by the Hawaii EUTF Investment Committee & Board February 2016
Revised by the Hawaii EUTF Investment Committee & Board June 2016
Revised by the Hawaii EUTF Investment Committee & Board December 2016

Rev. 12-20-2016
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<td>Roles and Responsibilities</td>
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<td>Investment Objectives</td>
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<td>Performance Objectives</td>
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<td>Appendix A – Managers/Selected Investment Strategies</td>
<td>44</td>
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<tr>
<td>Appendix B – Investment Performance Benchmarks</td>
<td>45</td>
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</tbody>
</table>
I. BACKGROUND AND PURPOSE

The Hawaii Employer-Union Health Benefits Trust Fund (“EUTF”), an agency of the State of Hawaii (“State”), was established by Act 88, 2001 Session Laws of Hawaii. Act 88 is partially codified as Chapter 87A, Hawaii Revised Statutes (“HRS”). Under HRS Chapter 87A, the EUTF is authorized to design, provide, and administer health and other benefit plans for State and County employees, retirees, and their dependents (aka employee-beneficiaries and dependent-beneficiaries). Funds are contributed to the EUTF by participating State and County employers and employee-beneficiaries.

A board of ten trustees (“Board”) administers the EUTF, and an investment sub-committee (“Investment Committee” or “Committee”) appointed by the Board is responsible for investing EUTF assets in compliance with the applicable HRS and with the foremost intention of preserving capital and then providing sufficient investment appreciation to meet the current and future OPEB benefit payments.

The Governmental Accounting Standards Board (“GASB”) issued two accounting and financial reporting standards, Statements No. 43 (Financial Reporting for Post employment Benefits Other Than Pension Plans (“OPEB”)) and No. 45 (Accounting and Financing Reporting by Employers for Post employment Benefits Other Than Pension Plans) that delineated standards by which participating employers in such plans have the option to “pie-fund” the cost of providing health and other post-employment benefits to employees and retirees. In light of the foregoing, the EUTF has set aside a significant amount of funds that it will invest with a long-term horizon.

This Investment Policy Statement (“Statement”) documents the roles and responsibilities of the EUTF’s fiduciaries and delineates the EUTF’s investment objectives, policies, and guidelines. It may be amended at any time at the Board’s discretion.

II. ROLES AND RESPONSIBILITIES

A. Board and Investment Committee

While the Board is the primary body charged with overseeing EUTF investment activities, it has delegated the Investment Committee to perform duties including:

i. implementing certain directives of the Board;

ii. determining the investment policies for the EUTF and periodically affirming their appropriateness in light of any changes in EUTF expected cash flows, market conditions, actuarial variables, or other pertinent developments;

iii. recommending an appropriate strategic allocation for the EUTF that complies with all State and Federal regulations;

iv. recommending the selection and delegation of investment responsibilities to qualified investment managers (“Managers”). For the purposes of this document, Managers shall include insurance companies, banks, investment companies as defined by the Investment Company Act of 1940, or investment advisors as defined by the Investment Advisors Act of 1940;

v. recommending the percent of assets to be managed by each Manager;
vi. monitoring and reviewing the investment performance of the Managers on a quarterly basis to determine achievement of goals and compliance with this Statement;

vii. advising the Board on retention or termination of Managers;

viii. and recommending to the Board on the Selection of an investment consultant ("Investment Consultant") if one is desired.

B. Managers

Each Manager shall be a bank, insurance company, investment management company, or investment advisor as defined by the Investment Advisors Act of 1940. Under the circumstances that the EUTF invests in commingled investment vehicles (e.g., collective bank trusts or mutual funds), the Board/Investment Committee acknowledges that the investment guidelines defined in the governing documents for these investments shall preside over those outlined in this Statement. Managers of EUTF separate account investments, if any, will be subject to the investment guidelines contained in an Appendix to this Statement and/or in the respective investment management agreements with the EUTF. It is expected that the EUTF’s Managers will:

i. exercise full investment discretion over the assets in their care, custody, and/or control consistent with the presiding investment guidelines set forth;

ii. be directly responsible for determining and implementing investment strategy in accordance with the mandate for which they were hired;

iii. be responsible for seeking best execution of trades related to the portfolios they manage;

iv. provide periodic performance evaluation reports that comply with the Global Investment Performance Standards (GIPS) issued by the CFA Institute;

v. promptly communicate to the EUTF any material organizational changes;

vi. shall promptly vote all proxies and related actions consistent with the interests of the EUTF (or those of their commingled fund investors if appropriate);

vii. and, in the case of separate account managers, acknowledge and agree in writing to their fiduciary responsibility with respect to EUTF assets.

C. Custodian Bank

The Custodian Bank ("Custodian") for the Plans is responsible for:

i. fulfilling all the regular duties of a custodian as required by applicable state and federal laws (as further defined in the custodial services agreement);

ii. receiving all contributions and paying all withdrawals from the EUTF as directed in proper instructions;

iii. safekeeping of assets, timely settlement of securities transactions, timely crediting of all income and principal realizable by the Plans, and the daily sweep of excess cash from manager accounts into a suitable cash management vehicle;

iv. upon direction, rebalancing EUTF assets under custody and raising required cash;

v. reporting periodically on all monies received or paid on behalf of the EUTF and on all securities under the custody contract including securities transactions that remain unsettled;

vi. and distributing promptly to the Committees or their designees all proxy materials or other
corporate actions received by the Custodian relating to the Plans’ investments in mutual funds or commingled funds.

D. Investment Consultant

The Investment Consultant shall:

i. provide independent and unbiased information to the Investment Committee;

ii. assist in the development and amendment of this Investment Policy;

iii. assist in the establishment of strategic allocation targets;

iv. assist in the development of performance measurement standards;

v. report quarterly investment performance results and risk characteristics of the EUTF’s investments to the Investment Committee;

vi. monitor and evaluate Manager performance on an ongoing basis;

vii. and conduct due diligence on the EUTF’s current and prospective Managers.

III. INVESTMENT OBJECTIVES

The investment objectives of the EUTF are foremost to accumulate and preserve assets from ongoing employer and participant contributions in order to meet all benefit and expense obligations when due. Secondarily, the EUTF seeks growth of assets using a diversified portfolio of investments, as allowed under the HRS, that emphasizes current income and capital appreciation and minimizes risk to the extent possible. To meet these objectives, the Investment Committee has segmented the EUTF portfolio into two components, a liquid short-term operating asset pool and a long-term investment portfolio (“Portfolio”). The liquid short-term operating asset pool is further divided to allow for the investment of Excess Reserves.

IV. STRATEGIC ALLOCATION

Strategic allocation refers to the strategic deployment of assets among the major classes of investments permitted under the HRS. It is the primary determinant of success in meeting long-term investment objectives. The EUTF’s strategic allocation is established by the Board with input from the Investment Committee and the Investment Consultant and is a function of the Board’s expectations of current and future liquidity and income needs, eligible investments types under the HRS, expectations of strategic class investment performance likely to be achieved over the long term, and risk tolerance.

The Board/Investment Committee implements its strategic allocation policy through the use of full discretion (i.e. fund specific guidelines) investment managers who invest the assets of the portfolios assigned to them, subject to specific investment guidelines provided by the Board.

The selected strategic allocation for the EUTF’s two asset pools is as follows.
Hawaii Employer-Union Health Benefits Trust Fund
Statement of Investment Policy and Guidelines

Strategic Allocation | Short-term Liquidity/Operating Asset Pool

**Treasury Function Account**

<table>
<thead>
<tr>
<th>Strategic Class</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; equivalents(^1) and short-term fixed income</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Excess Reserves Portfolio**

**Assets Available for Short-term Investment**

<table>
<thead>
<tr>
<th>Strategic Class</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term fixed income</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Assets Available for Long-term Investment**

<table>
<thead>
<tr>
<th>Strategic Class</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equity</td>
<td>52.5%</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>47.5%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Strategic Allocation | Long-term Investment Portfolio

In May 2016, the EUTF Board approved the following long-term policy target:

- **Approved long-term policy mix:**
  - Global Equity           38%
  - Private Equity\(^*\)  17%
  - Real Estate\(^*\)        16%
  - Global Options              7%
  - Diversifying Strategies  17%
  - TIPS                         5%

\(^*\)PE = U.S. Microcap and Private Equity  |  RE = REITs and Core Real Estate

In order to prudently transition to the long-term policy mix, the following Evolving Policy Plan was approved by the EUTF Board. This Evolving Policy Plan represents the general direction/intent that the portfolio will follow over time. The actual/prevailing allocations are detailed in the EUTF’s custom Total Portfolio Benchmark and may differ at the margin from the figures below. In particular, as a result of operational matters, it is likely that there may be more stages implemented

---

\(^1\) Cash and equivalents are defined as liquid, short-term investments that focus on preservation of assets. Money market funds, short term investment funds held in a custody bank account, repurchase agreements, and U.S. Treasury bills are some of the investment types contemplated in this definition.
Hawaii Employer-Union Health Benefits Trust Fund  
Statement of Investment Policy and Guidelines  

over this timeframe (i.e., additional minor transitions, portions of stages implemented at different 
times, etc.).

<table>
<thead>
<tr>
<th>Strategic Class</th>
<th>Prior Policy</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
<th>Stage 5</th>
<th>Final Stage (7/1/2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>43%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>39%</td>
<td>38%</td>
</tr>
<tr>
<td>Private Equity*</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>11%</td>
<td>13%</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Real Estate*</td>
<td>18%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Global Options</td>
<td>0%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Diversifying Strategies</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>TIPS</td>
<td>17%</td>
<td>13%</td>
<td>13%</td>
<td>9%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*PE = U.S. Microcap and Private Equity | RE = REITs and Core Real Estate

<table>
<thead>
<tr>
<th>Strategic Class</th>
<th>Prior Policy</th>
<th>Stage 1</th>
<th>Stage 2</th>
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<th>Stage 4</th>
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<th>Final Stage (7/1/2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>43%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>39%</td>
<td>38%</td>
</tr>
<tr>
<td>Private Equity*</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>11%</td>
<td>13%</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Real Estate*</td>
<td>18%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Global Options</td>
<td>0%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Diversifying Strategies</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>TIPS</td>
<td>17%</td>
<td>13%</td>
<td>13%</td>
<td>9%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Percentages may be rounded
# Component Allocations – Percentage of Strategic Class*

## Private Equity Components

<table>
<thead>
<tr>
<th>Prior Policy</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
<th>Stage 5</th>
<th>Final Stage (7/1/2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Microcap</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>82%</td>
<td>69%</td>
<td>53%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>18%</td>
<td>31%</td>
<td>47%</td>
</tr>
</tbody>
</table>

## Real Estate Components

<table>
<thead>
<tr>
<th>Prior Policy</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
<th>Stage 5</th>
<th>Final Stage (7/1/2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>REITs</td>
<td>100%</td>
<td>100%</td>
<td>88%</td>
<td>75%</td>
<td>56%</td>
<td>38%</td>
</tr>
<tr>
<td>Core Real Estate</td>
<td>0%</td>
<td>0%</td>
<td>13%</td>
<td>25%</td>
<td>44%</td>
<td>63%</td>
</tr>
</tbody>
</table>

## Diversifying Strategies Components

<table>
<thead>
<tr>
<th>Prior Policy</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
<th>Stage 5</th>
<th>Final Stage (7/1/2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Bonds</td>
<td>100%</td>
<td>70%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Long Treasuries</td>
<td>0%</td>
<td>30%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Trend Following</td>
<td>0%</td>
<td>0%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
</tbody>
</table>

*Percentages may be rounded

## Strategic Class Ranges

The Board/Investment Committee will utilize the following strategic class ranges/bounds in managing the long-term investment portfolio. These ranges apply to the prevailing evolving policy allocation that is in effect.

<table>
<thead>
<tr>
<th>Strategic Class</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>± 5%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>± 2%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>± 3%</td>
</tr>
<tr>
<td>Global Options</td>
<td>± 2%</td>
</tr>
<tr>
<td>Diversifying Strategies</td>
<td>± 3%</td>
</tr>
<tr>
<td>TIPs</td>
<td>± 2%</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>+2%</td>
</tr>
</tbody>
</table>

## Strategic Class and Portfolio Component Definitions

The Board/Investment Committee will utilize the following portfolio components to fulfill the strategic allocation targets and total fund performance goals established in this document.

### Excess Reserves Portfolio

1. **Short-term U.S. Fixed Income** – The primary role of the fixed income portfolio is to provide a stable investment return and to generate income.
   - Index Funds – This portfolio will provide diversified exposure to the short-term
investment-grade U.S. corporate bond market. The target index fund to be tracked by this segment shall be the Barclays Capital U.S. 1-5 Year Corporate Index.

2. **U.S. Equities** – The Board/Investment Committee expects that over the long run, total returns on domestic equities will be higher than the returns of fixed income securities, understanding such returns may be subject to substantial volatility over shorter periods of time.

   - **Index Funds / Core Stocks** – This portfolio will provide broadly diversified, core exposure through index funds to the U.S. equity market, primarily in large capitalization companies. The target index fund to be tracked by this segment shall be the Russell 3000 Index.

3. **International Equities** – The Board/Investment Committee expects that over the long run, total returns of international equities will be equivalent to the returns of domestic equities and will provide diversification to the domestic equity class, as well as to the aggregate investment portfolio.

   - **Index Funds / Core International Stocks** – This portfolio component provides broadly diversified equity markets exposure outside the U.S. through index funds and consequently plays a significant role in diversifying the EUTF portfolio. This segment will emphasize larger companies in established developed equity markets around the world and also include exposure to emerging markets. The target index fund to be tracked by this segment shall be the MSCI ACWI ex US Index ND.

**Long-term Investment Portfolio**

1. **Global Equities (Strategic Class)** – The Board/Investment Committee expects that over the long run, total returns on global equities will be higher than the returns of fixed income securities, understanding such returns may be subject to substantial volatility over shorter periods of time. The Board/Investment Committee utilizes a 50% U.S. equities / 50% international equities allocation (long-term) to achieve global equities exposure. This allocation is implemented via underlying U.S. and international equities allocations.

   a. **U.S. Equities** – The Board/Investment Committee expects that over the long run, total returns on domestic equities will be higher than the returns of fixed income securities, understanding such returns may be subject to substantial volatility over shorter periods of time.

      - **Index Funds / Core Stocks** – This portfolio will provide broadly diversified, core exposure through index funds to the U.S. equity market, primarily in large capitalization companies. The target index fund to be tracked by this segment shall be the Russell 3000 Index.

   b. **International Equities** – The Board/Investment Committee expects that over the long run, total returns of international equities will be equivalent to the returns of domestic equities and will provide diversification to the domestic equity class, as well as to the aggregate investment portfolio.

      - **Index Funds / Core International Stocks** – This portfolio component provides broadly diversified equity markets exposure outside the U.S.
through index funds and consequently plays a significant role in diversifying the EUTF portfolio. This segment will emphasize larger companies in established developed equity markets around the world and also include exposure to emerging markets. The target index fund to be tracked by this segment shall be the MSCI ACWI ex US Index ND.

2. **Private Equity (Strategic Class)** – The Board/Investment Committee expects that over the long run, total returns on private equities will be higher than the returns of public equities, understanding such returns will be subject to illiquidity and substantial volatility over shorter periods of time. This allocation is implemented via underlying U.S. microcap equities and private equities.
   
   a. **U.S. Microcap Equities** – The Board/Investment Committee expects that over the long run, total returns on microcap equities will be the highest (among liquid investments) in the EUTF portfolio, understanding such returns may be subject to substantial volatility over shorter periods of time. This portion of the EUTF portfolio is designed to exist as a proxy for Private Equity. The manager(s) will manage an active portfolio (“Portfolio”) for the Trust that will provide exposure to small, U.S. based companies, as broadly represented by the Russell Microcap Index. Given this orientation, the goal of the Portfolio is to provide superior performance vs. the Russell Microcap Index over a complete investment cycle.
   
   b. **Private Equity** – See Section XII.

3. **Real Estate (Strategic Class)** – The Board/Investment Committee expects that over the long run, total returns on real estate will have a low correlation to other strategic classes and serves to enhance the risk adjusted returns of the total portfolio, with the understanding that the class may be subject to illiquidity and substantial volatility over shorter periods of time. This allocation is implemented via underlying U.S. REIT and private real estate holdings.
   
   a. **U.S. Real Estate Securities** – This portfolio is expected to provide portfolio diversification due to real estate's low correlation with returns on publicly traded equities and fixed income.
      
      o **Index Funds / REITs** – This portfolio will provide broadly diversified exposure to the U.S. REIT market through index funds, primarily in stocks issued by commercial REITs. The target index fund to be tracked by this segment shall be the MSCI U.S. REIT Index.
   
   b. **Private Real Estate** – See Section XII.

4. **Global Options (Strategic Class)** – The Board/Investment Committee expects that over the long run, total returns on the utilized global options strategies will be equivalent to global equities but with lower volatility. These strategies are designed to achieve exposure to the equity risk premium and the volatility risk premium. Underlying strategies include and/or are analogous to covered calls and cash-secured put-writing. The goal of this segment is to provide superior performance versus a custom global options benchmark.

5. **Diversifying Strategies (Strategic Class)** – This Board/Investment Committee expects that certain strategies may provide diversification from risk-oriented strategies (e.g., public
and private equities) during periods of market stress. The Board/Investment Committee utilizes U.S. Core Fixed Income, U.S. Long Treasuries, and Systematic Trend Following as components of the broader Diversifying Strategies Class.

a. **U.S. Core Fixed Income** – The primary role of the fixed income portfolio is to provide a more stable investment return and to generate income while diversifying the Fund’s investment assets.

   o Index Funds / Core Bonds – This portfolio will provide core exposure through index funds to the U.S. fixed income market including investment grade corporate debt, U.S. Treasury, mortgage-backed, and asset backed securities with short, intermediate, and long maturities in excess of one year, resulting in a portfolio of intermediate durations. The target index fund to be tracked by this segment shall be the Barclays Capital U.S. Aggregate Bond Index.

b. **U.S. Long Treasuries** – The Board/Investment Committee expects that a long duration, U.S. Treasury-centric strategy will provide material exposure to interest rate risk/duration and provide meaningful diversification during deflationary risk-off market scenarios. The goal of the Portfolio is to exceed the Barclays Capital U.S. Government: Long Index.

c. **Systematic Trend Following** – The Board/Investment Committee expects that systematic trend following will provide exposure to time series momentum and provide meaningful diversification during broad market drawdowns. The goal of the Portfolio is to provide superior performance versus the Credit Suisse Managed Futures Liquid Index.

6. **Inflation-Linked Securities (Strategic Class)** – This portfolio is expected to provide a consistent return in excess of inflation. The manager(s) will manage an active portfolio (“Portfolio”) for the Plan that will provide participation in the broad Global Inflation-Linked fixed income market. Given this orientation, the goal of the Portfolio is to provide superior performance versus the Barclays Capital U.S. TIPS Index over a complete investment cycle. The Portfolio will be measured in U.S. $.

**Rebalancing**

The Board/Investment Committee has a policy of rebalancing the Portfolio when actual strategic allocations fall outside of the desired ranges. In order to minimize transaction costs and operational risks, EUTF cash flows, such as contributions received or benefits paid, will be used to achieve rebalancing objectives. Moreover, the Investment Consultant will provide in its quarterly report the percentages that each strategic class constitutes of total assets. If the percentage falls outside of the allowable target strategic allocation ranges in the quarterly measurement, the Board or Investment Committee generally will provide direction to rebalance the Portfolio to target allocation. These customary rebalancing procedures notwithstanding, during periods of extreme market conditions, illiquid markets, or other extenuating circumstances in which rebalancing may be difficult or costly, the Board/Investment Committee may, at its discretion, elect to suspend rebalancing until a time it believes is prudent.
V. PERFORMANCE OBJECTIVES

The EUTF has multiple return objectives that should be met or exceeded over a market cycle (generally considered by the Investment Committee to be 3- to 5-years). Specifically these are:

EUTF Excess Reserves Portfolio
- Components/strategies within the Reserves portfolio will be compared against their relevant indices. Considering their passive orientation, they are expected to match the performance of their relevant indices.
- The overall Reserves portfolio does not have an aggregate benchmark.

EUTF Long-term Investment Portfolio
- The total return of the EUTF’s long-term investment portfolio over a market cycle should seek a long-term return target of 7.0% or more.
- The total return of the EUTF Portfolio over a market cycle is expected to match or exceed the return of a custom benchmark that comprises:

<table>
<thead>
<tr>
<th>Period</th>
<th>MSCI U.S. Broad Market Index</th>
<th>FTSE All-World ex U.S. Index</th>
<th>Barclays Capital U.S. Aggregate Bond Index</th>
<th>Barclays Capital US TIPS Index</th>
<th>MSCI U.S. REIT Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/30/2011 - 02/28/2012</td>
<td>25%</td>
<td>15%</td>
<td>35%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>03/1/2012 - 06/30/2014</td>
<td>28%</td>
<td>17%</td>
<td>15%</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>07/1/2014 – 12/31/2014</td>
<td>28%</td>
<td>17%</td>
<td>15%</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>01/1/2015 – 05/30/2015</td>
<td>24%</td>
<td>19%</td>
<td>15%</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>06/1/2015 – 10/31/2016</td>
<td>24%</td>
<td>19%</td>
<td>15%</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>11/1/2016 – 11/30/2016</td>
<td>24%</td>
<td>19%</td>
<td>10.5%</td>
<td>4.5%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Hawaii Employer-Union Health Benefits Trust Fund  
Statement of Investment Policy and Guidelines

<table>
<thead>
<tr>
<th>Period</th>
<th>Investment Strategy</th>
</tr>
</thead>
</table>
| 12/1/2016 – 12/31/2016 | 17% Barclays Capital U.S. TIPS Index  
16% MSCI U.S. REIT Index  
9% Russell Microcap Index |
| 1/1/2017 – Current     | 21% Russell 3000 Index  
20% MSCI ACWI ex U.S. Index ND  
10.5% Barclays Capital U.S. Aggregate Bond Index  
4.5% Barclays Capital U.S. Government: Long Index  
16% Barclays Capital U.S. TIPS Index  
16% MSCI U.S. REIT Index  
9% Russell Microcap Index  
3% Custom Global Options Benchmark |

**EUTF Custom Strategic Class Benchmarks**

Custom Global Options =  
50% CBOE S&P 500 PutWrite Index (PUT) /  
25% MSCI ACWI Ex. U.S. Index ND /  
25% Merrill Lynch 3-month T-Bill Index

**Global Equities**

- The Global Equities strategic class of the EUTF portfolio should match or exceed the blended performance of the underlying component benchmarks.

**U.S. Equities**

- The U.S. Equities component of the EUTF portfolio should match or exceed the performance of the Russell 3000 Index.

**International Equities**

- The International Equities component of the EUTF portfolio should match or exceed the performance of the MSCI ACWI ex US Index ND.

**Private Equity**

- The Private Equities strategic class of the EUTF portfolio should match or exceed the blended performance of the underlying component benchmarks.

**U.S. Microcap Equities**

- The U.S. Microcap Equities component of the EUTF portfolio should match or exceed the performance of the Russell Microcap Index, net of fees.

**Private Equity**

- The Private Equity component of the EUTF portfolio should match or exceed the performance of the Russell 3000 Index + 3%.
Hawaii Employer-Union Health Benefits Trust Fund
Statement of Investment Policy and Guidelines

Real Estate

- The Real Estate strategic class of the EUTF portfolio should match or exceed the blended performance of the underlying component benchmarks.

Real Estate Investment Trusts (REITs)

- The REIT component of the EUTF portfolio should match or exceed the performance of the MSCI U.S. REIT Index.

Private Real Estate (Core Real Estate)

- The Core Real Estate component of the EUTF portfolio should match or exceed the performance of the NCREIF Fund Index Open-End Diversified Core Equity (NFI-ODCE).

Global Options

- The Global Options strategic class of the EUTF portfolio should match or exceed the custom Global Options benchmark, net of fees.

Diversifying Strategies

- The Diversifying Strategies strategic class of the EUTF portfolio should match or exceed the blended performance of the underlying component benchmarks.

U.S. Investment Grade Bonds (Core Bonds)

- The Core Bond component of the EUTF portfolio should match or exceed the performance of the Barclays Capital U.S. Aggregate Bond Index.

U.S. Long Duration Treasury Bonds (Long Treasuries)

- The Long Treasuries component of the EUTF portfolio should match or exceed the performance of the Barclays Capital U.S. Government: Long Index, net of fees.

Systematic Trend Following

- The Systematic Trend Following component of the EUTF portfolio should match or exceed the performance of the Credit Suisse Managed Futures Liquid Index.

Inflation Protected Securities

- The Inflation Protected Securities component of the EUTF portfolio should match or exceed the performance of the Barclays Capital U.S. TIPS Index, net of fees.

VI. GENERAL INVESTMENT GUIDELINES

Permissible Investments

Section 87A-24(2) of the HRS empowers the Board to invest monies “in the same manner specified in section 88-119.” Permissible investments under section 88-119 “Investments”
are as follows:

(1) Real estate loans and mortgages. Obligations (as defined in section 431:6-101) of any of the following classes:

(A) Obligations secured by mortgages of nonprofit corporations desiring to build multi-rental units (ten units or more) subject to control of the government for occupancy by families displaced as a result of government action;

(B) Obligations secured by mortgages insured by the Federal Housing Administration;

(C) Obligations for the repayment of home loans made under the Servicemen’s Readjustment Act of 1944 or under Title II of the National Housing Act;

(D) Other obligations secured by first mortgages on unencumbered improved real estate owned in fee simple; provided that the amount of the obligation at the time investment is made therein shall not exceed eighty per cent of the value of the real estate and improvements mortgaged to secure it, and except that the amount of the obligation at the time investment is made therein may exceed eighty per cent but no more than ninety per cent of the value of the real estate and improvements mortgaged to secure it; provided further that the obligation is insured or guaranteed against default or loss under a mortgage insurance policy issued by a casualty insurance company licensed to do business in the State. The coverage provided by the insurer shall be sufficient to reduce the EUTF’s exposure to not more than eighty per cent of the value of the real estate and improvements mortgaged to secure it. The insurance coverage shall remain in force until the principal amount of the obligation is reduced to eighty per cent of the market value of the real estate and improvements mortgaged to secure it, at which time the coverage shall be subject to cancellation solely at the option of the board. Real estate shall not be deemed to be encumbered within the meaning of this subparagraph by reason of the existence of any of the restrictions, charges, or claims described in section 431:6-308;

(E) Other obligations secured by first mortgages of leasehold interests in improved real estate; provided that:

   (i) Each leasehold interest at the time shall have a current term extending at least two years beyond the stated maturity of the obligation it secures; and

   (ii) The amount of the obligation at the time investment is made therein shall not exceed eighty per cent of the value of the respective leasehold interest and improvements, and except that the amount of the obligation at the time investment is made therein may exceed eighty per cent but no more than ninety per cent of the value of the leasehold interest and improvements mortgaged to secure it; provided further that the obligation is insured or guaranteed against default or loss under a mortgage insurance policy issued by a casualty insurance company licensed to do business in the State. The coverage provided by the insurer shall be sufficient to reduce the EUTF’s exposure to not more than eighty per cent of the value of the leasehold interest and improvements mortgaged to secure it. The insurance coverage shall remain in force until the principal amount of the obligation is reduced to eighty per cent of the market value of the leasehold interest and improvements mortgaged to secure it, at which time the coverage shall be subject to cancellation solely at the option of the board;
(F) Obligations for the repayment of home loans guaranteed by the department of Hawaiian home lands pursuant to section 214(b) of the Hawaiian Homes Commission Act, 1920; and

(G) Obligations secured by second mortgages on improved real estate for which the mortgagor procures a second mortgage on the improved real estate for the purpose of acquiring the leaseholder's fee simple interest in the improved real estate; provided that any prior mortgage shall not contain provisions that might jeopardize the security position of the EUTF or the borrower's ability to repay the mortgage loan.

The Board may retain the real estate, including leasehold interests therein, as it may acquire by foreclosure of mortgages or in enforcement of security, or as may be conveyed to it in satisfaction of debts previously contracted; provided that all the real estate, other than leasehold interests, shall be sold within five years after acquiring the same, subject to extension by the governor for additional periods not exceeding five years each, and that all the leasehold interests shall be sold within one year after acquiring the same, subject to extension by the governor for additional periods not exceeding one year each;

(2) Government obligations, etc. Obligations of any of the following classes:

(A) Obligations issued or guaranteed as to principal and interest by the United States or by any state thereof or by any municipal or political subdivision or school district of any of the foregoing; provided that principal of and interest on the obligations are payable in currency of the United States; or sovereign debt instruments issued by agencies of, or guaranteed by foreign governments;

(B) Revenue bonds, whether or not permitted by any other provision hereof, of the State or any municipal or political subdivision thereof, including the Board of water supply of the city and county of Honolulu, and street or improvement district bonds of any district or project in the State; and

(C) Obligations issued or guaranteed by any federal home loan bank, including consolidated federal home loan bank obligations, the Home Owner’s Loan Corporation, the Federal National Mortgage Association, or the Small Business Administration;

(3) Corporate obligations. Below investment grade or nonrated debt instruments, foreign or domestic, in accordance with investment guidelines adopted by the board;

(4) Preferred and common stocks. Shares of preferred or common stock of any corporation created or existing under the laws of the United States or of any state or district thereof or of any country;

(5) Obligations eligible by law for purchase in the open market by Federal Reserve banks;

(6) Obligations issued or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, or the African Development Bank;

(7) Obligations secured by collateral consisting of any of the securities or stock listed above and worth at the time the investment is made at least fifteen per cent more than the amount of the respective obligations;

(8) Insurance company obligations. Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company
authorized to do business in Hawai‘i, including its separate accounts, and whether the investments allocated thereto are comprised of stocks or other securities or of real or personal property or interests therein;

(9) Interests in real property. Interests in improved or productive real property in which, in the informed opinion of the board, it is prudent to invest funds of the EUTF. For purposes of this paragraph, "real property" includes any property treated as real property either by local law or for federal income tax purposes. Investments in improved or productive real property may be made directly or through pooled funds, including common or collective trust funds of banks and trust companies, group or unit trusts, limited partnerships, limited liability companies, investment trusts, title-holding corporations recognized under section 501(c) of the Internal Revenue Code of 1986, as amended, similar entities that would protect the EUTF’s interest, and other pooled funds invested on behalf of the EUTF by investment managers retained by the EUTF;

(10) Other securities and futures contracts. Securities and futures contracts in which, in the informed opinion of the board, it is prudent to invest funds of the EUTF, including currency, interest rate, bond, and stock index futures contracts and options on the contracts to hedge against anticipated changes in currencies, interest rates, and bond and stock prices that might otherwise have an adverse effect upon the value of the EUTF’s securities portfolios; covered put and call options on securities; and stock, whether or not the securities, stock, futures contracts, or options on futures are expressly authorized by or qualify under the foregoing paragraphs, and notwithstanding any limitation of any of the foregoing paragraphs (including paragraph (4)); and

(11) Private placements. Investments in institutional blind pool limited partnerships, limited liability companies, or direct investments that make private debt and equity investments in privately held companies, including but not limited to investments in Hawai‘i high technology businesses or venture capital investments that, in the informed opinion of the board, are appropriate to invest funds of the EUTF. In evaluating venture capital investments, the Board shall consider, among other things, the impact an investment may have on job creation in Hawai‘i and on the state economy. The Board shall report annually to the legislature on any Hawai‘i venture capital investments it has made; provided that if the Board determines it is not prudent to invest in any Hawai‘i venture capital investments the Board shall report the rationale for the decision. The board, by January 1, 2008, shall develop criteria to determine the amount of funds that may be prudently invested in Hawai‘i private placement investments. [L 1925, c 55, pt of §7; RL 1935, pt of §7926; am L 1935, c 156, §1; am L 1939, c 5, pt of §1; am L 1941, c 50, §1 and c 61, §1; RL 1945, §710, subs 2; am L 1947, c 233, §1; am L 1949, c 297, §1; am L Sp 1949, c 27, §1; am L 1951, c 56, §1; am L 1955, c 270, §§1, 2; RL 1955, §6-75; am L 1959, c 81, §1, c 144, §1, and c 175, §1; am L 1961, c 111, §1; am L 1965, c 222, §11; am L 1967, c 166, §§1, 2; HRS §88-110; am L 1969, c 107, §1, c 110, pt of §1, and c 159, §1; am L 1970, c 89, §§1 to 3; am L 1974, c 177, §1; am L 1977, c 83, §1; am L 1978, c 11, §2; am L 1981, c 129, §1; am L 1983, c 105, §1; am L 1986, c 71, §1 and c 77, §2; am L 1987, c 114, §1; am L 1990, c 34, §8; am L 1991, c 17, §1; am L 1998, c 151, §21; am L 1999, c 168, §1; am L 2000, c 297, §12; am L 2006, c 169, §21; am L 2007, c 260, §2]

**Commingled Investment Vehicles**

For the majority of the portfolio, it is expected that EUTF’s investments will be made in
commingled investment vehicles (e.g., mutual funds and collective bank trusts) that invest in the foregoing securities allowable under the HRS. Each commingled vehicle’s specific investment guidelines will be established by the respective manager and stated in its respective governing documents. The Investment Committee recognizes that EUTF assets invested in these funds shall be governed by these investment guidelines.

Proxy Voting

The EUTF has a fiduciary responsibility to act solely in the interest of its members and beneficiaries. Therefore, investment managers voting proxies for the EUTF will do so with the primary goal of maintaining or increasing the economic interests of the EUTF. Proxy voting will be managed with the same care, skill, diligence, and prudence as is exercised in the overall investment management process.

Socially Responsible Investing

The EUTF generally supports the United Nations Principles for Responsible Investment (PRI) Initiative, as outlined below:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

VII. SELECTION PROCESS OF INVESTMENT MANAGERS/FUNDS

The process of investment manager/fund selection shall originate with the Board/Investment Committee. Unless the Board decides otherwise, all searches shall be conducted by EUTF
staff and the Board’s investment consultant.

The first step shall involve the establishment of appropriate minimum criteria such as minimum asset base, performance history, special firm qualifications, years of experience, etc. that reflect an appropriate level of institutional investment service. Based upon these criteria, EUTF staff and/or consultant shall design the appropriate request for proposal (RFP) or request for information (RFI) to be delivered to the institutional marketplace.

EUTF staff and/or consultant shall devise a ranking system to evaluate the qualifications of the RFP/RFI respondents. Their objective shall be to narrow the field to several firms for in-depth review and finalist selection. The finalists may then be scheduled for Investment Committee presentations. Following the Investment Committee/Board’s selection, EUTF staff shall negotiate final terms and conditions with the chosen manager and complete the review and negotiation of all appropriate contracts and agreements.

VIII. PERFORMANCE STANDARDS

Performance Evaluation

Managers will be evaluated against their stated investment objectives and investment performance standards, and it is expected that each manager will meet or exceed these objectives over a complete market cycle. Performance will be judged relative to the Managers’ benchmarks, as well as comparable peer universes of similar strategies. A list of the selected managers and their respective benchmarks is provided in the Appendices. Performance will be measured and analyzed quarterly. Evaluation will take into consideration both rates of return and volatility of returns.

Termination

It is the Investment Committee’s intention to maintain long-term investments with EUTF Managers and to avoid unnecessary Manager turnover. From time to time, however, it may be necessary, to terminate a relationship. Termination may occur due to any number of qualitative factors and/or quantitative factors. Absent overriding factors for keeping a Manager, the following factors may result in termination:

- a significant change in the structure, management style, or personnel of the Investment Manager’s organization;
- a lack of confidence that the manager can produce acceptable results in the future;
- failure to achieve the performance standards set for that manager’s style classification;
- a change in the EUTF’s investment strategy that makes retaining a given Manager imprudent;
- Evidence of illegal or unethical behavior by the investment management firm;
- Unwillingness to cooperate with reasonable requests by the Board/Investment Committee, such as information, meetings or other material related to its portfolio;
- or any other reason the Investment Committee deems appropriate.

IX. PORTFOLIO MONITORING PROCEDURES AND CRITERIA
Background – Why Investment Manager Monitoring Is Important

The monitoring of EUTF’s investment managers/funds is critical because it is part of the fiduciary responsibility of the Board/Investment Committee on behalf of EUTF plan participants and beneficiaries. As the fiduciary for EUTF, the Board Investment Committee is responsible for determining when and whether certain factors may be detrimentally impacting an investment manager’s ability to invest on behalf of EUTF. In cases where such factors are deemed to have an irreversible detrimental impact, the Board/Investment Committee should have a formal mechanism for taking the appropriate action with respect to the investment manager(s)/fund(s) in question. The procedures and criteria below allow such a process to take place.

For example, one key factor might be an investment manager’s investment personnel. What happens if key investment personnel managing a portfolio/fund on behalf of the EUTF leave the firm? Since institutional investing is (in a very strong sense) a service business, changes in personnel could significantly alter an investment manager’s ability to produce favorable long-term investment results. Another example would be deterioration of an investment portfolio’s/fund’s performance versus a pre-assigned benchmark, or versus other similarly managed portfolios/funds, which might signal a significant change in an investment manager’s style or investment process. If the change in process is, indeed, material, then an institution (such as the EUTF) that utilizes that investment manager/fund might elect to replace that investment manager/fund with another firm/fund that has a process that better matches the institutional user’s original intentions/objectives. Finally, for a variety of reasons, a portfolio’s/fund’s investment performance simply may not prove satisfactory (i.e., consistent and/or prolonged underperformance versus a pre-assigned benchmark). In such cases, the Board/Investment Committee may lose confidence in the respective investment manager’s ability to add value. The monitoring procedures and criteria provide the Board/Investment Committee with a systematic process for taking specific action(s) if such circumstances arise.

How the Investment Manager/Fund Monitoring Procedures Will Work

As highlighted above, ongoing monitoring of EUTF’s investment managers/funds is a necessary component of the Board/Investment Committee’s fiduciary role. Specifically, these procedures allow the Board/Investment Committee to take action if they are not satisfied with specific aspects of an investment manager’s/funds activities and/or investment performance. In addition, investment monitoring helps an institution achieve consistent long-term investment success.

These monitoring procedures are designed to take place in sequence in order to provide an ample amount of information and feedback to the Board/Investment Committee before any significant changes are decided upon. It is expected that the Board/Investment Committee shall delegate all or a portion of these tasks to its investment consultant.

The Board/Investment Committee may review and modify investment performance criteria (in Schedule 1) or other portions of this document periodically on an as needed basis.

There are two major groups of monitoring activities: Ongoing Monitoring and Periodic Monitoring. Both the investment manager/fund and the Board/Investment Committee (and/or its investment consultant) conduct certain monitoring functions. A significant aspect of the Ongoing Monitoring activity is the measurement and assessment of investment performance. This procedure is described below.
Ongoing Monitoring Activities

Investment Performance Review of Investment Manager(s) and its (their) Investment Portfolio(s)/Fund(s).

As part of the ongoing reporting process, the investment manager will report quarterly and trailing annualized performance of the respective portfolio(s)/fund(s) to EUTF and its consultant on a quarterly basis (i.e., every three months). In addition, the investment manager will provide performance attribution statistics that explain the causes of under- or out-performance relative to the established benchmarks.

The investment manager will also report any changes in investment-related personnel, organization or investment approach/strategy that may potentially impact the investment results of the portfolio in question.

Independent Evaluation of Investment Performance by EUTF

EUTF (or its investment consultant) will evaluate investment performance on a quarterly basis using the investment performance criteria found in Schedule 1. Such evaluations will also be used to verify the quarterly performance information disclosed by the investment managers themselves (see above). If the investment manager(s) do(es) not meet one or more of the criteria in Schedule 1, the Board/Investment Committee will place the specific investment manager(s)/fund(s) on watch status for investment performance reasons.

The quarterly evaluation will indicate (i) whether an investment manager/fund is on watch status; (ii) the reason for watch status, (iii) the approximate date the investment manager and the respective portfolio/fund was placed on watch status, (iv) the length the investment manager/fund has been on watch status, and (v) additional comments. If the investment manager/portfolio/fund was placed on watch status for investment performance reasons, the status report will also include post-watch investment performance to gauge if the investment manager/fund is addressing investment performance issues.

Periodic Monitoring Activities

As part of its ongoing fiduciary responsibilities, as well as in assessing the potential of an investment manager/fund to produce future added value, EUTF and its investment consultant should regularly review several qualitative aspects of an investment manager's management and practices. Key qualitative factors include, but are not limited to:

- Compliance with the guidelines agreed upon for management of the EUTF portfolio, including holding unauthorized issues;
- Review of the investment manager(s)/fund(s) investment strategy and style, especially the buy/sell disciplines;
- Review of portfolio activity, specifically the turnover rate, number of holdings, and execution costs;
- Risk profile relative to the portfolio's benchmark;
- Review of organizational structure;
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- Stability of investment manager personnel and organization;
- Review of investment manager contractual obligations to EUTF (including management fees);
- Evidence of illegal or unethical behavior by the investment management firm; and
- Unwillingness to cooperate with reasonable requests by the Board/Investment Committee, such as information, meetings or other material related to its portfolios.

As discussed in the above two sections, certain investment manager(s)/fund(s) may (i) fail to meet pre-established investment performance criteria and/or (ii) may prove sub-standard across any number of qualitative factors. In such cases, the next step would be for EUTF (or EUTF’s investment consultant) to produce a document called a Portfolio Review. This Portfolio Review would explain those factors where the investment manager(s) and/or portfolio(s)/fund(s) are failing to meet specific criteria and provide a basis for putting investment manager(s)/fund(s) on watch status. The Portfolio Review would typically be in the form of a memo to the Board/Investment Committee.

**Watch Status of an Investment Manager/Portfolio**

An investment manager/portfolio attains watch status if at least one of two events occurs: (i) the portfolio’s investment performance does not meet one of the criteria found in Schedule 1, or (ii) after the Portfolio Review is conducted, EUTF staff and/or the investment consultant recommends to the Board/Investment Committee that an investment manager/fund is a candidate for watch status. The Board/Investment Committee then approves or disapproves the recommendation. If the Board/Investment Committee approves the recommendation to place a specific investment manager on watch status, EUTF staff will issue a formal notification to the investment manager. This formal notification of watch status will include, but not be limited to, the following items:

- Meeting date when the Board approved the recommendation to place the investment manager on watch;
- Reason(s) for placing the investment manager on watch status;
- Conditions for being released from watch status (see below); and
- Maximum length of watch status.

Watch status serves two basic purposes. First, it is a major decision step the Board/Investment Committee takes to begin transitioning from one investment manager/fund to an alternative investment manager/fund. Second, it allows the investment manager/fund on watch status time to take any corrective action (or justify its changing condition) before the Board/Investment Committee elects to terminate its existing relationship with the investment manager/fund.

Typically, once a manager/fund is placed on watch status, it should be able to exhibit improvement within a time frame of nine to fifteen months, if not sooner.

**Release from Watch Status**

Investment managers/funds that show indications of an improvement, as reviewed by the investment consultant and determined by the Board/Investment Committee, in one or more of
the factors described earlier may be released from watch status. Examples of improvements warranting a change in status are:

- Improved investment performance in approximately fifteen months (or less) from the time of being placed on watch status.
- Investment style characteristics return to, and remain at, levels originally agreed upon.
- Qualitative factors (such as organizational structure stabilizes, personnel adjustments, compliance requirements, etc.) are met/satisfied.

To release an investment manager/fund from watch status, the Board//Investment Committee must formally take action to do so. This action should be supported by documentation (produced by EUTF staff and/or investment consultant) similar in format to the Portfolio Review described above. This document would highlight original reasons for the watch status and discussion of how the investment manager/fund has addressed these issues and warrants release from watch status.

Replacement / Termination

If an investment manager/fund is not released from watch status within the appropriate period (given as nine-to-fifteen months from the Board’s decision), then the investment consultant should recommend that the Board/Investment Committee replace and/or terminate the investment manager. The Board/Investment Committee then approves or disapproves the recommendation.

To terminate and/or replace an investment manager/fund, the Board/Investment Committee must formally take action to do so. This action should be supported by documentation (produced by EUTF staff and/or investment consultant) similar in format to the Portfolio Review described above. This document would highlight original reasons for the watch status and discussion of continued developments during watch status that led to the termination/replacement recommendation.
### Schedule 1: Manager Watch Criteria

<table>
<thead>
<tr>
<th>Strategic Class</th>
<th>Short-term (Rolling 12 mth periods)</th>
<th>Medium-term (Rolling 36 mth periods)</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passive Domestic Equities</td>
<td>Tracking Error &gt; 0.35% at 2 consecutive calendar qtr end dates.</td>
<td>Tracking Error &gt; 0.20% at 2 consecutive calendar qtr end dates.</td>
<td>Portfolio Annlzd Return &lt; Benchmark Annlzd. Return -0.10% at 2 consecutive calendar qtr end dates.</td>
</tr>
<tr>
<td>Passive International Equities</td>
<td>Tracking Error &gt; 0.70% at 2 consecutive calendar qtr end dates.</td>
<td>Tracking Error &gt; 0.40% at 2 consecutive calendar qtr end dates.</td>
<td>Portfolio Annlzd Return &lt; Benchmark Annlzd. Return -0.25% at 2 consecutive calendar qtr end dates.</td>
</tr>
<tr>
<td>Passive Fixed Income</td>
<td>Tracking Error &gt; 0.40% at 2 consecutive calendar qtr end dates.</td>
<td>Tracking Error &gt; 0.55% at 2 consecutive calendar qtr end dates.</td>
<td>Portfolio Annlzd Return &lt; Benchmark Annlzd return - 0.35% at 2 consecutive calendar qtr end dates.</td>
</tr>
<tr>
<td>Inflation Linked Securities</td>
<td>Portfolio Return &lt; Benchmark Return -2.0% at 2 consecutive calendar qtr end dates.</td>
<td>Portfolio Annlzd. Return &lt; Benchmark Annlzd. Return -1.5% at 2 consecutive calendar qtr end dates.</td>
<td>VRR&lt; 0.99 at 2 consecutive calendar qtr end dates.</td>
</tr>
<tr>
<td>Passive REITs</td>
<td>Tracking Error &gt; 0.30% at 2 consecutive calendar qtr end dates.</td>
<td>Tracking Error &gt; 0.60% at 2 consecutive calendar qtr end dates.</td>
<td>Portfolio Annlzd Return &lt; Benchmark Annlzd return - 0.20% at 2 consecutive calendar qtr end dates.</td>
</tr>
<tr>
<td>U.S. Microcap Equities (Acuitas)</td>
<td>Portfolio Return &lt; Benchmark Return -4.9% at 2 consecutive calendar qtr end dates.</td>
<td>Portfolio Annlzd. Return &lt; Benchmark Annlzd. Return -2.1% at 2 consecutive calendar qtr end dates.</td>
<td>VRR&lt; 0.94 at 2 consecutive calendar qtr end dates.</td>
</tr>
<tr>
<td>U.S. Microcap Equities (Granite)</td>
<td>Portfolio Return &lt; Benchmark Return -6.0% at 2 consecutive calendar qtr end dates.</td>
<td>Portfolio Annlzd. Return &lt; Benchmark Annlzd. Return -2.5% at 2 consecutive calendar qtr end dates.</td>
<td>VRR&lt; 0.93 at 2 consecutive calendar qtr end dates.</td>
</tr>
</tbody>
</table>

See Appendix A for specific benchmark information

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2 Separate accounts are evaluated gross of manager fees. Mutual funds are evaluated net of manager fees.
3 Tracking error is a measure of the volatility of the average annual difference between the portfolio’s return and the benchmark’s return.
4 VRR – Value Relative Ratio – is calculated as: Portfolio Cumulative Return / Benchmark Cumulative Return
X. Manager Investment Guidelines

For external investment manager relationships in which the EUTF is invested in a separate account, the portfolio is to be managed in accordance with the specific manager guidelines detailed in this section (pages 23-32), as well as in accordance with any applicable investment management agreement (contract).

For external investment manager relationships in which the EUTF is invested in a commingled vehicle, the portfolio is to be managed in accordance with the commingled vehicle guidelines, as well as in accordance with any applicable investment management agreement (contract) and/or side letter.

External managers are expected to notify the EUTF and its investment consultant of any non-compliance with the applicable guidelines (separate account or commingled vehicle) in a reasonable timeframe. This notification should include the cause of the non-compliance and the method by which the issue will be resolved.
Overview
Acuitas (“Manager”) will manage an active, multi-manager U.S. Microcap Equity portfolio (“Portfolio”) that will provide exposure to small, U.S. based companies, as broadly represented by the Russell Microcap Index. These assets will be managed in conformance with the objectives and guidelines delineated below and in accordance with a formal investment management agreement (contract) with the EUTF Board.

Investment Guidelines
1) The Portfolio will consist of a minimum of three underlying U.S. Microcap Equity managers, each operating a distinct separate account. The Manager will also operate a distinct separate account.
2) No single underlying manager may represent more than 50% of the Portfolio value, unless otherwise approved by the Board, or for transition purposes.
3) The Manager shall notify the EUTF and its investment consultant prior to any underlying manager changes. However, such changes do not require Board approval.
4) The Manager will not select or hold individual securities in their separate account, excluding securities that are held for transition or rebalancing purposes.
5) Permissible investments for the Portfolio (and its underlying separate accounts) are limited to common stock, preferred stock, American Depository Receipts (“ADRs”), Exchange Traded Funds (“ETFs”), cash, and cash equivalents.
6) Investments in non-U.S. companies (including ADRs) may not exceed 10% of the Portfolio market value.
7) Investments in ETFs are permitted to temporarily achieve broad market or sector exposure (e.g., equitize cash), but should not represent long-term holdings. The utilization of ETFs to achieve non-equity exposure (e.g., fixed income ETFs) is prohibited.
8) The Portfolio shall primarily consist of securities listed on the U.S. national securities exchanges, as represented by those exchanges registered with the SEC under Section 6 of the Securities Exchange Act of 1934.
9) Excluding cash and cash equivalents, if securities that are not listed on U.S national securities exchanges exceed 15% of the Portfolio value at month-end, the manager shall provide monthly reports (for as long as the condition applies) to the EUTF and its investment consultant regarding all securities that fall in this category. This report shall consist of company name, cost basis, market value, industry, and sector.
10) With respect to the Portfolio, position size shall not exceed 5% at time of purchase or a maximum of 8% at market value.
11) Investments shall not exceed 35% of the Portfolio market value in any one sector of the Russell Microcap Index.
12) The Portfolio shall never hold more than 5% of the outstanding shares of any company.
13) Derivatives, borrowed money, utilization of margin, and short sales are directly prohibited.
14) The Portfolio shall be fully invested at all times. Cash and cash equivalent levels shall not normally exceed 5%, excluding transition purposes.

Performance Objectives
On an annual basis, the Manager is expected to outperform the Russell Microcap Index return, net of fees, to be measured over a market cycle of three-to-five years.
Overview
Granite (“Manager”) will manage an active U.S. Microcap Equity portfolio (“Portfolio”) that will provide exposure to small, U.S. based companies, as broadly represented by the Russell Microcap Index. These assets will be managed in conformance with the objectives and guidelines delineated below and in accordance with a formal investment management agreement (contract) with the EUTF Board.

Investment Guidelines
1) Permissible investments for the Portfolio are limited to common stock, preferred stock, American Depository Receipts (“ADRs”), Exchange Traded Funds (“ETFs”), cash, and cash equivalents.
2) Investments in non-U.S. companies (including ADRs) may not exceed 10% of the Portfolio market value.
3) Investments in ETFs are permitted to temporarily achieve broad market or sector exposure (e.g., equitize cash), but should not represent long-term holdings. The utilization of ETFs to achieve non-equity exposure (e.g., fixed income ETFs) is prohibited.
4) The Portfolio shall primarily consist of securities listed on the U.S. national securities exchanges, as represented by those exchanges registered with the SEC under Section 6 of the Securities Exchange Act of 1934.
5) Excluding cash and cash equivalents, if securities that are not listed on U.S national securities exchanges exceed 15% of the Portfolio value at month-end, the manager shall provide monthly reports (for as long as the condition applies) to the EUTF and its investment consultant regarding all securities that fall in this category. This report shall consist of company name, cost basis, market value, industry, and sector.
6) With respect to the Portfolio, position size shall not exceed 5% at time of purchase or a maximum of 8% at market value.
7) Investments shall not exceed 35% of the Portfolio market value in any one sector of the Russell Microcap Index.
8) The Portfolio shall never hold more than 5% of the outstanding shares of any company.
9) Derivatives, borrowed money, utilization of margin, and short sales are directly prohibited.
10) The Portfolio shall be fully invested at all times. Cash and cash equivalent levels shall not normally exceed 5%, excluding transition purposes.

Performance Objectives
On an annual basis, the Manager is expected to outperform the Russell Microcap Index return, net of fees, to be measured over a market cycle of three-to-five years.
Overview
AB ("Manager") will manage a passive U.S. Real Estate Investment Trusts ("REITs") portfolio ("Portfolio") that will provide exposure to public U.S. real estate investment trusts, as broadly represented by the MSCI U.S. REIT Index. These assets will be managed in conformance with the objectives and guidelines delineated below and in accordance with a formal investment management agreement (contract) with the EUTF Board. The portfolio is expected to track the MSCI U.S. REIT Index as close as possible, utilizing a replicated construction methodology. Modest discretion by the Manager is permitted only around index rebalancing and cash flow events.

Investment Guidelines
1) Permissible investments for the Portfolio are limited to common stock, preferred stock, REITs, Exchange Traded Funds ("ETFs"), cash, and cash equivalents.
2) Investments in non-benchmark securities are permitted to temporarily achieve a desired exposure or proxy a related exposure but should not represent long-term holdings.
3) Investments in ETFs are permitted to temporarily achieve broad market or sector exposure (e.g., equitize cash), but should not represent long-term holdings. The utilization of ETFs to achieve non-REITs exposure (e.g., fixed income ETFs) is prohibited.
4) The Portfolio shall primarily consist of securities listed on the U.S. national securities exchanges, as represented by those exchanges registered with the SEC under Section 6 of the Securities Exchange Act of 1934.
5) Derivatives, borrowed money, utilization of margin, and short sales are directly prohibited.
6) Cash distributions (e.g., dividends, interest, monies from corporate reorganizations, etc.) shall be invested within a reasonable time frame as determined by the Manager.
7) The Portfolio shall be fully invested at all times. Cash and cash equivalent levels shall not normally exceed 1%, excluding transition purposes.

Performance Objectives
On an annual basis, the Manager is expected to match the MSCI U.S. REIT Index total return, gross of fees.
Overview
Ryan Labs ("Manager") will manage an enhanced index Long Duration U.S. Treasury portfolio ("Portfolio") that will provide exposure to U.S. Treasury and U.S. Government-related securities, as broadly represented by the Barclays Capital U.S. Government: Long Index. These assets will be managed in conformance with the objectives and guidelines delineated below and in accordance with a formal investment management agreement (contract) with the EUTF Board.

Investment Guidelines

1) Permissible investments for the Portfolio are limited to U.S. Treasury and U.S. Government-related bonds/notes, broad market Exchange Traded Funds ("ETFs"), cash, and cash equivalents.

2) Investments in non-benchmark securities are permitted to temporarily achieve a desired exposure or proxy a related exposure but should not represent long-term holdings.

3) Investments in ETFs are permitted to temporarily achieve broad market or sector exposure (e.g., equitize cash) but should not represent long-term holdings. The utilization of ETFs to achieve non-fixed income exposure (e.g., equity ETFs) is prohibited.

4) Derivatives, borrowed money, utilization of margin, and short sales are directly prohibited.

5) The Portfolio shall seek to remain duration-neutral versus the benchmark at all times. An appropriate range is +/- 1-year of duration relative to the benchmark.

6) Holdings of U.S. Government-related securities shall be limited to +/- 10% relative to the benchmark weighting (e.g., the Portfolio may hold up to 15% in U.S. Government-related securities when the benchmark has a 5% weighting).

7) Cash distributions (e.g., dividends, interest, etc.) shall be invested within a reasonable time frame as determined by the Manager.

8) The Portfolio shall be fully invested at all times. Cash and cash equivalent levels shall not normally exceed 1%, excluding transition purposes.

Performance Objectives
On an annual basis, the Manager is expected to outperform the B.C. U.S. Government: Long Index return, net of fees, to be measured over a market cycle of three-to-five years.
Overview

AQR Capital Management, LLC ("Manager") will manage a global equity-oriented options-based portfolio that will provide exposure to global equities and the volatility risk premium. The assets will be held in a hybrid account structure, consisting of cash and other assets held in a separate account at the EUTF’s custodian bank (such separate account, the "Separate Account") as well as interests in AQR Equity Volatility Risk Premium Master Account, L.P. (the "Commingled Fund", and such investment in the Commingled Fund aggregated with the Separate Account investments, the "Aggregate Account"). The guidelines delineated below govern any assets in the Separate Account as well as the Manager’s ability to allocate to and from the Separate Account but will not govern the Commingled Fund. Guidelines pertaining to investments within the Commingled Fund are detailed in the fund’s governing documents. The Separate Account assets held at the EUTF’s custodian bank will be managed in conformance with the objectives and guidelines delineated below and in accordance with a formal investment management agreement (contract) with the EUTF Board.

EUTF Definitions

Volatility Risk Premium = the spread between implied volatility and realized volatility in options pricing.

Investment Guidelines for the Separate Account

1) Permissible investments are limited to U.S. Treasury bills/notes/bonds, broad market equity index Exchange Traded Funds ("ETFs"), USD cash, and cash equivalents.
   - Cash or equivalent securities include: Rule 2a-7 money market mutual funds, custodial short-term investment funds ("STIF") and equivalent commingled funds (including custodian provided cash sweep vehicles), U.S. Treasury Bills, commercial paper, certificates of deposit, bankers’ acceptances and repurchase agreements collateralized at a minimum of 102% (plus accrued interest) securities issued or guaranteed by the U.S. government or any of its agencies.
   - Borrowed money and short sales are directly prohibited.

2) Any other asset type not described above in guideline #1 is prohibited unless received as a result of a corporate action. Assets received as a result of a corporate action may be held and/or sold at the Manager’s discretion.

3) Fixed income exposure shall be limited to securities with 1-year or less until maturity.

4) The Manager has the authority to move assets between the Separate Account and Commingled Fund components of the hybrid structure as outlined in the Allocation Guidelines attached as Schedule A.

5) Cash distributions (e.g., dividends, interest, premiums, etc.) shall be invested within a reasonable time frame as determined by the Manager.

6) The Separate Account shall not invest in Restricted Securities. In the event the EUTF wishes to restrict securities otherwise eligible under guideline #1 of the Investment Guidelines for the Separate Account (such securities "Restricted Securities"), a Restricted Securities list shall be sent in a format mutually agreed upon to the Manager at AQRClientRestrictedLists@aqr.com. The Manager shall not be responsible for compliance with a Restricted Securities list unless such list has been sent to the e-mail address described herein.

7) If by reason of:
   - market movements (including corporate actions);
   - contributions to or withdrawals from the Separate Account;
   - a change in the nature of any investment (whether through change in business activity or credit rating) or of any applicable law; or
   - other events outside the control of the Manager
the Separate Account ceases to comply with the Investment Guidelines, the Manager must remedy the non-compliance as soon as practicable after the Manager becomes aware of the non-compliance. If remedied in accordance with this clause, or if the EUTF agrees in writing that the Manager is not required to remedy all or part of the non-compliance, the non-compliance will not constitute a breach of the investment management contract.

Investment Guidelines for the Commingled Fund

1) The Commingled Fund seeks to capture the volatility risk premium in equity index options while maintaining low-to-zero long-term average correlation to traditional equity markets.

2) The positions intended to be taken by the Commingled Fund will be sized to manage downside risk in accordance with stress tests, the details of which are spelled out in the Commingled Fund’s offering documents.

In the event material changes are made to the investment strategy description in the Commingled Fund’s offering documents, the Manager will immediately notify the EUTF of such changes.

Investment Guidelines for the Aggregate Account

1) The Separate Account will generally, directly or indirectly (including indirectly through the underlying investments of ETFs), maintain regional exposures within +/- 10% of the MSCI ACWI Index ND (NDUEACWF Index). This calculation will be based on the aggregate equity exposures (direct or indirect) held in the Separate Account. For the avoidance of doubt, cash or equivalents held in the Separate Account and assets of the Commingled Fund will not be used to calculate the regional exposures. For example, if 80% of the assets in the Separate Account consist of equity ETFs and 40% of the assets in the Separate Account consist of U.S. equity ETFs, the U.S. equity exposure is calculated as 50%.

2) The regions used for the purpose of 1) above shall be U.S., Developed Markets ex. U.S. and Emerging Markets, in each case, with such regions’ composition calculated in the manner made available by MSCI with respect to such index from time to time (as determined in good faith by the Manager if necessary).

Performance Objectives

The Manager is expected to outperform the monthly rebalanced 50% CBOE S&P 500 PutWrite Index (PUT Index) / 25% MSCI ACWI ex. U.S. Index ND (NDUEACWZ Index) / 25% Merrill Lynch 3 Month T-Bill Index (G0O1) blended benchmark return net of fees, to be measured over a market cycle of three-to-five years.
The EUTF hereby directs AQR Capital Management, LLC (“Manager”), the investment manager of AQR Equity Volatility Risk Premium Master Account, L.P. (the “Commingled Fund”) and of certain cash and other assets held in a separate account at the EUTF’s custodian bank (the “Separate Account”, and with the Commingled Fund, together the “Aggregate Account”, and separately, each a “Portfolio”), to rebalance the Investor’s investments in each of the Commingled Fund and the Separate Account (the “Investments”) pursuant to the allocation guidelines set forth below.

(a) The Manager is hereby directed by the Investor to rebalance the Investments in the Aggregate Account at each month-end targeting the “Target Allocation” for each Portfolio as set forth in the below table at the time of rebalancing, except that, if the Investor’s allocation to a Portfolio is within the “Target Range” set forth in the below table, the Manager may in its discretion elect not to rebalance the Investments in the Aggregate Account to the applicable Target Allocation.

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Target Allocation</th>
<th>Target Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commingled Fund</td>
<td>36%</td>
<td>31%-41%</td>
</tr>
<tr>
<td>Separate Account</td>
<td>64%</td>
<td>59%-69%</td>
</tr>
</tbody>
</table>

(b) The amount of capital allocated to each Portfolio may at times be outside of the Target Range intra-month due to profits and losses, and the Manager may use its discretion whether or not to rebalance back to within the Target Range intra-month. However, if, as of any month-end, the allocations are outside of the Target Range, the allocations will be rebalanced by the Manager as close as reasonably practicable to the applicable Target Allocation, provided that to the extent the allocations are not rebalanced within the Target Ranges at month-end, the Manager will bring the Aggregate Account allocations back within the Target Ranges as soon as reasonably practicable.

(c) Notwithstanding the foregoing, under sufficiently adverse circumstances (including periods of drawdown of any Portfolio whereby such Portfolio’s target risk level is being readjusted to reduce the likelihood of large portfolio losses or, conversely, to reduce the likelihood of remaining underinvested for too long) or in the event of a non pro-rata withdrawal from the Separate Account and/or the Commingled Fund (including upon the termination of the Contract), the Manager may, in its discretion, choose to temporarily deviate from the Target Allocations. Under such circumstances, the Aggregate Account may also be rebalanced by the Manager intra-month.
Overview

Geode Capital Management, LLC (“Manager”) will manage a global equity-oriented options-based portfolio (“Portfolio”) that will provide exposure to global equities and the volatility risk premium. The portfolio seeks to be 100% covered by underlying equity (call options) or cash (put options) positions. These assets will be managed in conformance with the objectives and guidelines delineated below and in accordance with a formal investment management agreement (contract) with the EUTF Board.

Definitions

*Volatility Risk Premium* = the spread between implied volatility and realized volatility in options pricing.

Investment Guidelines

1) Portfolio shall target selling options on approximately 100% of the portfolio’s notional balance (i.e., approximately 100% coverage) at all times:
   - Short call options shall be approximately 100% covered by analogous equity exposure (ETFs or futures).
   - Short put options shall be approximately 100% covered by cash, cash equivalents, or short-term bills/notes/bonds.
   - The maximum liability from the short options positions may range from 97%-101% of the notional balance, excluding option expiration periods.

2) Options may only be sold on broad market indices/ETFs that track the following:
   - S&P 500 | Euro Stoxx 50 | FTSE 100 | Hang Seng | Nikkei 225 | S&P/ASX200 | Swiss Market Index
   - Additional indices/ETFs may only be used after approval by the EUTF.

3) Options must be exchange-traded or otherwise backed by a qualified central clearinghouse.

4) Options may only be purchased to close existing short positions.

5) All non-margin related cash collateral shall consist of USD cash and/or U.S. Treasury bills/notes/bonds with 1-year or less until maturity.
   - Custodian provided cash sweep vehicles are also permitted.

6) Cash other than USD may be held if options within the portfolio require non-USD collateral as margin, as determined by the brokers/exchanges.

7) Equity exposure shall be obtained via broad market index futures or ETFs.
   - The objective of the equity exposure is to match the return of the MSCI ACWI Index ND as close as possible.
   - Utilizing futures as a form of leverage is directly prohibited.

8) Currency positions (spot/futures/forwards) are only permitted for unhedging local index option positions and for managing foreign currency balances.
   - Defined as adding long currency exposure to short local index option positions (e.g., buying GBP after selling FTSE 100 Index put options).

9) Short positions in broad market index futures and ETFs are allowable for transition/equitization and delta management purposes.
   - These positions should not represent strategic allocations in the portfolio.

10) Regional weightings (% of options notional):
    - 45-65% U.S. | 25-50% EAFE+Canada | 0-20% EM | Regions/countries are determined by MSCI
    - For the purpose of regional weighting calculations, subsets of the above regions are included in the calculation (e.g., 10% of the portfolio’s notional value in FTSE 100 put options would qualify as 10% EAFE+Canada).

11) Cash distributions (e.g., dividends, interest, premiums, etc.) shall be invested within a reasonable time frame as determined by the Manager.
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Performance Objectives
The Manager is expected to outperform the monthly rebalanced 50% CBOE S&P 500 PutWrite Index (PUT Index) / 25% MSCI ACWI ex. U.S. Index ND / 25% Merrill Lynch 3 Month T-Bill Index blended benchmark return net of fees, to be measured over a market cycle of three-to-five years.
XI. PRIVATE EQUITY PROGRAM

INTRODUCTION

In accordance with the objectives of the Statement of Investment Policy and Guidelines of the Hawaii Employer-Union Health Benefits Trust Fund (“EUTF”), the EUTF has adopted an allocation to illiquid equity and equity-related funds actively managed by specialized professionals to achieve a total rate of return superior to public equity investments.

The portfolio holding these assets is identified as the Private Equity Program (the “Program”). This portfolio can include direct partnership interests, funds of funds, secondary funds, and co-investments in the following market segments:

- **Buyout**- Investments which provide funding to acquire majority or controlling interests in a business or product lines from either a public or private company. Acquisitions commonly utilize a material amount of borrowed capital (“leverage”) and a smaller proportion of equity capital. Borrowed capital typically consists of some combination of senior and subordinated debt. Buyout sub-strategies are classified by total capital commitments and include; Small, Mid, Large, and Mega buyouts.

- **Venture Capital**- Investments in start-up companies generally exhibiting promising potential and/or high-growth characteristics. Such investments generally exhibit minimal leverage and can consist of the following stages: Seed/Early, Diversified, Late-Stage, and Growth Equity.

- **Debt Related (i.e. Distressed Debt and Mezzanine Debt)**- Distressed Debt invests in non-investment grade privately placed debt securities. Common sub-strategies include Distressed-For-Control and Non-Control/Trading. Mezzanine Debt targets investments in unsecured or junior obligations in financings. These generally take the form of subordinated debentures or preferred stock. They typically earn a current coupon or dividend and have warrants on common stock or conversion features.

- **Other (e.g. Special Situations/Opportunistic, Natural Resources)**- Special Situations/Opportunistic includes investment strategies which have gained an institutional following, but where sporadic opportunities do not justify a separate long-term strategic allocation. Categories include, but are not limited to, partnerships which have very broad mandates, focus on restructuring/recovery or focus on specific industries, seek to exploit opportunities created by changing trends, among others.

OBJECTIVE

The strategic objective of the Private Equity Program is to develop a diversified private equity portfolio capable of achieving investment returns commensurate with Program targets. Private equity investments are expected to achieve attractive risk-adjusted returns and, by definition, possess a higher degree of risk with a higher return potential than traditional investments. Accordingly, total rates of return from private equity investments are expected to be greater than those that might be obtained from conventional public equity or debt investments. They have a lower correlation to other investment classes and therefore can contribute to reducing the risk and enhancing the returns of a total portfolio.
INVESTMENT APPROACHES AND PARAMETERS

The following represent the approved policies to be utilized in the management of the Program. The policies are designed to set boundaries for the expected performance and structure.

1. The Private Equity Program shall be invested to provide enhanced investment returns. Generating high rates of return shall always be the primary objective with diversification being an ancillary benefit.

The Private Equity Program performance benchmark shall be the Russell 3000 Index plus 3%. Use of the Russell 3000 Index reflects the opportunity cost of investing in private equity versus publicly traded common stocks.

- For semi-annual asset class reporting, performance data will be presented on an internal rate of return (“IRR”) basis.
- For quarterly total fund reporting, performance data will be presented on a time-weighted total return basis, lagged 90 days.

To minimize the effects of volatility experienced by the public markets in the near term on the benchmark, comparisons will emphasize longer time periods.

2. The Program strategy shall be revised periodically as appropriate and updated annually through the Investment Plan. The Investment Plan shall outline Program goals and objectives, review the investment strategy and approach, update the annual pacing targets, include an analysis of the investment environment, and address progress towards portfolio construction targets.

The following reflect the long-term ranges and targets that the Program will aim to achieve as it matures. During the early stages of the Program, it is anticipated that the portfolio’s actual allocations to these market segments will fluctuate initially. The target and range may change over time as conditions warrant, as addressed in the Investment Plan.

<table>
<thead>
<tr>
<th>Private Market Segment</th>
<th>Range</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyout</td>
<td>60-85%</td>
<td>65%</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>5-15%</td>
<td>10%</td>
</tr>
<tr>
<td>Debt Related</td>
<td>5-20%</td>
<td>15%</td>
</tr>
<tr>
<td>Other (Special Situations, Natural Resources, etc.)</td>
<td>0-15%</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>---</td>
<td>100%</td>
</tr>
</tbody>
</table>

3. Diversification within the Private Equity Program is critical to control risk and maximize returns. The specific investments shall be aggregated, evaluated, and monitored to control unintended biases. Diversification can occur across the following parameters.

- **Market Segment** – The market segments are defined as Buyout, Venture Capital, Debt Related, and Other.

- **Vintage Year** – Vintage year is defined by the initial investment date of the limited partnership. Investments within market segments shall be stratified by vintage year to mitigate the impact of fund flow trends within each segment.
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- **Industry Sector** – Industry sectors are described by categories such as financial services, consumer, technology, medical health, etc.

- **Geographic Location** – Geographic regions are defined as the target geography proposed in the investment strategy for the partnership. The geographic breakdown is expressed as the United States, Europe, Asia and the Rest of the World. While the Program is expected to initially focus on investments primarily in the United States, as it matures, it is anticipated that investments in other geographies will be considered.

- **Investment Manager** – Diversification across a small number of managers reduces the impact on the portfolio of any one investment or any single investment manager’s style to the extent that an adversity affecting any one particular area will not impact a disproportionate share of the Private Equity Program.

4. The Program shall be continually refined to obtain the most effective mix of investments. Investments shall be continually reviewed in the following areas:

- Fit with the Investment Plan
- Pace and timing of investment commitments, funding, and return of capital
- Diversification (market segment, vintage year, industry, geographic location, and others as appropriate)
- Targeted performance according to stated objectives specific to the investment

5. Investments shall not be approved for the sole purpose of aligning one specific diversification range. Projected rate of return, risk, and other policies shall receive consideration in addition to diversification.

6. The Program will be exposed to specific risk parameters that are associated with investing in private equity, including, but not limited to:

- Operating and Business Risk: Certain private equity investments entail above average operating and business risk.

- Liquidity Risk: Private equity investments lack liquidity and typically have time horizons of 5-to-10 years. Secondary markets for such investments are limited; and, often, there is no current income.

- Structural Risk: Specific fundamental rights and protections are negotiated, which include mechanisms for taking remedial action. These basic protections may include advisory committee participation and specific termination provisions in partnership transactions.

- Valuation Risk: Partnerships shall be evaluated to determine if the general partner employs an appropriate valuation discipline.
RESPONSIBILITIES AND DELEGATIONS

1. The Investment Committee/Board shall approve and amend the Private Equity Investment Policy and Guidelines, Investment Plan and potential investment opportunities for the Program. In addition, the Investment Committee/Board shall oversee program performance and will act in a fiduciary capacity in the exercise of its duties.

2. Staff shall:
   - Manage day-to-day operations
   - Make referrals to the private equity consultant for in-depth analysis and due diligence, on occasion
   - Assist the private equity consultant with due diligence, in making recommendations to the Investment Committee/Board and on-going monitoring and reporting
   - Execute agreements

3. The private equity consultant shall assist in the development and implementation of the Program and will act as fiduciary to the EUTF. These tasks shall include:
   - Assistance in the development of the Private Equity Investment Policy and Guidelines for the Program
   - Annually prepare the Investment Plan to address strategic goals and commitment pacing
   - Deal flow management and sourcing opportunities
   - Conducting investment due diligence, recommending opportunities, and negotiating terms
   - Performance monitoring and reporting

INVESTMENTS

1. The following requirements shall apply for all potential private equity investments:
   - The principals shall demonstrate the requisite skills and experience necessary to execute successfully the proposed strategy, including evidence from similar endeavors.
   - The principals shall dedicate sufficient time and effort to the proposed opportunity.
   - The proposed strategy and business plan shall be set forth in sufficient detail to permit substantive and meaningful review of the opportunity, verification of the investment concept, and of the risk factors.
The proposed strategy and business plan shall provide reasonable assurance that the investment opportunity can produce the required return.

The risk/reward trade-off in the particular market that is addressed by a partnership proposal shall be attractive, based on reasonable assumptions.

The principals shall have a significant economic position in the partnership.

2. The evaluation analysis will primarily emphasize the quality and experience of the general partner in a potential investment. Additional factors may include, as appropriate:

- Fit with the EUTF’s Investment Policy and Guidelines, Investment Plan and within the Program
- A unique strategy that is not directly competitive with existing investments
- Integrity of the general partner, its employees, and other investors
- Quality of overall partnership governance and management of the partnership, including controls and reporting systems
- Specific objectives
- Relationship with the relevant parts of the investment community
- Relationship with limited partners
- Nature of value added involvement
- Past financial performance of the individual investment professionals
- Appropriateness of terms and conditions
- Alignment of interests with limited partners

3. Due diligence review of a general partner shall include, at a minimum, the following:

- Review and analysis of all pertinent offering documents including: offering memoranda, subscription agreements, due diligence questionnaire, and private placement memoranda
- Discussions with principals of the general partner for the proposed investment, including an onsite visit to the general partner’s offices
- Consideration of potential conflicts of interest, if any, posed by the proposed investment and prior investments and activities of the principals
- Reference checks of principals
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- Review and analysis of track record including performance of prior and current investments

- Review of any lawsuits, litigation involving the general partner, its principals, employees and prior funds

4. The approval decision as it relates to partnerships, funds of funds, secondary funds, and co-investments shall be completed following a positive written recommendation by the private equity consultant with assistance from Staff and a presentation by the general partner, if desired by the Investment Committee/Board.

MONITORING AND REPORTING

1. Quarterly reports will be required from investment partners to facilitate monitoring.

2. Staff and the private equity consultant shall monitor the individual partnerships and the portfolio as a whole. Monitoring includes diversification across private equity investment segments to assure an appropriate mix to reduce aggregate Program risk. Given the opportunistic nature of the Program, specific areas may be emphasized over the short-term with the long-term goal of developing a diversified program.

The following types of diversification shall be monitored, including, but not limited to:

- Segment and Stage of Investment: Private equity investments should be diversified throughout various market segments (e.g., buyouts, venture capital, distressed, mezzanine) that invest across portfolio company life-cycle stage;

- Payback Diversification: Private equity investments can take significant time to pay back capital. The Program shall attempt to invest in partnerships across a spectrum of payback scenarios;

- Geographic Diversification: The Program shall consider geographical diversification in investment selection; and

- Time Diversification: The Program shall endeavor to invest in a consistent manner when appropriate risk adjusted return opportunities are available.

3. Performance of the private equity investments shall be assessed relative to the following areas:

- The long-term performance objective, with appropriate interpretation if applied to the short-term;

- Relevant peer comparisons by market segment and vintage year.

4. The private equity consultant will prepare and present private equity performance reports on a semi-annual basis. The private equity performance report will provide information on portfolio diversification, largest holdings, partnership performance, and committed and funded status.
XII. REAL ESTATE PROGRAM

INTRODUCTION

In accordance with the objectives of the Statement of Investment Policy and Guidelines of the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF"), the EUTF has adopted an allocation to core real estate. The role of core real estate is to provide the total portfolio with income and diversification.

Core real estate assets are defined as those investments that are unleveraged or leveraged equity positions in stabilized real property. The portfolio holding these assets is identified as the Real Estate Program (the "Program"). This portfolio may access core real estate assets through privately held partnership interests, limited liability company interests, fund of funds interests, joint venture partnerships, and direct holdings.

OBJECTIVE

The strategic objective of the Real Estate Program is to develop a diversified core real estate portfolio capable of achieving investment returns commensurate with Program targets. Real estate has a lower correlation to other investment classes and therefore can contribute to reducing the risk and enhancing the returns of the total portfolio.

INVESTMENT APPROACHES AND PARAMETERS

The following represent the approved policies to be utilized in the management of the Program. The policies are designed to set boundaries for the expected performance and structure.

1. The Real Estate Program shall be invested to provide diversification from equity risk and stable income returns.

The Real Estate Program is expected to generate a total rate of return, net of investment management fees, that equals or exceeds the NCREIF Fund Index Open-End Diversified Core Equity (NFI-ODCE), over rolling five year periods.

- For semi-annual asset class reporting, performance data will be presented on an internal rate of return ("IRR") basis.
- For quarterly total fund reporting, performance data will be presented on a time-weighted total return basis, lagged 90 days.

2. The EUTF Real Estate Program will be focused on private core real estate. Core investments include existing, substantially leased, income-producing properties located principally in economically diversified metropolitan areas. Core properties generally should have the following characteristics:
   - Existing properties that demonstrate predictable income flows with a high proportion of anticipated total return arising from current income and cash flow;
   - At least 70% leased upon purchase of the asset;
   - Credit quality tenants and a staggered lease maturity schedule;
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- Quality construction and design features;
- Reasonable assurance of a broad pool of potential purchasers upon disposition;
- Investments structures using all cash or limited leverage.

3. The Program strategy shall be revised periodically as appropriate and updated annually through the Investment Plan. The Investment Plan shall outline Program goals and objectives, review the investment strategy and approach, update of the annual pacing targets, include an analysis of the investment environment, and address progress towards portfolio construction targets.

4. Diversification within the Real Estate Program is critical to control risk and optimize returns. Diversification can occur across the following parameters.
   - **Vintage Year** – Vintage year is defined by the initial investment date of the investment vehicle or fund. Commitments to funds will be made in a measured manner that diversifies vintage year risk across different parts of the property and capital markets cycles.
   - **Property Type** – The majority of investments should be in core property types, which include multifamily, industrial, office, and retail. Other property types which include hotels, seniors housing, student housing, and others, may comprise no more than 15% of the total Real Estate Program.
   - **Property Life Cycle** – The majority of the investments should be completed and stabilized investments. Development and other value-add activities may be included but shall be limited to no more than 10% of the total Real Estate Program.
   - **Geographic Location** – The Program is expected to focus on investments primarily in the United States.
   - **Investment Manager** – Diversification across a small number of managers reduces the impact on the portfolio of any one investment or any single investment manager’s style to the extent that an adversity affecting any one particular area will not impact a disproportionate share of the Real Estate Program.

5. Core real estate investing typically utilizes moderate amounts of leverage in order to enhance yields of the various investments and/or facilitate the diversification of the portfolio. Total portfolio debt will be constrained by a 40% loan to value maximum.

6. The Program shall be continually refined to obtain the most effective mix of investments. Investments shall be continually reviewed in the following areas:
   - Fit with the Investment Plan
   - Pace and timing of investment commitments, funding, and return of capital
   - Diversification (vintage year, property type, property life cycle, geographic location, and others as appropriate)
   - Targeted performance according to stated objectives specific to the investment
7. The Program will be exposed to specific risk parameters that are associated with investing in private real estate, including, but not limited to:

- Liquidity Risk: Private real estate investments lack liquidity. While open-end funds have liquidity (i.e., redemption) mechanisms, liquidity can be constrained in certain market conditions. Secondary markets for such investments are limited.

- Structural Risk: Specific fundamental rights and protections are negotiated, which include mechanisms for taking remedial action. These basic protections may include advisory committee participation and specific termination provisions in partnership transactions.

- Valuation Risk: Partnerships shall be evaluated to determine if the general partner employs an appropriate valuation discipline.

**RESPONSIBILITIES AND DELEGATIONS**

1. The Investment Committee/Board shall approve and amend the Real Estate Investment Policy and Guidelines, Investment Plan and potential investment opportunities for the Program. In addition, the Investment Committee/Board shall oversee program performance and will act in a fiduciary capacity in the exercise of its duties.

2. Staff shall:
   - Manage day-to-day operations
   - Make referrals to the real estate consultant for in-depth analysis and due diligence, on occasion
   - Assist the real estate consultant with due diligence, in making recommendations to the Investment Committee/Board and on-going monitoring and reporting
   - Execute agreements

3. The real estate consultant shall assist in the development and implementation of the Program and will act as fiduciary to the EUTF. These tasks shall include:
   a. Assistance in the development of the Real Estate Investment Policy and Guidelines for the Program
   b. Annually prepare the Investment Plan to address strategic goals and commitment pacing
   c. Deal flow management and sourcing opportunities
   d. Conducting investment due diligence, recommending opportunities, and negotiating terms
   e. Performance monitoring and reporting
1. The following requirements shall apply for all potential real estate investments:

- The principals shall demonstrate the requisite skills and experience necessary to execute successfully the proposed strategy, including evidence from similar endeavors.

- The principals shall dedicate sufficient time and effort to the proposed opportunity.

- The proposed strategy and business plan shall be set forth in sufficient detail to permit substantive and meaningful review of the opportunity, verification of the investment concept, and of the risk factors.

- The proposed strategy and business plan shall provide reasonable assurance that the investment opportunity can produce the required return.

- The risk/reward trade-off in the particular market that is addressed by a partnership proposal shall be attractive, based on reasonable assumptions.

- The principals shall have a significant economic position in the partnership.

2. The evaluation analysis will primarily emphasize the quality and experience of the general partner in a potential investment. Additional factors may include, as appropriate:

- Fit with the EUTF’s Investment Policy and Guidelines, Investment Plan and within the Program

- A unique strategy that is not directly competitive with existing investments

- Integrity of the general partner, its employees, and other investors

- Quality of overall partnership governance and management of the partnership, including controls and reporting systems

- Specific objectives

- Relationship with the relevant parts of the investment community

- Relationship with limited partners

- Nature of value added involvement

- Past financial performance of the individual investment professionals

- Appropriateness of terms and conditions

- Alignment of interests with limited partners
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3. Due diligence review of a general partner shall include, at a minimum, the following:

- Review and analysis of all pertinent offering documents including: offering memoranda, subscription agreements, due diligence questionnaire, and private placement memoranda
- Discussions with principals of the general partner for the proposed investment, including an onsite visit to the general partner’s offices
- Consideration of potential conflicts of interest, if any, posed by the proposed investment and prior investments and activities of the principals
- Reference checks of principals
- Review and analysis of track record including performance of prior and current investments
- Review of any lawsuits, litigation involving the general partner, its principals, employees and prior funds

4. The approval decision as it relates to partnerships, limited liability companies, funds of funds, and secondary funds shall be completed following a positive written recommendation by the real estate consultant with assistance from Staff and a presentation by the fund manager, if desired by the Investment Committee/Board.

MONITORING AND REPORTING

1. Quarterly reports will be required from investment partners to facilitate monitoring.

2. Staff and the real estate consultant shall monitor the individual partnerships and the portfolio as a whole. Monitoring includes diversification across property types, geography, life cycle, vintage year, and investment manager concentration to assure an appropriate mix to reduce aggregate Program risk.

3. Performance of the real estate investments shall be assessed relative to the following areas:

- The long-term performance objective, with appropriate interpretation if applied to the short-term;
- Benchmark and relevant peer comparisons.

4. The real estate consultant will prepare and present real estate performance reports on a semi-annual basis. The real estate performance report will provide information on portfolio diversification and concentrations relative to the benchmark, partnership performance, and committed and funded status.
## APPENDIX A — Managers/Selected Investment Strategies

### Excess Reserves Portfolio

#### Funds Available for Short-term Investment

<table>
<thead>
<tr>
<th>Strategic Class</th>
<th>Manager/Fund</th>
<th>Benchmark Index</th>
<th>Long-term% of Strategic Class /Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Fixed Income</td>
<td>Vanguard Short-term Corporate Bond Index Fund</td>
<td>Barclays Capital U.S. 1-5 Year Corporate Index</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### Funds Available for Long-term Investment

<table>
<thead>
<tr>
<th>Strategic Class (Strategy)</th>
<th>Manager/Fund</th>
<th>Benchmark Index</th>
<th>Long-term% of Strategic Class /Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equities (U.S. Equities)</td>
<td>NT Russell 3000 Index Equity Strategy</td>
<td>Russell 3000</td>
<td>52.5%</td>
</tr>
<tr>
<td>Global Equities (Non-U.S. Equity)</td>
<td>NT ACWI-ex US Index Equity Strategy</td>
<td>MSCI ACWI ex US ND</td>
<td>47.5%</td>
</tr>
</tbody>
</table>

### Long-term Investment Portfolio

<table>
<thead>
<tr>
<th>Strategic Class (Strategy)</th>
<th>Manager/Fund</th>
<th>Benchmark Index</th>
<th>Long-term% of Strategic Class /Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equities (U.S. Equities)</td>
<td>NT Russell 3000 Index Equity Strategy</td>
<td>Russell 3000</td>
<td>50%</td>
</tr>
<tr>
<td>Global Equities (Non-U.S. Equity)</td>
<td>NT ACWI-ex US Index Equity Strategy</td>
<td>MSCI ACWI ex US ND</td>
<td>50%</td>
</tr>
<tr>
<td>U.S. Microcap Equities</td>
<td>Acuitas (multi-manager)</td>
<td>Russell Microcap</td>
<td>50%</td>
</tr>
<tr>
<td>U.S. Microcap Equities</td>
<td>Granite</td>
<td>Russell Microcap</td>
<td>50%</td>
</tr>
<tr>
<td>U.S. Real Estate Securities</td>
<td>AB Real Estate Investment Trusts Strategy</td>
<td>MSCI U.S. REIT</td>
<td>100%</td>
</tr>
<tr>
<td>Global Options</td>
<td>Geode</td>
<td>Custom EUTF Options Benchmark</td>
<td>50%</td>
</tr>
<tr>
<td>Global Options</td>
<td>AQR</td>
<td>Custom EUTF Options Benchmark</td>
<td>50%</td>
</tr>
<tr>
<td>Diversifying Strategies (Core Fixed Income)</td>
<td>BlackRock US Debt Index Fund B (Core Fixed Income)</td>
<td>Barclays Capital U.S. Aggregate Bond</td>
<td>70%</td>
</tr>
<tr>
<td>Diversifying Strategies (Long Treasuries)</td>
<td>Ryan Labs</td>
<td>Barclays Capital U.S. Government: Long Index</td>
<td>30%</td>
</tr>
<tr>
<td>Inflation Linked Securities</td>
<td>BlackRock US Inflation-Linked Bond Fund B</td>
<td>Barclays Capital U.S. TIPS</td>
<td>100%</td>
</tr>
</tbody>
</table>
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APPENDIX B — Investment Performance Benchmarks

Barclays Capital U.S. 1-5 Year Corporate Index

The Barclays Capital U.S. 1-5 Year Corporate Index includes U.S. dollar-denominated, securities issued by industrial, utility and financial companies, with maturities between 1 and 5 years. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody’s, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between three and five years which is considered to be intermediate-term in duration.

Barclays Capital U.S. Aggregate Bond Index

The Barclays Capital U.S. Aggregate Index consists of taxable fixed income securities that are SEC-registered and U.S. dollar denominated. The index covers the broad U.S. investment grade fixed coupon rate bond market with index components for government and corporate securities, residential mortgage-backed securities, commercial mortgage-backed securities and asset-backed securities. Government and corporate securities include non-U.S. issuers, although non-U.S. issuers represent only a small portion of the index. Each security in the index must have at least one year to final maturity regardless of call features. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody’s, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between three and five years which is considered to be intermediate-term in duration.

Barclays Capital U.S. Government: Long Index

The Barclays Capital U.S. Government: Long Index is a subset of the Barclays Capital U.S. Aggregate Index. In particular, securities within the index must be issued and/or guaranteed by the U.S. Government and/or U.S. Agencies and have at least ten years until maturity. The index primarily consists of U.S. Treasury bonds.

Barclays Capital U.S. TIPS Index

The Barclays Capital U.S. TIPS Index consists of all publicly issued U.S. dollar denominated Inflation-Protection securities (TIPS) issued by the U.S. Treasury that have at least one year to final maturity. The principal value of a TIPS increases with inflation and decreases with deflation, as measured by changes in the urban, non-seasonally adjusted consumer price index (CPI-U) calculated by the Bureau of Labor Statistics. The CPI-U index is a measure of the average change in prices paid by urban consumers for a fixed basket of goods and services. The principal value of a TIPS security is adjusted by a published index ratio reflecting the changes in the reference CPI-U index. TIPS securities have a stated fixed coupon rate of interest payable semi-annually that is applied to the inflation-adjusted principal value. Over the past several years, approximately one-third of the weighted market value of the index has been represented by issues in each of the maturity ranges of one-to-five years, five-to-ten years, and in excess of ten years. The index is considered to be intermediate-term in duration.
Credit Suisse Managed Futures Liquid Index

The Credit Suisse Managed Futures Liquid Index was designed to exist as a relatively straight-forward index/representation for capturing trend following returns. The strategy utilizes 16 moving average crossover signals to detect trends across various time horizons and assets. The strategy includes allocations to global equity indices, currencies, commodities, and interest rates (18 instruments in total). The index targets an annualized volatility of 10% but will allow for up to 15% (upper limit) prior to rebalancing.

CBOE S&P 500 PutWrite Index (PUT)

The PUT Index sells S&P 500 Index (SPX) put options against collateralized cash reserves held in a money market account. The PUT strategy is designed to sell a sequence of one-month, at-the-money, S&P 500 Index puts and invest cash at one- and three-month U.S. Treasury bill rates. The number of puts sold varies from month to month, but is limited so that the amount held in U.S. Treasury bills can finance the maximum possible loss from final settlement of the SPX puts. The short positions in put options are held until expiration, at which point a new one-month put option is sold.

Merrill Lynch 3-Month T-Bill Index

The Merrill Lynch 3-Month T-Bill Index is comprised of a single 3-month T-Bill issue purchased at the beginning of the month and held for a full month. At the end of the month that T-Bill is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding T-Bill that matures closest to, but not beyond, three months from the rebalancing date.

MSCI ACWI ex US Index ND

The MSCI All Country World ex USA Index ND is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets excluding the US. The MSCI ACWI ex USA consists of 45 country indexes comprising 22 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. Net total return indexes reinvest dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

MSCI U.S. REIT Index

The MSCI U.S. REIT Index is a free float-adjusted market capitalization weighted index that is comprised of equity REITs that are included in the MSCI U.S. Investable Market 2500 Index, with the exception of specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The index represents approximately 85% of the U.S. REIT universe.
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**Russell 3000 Index**

The Russell 3000 Index measures the performance of the largest 3,000 publicly held US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

**Russell Microcap Index**

The Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market. Microcap stocks make up less than 3% of the U.S. equity market (by market cap) and consist of the smallest 1,000 securities in the small cap Russell 2000 Index, plus the next 1,000 smallest eligible securities by market cap.