STATE OF HAWAIʻI
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
201 MERCHANT STREET, SUITE 1700
HONOLULU, HAWAII 96813
Oahu (808) 586-7390
Toll Free 1(800) 295-0089
www.eutf.hawaii.gov

December 4, 2024

NOTICE OF MEETING
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
INVESTMENT COMMITTEE

DATE: December 10, 2024, Tuesday

TIME: 9:00 a.m.

PLACE: HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND (EUTF)
CITY FINANCIAL TOWER
201 MERCHANT STREET, 17TH FLOOR BOARD ROOM
HONOLULU, HAWAII

A G E N D A

OPEN SESSION PARTICIPATION IN PERSON, VIA TELECONFERENCE AND TELEPHONE
(see below for details)

I. Call to Order

II. Review of Minutes – November 19, 2024

III. Executive Session
   A. Private Real Assets Manager Evaluation [Authorized under HRS 92-5(a)(8) and HRS 87A-31(g)]
   B. Private Equity Manager Evaluation [Authorized under HRS 92-5(a)(8) and HRS 87A-31(g)]
   C. Review of Minutes – November 19, 2024 [Authorized under HRS 92-5(a)(8) and 92-9(b)]

IV. New Business
   A. Private Equity Pacing Update
   B. Private Credit Pacing Update
   C. Private Real Assets Pacing Update
   D. Investment Policy Statement Update
   E. Investment Manager Due Diligence Update

V. Future Agenda Items Discussion and Possible Meeting Dates

VI. Adjournment

If you need an auxiliary aid/service or other accommodation due to a disability, please contact Ms. Desiree Yamauchi at (808) 587-5434 or eutfadmin@hawaii.gov, as soon as possible, preferably at least 3 business days prior to the meeting. Requests made as early as possible have a greater likelihood of being fulfilled.

Testimony may be submitted prior to the meeting via email to eutfadmin@hawaii.gov or via postal mail to: Hawaii Employer-Union Health Benefits Trust Fund, Attn: Investment Committee-Testimony, 201 Merchant Street, Suite 1700, Honolulu, HI 96813. Please include the word "testimony", the agenda item number, and subject matter following the address line. There is no deadline for submission of testimony, however, the EUTF requests that all written testimony be received no later than 9:00 a.m., one (1) business day prior to the meeting date in order to afford Board members adequate time to review materials.

To view the meeting and provide live oral testimony during the meeting, following are the Microsoft Teams Meeting details:

- **Join the meeting now** or copy and paste the following URL into your browser: https://teams.microsoft.com/l/meetup-join/19%3ameeting_NGExZGIyMzktM2FlZC00M2MzLThmYmMtMzIxODZhOTMyZGM2%40thread.v2/0?context=%7b%22Tid%22%3a%223847dec6-63b2-43f9-a6d0-58a40aaa1a10%22%2c%22Oid%22%3a%221ec28820-992a-428a-a6a0-44c156209163%22%7d
    - If prompted, enter:
        - Meeting ID: 284 647 583 967
        - Passcode: mJKUit
    - For instructions to turn on live captions in Microsoft Teams, please click here.
- Dial-in number: +1 808-829-4853 United States, Honolulu (Toll)
    - Phone Conference ID: 465 971 445#

A listing of all documents included in the Board packet will be available at the EUTF website (eutf.hawaii.gov) through the Events Calendar two (2) business days prior to the meeting.

The Board packet can also be accessed at the EUTF website (eutf.hawaii.gov) through the Events Calendar two (2) business days prior to the meeting. A copy of the packet will also be available for public inspection in the EUTF office at that time.

Please contact Ms. Desiree Yamauchi at (808) 587-5434 or eutfadmin@hawaii.gov if you have any questions.

Upon request, an electronic copy of this notice can be provided.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Investment Committee Meeting
Tuesday, November 19, 2024

TRUSTEES PRESENT
Mr. Christian Fern, Chairperson
Mr. Robert Yu, Vice-Chairperson (via video conference)
Ms. Jacqueline Ferguson-Miyamoto
Mr. Wesley Machida (via video conference)
Ms. Maureen Wakuzawa
Mr. Ryan Yamane (via video conference)

TRUSTEES ABSENT
Ms. Sabrina Nasir
Mr. James Wataru

ATTORNEY (via video conference)
Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF
Mr. Derek Mizuno, Administrator
Mr. David Okamoto, Chief Investment Officer
Mr. Brett Tatsuno, Investment Officer
Mr. Joao Marco Maffini
Ms. Desiree Yamauchi

CONSULTANTS (via video conference, unless otherwise noted)
Mr. Colin Bebee, Meketa Investment Group
Mr. Constantine Braswell, Callan LLC
Mr. Tad Fergusson, Meketa Investment Group (in person)
Mr. Francis Griffin, Callan LLC
Ms. Stephanie Sorg, Meketa Investment Group

OTHERS PRESENT (via video conference)
Mr. Joe Ebisa, With Intelligence
Mr. Cal Jones

I. CALL TO ORDER

The meeting of the Investment Committee was called to order at 9:00 a.m. by Trustee Christian Fern, Chairperson, in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board Room, City Financial Tower, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, November 19, 2024.

II. REVIEW OF MINUTES – AUGUST 20, 2024

The Investment Committee reviewed the draft minutes of August 20, 2024. Since there were no edits or objections by the Trustees, the minutes stand approved.

III. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:02 a.m. (Ferguson-Miyamoto/Yu) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

The regular meeting reconvened at 10:37 a.m.

Chairperson Fern reported that the following occurred during Executive Session:

- Approved a recommendation to the Board to commit funds to a private equity fund, subject to contract negotiations.
- Approved a recommendation to the Board to commit funds to a private credit fund, subject to contract negotiations.
- Discussed private equity updates.
- Reviewed and discussed the August 20, 2024 Executive Session Minutes. Since there were no edits or objections, the minutes stand approved.

IV. NEW BUSINESS

A. Quarterly Performance Report – Q3 2024

Ms. Stephanie Sorg and Mr. Colin Bebee of Meketa Investment Group (Meketa) highlighted significant points in the Q3 Performance Report. The OPEB Trust finished the quarter at $8.4 billion, gaining 3.9% and 13.8% for the quarter and 1-year period, respectively (net of fees). These results met the policy benchmark of 3.9% for the quarter, but underperformed the 1-year benchmark of 15.6%, primarily due to short-term benchmarking challenges within the Private Equity and Private Credit asset classes. Since inception (June 23, 2011), the portfolio has returned 7.4% (net of fees) versus the policy benchmark return of 7.4%.

Ms. Sorg and Mr. Bebee reported that the EUTF Trust Fund finished the quarter at $596.2 million, up 3.4% and 14.1% for the quarter and 1-year period, respectively (net of fees). Since inception (October 1, 2013), the portfolio has returned 4.0% (net of fees).

B. Quarterly Private Credit Report – Q2 2024

This report was included for informational purposes and was not discussed at the meeting.

C. Quarterly Private Equity Report – Q2 2024

This report was included for informational purposes and was not discussed at the meeting.

D. Quarterly Private Real Assets Report – Q2 2024

This report was included for informational purposes and was not discussed at the meeting.

E. EUTF Trust Fund Objective Recommendation

Mr. Bebee presented a memorandum to suggest clearer objectives for the long-term component of the EUTF Trust portfolio as requested by the Committee at the August 20, 2024 Committee meeting. By establishing more concrete objectives, the optimization and decision-making process for future strategic allocation studies will be easier. The policy that was selected on August 20, 2024 meets the proposed objectives, which should be revisited if the role or usage of the EUTF Trust Fund changes.

After the presentation, the Committee, Meketa, and EUTF staff discussed other possible return targets for the EUTF Trust Fund and their potential compliance with the proposed objectives.

MOTION was made and seconded to recommend to the Board approval of an EUTF Trust Fund objective to maximize returns subject to: 1) Investment Committee and Board's risk tolerance; and 2) 90% probability of exceeding inflation over ten-years. (Ferguson-Miyamoto/Wakuzawa) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

F. Manager Selection Process

Mr. Bebee presented a proposed change to the selection process for non-private market managers, which would represent a slight shift towards delegating more authority to staff, consistent with recent institutional investor trends. The Committee would only interview the manager recommended by staff and the general consultant, rather than a pool of several finalists. This change would increase meeting efficiency and allow Committee members to focus on overseeing the investment process.

After the presentation, the Committee, Meketa, EUTF staff, and counsel discussed Meketa's fiduciary obligations and the Committee's authority to delegate responsibilities.

MOTION was made and seconded to recommend to the Board approval for the general consultant and staff to present one finalist for an interview during the selection process of a non-private market manager. (Ferguson-Miyamoto/Wakuzawa) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

V. FUTURE AGENDA ITEMS DISCUSSION AND POSSIBLE MEETING DATES

Mr. David Okamoto reported that the next Investment Committee meeting is scheduled for Tuesday, December 10, 2024.

VI. ADJOURNMENT

MOTION was made and seconded for the Investment Committee to adjourn the meeting at 11:10 a.m. (Ferguson-Miyamoto/Yu) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

Documents Distributed:

1. Draft August 20, 2024 Investment Committee Minutes. (4 pages)
2. EUTF, Q3 2024 Quarterly Report, prepared by Meketa, dated November 19, 2024. (108 pages)
3. EUTF, 2Q 2024, Private Credit Portfolio Review, prepared by Callan, dated November 19, 2024. (29 pages)
4. EUTF, Private Equity Q2 2024, Quarterly Report, prepared by Meketa Investment Group, dated November 19, 2024. (16 pages)
5. EUTF, Real Assets 2Q 2024, Quarterly Performance Review, prepared by Callan, dated November 19, 2024. (26 pages)
6. Memorandum to EUTF from Meketa Investment Group, Inc., regarding EUTF Trust Fund Portfolio Objectives, dated November 19, 2024. (2 pages)
7. EUTF, Governance Discussion, prepared by Meketa Investment Group, dated November 19, 2024. (9 pages)

MEKETA

INVESTMENT GROUP

Hawaii Employer-Union Health Benefits Trust Fund

December 2024

2025 Private Equity Investment Plan

- **EUTF's Private Equity Program was established in 2016**
  - Initial long-term target allocation set at 10%
    - Subsequent incremental increases, most recently in 2022, to 15.0%
    - Current target at 10.5%, utilizing an evolving target
  - Annual commitment pacing has increased along with target allocation
    - Initially targeted $150 million of commitments per year
    - Targeting $300 million of commitments per year since 2021
      - Approved the addition of co-investments in 2022
  - Targeting 60% buyout, 20% venture capital/growth equity, and 20% debt related

- **Program currently includes $1.7 billion[1] of approved commitments**
  - Across 16 firms, 26 partnerships and two co-investments to date
  - $802 million market value, 10.2% of Plan Assets, as of June 30, 2024
    - 72% buyout, 15% venture capital/growth equity, and 13% debt related as of mid-year

[1] Including two $75 million commitments and a $20 million co-investment subsequent to June 30, 2024

Hawaii Employer-Union Health Benefits Trust Fund

Private Equity Road Map

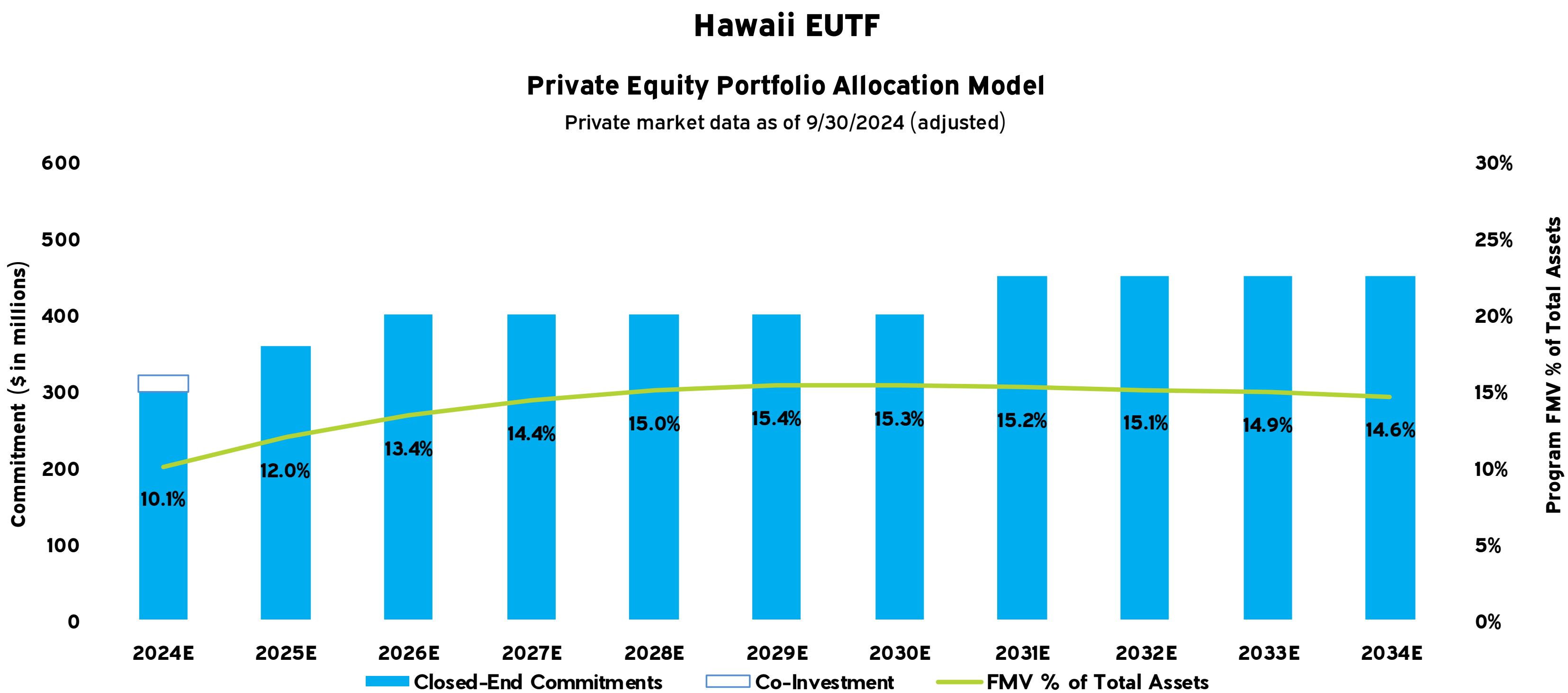
Year	Buyouts / Diversified			Venture Capital/ Growth Equity	Debt Related
2016	Landmark XVI $75 M				
2017	WellspringVI $50 M	Apollo IX $42 M			
2018	WCASXIII $50 M			Stepstone IX $39 M	Strategic Value SSF IV $50 M
2019	Veritas VII $50 M	Apax X $50 M		Warburg Pincus China-SEA II $50 M	
2020	K5 $50 M	Kohlberg IX $50 M		Stepstone X $40 M	
2021	Reverence V $75 M	WCAS XIV $75 M			Strategic Value SSF V $50 M
2022	Veritas VIII $75 M	Apax XI $75 M	Kohlberg X $75 M	Stepstone XI $75 M	
2023	K6 $75 M	Freeman Spogli IX $75 M	*Wynnchurch VI $65 M*		Nexus IV $75 M
2024	Veritas IX $75 M	*In Process $75 M*		*In Process $75 M*	*In Process* $75 M

- Diversifying portfolio across vintage year, sector and manager
  - Two additional $20M co-investments were made in 2022 and 2024

- Additional activity required to achieve/maintain the target allocation over long term
  - Also providing vintage year diversification
- Growth of a private equity program is a function of several factors
  - Commitment pace
  - Rate of investment by underlying managers
  - Investment growth
  - Investment liquidations/distributions
- Percentage allocation to private equity is impacted by total portfolio growth
  - Slower total portfolio growth = larger private equity allocation
  - Faster total portfolio growth = smaller private equity allocation

Hawaii Employer-Union Health Benefits Trust Fund

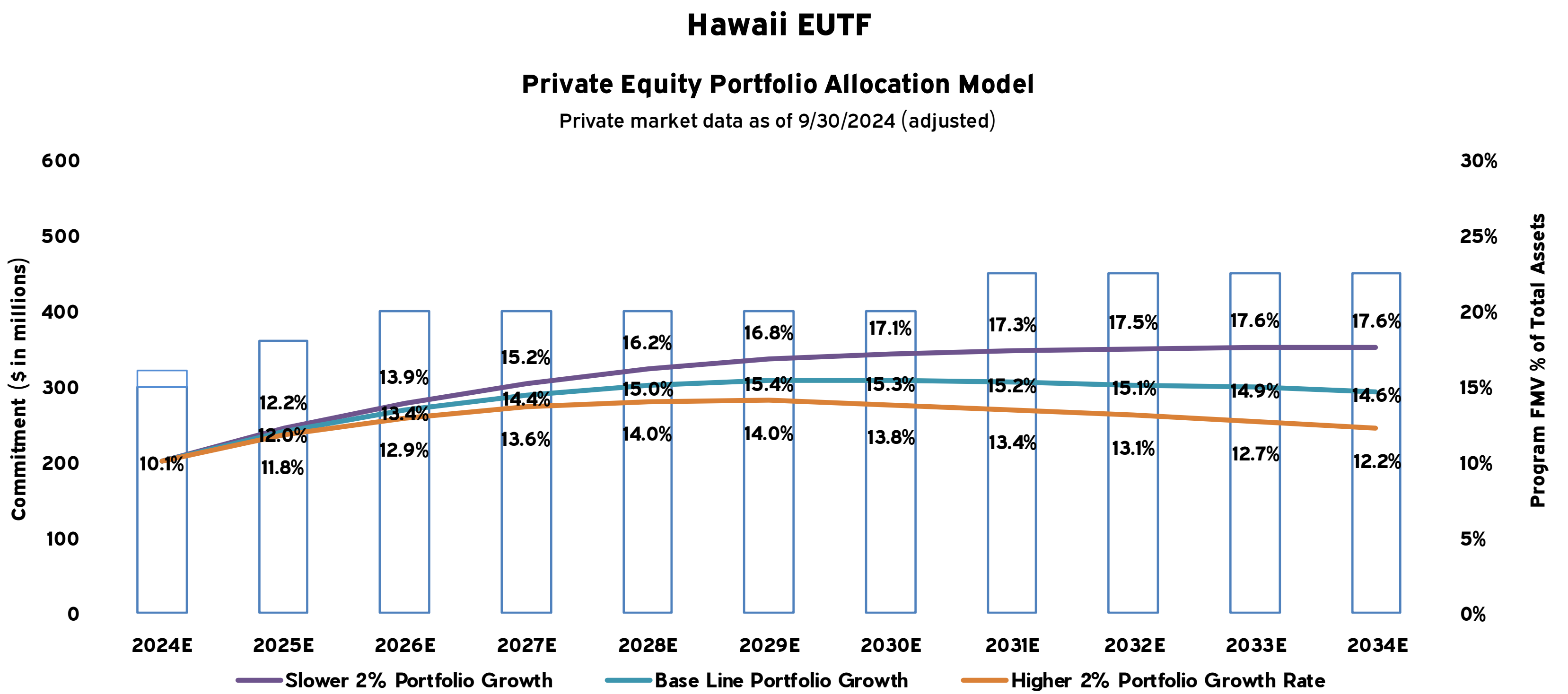
Private Equity Pacing Model: 15% target with only partnerships



($ in millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Private Market Investments											
Closed-End Commitments	300	360	400	400	400	400	400	450	450	450	450
Co-Investment	20	0	0	0	0	0	0	0	0	0	0
Contributions	-64	-374	-379	-387	-394	-396	-389	-404	-413	-430	-437
Distributions	35	182	224	275	329	383	436	484	521	560	605
Net Cash Flow	-29	-192	-155	-111	-66	-12	47	80	108	130	168
Fair Market Value	862	1,143	1,417	1,677	1,918	2,132	2,310	2,476	2,633	2,786	2,919

Hawaii Employer-Union Health Benefits Trust Fund

Private Equity Pacing Model: 15% target with only partnerships



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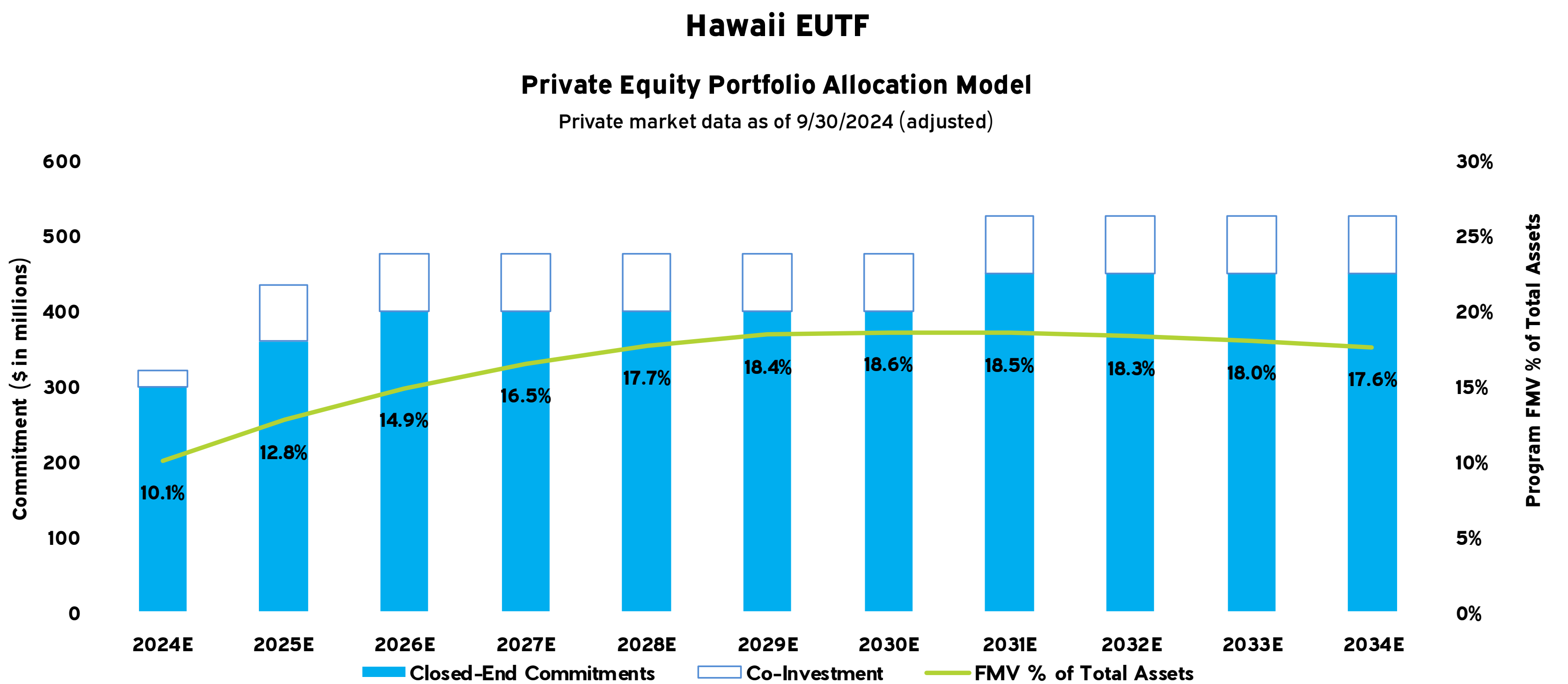
Hawaii Employer-Union Health Benefits Trust Fund

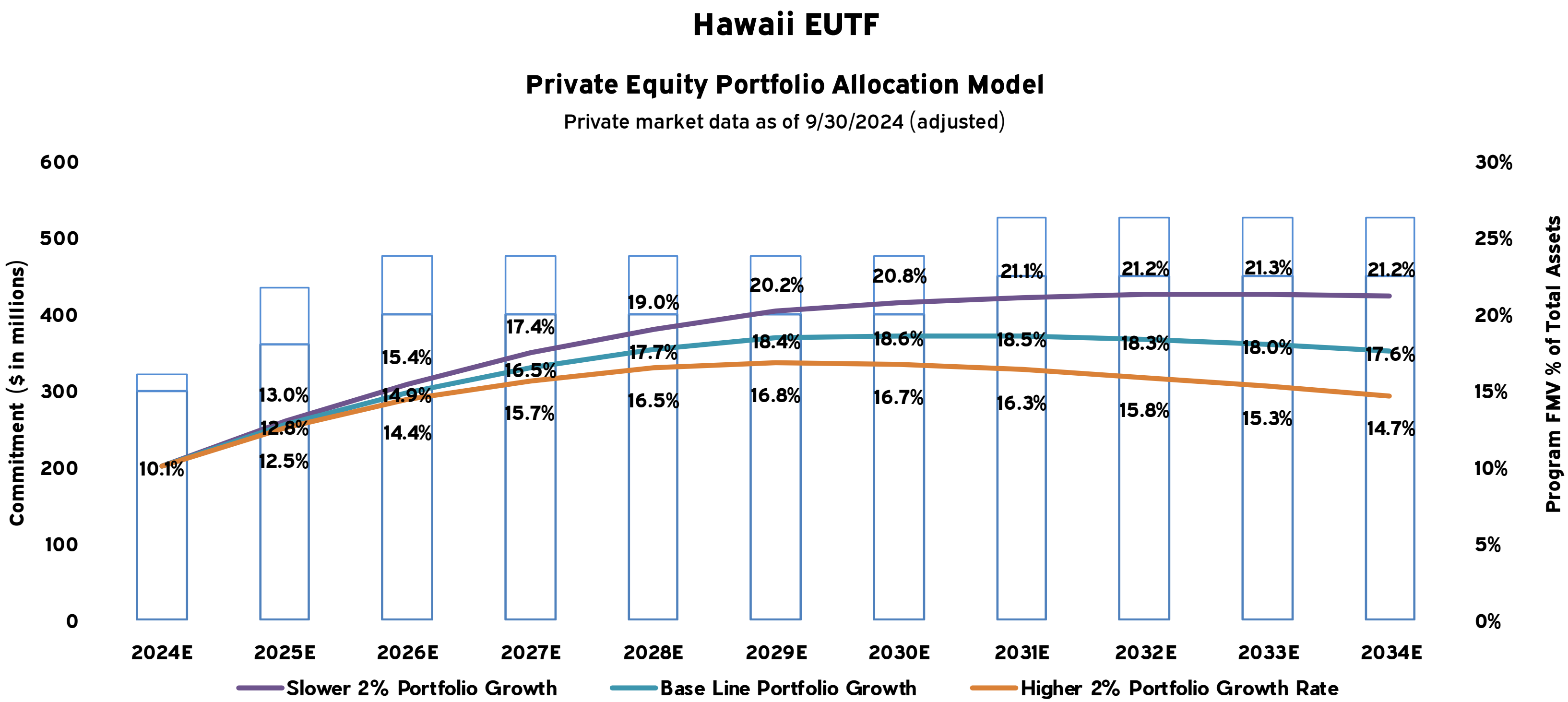
Private Equity Pacing Model: 15% target with partnerships and co-investments



($ in millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Private Market Investments											
Closed-End Commitments	300	360	400	400	400	400	400	450	450	450	450
Co-Investment	20	75	75	75	75	75	75	75	75	75	75
Contributions	-64	-449	-454	-462	-469	-471	-464	-479	-488	-505	-512
Distributions	35	182	225	279	341	413	495	572	628	680	733
Net Cash Flow	-29	-267	-230	-183	-129	-57	31	93	140	175	222
Fair Market Value	862	1,218	1,576	1,925	2,257	2,555	2,798	3,007	3,193	3,366	3,512

Hawaii Employer-Union Health Benefits Trust Fund

Private Equity Pacing Model: 15% target with partnerships and co-investments



($ in millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Private Market Investments											
Closed-End Commitments	300	360	400	400	400	400	400	450	450	450	450
Co-Investment	20	75	75	75	75	75	75	75	75	75	75
Contributions	-64	-449	-454	-462	-469	-471	-464	-479	-488	-505	-512
Distributions	35	182	225	279	341	413	495	572	628	680	733
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Fair Market Value	862	1,218	1,576	1,925	2,257	2,555	2,798	3,007	3,193	3,366	3,512

Hawaii Employer-Union Health Benefits Trust Fund

Summary Private Equity Commitment Pacing

	Partnerships	Co Investments
Commitment Target:	$360 million per year	Up to $75 million per year
Commitment Sizing:	$90 million per opportunity Range of $45 to $115 million	Range of $15 to $25 million
Number of Investments:	3 – 5 partnerships	Up to 5 co-investments

- **Target $360 million per year in fund commitments for 2025, an increase from $300 million**
  - Three to five partnership commitments per year
  - "Model Portfolio" would be four commitments
    - providing diversification, while controlling the number of relationships
- **Up to $75 million in co-investments, consistent with 2024 targets**
  - Up to five co-investments per year
    - ranging in size from $15 to $25 million
  - Deemed opportunistic to benefit from fee savings and above annual partnership targets
    - To remove pressure of achieving a specific capital deployment target
    - Co-investment activity would shorten the time to achieving the target allocation
    - Continue to use the pacing plan to calibrate and update targets on an annual basis

Disclaimer

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Meketa Investment Group has prepared this report on the basis of sources believed to be reliable. The data are based on matters as they are known as of the date of preparation of the report, and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available.

If we manage your assets on a discretionary basis, please contact us if there are any changes in your financial situation or investment objectives, or if you want to impose any reasonable restrictions on our management of your account or reasonably modify existing restrictions.

In general, the valuation numbers presented in this report are prepared by the custodian bank for listed securities, and by the fund manager or appropriate General Partner in the case of unlisted securities. The data used in the market comparison sections of this report are sourced from various databases. These data are continuously updated and are subject to change.

This report does not contain all the information necessary to fully evaluate the potential risks of any of the investments described herein. Because of inherent uncertainties involved in the valuations of investments that are not publicly traded, any estimated fair values shown in this report may differ significantly from the values that would have been used had a ready market for the underlying securities existed, and the differences could be material.

This document may contain certain forward-looking statements, forecasts, estimates, projections, and opinions ("Forward Statements"). No representation is made or will be made that any Forward Statements will be achieved or will prove to be correct. A number of factors, in addition to any risk factors stated in this material, could cause actual future results to vary materially from the Forward Statements. No representation is given that the assumptions disclosed in this document upon which Forward Statements may be based are reasonable. There can be no assurance that the investment strategy or objective of any fund or investment will be achieved, or that the client will receive a return of the amount invested.

In some cases Meketa Investment Group assists the client in handling capital calls or asset transfers among investment managers. In these cases we do not make any representations as to the managers' use of the funds, but do confirm that the capital called or transferred is within the amounts authorized by the client.

Because there is no readily accessible market for private markets assets (companies and partnerships), the values placed on private markets assets are calculated by General Partners using conservative and industry standard pricing procedures. Annually, an independent auditor reviews the pricing procedures employed by the General Partner of each partnership.

The values of companies and partnerships are audited at year-end, and are not audited at other quarter-end periods. While financial information may be audited, there is some discretion as to the method employed to price private companies and, therefore, private markets partnerships. At all times, Meketa Investment Group expects General Partners to utilize conservative and industry standard pricing procedures, and requires the General Partners to disclose those procedures in their reports. However, because of the inherent uncertainty of valuation, these estimated values may differ from the values that would be used if a ready market for the investments existed, and the differences could be significant.

Callan

December 10, 2024

Hawaii EUTF

Private Credit Pacing Review

Pete Keliuotis
Alternatives Consulting

Francis Griffin
Alternatives Consulting

Daniel Brown
Alternatives Consulting

Callan

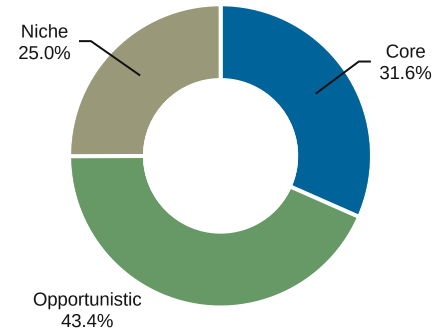
Private Credit Pacing

Hawaii EUTF Private Credit Overview

- EUTF's Private Credit Program was established in late 2018
  - Initial long-term target allocation set at 6%
    - Subsequent incremental increases, most recently to 10% in 2022
    - Current short-term target at 7.5%, utilizing an evolving target
  - Annual commitment pacing has increased along with target allocation
    - Initially targeted approximately $100 million of commitments per year
    - Anticipated to reach $300 million of commitments for 2024
  - Targeting ~ 65/35 split between Yield Oriented/Opportunistic
- Program currently includes $1.30 billion of approved commitments*
  - Across eleven firms and seventeen partnerships
  - $614 million market value, 7.6% of Plan Assets as of June 30, 2024
  - Currently, 56.6% yield oriented, 43.4% opportunistic on an NAV basis; moving towards 60/40 based on recent commitments

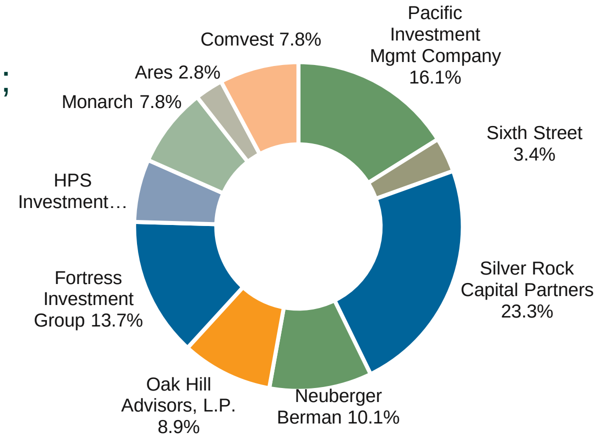
Current Private Credit Portfolio

Net Asset Value



Current General Partner Exposure

Net Asset Value



* As of June 30, 2024; includes a commitment approved by the board in November 2024

Hawaii EUTF Private Credit Commitments

	Core		Opportunistic		Niche
2018					PIMCO Private Income Fund **$50 M**
2019	Fortress Lending Fund I **$50 M**		Silver Rock TAF 2019A **$50 M**		HPS European Asset Value Fund II **$50 M**
2020			Silver Rock TAF 2019A **$25 M**	OHA Tactical Investment Fund **$50 M**	
2021	Neuberger Berman Fund IV **$75 M**	Fortress Lending Fund III **$75 M**	Silver Rock TAF 2019 B **$25 M**		PIMCO Private Income Fund **$25 M**
2022	Comvest Credit Partners VI **$75 M**		Silver Rock TAF 2022A **$100 M**		Ares Pathfinder Fund II **$100 M**
2023	Fortress Lending Fund IV **$100 M**		Sixth Street TAO **$75 M**	Monarch CP VI **$75 M**	
2024	Comvest Credit Partners VII **$100 M**		Silver Rock TAF 2024 **$100 M**		In Process **$100 M**

*Commitment timing based on board approval date, not legal closing date.

Hawaii EUTF Asset Mix/Pacing Review

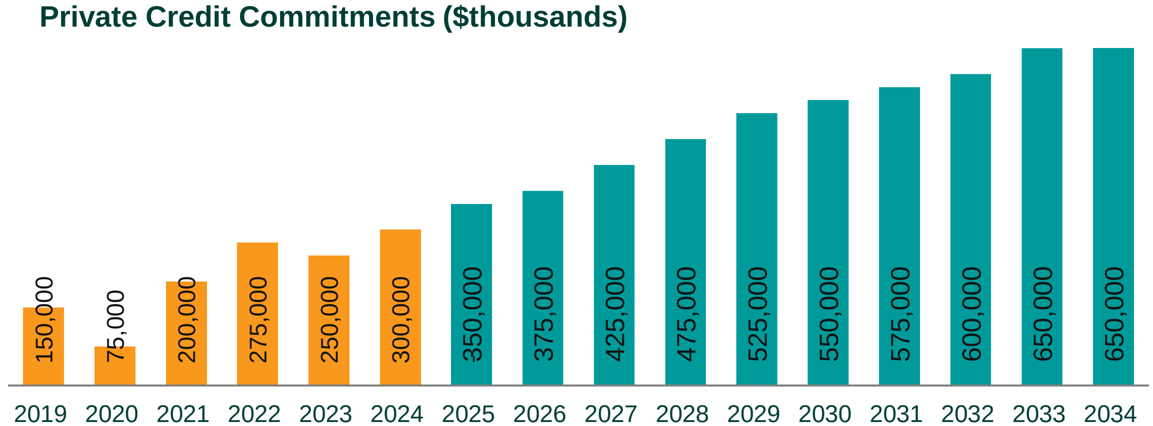
10% Target Allocation (Base Case) as of December 1, 2024

Callan Observations

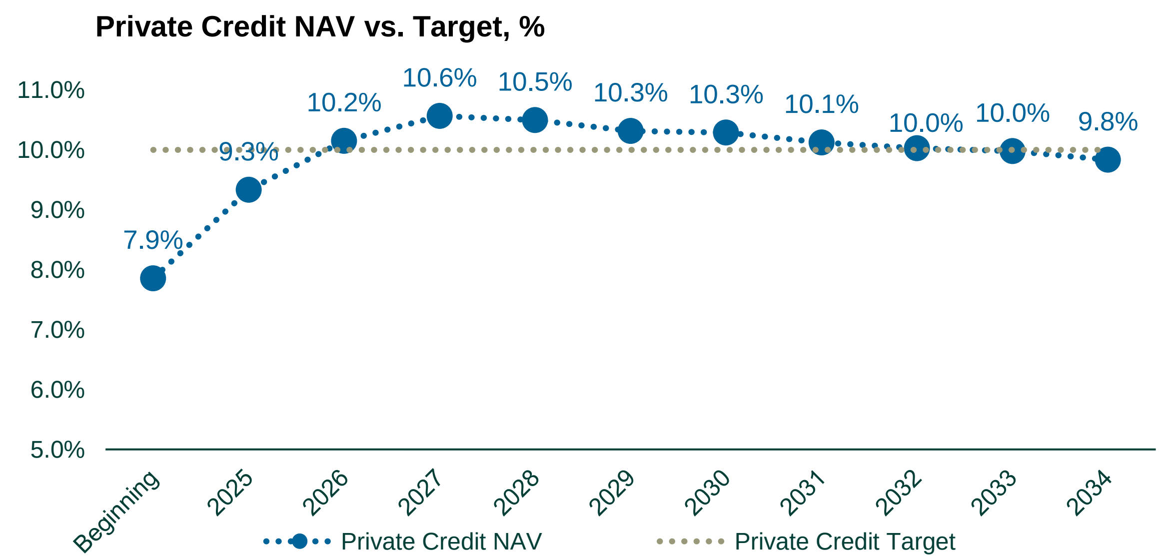
- Commitment pacing has continued to ramp up as EUTF increased the long-term private credit target to 10%.
- EUTF's portfolio is diversified with 56.6% of commitments in yield-yield oriented funds. Commitments in 2024 were to Direct Lending ($100m), Opportunistic ($100m), and Asset-Based Lending ($100m)*.
- Projected annual commitments are expected to range from $350m to $650m over the next ten years with approximately 3 to 6 commitments per year, assuming a $100m average commitment size is maintained. These totals are higher than the year ago projections based on the performance of EUTF's investment portfolio.
- The allocation to private credit is expected to reach the target allocation over the next two years, though this may be impacted by public market volatility.

* Approved in November 2024

Historical & Projected Private Credit Commitments



Projected vs. Target Private Credit Allocation

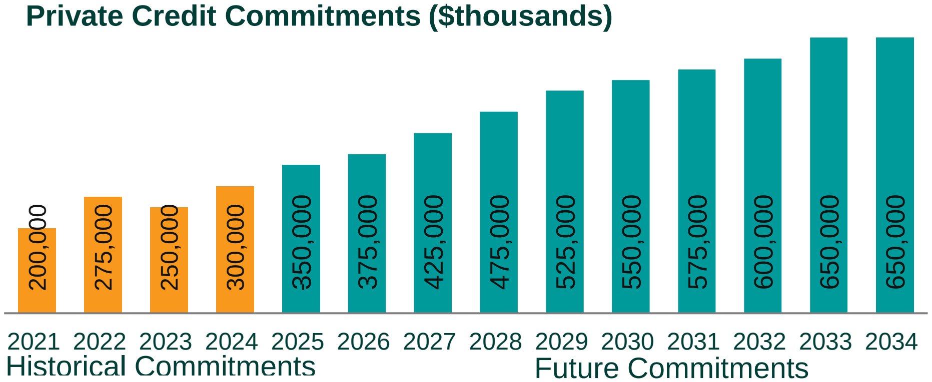


Hawaii EUTF Asset Mix/Pacing Review

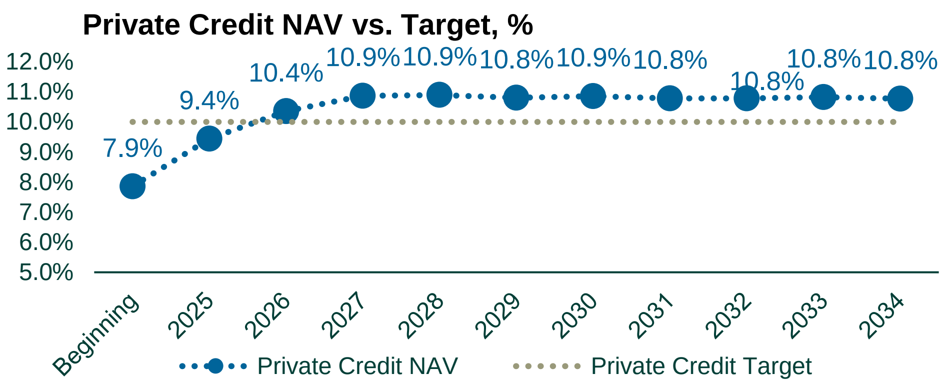
Upside case represents a scenario where the total plan grows slower than the base case, leading to higher allocations to Private Credit. Downside case represents a scenario where total plan grows faster than base case, leading to lower allocations to Private Credit.

10% Target Allocation (Upside Case)

Historical & Projected Private Credit Commitments

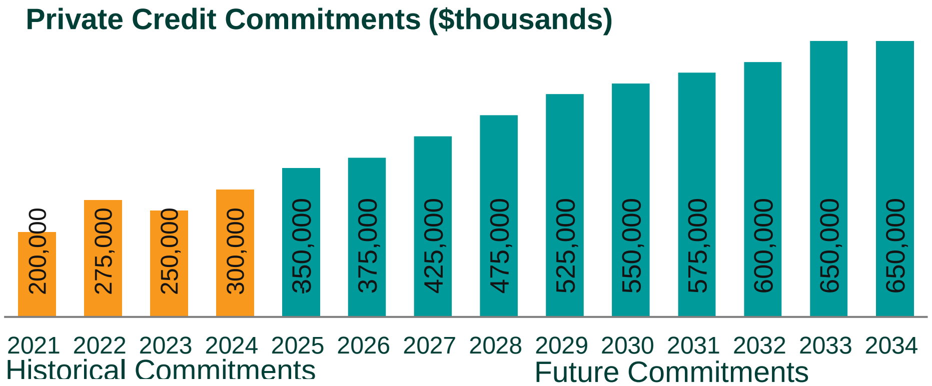


Projected vs. Target Private Credit Allocation

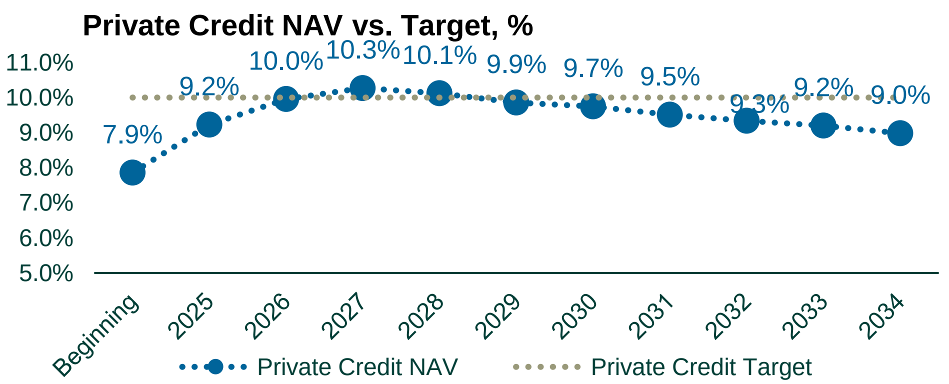


10% Target Allocation (Downside Case)

Historical & Projected Private Credit Commitments



Projected vs. Target Private Credit Allocation



Summary of Hawaii EUTF Pacing Recommendation

10% Target Allocation (Base Case)

Parameters	Pacing
Commitment Target	$350 million per year
Commitment Sizing	Range of $75m to $150m per opportunity; average of $100m.
Number of Investments	3-6 partnerships per year

- Target $350 million in fund commitments for 2025 (10% target allocation).
  - Three to six partnership commitments
  - Commitment amount may vary +/- $50 million per year depending on broader market environment
- Continue to update pacing targets annually.
  - Reflecting most recent market value, cash flow projections, and total portfolio growth.
- Focus on managers with deep resources and ability to navigate through a credit cycle
  - With rising rates and inflation causing volatility, allocating to managers with strong portfolio management teams and restructuring capabilities continues to be key.
- Continue to diversify the portfolio with Opportunistic and Niche strategies
  - Market environment may provide significant opportunities to generate strong risk adjusted returns through Opportunistic and Niche strategies.
  - Diversifying strategies will be targeted for 2025-26

Callan

December 10, 2024

Hawaii Employer-Union Health Benefits Trust Fund (EUTF)

Real Assets Pacing

Avery Robinson, CAIA
Senior Vice President

Aaron C. Quach
Vice President

Real Assets Pacing

Real Assets Program Overview

- EUTF's Real Assets Program was established in 2021
  - Builds on existing Real Estate program established in 2016 with an initial long-term allocation of 10%
    - Real Assets allocation increased to 12% in 2022
    - Current target at 9%, utilizing an evolving target
  - Sub-portfolio targets:
    - 50% Core Real Estate
    - 25% Non-Core Real Estate
    - 25% Infrastructure (split between 50% core and 50% non-core investments)
  - Annual commitment pacing has increased along with target allocation
    - 2022 target was $130 million, for 2 to 3 partnerships, with a commitment range of $30 to $75 million
    - 2023 target was $140 million, for 2 to 3 partnerships, with a commitment range of $40 to $75 million
    - 2024 target was $200 million, for 2 to 4 partnerships, with a commitment range of $50 to $100 million
- On an inception-to-date basis, the program included $953 million of approved commitments[1] ($293 million was unfunded as of June 30, 2024)
  - Market value was $694 million, representing 9% of Total Plan Assets
  - Across ten firms and 12 partnerships
  - Market value as of June 30, 2024: 57% Core Real Estate, 20% Non-Core Real Estate, 23% Infrastructure

Note 1: Includes the $75 million non-core infrastructure commitment to Pantheon Global Infrastructure Fund V that was Board approved after June 30, 2024

Hawaii EUTF Real Assets Commitments

	Core Real Estate			Non-Core Real Estate	Core Infrastructure	Non-Core Infrastructure	
2017	Heitman HART **$72 M**	ASB Allegiance **$95 M**	Morgan Stanley PRIME **$72 M**				
2018			Morgan Stanley PRIME **$55 M**	Blackstone Real Estate Partners IX **$55 M**			
2019			Morgan Stanley PRIME **$40 M**				
2020							
2021				Artemis Fund IV **$70 M**	IFM Global Infrastructure Fund **$50 M**	I Squared Fund III **$50 M**	
2022				Blackstone X **$70 M**		Tiger TIP III **$50 M**	
2023				TA Realty Fund XIII **$75 M**		Pantheon PGIF IV **$50 M**	
2024				Heitman Value Partners VI **$75 M**		Pantheon PGIF V **$75 M**	**$65 M** (in process)

Note: Timing reflects year commitment was made

Growth of Real Assets Program

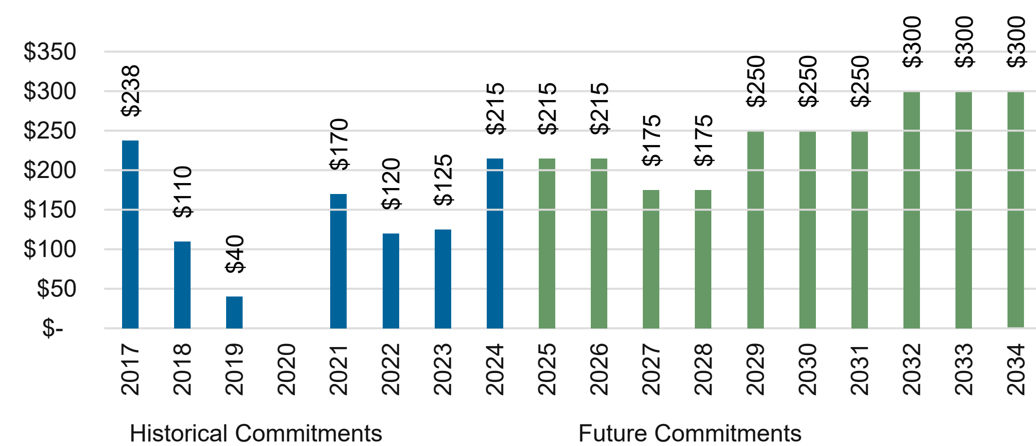
- To achieve/maintain the target allocation over the long term:
  - Maintain exposure to core/core plus real estate and non-core infrastructure
  - Increase exposure to core infrastructure and non-core real estate
  - Maintain vintage year diversification across investment vehicles.
- Growth of the real assets program will be influenced by:
  - Commitment pace;
  - Investment growth;
  - Redemption and investment queue timing for open-end funds;
  - Investment liquidations/distributions; and
  - Market changes that impact size of the Plan, funding and growth rate of the program.
- Pacing to be updated annually to reflect changes in the above.

Hawaii EUTF Pacing Review

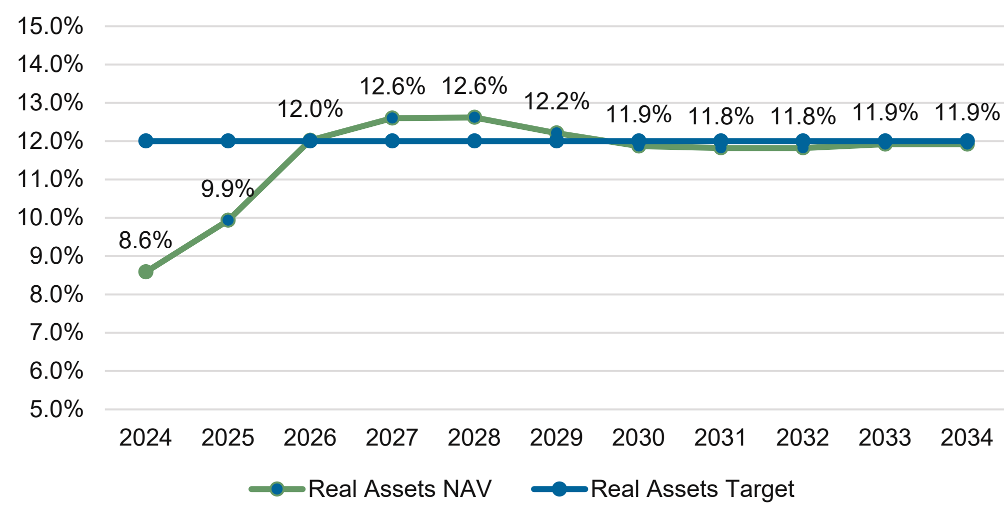
12% Real Assets Target Allocation

- **Summary**
  - Commitment activity to decrease slightly in 2027 and 2028, as higher commitment activity in recent years results in a temporary increase in real assets allocation relative to 12% target
  - Commitment activity to gradually increase thereafter with the growth of the plan
- **Core/Core Plus Real Estate**
  - Implement re-structuring of existing manager line-up
  - Add core/core plus real estate manager in 2026/2027
- **Non-Core Real Estate**
  - Evaluate re-up opportunities with existing managers and selectively consider new manager(s)
- **Infrastructure**
  - Diversify open-end infrastructure exposure by adding complementary manager
  - Maintain exposure to non-core infrastructure by evaluating re-up opportunities with existing managers

Historical & Projected Real Assets Commitments ($ millions)



Projected vs. Target Real Assets Allocation



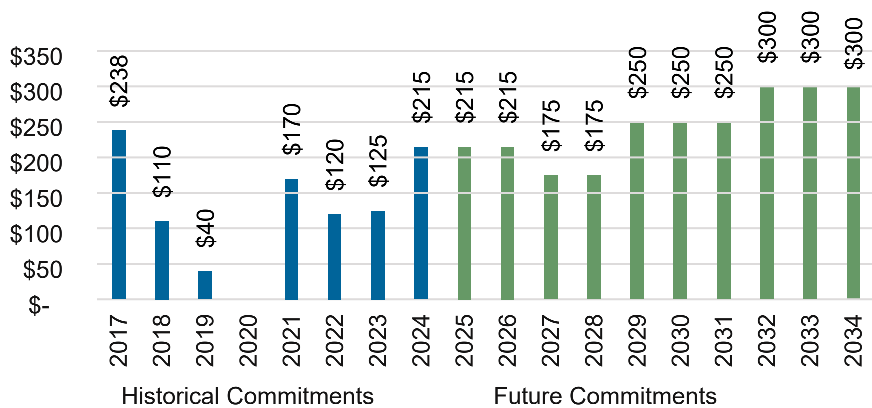
Total plan value as of June 30, 2024. Real Asset values as of June 30, 2024. In USD millions, where applicable. Plan market values and net plan cash flows provided by EUTF.

Hawaii EUTF Asset Mix/Pacing Review

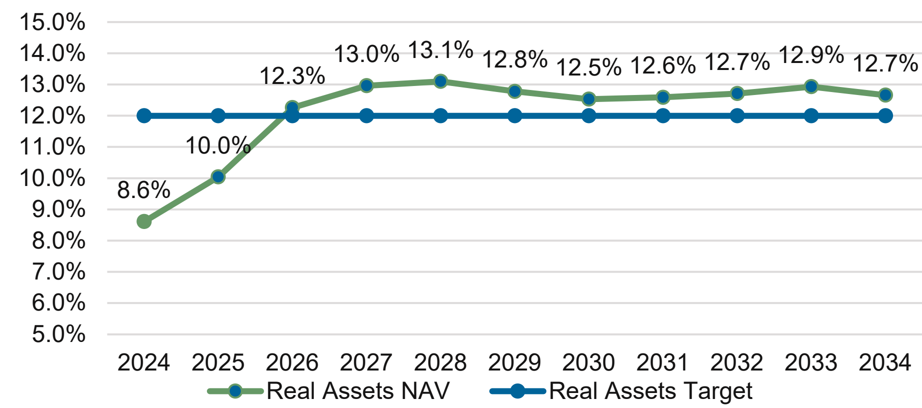
- Upside case represents a scenario where the total plan grows slower than the base case, leading to higher allocations to real assets and downside case represents a scenario where the total plan grows faster than the base case, leading to lower allocations to real assets.

12% Target Allocation (Upside Case*)

Historical & Projected Real Assets Commitments

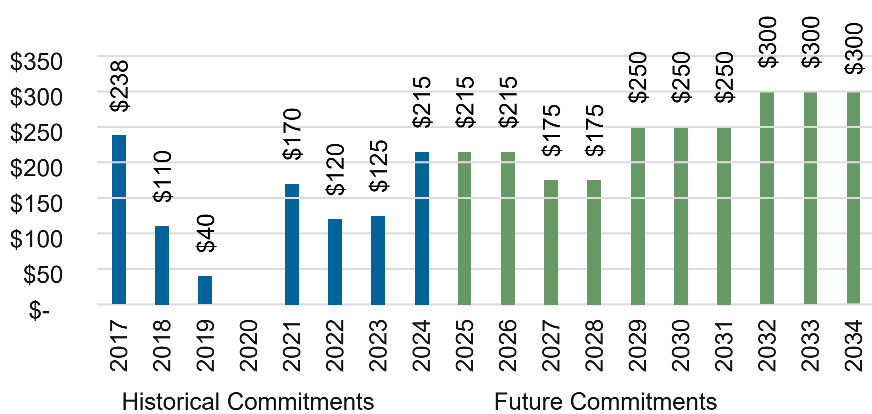


Projected vs. Target Real Assets Allocation

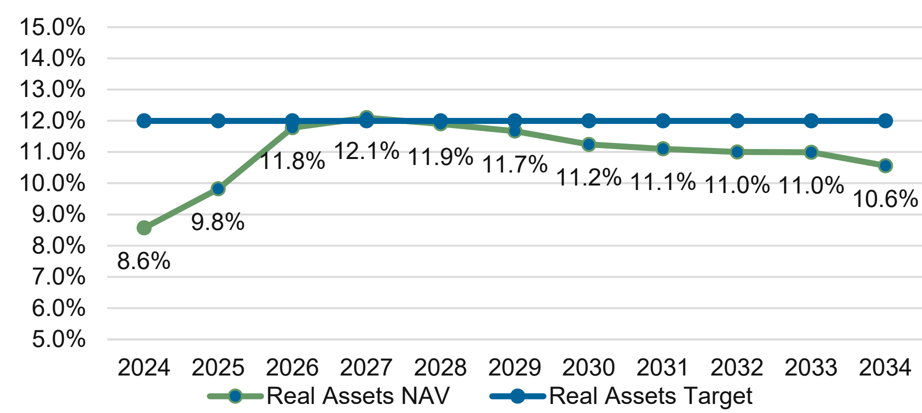


12% Target Allocation (Downside Case*)

Historical & Projected Real Assets Commitments



Projected vs. Target Real Assets Allocation



Summary of Recommendation

	Partnerships
Commitment Target:	$215 million for 2025
Commitment Sizing:	Real estate: $50 to $100 million per opportunity
	Infrastructure: $50 to $75 million per opportunity
Number of Investments:	Two to four commitments per year

- Target $215 million in commitments for 2025, an increase from the 2024 target of $200 million.
  - 2025 activity will include implementing restructuring of core/core plus real estate manager line-up, adding a new open-end infrastructure manager, and potential re-up opportunities in non-core real estate and non-core infrastructure
- Two to four commitments per year depending on opportunity set
  - One to three real estate partnership commitments per year
  - Zero to two infrastructure commitments per year
- Continue to update pacing targets on an annual basis
  - Reflecting most recent cash flow, market value and total portfolio growth

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Past performance is no guarantee of future results.

Performance numbers in this presentation are based on quarterly data collected from Hawaii EUTF investment managers and calculated by Callan beginning in the first quarter of 2022. Quarterly performance history prior to the first quarter of 2022 was calculated and provided to Callan by the previous consultant, Meketa.

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December 10, 2024

TO: Investment Committee

THROUGH: Derek Mizuno, Administrator

FROM: David Okamoto, EUTF Chief Investment Officer

SUBJECT: Investment Policy Statement Revisions

Background
The EUTF Investment Policy Statement (IPS) is reviewed on no less than an annual basis and proposed changes are brought to the Investment Committee and Board for approval. EUTF Staff is recommending the following changes to the Investment Policy Statement. Page numbers reference the redline version of the IPS that has been included in the Committee’s materials.

- Page 7: Modifies the selection process for non-private market managers.
- Page 12: Adds the performance objective for the long-term portion of the EUTF Trust Fund.
- Page 23: Revises the leverage utilization levels for the different sub-strategies within private real assets.
- Page 29: Delegates authority to EUTF Staff to make time sensitive decisions that do not require an additional capital commitment and other administrative matters.
- Page 30- 35: Updates the Strategic Allocation Targets, Ranges, and the Evolving Policy Plan for the OPEB Trust
- Page 35 -36: Updates the Strategic Allocation Targets, Ranges, and the Evolving Policy Plan for the EUTF Trust Fund portfolio.
- Page 37-38: Removes Asset Class Definitions for U.S. Real Estate Securities and U.S. Core Fixed Income as they are no longer applicable.
- Page 51-52: Removes Benchmark Descriptions for Real Estate Investment Trusts, U.S. Investment Grade Bonds, and Bloomberg Barclays Capital US Aggregate Bond Index as they are no longer applicable.
- Page 55-56: Updates the table of Managers and Select Strategies to remove managers and benchmarks that are no longer applicable.

Recommendation
EUTF staff recommends the Investment Committee and Board approve the revised Investment Policy Statement.

Hawaii Employer-Union Health Benefits Trust Fund

Investment Policy Statement

Approved: December~~September~~ 2024~~3~~

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SCOPE & PURPOSE

I. BACKGROUND

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 retiree healthcare benefit payments.

Act 304, Session Laws of Hawaii 2012 ("Act 304"), authorized the Board to create a separate trust fund ("OPEB Trust"). The OPEB Trust was established effective June 30, 2013, specifically for prefunding the participating employers OPEB benefits. As required by Act 304, contributions to the OPEB Trust shall be irrevocable and the assets of the fund shall be dedicated exclusively to providing health and other benefits to retirees and their eligible dependents.

Act 268, Session Laws of Hawaii 2013 ("Act 268") established an Annual Required Contribution ("ARC") equal to (a) the normal cost, plus (b) an amortization payment to fund the unfunded Actuarial accrued liability over a period of no more than thirty years. Moreover, employers were required to start contributing portions of the ARC starting in fiscal year ending June 30, 2015, with 100% of the ARC required from fiscal year ending June 30, 2019.

This Investment Policy Statement ("IPS") 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.

GOVERNANCE

The Governance chapter delineates the roles and responsibilities of the parties that are involved with EUTF's investments as well as the major investment processes. The exception being information pertaining to Private Market Programs which has been segregated into a standalone section under the INVESTMENT OBJECTIVES AND GUIDELINES chapter.

I. 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:

1. Implementing directives of the Board;
2. 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;
3. Recommending an appropriate strategic allocation for the EUTF that complies with all State and Federal regulations;
4. Recommending the selection and delegation of investment responsibilities to qualified investment managers ("Managers");
5. Recommending the percent of assets to be managed by each Manager;
6. Monitoring and reviewing the investment performance of the Managers on a recurring basis to determine achievement of goals and compliance with this IPS;
7. Advising the Board on retention or termination of Managers; and
8. Recommending to the Board on the selection of general investment consultants ("General Consultant") and private market specialty consultants ("Specialty Consultants") as necessary.

B. EUTF Staff

EUTF staff ("Staff") shall:

1. Maintain daily oversight of the portfolio, balances, and cash flows;
2. Implement portfolio rebalancing and transition activities according to policies;
3. Collaborate with the broader industry (e.g., managers, consultants, vendors, etc.) for the continual improvement of overseen investment portfolios;
4. Facilitate all elements of contracting and account opening/closing for Managers hired/terminated by the Board;
5. Conduct research for improving investment performance and operational efficiencies; and
6. Provide independent evaluation of Managers.

C. General Consultant

The General Consultant shall:

1. Provide independent and unbiased information to the Investment Committee;
2. Assist in the development and amendment of this IPS;
3. Assist in the establishment of strategic allocation targets;

4. Assist in the development of performance measurement standards;
5. Report periodic investment performance results and risk characteristics of the EUTF's investments to the Investment Committee;
6. Monitor and evaluate Manager performance on an ongoing basis; and
7. Conduct due diligence on the EUTF's current and prospective Managers.

D. Specialty Consultants

The Specialty Consultants pertain to EUTF's private market programs. See details under Private Market Programs.

E. 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 acknowledges that the investment guidelines defined in the governing documents for these investments shall preside over those outlined in this IPS. Managers of EUTF separate account investments, if any, will be subject to the investment guidelines contained in Appendix III and in the respective investment management agreements with the EUTF. It is expected that the EUTF's Managers will:

1. Exercise full investment discretion over the assets in their care, custody, and/or control consistent with the presiding investment guidelines set forth;
2. Be directly responsible for determining and implementing investment strategy in accordance with the mandate for which they were hired;
3. Be responsible for seeking best execution of trades related to the portfolios they manage;
4. Provide periodic performance evaluation reports that comply with the Global Investment Performance Standards ("GIPS") issued by the CFA Institute;
5. Promptly communicate to the EUTF any material organizational changes;
6. Shall promptly vote all proxies and related actions consistent with the interests of the EUTF (or those of their commingled fund investors if appropriate); and
7. In the case of separate account managers, acknowledge and agree in writing to their fiduciary responsibility with respect to EUTF assets.

F. Custodian Bank

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

1. Fulfilling all the regular duties of a custodian as required by applicable state and Federal laws (as further defined in the custodial services agreement);
2. Receiving all contributions and paying all withdrawals from the EUTF as directed in proper instructions;
3. Safekeeping of assets, timely settlement of securities transactions, timely crediting of all income and principal realizable by the EUTF, and the daily sweep of excess cash from manager accounts into a suitable cash management vehicle;
4. 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; and

Distributing promptly to the Committees or their designees all proxy materials or other corporate actions received by the Custodian relating to EUTF's investments in mutual funds or commingled funds.

II. PROCESS

A. IPS update

The IPS reflects the overarching policies for investing the assets that are overseen by the Board. Changes to the IPS require Board approval. Staff updates the IPS to reflect any Board-approved items (e.g., strategic asset allocation changes, benchmarks, etc.).

B. Asset allocation

The strategic allocation of the EUTF's investment portfolios will be explicitly reviewed every two-to-four years or after material changes in the global capital markets. Staff and/or the General Consultant will provide analyses and recommendations to the Board that includes:

1. Long-term capital market assumptions (e.g., expected returns, volatilities, and correlations or other co-movement metrics);
2. Modeling methodology;
3. Overview of liabilities and their potential inclusion in the modeling process;
4. New strategies for potential inclusion and/or strategies to be removed from consideration; and
5. Portfolios for consideration, including the level at which decisions are recommended to be made (e.g., strategic class, asset class, sub-strategy, etc.).

Depending on the utilized methodology, the Board may also seek to review forms of stress testing and scenario analysis, where applicable.

The final portfolio selection should be based on a multi-faceted view of system risk. The selected portfolio is not required to achieve the assumed rate of return, but any material deviation from that target required justification and documentation.

In years where a comprehensive strategic allocation review is not conducted, the current policy portfolio will be examined under updated capital market assumptions in order to assess its current positioning.

C. Hiring and termination of General and Specialty Consultants

General and Specialty Consultants (collectively "Consultants") are retained by the Board as independent fiduciaries. The Consultants work for the Board and with the Staff. The Board has delegated the recommendation process for the Consultants to the Investment Committee. While the Consultants ultimately works for the Board, it is expected that the Staff will be involved in the selection and termination process. The Investment Committee, along with Staff, shall follow the prevailing procurement requirements when selecting Consultants. Consultants may be hired to provide the requested services on a retainer contract or project basis, depending on the needs of the EUTF. Similar to any other vendor contract, the relationship with the Consultants can be terminated with or without cause subject to the contractually agreed parameters.

D. Selection and termination of managers

All Manager searches excluding private markets shall be conducted by Staff and the General Consultant.

The first step shall involve the establishment of criteria that aligns with the mandate's role in the portfolio as well as firm characteristics that reflect an appropriate level of institutional investment service. To originate the search, Staff and/or the General Consultant may utilize a multitude of avenues, including a request-for-information ("RFI") /request-for-proposal ("RFP") or leveraging internal databases/sourcing mechanisms, among others. The mechanism by which the search is conducted will be documented for the Board. The selection of Managers is exempted from standard procurement rule by Hawaii Revised Statue 103D-209.

Staff and/or consultant shall devise a ranking system to evaluate relevant candidates. Their objective shall be to narrow the field to several firms for in-depth review and the recommendation of a finalist for selection by the Investment Committee and Board. The finalist~~s~~ will~~may~~ then be scheduled for an Investment Committee presentation~~s~~. If multiple managers are recommended for the same mandate, each manager will be presented to the Investment Committee. Following the Investment Committee/Board's selection, Staff shall negotiate final terms and conditions with the chosen manager and complete the review and negotiation of all appropriate contracts and agreements.

As part of the manager search process, and prior to executing a contract, onsite due diligence visits may be deemed prudent. These visits can be conducted by Staff, General Consultant, or a combination thereof. Furthermore, these visits may be conducted with the entire ~~–~~finalist group or the selected manager(s). Justification for onsite due diligence visits will be presented (verbally or written) to the Investment Committee/Board based on each individual manager/mandate and will generally be based on the complexity of the strategy and the amount of time that has elapsed since Staff or the General Consultant last conducted an onsite visit at the given manager. The Investment Committee/Board maintains the final authority on determining if an onsite due diligence visit is necessary.

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.

E. Benchmarking and evaluation

The Board seeks to utilize benchmarks that most closely reflect the Portfolio's investment structure and underlying investment approaches. Staff, in consultation with the General Consultant, shall change the EUTF's investment benchmarks in order to align the benchmarks with portfolio transition activity, such as changes in the Portfolio that reflect the EUTF's Evolving Policy Plan. These benchmark updates may occur at the total portfolio, strategic class, sub-strategic class, or manager levels, and will primarily consist of weighting changes to the EUTF's blended benchmarks. For benchmark changes that do not reflect portfolio transition activity, such as changes to a manager's benchmark, Staff and the General Consultant must obtain Board approval. Furthermore, Staff and the General Consultant must obtain Board approval for benchmarks whenever a new manager, strategy, or class is first introduced to the Portfolio.

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 Appendix V. Performance will be measured and analyzed quarterly. Evaluation will take into consideration both rates of return and volatility of returns.

F. Monitoring

The monitoring of EUTF's Managers is critical because it is part of the fiduciary responsibility of the Board on behalf of EUTF plan participants and beneficiaries. As the fiduciary for EUTF, the Board is responsible for determining when and whether certain factors may be detrimentally impacting a Manager's ability to invest on behalf of EUTF. Monitoring is conducted by Staff and the General Consultant on an ongoing basis. Moreover, Staff and the General Consultant provide reporting to the Board whenever findings are deemed to be material. Findings may be reported in memorandums, official performance reports, or during verbal comments.

As part of its ongoing fiduciary responsibilities, EUTF and its General Consultant should regularly review several aspects of a Manager's strategy as well as overall operations, management, and practices. Key factors include, but are not limited to:

- Performance analysis and decomposition relative to benchmarks, factors, and/or peers;
- Compliance with the guidelines agreed upon for management of the EUTF portfolio;
- Review of the investment manager(s) investment strategy and style and evolution thereof;
- Review of portfolio activity;
- Risk profile relative to the portfolio's benchmark, factors, and broad market environment;
- Review of organizational structure;
- Stability of investment manager personnel and organization;
- Review of investment manager contractual obligations to EUTF (including management fees);
- Regulatory examinations and findings; evidence of illegal or unethical behavior by the investment management firm; and
- Client service events and trends.

As part of the periodic monitoring process, it is necessary to conduct routine onsite due diligence meetings with the EUTF's retained managers. These meetings can be conducted by Staff, General Consultant, or a combination thereof. The following framework provides a general outline for routine due diligence schedules:

- Passive managers (including enhanced-index) = every four-five years
- Active managers (liquid portfolio) = every two-three years
- Private Market managers = every three-four years

On an annual basis, staff shall provide a memorandum for approval by the Investment Committee/Board that details the planned routine onsite due diligence visits over the next twelve months. If an onsite meeting is determined by Staff and/or the applicable Consultant to not be needed, this will be documented in the memorandum.

In lieu of visits with private markets managers, staff may conduct an onsite due diligence meeting with the applicable Specialty ~~General~~ Consultant ~~in order to~~to review the monitoring process and activity of the underlying managers.

G. Watch Status

An investment manager/portfolio attains watch status if at least one of two events occurs: (i) poor performance relative to a manager's benchmark (see Appendix V) or (ii) organizational changes/concerns. The Board then approves or disapproves the recommendation. If the Board approves the recommendation to place a specific Manager on watch status, Staff will issue a formal notification to the 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 Manager on watch;
- Reason(s) for placing the 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 takes to begin transitioning from one Manager to an alternative Manager. Second, it allows the Manager on watch status time to take any corrective action (or justify its changing condition) before the Board elects to terminate its existing relationship with the Manager.

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

As a result of being placed on watch status, it may be deemed prudent to conduct an onsite due diligence review meeting. This review meeting shall be conducted by staff, General Consultant, or a combination thereof. The decision to conduct an onsite due diligence review meeting shall be part of the official watch status recommendation memo.

1. Release from Watch Status

Managers that show indications of an improvement, as reviewed by the General Consultant and determined by the Board, 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 a Manager from watch status, the Board must formally take action to do so.

2. Replacement / Termination

To terminate and/or replace a Manager, the Board must formally take action to do so. This action should be supported by documentation (produced by Staff and/or General Consultant). 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.

H. Rebalancing

The Board has a policy of rebalancing the Portfolio when actual strategic allocations fall outside of the strategic class ranges. Subject to market conditions, portfolio rebalancing shall be executed by Staff on a systematic basis when strategic allocations fall outside of the strategic class ranges. In order to minimize transaction costs and operational risks, EUTF cash flows, such as contributions received or benefits paid, will be the primary mechanism used to achieve rebalancing objectives when strategic allocations are not at the targets but are not outside the strategic class ranges. Staff shall have the authority to rebalance towards strategic allocation targets without cash flows and when actual allocations are not outside of the strategic class ranges if the intent is to reduce overall portfolio risk.

I. Hiring and termination of Custodian

All Custodian searches shall be conducted by Staff and the General Consultant. The General Consultant will issue an RFI or RFP reflecting the appropriate criteria in consideration for EUTF's investment and accounting needs, as well as industry best practices. Staff and/or the General Consultant will evaluate the responses and make recommendation to the Board for selection. Once approved, Staff will execute necessary contracts.

INVESTMENT OBJECTIVES AND GUIDELINES

I. 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. 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 long-term investment portfolio or OPEB Trust has an actuarially assumed rate of return of 7.0%. The Reserves are further divided to allow for the investment of EUTF Trust Funds and does not possess an assumed rate of return, as liquidity is the primary objective with a positive real return as a secondary objective.

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:

A. EUTF Long-term Investment Portfolio (OPEB Trust)

1. The total return of the EUTF's long-term investment portfolio over a market cycle seeks a long-term return of 7.0% or more.
2. The total return of the EUTF Portfolio over a market cycle is expected to match or exceed the return of a custom benchmark (see composition in quarterly Strategic Performance Report).

B. EUTF Trust Fund

1. Components/strategies within the Trust Fund portfolio will be compared against their relevant indices. Considering their passive orientation, they are expected to match the performance of their relevant indices.
2. The portfolio contains two sub-components that are constructed for the respective purposes of short-term and long-term investments.
   - i. The long-term component of the EUTF Trust Fund should be based on the following objectives/constraints:
     - a. Maximize return subject to:
       - i. The Investment Committee and Board's risk tolerance
       - ~~2.~~ii. 90% probability of exceeding inflation, as measured by the CPI-All Urban Consumers (unadjusted) index or equivalent, over ten years
3. The overall Trust Fund portfolio does not have an aggregate benchmark, but the overarching goal is to maintain purchasing power (i.e., outpace inflation) over time with a conservative risk posture.

II. INVESTMENT BELIEFS AND PHILOSOPHY

EUTF's key investment beliefs are as follows:

1. We are a long-term investor;
2. We focus on risk in our decision-making process;

3. We focus on strategic asset allocation and do not take tactical bets;
4. We believe in diversification and diversify by exposure, not just in name;
5. We acknowledge market efficiency and embrace passive investing in most situations;
6. We recognize the long-run impact of cost and seek to reduce cost strategically; and
7. All else equal, we prefer simplicity over complexity.

III. RISK TOLERANCE AND MANAGEMENT

The major risk facing the EUTF is any impairment to investment assets that would jeopardize the ability to fulfill liabilities (i.e., promised benefits). While the ability to meet these obligations is dependent on both cash-flows (i.e., contributions into OPEB) and investment performance, only one of those segments is directly applicable to this document.

The strategic asset allocation of a given EUTF investment portfolio should be designed to generate the required investment return in as smooth of a pattern as possible. Additionally, the EUTF needs to maintain an appropriate level of liquidity in order to pay benefits when required. The aggregate risk postures of the investment portfolios will reflect Board preferences, the global capital market environment, and the assumed actuarial return targets. These items are interrelated and do not exist in isolation.

As a long-term investor, the EUTF's approach to investment risk tolerance and management is focused on outliers and exceptions. Additionally, the Board recognizes the design of an investment portfolio to achieve a certain level of return requires the acceptance of risk. As part of all strategic asset allocation reviews, the selected portfolio will possess various expectations for volatility of returns, market exposures, and worst-case drawdowns, among other metrics. As the global capital markets unfold, Staff and the General Consultant are required to report any material deviations that are exhibited or are expected to be exhibited by the various portfolios. Additionally, during Staff/Consultant annual analysis of expected returns, it is expected that the report will include an overview of major portfolio risks with a focus on deviations from expectations.

Primary mechanisms to manage risk:

- Rebalancing to policy targets.
- Abiding by private markets pacing plans.
- Staff/Consultant ongoing monitoring of capital markets and potential impacts to the EUTF's investment portfolios.
- Diversification across risk premia, regions, and macroeconomic risk factors.

IV. GUIDELINES

A. 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 Hawaiʻi, 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 Hawaiʻi 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 Hawaiʻi and on the state economy. The Board shall report annually to the legislature on any Hawaiʻi venture capital investments it has made; provided that if the Board determines it is not prudent to invest in any Hawaiʻi 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 Hawaiʻi 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]

B. Manager Guidelines

For external 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 Appendix III, as well as in accordance with any applicable investment management agreement (contract).

For external 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 General 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.

V. PRIVATE MARKET PROGRAMS

A. Introduction

In accordance with EUTF's investment objective, the Board has adopted allocations to illiquid and private market strategies that are actively managed by Specialty Consultants. The allocation consists of three separate programs: Private Equity, Private Credit, and Real Assets. Descriptions of each program's objective and parameters are detailed below, followed by policies that are applicable across all private market programs.

B. Private Equity Program

Overview

The Private Equity Program ("PE Program") is a portfolio that invests in assets with the aim of achieving a total rate of return superior to public equity investments. 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/Growth 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.
- **Other** (e.g. Special Situations/Opportunistic, Distressed Debt) – 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. Distressed Debt invests in non-investment grade privately placed debt securities. Common sub-strategies include distressed-for-control and non-control/trading, with opportunities expected to emphasize control-oriented transactions.

Objective and Parameters

The strategic objective of the PE 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.

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

1. The PE 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 PE Program performance benchmark shall be the **Russell 3000 Index plus 3%** net of fees and expenses. Use of the Russell 3000 Index reflects the opportunity cost of investing in private equity versus publicly traded common stocks.

   - For quarterly asset class reporting, performance data will be presented on an internal rate of return ("IRR") and multiple of invested capital ("MOIC") basis.
   - For quarterly total fund reporting, performance data will be presented on a time-weighted total return basis, on a best available basis but to be lagged no more than 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 following reflect the long-term ranges and targets that the PE 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.

Market Segment	Range	Target
Buyout	40-80%	60%
Venture/Growth Capital	10-30%	20%
Other (Special Situations, Distressed Debt, etc.)	10-30%	20%
Total	---	100%

3. Diversification within the PE 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/Growth Capital, 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.
- **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 area will not impact a disproportionate share of the PE Program.

C. Private Credit Program

Overview

The Private Credit Program ("PC Program") is a portfolio that invests in assets with the aim of achieving an absolute return superior to public credit investments. This portfolio may utilize a variety of investment structures including Limited Partnership Interest, co-investments, separate accounts or fund of one structures to invest in a variety of debt investments that fall outside of the portfolios of public equities, traditional fixed income, real assets and private equity that are managed elsewhere in EUTF's portfolio. The types of private credit include, but are not limited to, investments in direct lending, specialty lending, asset-based lending, structured credit, non-control distressed, non-performing loans, mortgage credit and capital solutions.

The following collateral-based credit strategies and investment types will be considered eligible for the PC Program and are broadly categorized as Yield-Oriented and Opportunistic Distressed with the former relating to strategies that are income focused (i.e., generate the majority of their return through yield) and the latter relating to strategies that are focused on monetizing a discount (i.e., generate the majority of their return through capital appreciation). Some credit sub-strategies and investment types include both Yield-Oriented and Opportunistic Distressed.

- **Corporate Credit** – Strategies investing in semi-liquid corporate credit across the capital structure as well as direct origination strategies. Investment instruments and/or strategies include but are not limited to the purchase and/or origination across the capital structure of directly originated leveraged loans, narrowly syndicated private debt ("club deals"), capital solutions, non-control distressed, non- performing loans ("NPLs") and convertibles.
- **Mortgage Credit** – Strategies investing in semi-liquid mortgage credit as well as direct origination. Investment instruments and/or strategies include but are not limited to the purchase and/or origination of legacy non-agency residential mortgage- backed securities, asset backed securities ("ABS"), agency risk transfer, Fannie Mae/Freddie preferreds, non-qualified mortgage origination, re-performing loans, legacy commercial mortgage-backed securities ("CMBS"), commercial real estate ("CRE"), credit tenant leases, NPLs, distressed commercial real estate, and bridge financings.
- **Specialty Finance** – Strategies investing in specialty finance as well as direct origination. Investment instruments and/or strategies include but are not limited to the purchase and/or origination of marketplace lending, equipment leasing, consumer loans, student loans, auto loans, aircraft finance, litigation finance, clean energy and regulatory capital relief. Loans may be directly originated loans to specialty finance borrowers (i.e., non-bank lenders) and/or include the direct origination of asset-based loans.
- **Structured Credit** – Strategies investing in structured as well as direct origination. Investment instruments and/or strategies include but are not limited to the purchase and/or origination of Collateralized Loan Obligation ("CLO") debt, CLO equity and private ABS.

Objective and Parameters

The strategic objective of the PC Program is to develop a diversified private credit portfolio capable of achieving investment returns commensurate with the program targets. Private Credit generates returns higher than the public credit markets while providing downside protection. Private credit investments offer the benefits of higher expected long-term returns than those expected for marketable credit securities while providing diversification. Participation in this opportunity set, however, involves trade-offs including illiquidity, higher fees and management and operational costs, extensive due diligence, complexity, potential for zero to negative return in the portfolio's early life, and uncertainty of capital deployment.

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

1. The PC Program performance benchmark shall be the **S&P/Loan Syndications and Trading Associations ("LSTA") Leveraged Loan Index plus 2%** net of fees and expenses.
    - For quarterly asset class reporting, performance data will be presented on an internal rate of return ("IRR") and multiple of invested capital ("MOIC") basis.
    - For quarterly total fund reporting, performance data will be presented on a time-weighted total return basis, on a best available basis but to be lagged no more than 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 following reflect the long-term ranges and targets that the PC 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.

Strategy Groups	Range	Target
Yield-Oriented	50-100%	65%
Opportunistic Distressed	0-50%	35%
Total	---	100%

3. Diversification within the PC 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.

    - **Collateral Type** – Collateral types include but are not limited to corporate, mortgage, consumer, commercial real estate and asset-based (hard and soft).
    - **Market Segment –** The market segments are defined as Yield-Oriented and Opportunistic Distressed.
    - **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.
    - **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. The Program is expected to be global in composition.

- **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 area will not impact a disproportionate share of the PC Program.

D. Real Assets Program

Overview

The Real Assets Program ("RA Program") is a portfolio that invests in assets with the aim of providing the total portfolio with a mix of income, capital appreciation, inflation protection, and diversification. This portfolio can access real assets through privately held partnership interests, limited liability company, fund of funds, co-investments, and joint venture partnerships in the following market segments:

- **Core Real Estate** – 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;
  - Quality construction and design features;
  - Reasonable assurance of a broad pool of potential purchasers upon disposition; and
  - Investments structures using all cash or limited leverage.
- **Non-Core Real Estate** – Private value add and opportunistic real estate investments that seek to generate additional return through one or more value creation strategies, including but not limited to development and/or redevelopment, repositioning and/or repurposing, and lease-up. Non-core investments are expected to be held for shorter periods, have greater volatility compared to Core investments, and as such, are expected to provide yields higher than those associated with Core investments. Non-core real estate investments may also include land, operating companies, distressed debt, and other specialized investments.
- **Infrastructure** – A mix of existing, substantially operational, income-producing assets and development assets. Located principally in North America, Western Europe, and other Organization for Economic Cooperation and Development (OECD) countries. Infrastructure investments will generally have the following characteristics:
  - Existing assets, facilities, and networks that demonstrate predictable income flows with a significant proportion of anticipated total return arising from current income and cash flow;
  - Greenfield development and/or construction not associated with refurbishment, rehabilitation, or expansion of existing investments;
  - Mature, essential, and/or monopolistic businesses with strong regulatory and legal frameworks;
  - Stable operating and service agreements with appropriately credit-worthy counterparties;
  - Direct or indirect inflation-linked revenues, via concession agreement, regulatory regime, or other mechanism; and
  - Reasonable assurance of a competitive pool of potential purchasers upon disposition.

Objective and Parameters

The strategic objective of the RA Program is to develop diversified real estate and infrastructure portfolios capable of achieving investment returns commensurate with program targets. Real assets have a lower correlation to other investment classes and therefore can contribute to reducing the risk and enhancing the returns of the total portfolio.

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

1. The RA Program shall be invested to provide stable income returns, capital appreciation, inflation protection, and diversification from equity risk.

2. The RA Program is expected to generate a total rate of return, net of investment management fees, that equals or exceeds the NAV-weighted targets for the respective Core Real Estate, Non-Core Real Estate and Infrastructure portfolios. The RA Program benchmark shall be blended between the three market segments. The Core Real Estate benchmark shall be the **NFI-Open-End Diversified Core Equity (NFI-ODCE)**, the Non-C~~c~~ore Real Estate benchmark shall be the **NFI-ODCE plus 2%** net of fees and expenses, and the Infrastructure shall be the **Consumer Price Index (CPI) plus 3%** net fees and expenses.
   - For quarterly asset class reporting, performance data will be presented on an internal rate of return ("IRR") and multiple of invested capital ("MOIC") basis.
   - For quarterly total fund reporting, performance data will be presented on a time-weighted total return basis, on a best available basis but to be lagged no more than 90 days.

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

3. The RA Program is expected to have the following long-term portfolio target allocations. During the early stages of the Program, it is anticipated that the Program's actual allocations to these portfolios will fluctuate initially. The target and range may change over time as conditions warrant, as addressed in the Investment Plan.

Market Segment	Range	Target
Core Real Estate	30-70%	50%
Non-core Real Estate	5-45%	25%
Infrastructure	5-45%	25%
Total	---	100%

4. Real assets investing generally involves the use ~~typically utilizes moderate amounts~~ of leverage ~~in order to~~to enhance yields of the various investments and/or facilitate the diversification of the portfolio. When selecting new managers, EUTF will target strategies that may utilize leverage: ~~The leverage constrains for each of the market segment is as follows:~~

- Core Real Estate: up to 5~~4~~0% loan to value ~~maximum~~
- Non-Core Real Estate: up to -80~~65~~% loan to value ~~maximum~~
- Infrastructure: up to 75~~60~~% loan to value ~~maximum~~

5. Diversification within the RA 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.
   - **Industry Sector** – The Portfolio should comprise multiple sectors and sub-sectors, including for example, but not limited to communications, energy, power, renewables, social, transportation, and utilities.
   - **Property Type** – Property types may include traditional property types like multifamily, industrial, office, and retail, as well as specialty property types such as hotels, seniors housing, student housing, medical office, self-storage, data centers and others that require specialized management skills and operating business expertise.
   - **Property Life Cycle** – Property life cycle is described by four primary phases, including pre-development, development/re-development, lease-up, and stabilization.
   - **Geographic Location** – The Portfolio is expected to invest globally, focusing on assets in North America, Western Europe, and other OECD countries in Latin America, and the Asia-Pacific region.
   - **Revenue Models and Regulatory Regimes** – The Portfolio should seek revenue exposure across a variety of contract types, that are generally long-dated consistent with the asset life and/or services provided, and without concentration in individual or categorical counterparties.
   - **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 area will not impact a disproportionate share of each of the RA Program.

E. Guidelines Applicable to All Private Market Programs

Approaches and Parameters

1. Strategy for each private market program 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.

2. Each 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

3. 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.

4. Each Program will be exposed to specific risk parameters that are associated with investing in private markets, including, but not limited to:
   - Operating and Business Risk: Certain private market investments entail above average operating and business risk.
   - Liquidity Risk: Private market investments lack liquidity with time horizons typically ranging from 5-to-10 years depending on strategy and vehicle. Secondary markets for such investments are limited; and, only certain strategies offer 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.
   - Capital Deployment Risk: Pace of capital deployment will vary by partnerships and commitments may not be fully deployed.
   - Credit Risk: Where credit is involved, there may be the risk of default.

Responsibilities and Delegation

1. The Investment Committee/Board shall:
   - Approve and amend the Private Market Guidelines as necessary;
   - Approve all potential investment opportunities;
   - Review the Investment Plan annually;
   - Oversee program performance periodically;
   - Act in a fiduciary capacity in the exercise of its duties; and
   - Delegate authority as appropriate.

2. Staff shall:
   - Manage day-to-day operations;
   - Coordinate program level initiatives and activities;
   - Complement S~~s~~pecialty C~~c~~onsultants' efforts in deal flow management and sourcing opportunities;
   - Collaborate with private market consultants in conducting due diligence and making recommendations to the Investment Committee/Board and on-going monitoring and reporting;
   - Provide independent evaluation of investment opportunities;
   - Direct the negotiation of terms; and
   - Execute agreements.

3. Specialty Consultants 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 Market Guidelines for each 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; and
- Performance monitoring and reporting.

Co-Investment

1. A Co-investment is an investment made alongside general partners in underlying assets and securities, with lower management fees and carried interest.

2. Co-investments can be accessed directly through a general partner on a deal-by-deal basis or via a blind pool fund. Co-investments through a blind pool fund shall be handled in the same way as primary partnership funds, requiring Investment Committee/Board's approval.

3. For direct, deal-by-deal co-investments, based on the timing of co-investment commitments, the approval decision shall be completed following a positive written recommendation both by the appropriate Specialty Consultant and the Chief Investment Officer with the investment decision delegated to the Chief Investment Officer within established pacing targets and portfolio construction guidelines. For clarity, co-investment as discussed here does not include investing additional money into an existing co-investment due to work-out situations.

4. Subsequent written notification shall be provided to the Investment Committee and Board.

5. Co-investments will be made:
    - Within commitment pacing and transaction sizing targets established annually as part of a Private Market Program's Investment Plan;
    - Only with existing relationships in the portfolio, alongside investment vehicles that EUTF is currently invested;
    - In sectors, industries, geographies, and transaction types predetermined to be within the general partner's specific area of expertise; and
    - On the same, or better, terms and conditions as provided to the limited partnership that is investing in the same transaction.

Investment Considerations

1. The following requirements shall apply for all potential private market 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 EUTF's IPS, 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; and
- Adherence to Environmental, Social and Governance (ESG) and Socially Responsible Investing (SRI) practices.

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, or a virtual visit in unique and rare circumstances where onsite visit is not feasible;
   - 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; and
   - 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 positive written recommendations prepared independently by both the program S~~s~~pecialty C~~c~~onsultant and 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 S~~s~~pecialty C~~c~~onsultants shall monitor the individual partnerships and each program as a whole. Monitoring includes diversification across private market investment segments to assure an appropriate mix to reduce aggregate program risk.

   The following types of diversification shall be monitored, including, but not limited to:
   - Segment and Stage of Investment;
   - Manager diversification;
   - Geographic diversification; and
   - Vintage diversification

3. Performance of the private market 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 S~~s~~pecialty C~~c~~onsultants will prepare and present performance report for each program on a quarterly basis. The performance report will provide information on portfolio diversification, partnership performance, and committed and funded status.

VI. OTHER CONSIDERATIONS

A. 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, limited partnerships, etc.) 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.

B. Proxy Voting

The EUTF has a fiduciary responsibility to act solely in the interest of its members and beneficiaries. Therefore, Managers voting proxies for the EUTF will do so with the primary goal of maintaining or furthering 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.

C. 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 principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

~~6.~~

D. Delegation of Authority for Time Sensitive Matters

The Investment Committee/Board has delegated authority to EUTF Staff to make time sensitive decisions that do not require an additional capital commitment and transaction values are less than 75% of EUTF's original commitment. Such decisions may include, but are not limited to, participation in continuation funds and bridge funds. EUTF Staff will also have authority over fund administrative matters including Limited Partnership Agreement amendments and Limited Partnership Advisory Committee consents. Decisions regarding continuation funds and bridge funds will be made with the concurrence of the respective private market consultant and reported to the Investment Committee and Board.

APPENDIX

I. STRATEGIC ALLOCATION DETAILS

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, the General Consultant and Staff, 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 implements its strategic allocation policy through the use of full discretion Managers who invest the assets of the portfolios assigned to them, subject to specific investment guidelines provided by the Board (e.g., separate accounts) or provided by the fund's governing documents (e.g., commingled funds).

The Board approves changes to the Strategic Allocation every two-to-three years.

A. Long-term Investment Portfolio

1. Strategic Allocation

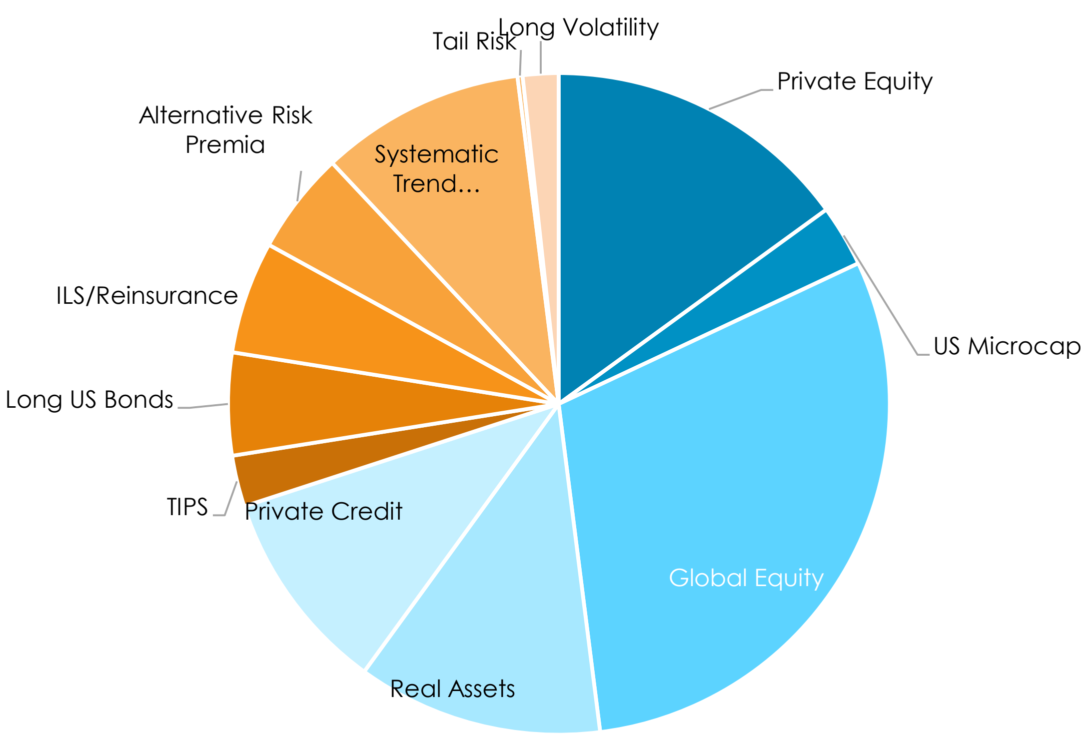
In May~~November~~ 2024~~2~~, the Board approved new long-term strategic allocation targets. The high-level risk-based allocation targets are as follows:

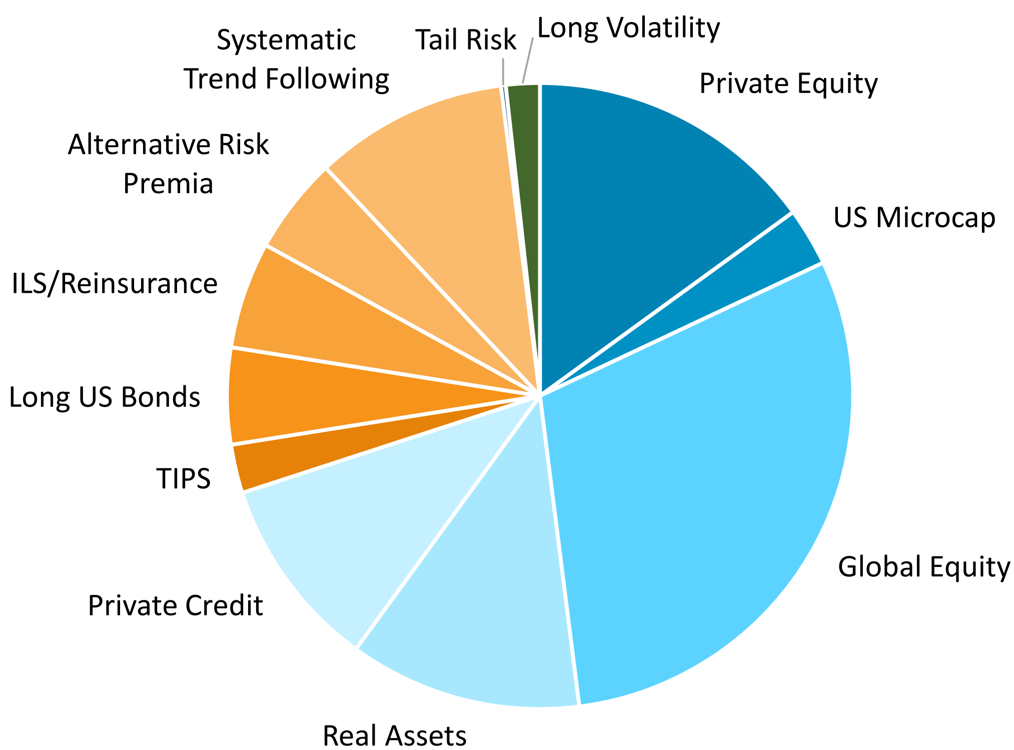
Approved long-term high-level class targets:

- Aggressive Growth 18.0%
- Traditional Growth 30.0~~27.5~~%
- Stabilized Growth 22.0%
- Diversifying Strategies 30.0~~2.5~~%

The underlying asset classes and targets are as follows:

Asset Class/Strategy	Targets
Private Equity	15.0%
US Microcap	3.0%
Global Equity	30.0~~27.5~~%
Real Assets	12.0%
Private Credit	10.0%
TIPS	2.5~~5.0~~%
Long US Bonds	5.0~~5~~%
ILS/Reinsurance	5.5~~0~~%
Alternative Risk Premia	5.0%
Systematic Trend Following	10.0%
Tail Risk	0.25%
Long Volatility	1.75%
Cash	0.0%





2. Evolving Policy Plan

In order to prudently transition to the long-term policy mix, the following Evolving Policy Plan was approved by the 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 over this timeframe (i.e., additional minor transitions, portions of stages implemented at different times, etc.).

Asset Class/Strategy	~~Stage 1~~Stage 1	Stage 2~~Stage 2~~	Stage 3	Stage 4~~Stage 3~~	Long term Policy
Expected Completion Date	1/1/2025~~3~~	7/1/2025~~1/1/2024~~	1/1/2026	7/1/2026~~1/1/2025~~	1/1/2027~~6~~

Private Equity	11~~0~~.0%	12.0%	13.0%	14.0%	15.0%
US Microcap	4.0~~5.5~~%	3~~4~~.5%	3.5%	3~~3~~.0~~5~~%	3.0%
Global Equity	30.0~~29.0~~%	30.0%~~28.5%~~	30.0%	30.0%~~28.0%~~	30.0%~~27.5%~~
~~US REITs~~	~~0.0%~~	~~0.0%~~	~~0.0%~~	~~0.0%~~	
Global Options	4.0~~5.5~~%	3.5~~3.5~~%	2.0%	1.5~~1.5~~%	0.0%
Private Credit	8.5~~7.0~~%	9.5~~8.0~~%	10.0%	10~~9~~.0%	10.0%
Real Assets	10.0~~10.5~~%	10.5~~11.0~~%	11.0%	11.5%	12.0%
~~Core Fixed Income~~	~~0.0%~~	~~0.0%~~	~~0.0%~~	~~0.0%~~	
		~~5~~3.5~~.0~~%		2.5~~5.0~~%	2.5~~5.0~~%
		5.5~~0~~%		5.5~~0~~%	5.5~~0~~%
Long Treasuries	5.5%	5.0~~5~~%	5.0%	5.0~~5~~%	5.0~~5~~%
Alternative Risk Premia	3~~5~~.0%	5.0%	5.0%	5.0%	5.0%
Systematic Trend Following	10.0%	10.0%	10.0%	10.0%	10.0%
Tail Risk	0.25%	0.25%	0.25%	0.25%	0.25%
Long Volatility	1.75%	1.75%	1.75%	1.75%	1.75%
Cash	2.0%	0.0%	0.0%	0.0%	0.0%

3. ~~Asset~~ Class Ranges

The Board will utilize the following strategic class and asset class ranges/bounds in managing the long-term investment portfolio. These ranges apply to the prevailing evolving policy allocation that is in effect. Considering the inherit characteristics of private markets classes, such classes do not have ranges but will be managed in-line with approved pacing models/schedules.

Strategic Class	**Range**
Aggressive Growth	± 4%
Traditional Growth	± 5%
Stabilized Growth	± 4%
Diversifying Strategies	± 6%

Asset Class	**Range**
Private Equity~~/Non-Core RE~~	---
U.S. Microcap	± 2%
U.S. Equity	± 3%
Non-U.S. Equity	± 3%
Global Options	± 2%
Private Credit	---
Real Assets	---
~~Core Fixed Income~~	~~± 2%~~
US TIPs	± 2%
Reinsurance	± 2%
Long Treasuries	± 2%
Alternative Risk Premia	± 2%
Systematic Trend Following	± 2%
Tail Risk/Long Vol	± 1%
Cash	0-3%

B. Short-term Liquidity/Operating Asset Pool

1. Strategic Allocation

Treasury Function Account

Strategic Class	**Target**
Cash & equivalents and short-term fixed income	100%
Total	**100%**

EUTF Trust Fund Portfolio (Active/Retiree)

Assets Available for Short-term Investment

Strategic Class	**Target**
Short-term fixed income	100%
Total	**100%**

Assets Available for Long-term Investment

Strategic Class	**Target**
Global Equity	40~~50~~%

Liquid Credit	30%
US TIPs	5%
Long Treasuries	5~~13.0~~%
Alternative Risk Premia	10~~6.75~~%
~~Long-term fixed income~~	~~6.75%~~
Systematic Trend Following	10~~23.5~~%
Total	**100%**

2. Evolving Policy Plan – EUTF Trust Fund Assets Available for Long-Term Investment

Asset Class/Strategy	Stage 1	Long-term Policy
Expected Completion Date	3/1/2025	7/1/2025
Global Equity	45.0%	40.0%
Liquid Credit	15.0%	30.0%
US TIPs	5.0%	5.0%
Long Treasuries	10.0%	5.0%
Alternative Risk Premia	10.0%	10.0%
Systematic Trend Following	15.0%	10.0%

~~The EUTF Trust Funds portfolio does not require an Evolving Policy Plan.~~

3. Asset Class Ranges

These ranges apply to the prevailing evolving policy allocation of the EUTF Trust Funds portfolio.

Asset Class	Range
Global Equity	± 4%
Liquid Credit	± 4%
US TIPs	± 3%
Long Treasuries	± 3%
Alternative Risk Premia	± 2%
~~Long-Term Fixed Income~~	~~± 2%~~
Systematic Trend Following	± 2%

II. STRATEGIC AND ASSET CLASS DEFINITIONS

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

A. Aggressive Growth Strategies (Strategic Class)

The Board expects the Aggressive Growth component to achieve long-term returns above those available in the traditional public equity markets. These strategies are typically accessed through the private markets or more unique segments of the public markets. The Board recognizes that in order to potentially achieve a higher level of return, a commensurate higher level of risk must be taken. The underlying strategies are broadly susceptible to changes in global economic growth and corporate profitability.

1. **Private Equity** – The Board 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. See Appendix V for additional details.

2. **U.S. Microcap Equities** – The Board 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. Traditional Growth Strategies (Strategic Class)

The Board expects the Traditional Growth component to achieve long-term returns in-line with the traditional public equity markets. The underlying strategies are broadly susceptible to changes in global economic growth and corporate profitability.

1. **U.S. Equities** – The Board 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.
   i. 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.

2. **Non-U.S. Equities** – The Board 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.
   i. 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.

~~3. **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.~~
   ~~i. 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.~~

C. Stabilized Growth Strategies (Strategic Class)

The Board expects the Stabilized Growth component to achieve long-term returns in-line with or marginally below those available in the traditional public equity markets but with materially less volatility. These strategies typically exhibit a material relationship (either statistical or fundamental) with traditional public equity, however, they have various other attributes that support a less volatile return pattern. The underlying strategies are broadly susceptible to changes in global economic growth and corporate profitability.

1. **Global Options** – The Board expects that over the long run, total returns on the utilized global options strategies will be similar 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.

2. **Real Assets** – The Board expects that over the long run, total returns on Real Assets will be similar to global equities but with lower volatility. These strategies are designed to achieve exposure to more idiosyncratic property/operational risks that are in part driven by economic growth. As a real asset (e.g., real estate, infrastructure, timberland, farmland, etc.), the price (and at times, underlying cash flows) of the assets will also be influenced by inflation, offering the EUTF an additional form of protection for long-term purchasing power. The underlying economics of real assets tend to be contractual and long-term in nature. This segment will be subject to illiquidity and substantial volatility/uncertainty during certain market environments.

3. **Private Credit** – The Board expects that over the long run, total returns on Private Credit will be similar to global equities but with lower volatility. These strategies are designed to achieve exposure to the credit and illiquidity risk premiums, as well as structural imbalances in the private debt markets. Relative to the broad private debt markets, the utilized strategies are modestly more conservative. This segment may be subject to illiquidity and substantial volatility during certain market environments. The underlying strategies are broadly susceptible to changes in global economic growth and corporate profitability.

D. Diversifying Strategies (Strategic Class)

This Board expects that certain strategies may provide diversification from risk-oriented strategies (e.g., public and private equities) during periods of market stress. By design, these strategies are less susceptible to changes in global economic growth and corporate profitability.

~~1. **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.~~

~~i. 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 Bloomberg Barclays Capital U.S. Aggregate Bond Index.~~

~~2.~~1. **Treasury Inflation Protected Securities ("TIPS")** – This portfolio is expected to provide a consistent return in excess of inflation. The manager(s) will manage an active portfolio for the Plan that will provide participation in the broad Global Inflation-Linked fixed income market. Given this orientation, the goal of the TIPS portfolio is to provide superior performance versus the Bloomberg Barclays Capital U.S. TIPS Index over a complete investment cycle. The portfolio will be measured in U.S. $.

~~3.~~2. **U.S. Long Treasuries** – The Board 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 Bloomberg Barclays Capital U.S. Government: Long Index.

~~4.~~3. **Alternative Risk Premia** – The Board expects that Alternative Risk Premia will provide exposure to certain market-neutral risk premiums that reward long-term investors over time. Examples include value, cross-sectional momentum, and carry, among others. These strategies are implemented in all asset classes across the global capital markets with an explicit goal of being generally isolated from broad market events. The goal of this portfolio is to provide a positive real return over full market cycles while limiting correlation to traditional markets.

~~5.~~4. **Systematic Trend Following** – The Board expects that systematic trend following will provide exposure to time series momentum and provide meaningful diversification during broad market drawdowns. The goal of this portfolio is to provide superior performance versus the Credit Suisse Managed Futures Liquid Index.

~~6.~~5. **Reinsurance/Insurance Linked Strategies** – The Board expects that this segment will provide an uncorrelated return stream relative to traditional capital markets (e.g., equities and bonds). As an investor in reinsurance/ILS, the EUTF effectively assumes the role (via economics only, not contractual) of an insurer for certain types of risks, largely natural catastrophe property damage. This segment will be exposed to material drawdowns during certain periods, and as such, the EUTF accepts that it is a long-term commitment. Over time, the EUTF expects the reinsurance segment to produce an uncorrelated return stream that is in-line with that of a diversified (e.g., 60% equities / 40% bonds) portfolio.

~~7.~~6. **Tail Risk –** The Board expects that the Tail Risk strategy will yield substantial positive returns during meaningful equity drawdowns. Tail Risk hedging is the most explicit hedge against an equity drawdown. The most basic implementation consists of paying a premium to buy equity put options with the option to sell the equities at a pre-specified price in the future. The goal of the strategy is to protect the EUTF portfolio equity exposure and add diversification while being cognizant that, ignoring the interim profit harvesting, 100% of the premium spent will be lost if any meaningful equity drawdowns do not occur.

~~8.~~7. **Long Volatility –** The Board expects that the Long Volatility strategy will yield returns against heightened market volatility. Long Volatility is the second most direct equity hedge and is a form of equity drawdown insurance benefiting from structural attributes. This strategy involves purchasing derivative securities which are linked to the volatility of equity, income, currency, and/or commodity volatility, adding further protection and diversification to the overall portfolio.

E. Short-term Investment Strategies

The Board utilizes the following strategies for short-term investment purposes. The Board expects that these strategies will remain highly liquid and maintain and/or modestly grow their principal value during a wide variety of market environments.

1. **Short-term U.S. Fixed Income** – The Board expects that Short-term U.S. Fixed Income will maintain its purchasing power over time. The return and risk of this strategy comes from modest exposures to credit and interest rate risk. This portfolio will provide diversified exposure to the short-term investment-grade U.S. corporate bond market. The goal of the portfolio is to match the performance of the Bloomberg Barclays Capital U.S. 1-5 Year Corporate Index.

2. **Cash and Equivalents** – 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 with one year of maturity or less, are some of the investment types contemplated in this definition. The goal of the portfolio is to match the performance of the ICE Bank of America Merrill Lynch 0-1 Year US Treasury Index.

III. MANAGER GUIDELINES

U.S. Microcap Equity Investment Guidelines
Acuitas Investments

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 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.

Tail Risk Hedging Program Investment Guidelines
LongTail Alpha

Overview

Longtail Alpha, LLC (“Manager”) will manage a tail risk hedging program (“Program”) that will seek to provide protection against sharp and material drawdowns in global equities. The Program will always be net long volatility and net short delta (i.e., long protection) via equity index options. A specific premium spend amount is determined through the EUTF’s Strategic Allocation Review process which translates into an approximate long-term average notional coverage amount. 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

Delta = A measure of option pricing sensitivity to changes in the underlying market/instrument. A short delta position implies the value of the option will increase should the underlying market decline in value.

Investment Guidelines

1) Program shall target an annualized premium spend of approximately 25 bps of the OPEB Trust portfolio value.
   - Premium spend calculation is only based on actual capital called/requested by LongTail and does not include the reinvestment of profits within the program.
   - 25 bps of premium spend is expected to hedge roughly 14.5% of global equity exposure (based on long-term historical options market data).
2) In order to maintain consistent protection, new options will be purchased upon the expiry of existing positions. Due to the variability in options pricing over time, the annual premium spend will deviate from the 25 bps annualized rate.
   - EUTF Staff may approve a quarterly premium spend of up to 7.5 bps per quarter (30 bps annual) to account for market variations.
3) The Manager will formally request cash contributions/deposits into the custodian account on a recurring basis (e.g., monthly, quarterly, etc.). Each request shall outline the targeted Assets Under Protection, which will also be used for fee calculation purposes, as well as the Reference Equity Portfolio. The formal request will also include a high-level description of the portfolio implementation that will take place with the additional capital.
4) The Program is expected to protect the EUTF’s *Traditional Growth* portfolio which utilizes MSCI ACWI as the benchmark. The Manager may use options on a variety of equity indices to best protect against market declines, as determined by the Manager.
   - Options on indices/markets/securities other than equity indices are prohibited.
5) Options must be exchange-traded or otherwise backed by a qualified central clearinghouse.
6) Short/selling options positions may only be utilized in pair/spread trades so long as the combined trade still exhibits long volatility and short delta metrics.
   - Selling options as a mechanism to close out positions is also permitted.
7) 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.

8) Cash other than USD may be held if options within the portfolio require non-USD collateral as margin, as determined by the brokers/exchanges.
9) Profits (above premium spend requirements) from Manager-driven monetizations shall be transferred out of the Manager's account as directed by the EUTF Staff within one week of settlement.
10) The Manager has the ability to liquidate positions at any time, including during a tail event, as determined by the Manager. Furthermore, the EUTF can initiate liquidity requests at any time, with the expectation that the Manager will execute these instructions within a reasonable time frame under prevailing market conditions.

Performance Objectives

As an overlay program, the Manager is not subject to the same benchmark-relative examination as other managers within the OPEB Trust. The Program's performance objective is to add value compared to the OPEB Trust ex. Tail Hedge composite over a long-term period such as ten years. Specifically, the performance of total public equity should be examined with and without the impact of the Tail Hedge. In measurement periods that include significant equity drawdowns (i.e., greater that -20%) and elevated volatility, the hedged composite should exhibit stronger performance than the unhedged composite. In order to objectively analyze the Program in the interim, the Manager will be subject to more frequent reviews by EUTF Staff and consultants, including comparison to a naïve option-buying program as calculated by the Manager.

Long Duration U.S. Treasury Investment Guidelines
Sun Life

Overview

Sun Life ("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 Bloomberg 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 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 Bloomberg B.C. U.S. Government: Long Index return, net of fees, to be measured over a market cycle of three-to-five years.

Global Equity-Oriented Options-Based Investment Guidelines
Geode Capital

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 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.

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.

Systematic Trend Following Investment Guidelines
Mount Lucas Management

Overview

Mount Lucas Management LP ("Manager") will manage a systematic trend following portfolio ("Portfolio") that will provide exposure to market trends across equity indices, commodities, currencies, and interest rates through exchange-traded futures. It is expected that the portfolio's notional exposure will exceed that of the invested capital allocation. 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 Board.

Investment Guidelines

1) Permissible instruments for the Portfolio are limited to exchange-traded futures, U.S. Treasury bills/notes/bonds, USD cash, and cash equivalents.
2) The Portfolio may establish long and short positions in equity index, commodity, currency and interest rate futures markets.
3) All futures positions must meet the following liquidity requirements:
   - All instruments must be continuously priced.
   - All positions must be capable of being liquidated within two trading days.
4) Gross leverage (sum of the absolute values of long and short positions) may not exceed 3.75X the value of the invested capital.
   - The manager shall target a gross leverage exposure of 3.5X.
   - This target may be lower during times where short- and long-term signals offset on another.
5) All non-futures positions 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) Excess cash (defined as cash not required to be posted as margin/collateral at an FCM/broker) shall remain at the EUTF's custodian bank.
   - The Manager may maintain an amount marginally above the required margin/collateral in order to minimize transfers between the custodian bank and the FCM. The total cash amount, including margin/collateral and excess cash, should not exceed 15% of account value.

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

Performance Objectives

The Manager is expected to outperform the Credit Suisse Managed Futures Liquid Index (15% Volatility Target) return, net of fees, to be measured over a market cycle of three-to-five years. A secondary benchmark is the MLM Index 3X.

Global Equity-Oriented Options-Based Investment Guidelines
Gateway Investment Advisers

Overview

Gateway Investment Advisers, 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 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 | Russell 2000 | MSCI EAFE | MSCI Emerging Markets | 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) 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).
8) 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.
9) Regional weightings (% of options notional):

- 45-65% U.S. | 20-50% 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).

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

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.

IV. BENCHMARK DESCRIPTION

Aggressive Growth: The Aggressive Growth strategic class of the EUTF portfolio should match or exceed the blended performance of the underlying component benchmarks.

Private Equity: The Private Equity component of the EUTF portfolio should match or exceed the performance of the Russell 3000 Index + 3%.

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.

Traditional Growth: The Traditional Growth 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.

~~**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.~~

Stabilized Growth: The Stabilized Growth strategic class of the EUTF portfolio should match or exceed the blended performance of the underlying component benchmarks.

Global Options: The Global Options component of the EUTF portfolio should match or exceed the performance of the Custom Global Options benchmark, net of fees.

Real Assets: The Real Assets component of the EUTF portfolio should match or exceed the performance of the Custom Real Assets benchmark, net of fees.

Private Credit: The Private Credit component of the EUTF portfolio should match or exceed the performance of the S&P/LSTA Leveraged Loan Index + 2%, 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 Bloomberg Barclays Capital U.S. Aggregate Bond Index.~~

Treasury Inflation Protected Securities (TIPS): The TIPs component of the EUTF portfolio should match or exceed the performance of the Bloomberg Barclays Capital U.S. TIPS Index, net of fees.

U.S. Long Duration Treasury Bonds (Long Treasuries): The Long Treasuries component of the EUTF portfolio should match or exceed the performance of the Bloomberg 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 (15% Volatility).

Alternative Risk Premia: The Alternative Risk Premia component of the EUTF portfolio should match or exceed the performance of 3-month Treasury Bills + 2%, net of fees.

Reinsurance/Insurance Linked: The Reinsurance component of the EUTF portfolio should match or exceed the performance of the Swiss RE Global Catastrophe Bond Index (hedged), net of fees.

Tail Risk Hedging: The Tail Risk component of the EUTF portfolio should match or exceed the performance of a custom naïve put buying benchmark detailed below.

Long Volatility: The Long Volatility component of the EUTF portfolio should match or exceed the performance of the CBOE EurekaHedge Long Volatility Index.

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

The Bloomberg 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.

~~**Bloomberg Barclays Capital U.S. Aggregate Bond Index**~~

~~The Bloomberg 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.~~

Bloomberg Barclays Capital U.S. Government: Long Index

The Bloomberg Barclays Capital U.S. Government: Long Index is a subset of the Bloomberg 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.

Bloomberg Barclays Capital U.S. TIPS Index

The Bloomberg 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 (15% Volatility)

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 15% but will allow for up to 22.5% (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.

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.

Tail Risk Hedging

The naïve put buying benchmark is a custom benchmark that references out of the money put ladder expiring across the liquid subcomponents of ~~the MSCI~~the MSCI ACWI.

CBOE EurekaHedge Long Volatility Index

The CBOE Eurekahedge Long Volatility Index is an equally weighted index of 14 constituent funds. The index is designed to provide a broad measure of the performance of underlying hedge fund managers who take a net long view on implied volatility with a goal of positive absolute return. The CBOE Eurekahedge Long Volatility Index is a collaborative index between Eurekahedge and the Chicago Board Options Exchange.

V. MANAGERS AND SELECT STRATEGIES

EUTF Trust Fund Portfolio (Active/Retiree)

Strategic Class	Sub-Strategy	Benchmark Index	Manager
Long Term Investments	U.S. Equities	Russell 3000	Northern Trust
	Non-U.S. Equities	MSCI ACWI ex US ND	Northern Trust
	Long Treasuries	Bloomberg Barclays Capital U.S. Government: Long Index	Ryan Labs (Sun Life)
	Alternative Risk Premia	Cash + 2%	Kepos
	Systematic Trend Following	Credit Suisse Managed Futures Liquid Index (15% Volatility)	AlphaSimplex
	U.S. Fixed Income	Bloomberg Barclays Capital U.S. 1-5 Year Corporate Index	Vanguard

Strategic Class	Sub-Strategy	Benchmark Index	Manager
Short Term Investments	U.S. Fixed Income	Bloomberg Barclays Capital U.S. 1-5 Year Corporate Index	Vanguard

Long-term Investment Portfolio (Liquid Strategies)

Strategic Class	Sub-Strategy	Benchmark Index	Manager
Aggressive Growth	U.S. Microcap	Russell Microcap	Acuitas
Traditional Growth	U.S. Equities	Russell 3000	Northern Trust
	Non-U.S. Equities	MSCI ACWI ex US ND	Northern Trust
Stabilized Growth	Global Options	Custom EUTF Global Options Benchmark	Gateway, Geode
Diversifying Strategies	Long Treasuries~~Core Fixed Income~~	Bloomberg Barclays Capital U.S. Government: Long Index~~Bloomberg Barclays Capital U.S. Aggregate Bond~~	Ryan Labs (Sun Life)~~BlackRock~~
	Alternative Risk Premia~~Long Treasuries~~	Cash + 2%~~Bloomberg Barclays Capital U.S. Government: Long Index~~	Kepos~~Ryan Labs (Sun Life)~~

	Reinsurance/ILS~~Alternative Risk Premia~~	Swiss Re Global Catastrophe Bond Index (hedged)~~Cash + 2%~~	Pillar, Nephila~~Kepos~~
	Systematic Trend Following~~Reinsurance/ILS~~	Credit Suisse Managed Futures Liquid Index (15% Volatility)~~Swiss Re Global Catastrophe Bond Index (hedged)~~	AlphaSimplex, Mount Lucas Management~~Pillar, Nephila~~
	TIPs~~Systematic Trend Following~~	Bloomberg Barclays Capital U.S. TIPS~~Credit Suisse Managed Futures Liquid Index (15% Volatility)~~	BlackRock~~AlphaSimplex, Mount Lucas Management~~
	Tail Risk~~TIPs~~	Naïve put buying benchmark~~Bloomberg Barclays Capital U.S. TIPS~~	LongTail Alpha~~BlackRock~~
	Long Volatility~~Tail Risk~~	CBOE EurekaHedge Long Volatility Index ~~Naïve put buying benchmark~~	Capstone~~LongTail Alpha~~

VI. IPS REVISION HISTORY

February 2021: Incorporated new format
May 2022: Co-investment guidelines
October 2022: Incorporated New Strategic Asset Allocation Study
April 2023: Incorporated Tail Risk and Long Volatility Strategies

September 2023: Updated Global Equity-Oriented Options-Based Investment Guidelines
December 2024: Updated OPEB and EUTF Trust Fund Strategic Allocation and Evolving Policy Plans

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December 10, 2024

TO: Investment Committee

THROUGH: Derek Mizuno, Administrator

FROM: David M. Okamoto, EUTF Chief Investment Officer

SUBJECT: Investment Manager Due Diligence Update

Overview

The purpose of this memorandum is to provide an update on recently completed due diligence activities for EUTF's existing investment managers. In May 2017, the Board adopted high-level onsite due diligence procedures for existing investment managers, which states that as part of ongoing monitoring of investment managers, it is necessary for staff, the investment consultant, or a combination thereof to conduct periodic onsite due diligence meetings. The general schedule of frequency based on manager types is as follows:

- Passive managers (including enhanced-index) = every four-five years
- Active managers (liquid portfolio) = every two-three years
- Private market managers = every three-four years

As summarized in the attached table, EUTF staff and our investment consultants, Meketa Investment Group (Meketa) and Callan LLC (Callan), continue to meet with managers within the required frequency. At the moment, staff is not anticipated to take a dedicated due diligence trip over the subsequent twelve months. If the need for a trip arises, request with details of planned visit will be submitted to the Investment Committee/Board for prior approval.

Summary of Existing Investment Managers & Due Diligence Visits *(Sorted by Next Visit – Due By date)*

Consultant	Investment Manager	Location	Manager Inception	Type	Frequency	Last Onsite Visit*	Virtual*	Last Onsite Visited By	Next Visit - Due By
Meketa	Geode	Boston	Jan-17	Active	2-3 years	Nov-18	Apr-22	Meketa	Apr-25
Meketa	Acuitas	Seattle	Jan-15	Active	2-3 years	Apr-18	Apr-23	Meketa	Apr-26
Meketa PE	K1	Manhattan Beach, CA	Jun-20	Private Markets	3-4 years	Jan-23	May-23	Meketa	May-27
Meketa	Kepos	New York	Oct-18	Active	2-3 years	Mar-23	**Jul-24**	Meketa	Jul-27
Meketa	Sun Life (Ryan Labs)	New York	Dec-16	Active	2-3 years	Oct-19	**Jul-24**	Meketa	Jul-27
Meketa	BlackRock Infl. Linked	New York	Feb-16	Active	2-3 years	Nov-17	**Jul-24**	Meketa	Jul-27
Meketa	Capstone	New York	Aug-23	Active	2-3 years	Mar-23	**Aug-24**	Meketa	Aug-27
Meketa PE	Nexus	Los Angeles	Sep-23	Private Markets	3-4 years	N/A	Aug-23	Meketa	Aug-27
Meketa	Mt. Lucas	Newtown, PA	Feb-17	Active	2-3 years	Sep-17	**Oct-24**	Meketa	Oct-27
Meketa	Nephila	Hamilton, Bermuda	Jun-20	Active	2-3 years	Jan-20	**Oct-24**	Meketa	Oct-27
Meketa	Pillar	Hamilton, Bermuda	Jun-20	Active	2-3 years	Jan-20	**Oct-24**	Meketa	Oct-27
Meketa	LongTail	Newport Beach, CA	May-23	Active	2-3 years	Jun-22	**Oct-24**	Meketa	Oct-27
Callan PC	PIMCO	Newport Beach, CA	Apr-19	Private Markets	3-4 years	Oct-23	May-23	Callan	Oct-27
Meketa	AlphaSimplex	Cambridge	Feb-17	Active	2-3 years	**Sep-24**	**Nov-24**	Meketa	Nov-27
Meketa	Gateway	Cincinnati	Jul-21	Active	2-3 years	Jun-18	**Dec-24**	Meketa	Dec-27
Meketa PE	Kohlberg	New York	Feb-20	Private Markets	3-4 years	Jan-20	Dec-23	Meketa	Dec-27
Meketa PE	Warburg Pincus	New York	Jun-19	Private Markets	3-4 years	Apr-19	Dec-23	Meketa	Dec-27
Callan PC	Neuberger Berman	New York	Sep-21	Private Markets	3-4 years	**Feb-24**	**Jan-24**	Callan	Feb-28
Meketa PE	Wellspring	New York	Oct-17	Private Markets	3-4 years	Apr-17	**Feb-24**	Meketa	Feb-28
Meketa PE	Veritas	New York	Mar-22	Private Markets	3-4 years	Jun-19	**Mar-24**	Meketa	Mar-28
Callan RA	IFM	Melbourne, Australia	Jun-21	Private Markets	3-4 years	**Feb-24**	**Mar-24**	Callan	Mar-28
Callan RA	I Squared	Miami	Dec-21	Private Markets	3-4 years	**Apr-24**	**Feb-24**	Callan	Apr-28
Callan RA	Morgan Stanley Prime	New York	Mar-17	Private Markets	3-4 years	Jun-23	**Apr-24**	Callan	Apr-28
Meketa PE	Apollo	LA/New York	Jun-17	Private Markets	3-4 years	Feb-17	**Apr-24**	Meketa	Apr-28
Callan PC	SilverRock	New York	Oct-19	Private Markets	3-4 years	**Apr-24**	**May-24**	Callan	May-28
Meketa PE	Reverence	New York	Oct-21	Private Markets	3-4 years	Mar-18	**Jul-24**	Meketa	Jul-28
Callan RA	Pantheon	San Fran/New York	Dec-23	Private Markets	3-4 years	**Aug-24**	**Aug-24**	Callan	Aug-28
Callan PC	Monarch	New York	Jun-23	Private Markets	3-4 years	Jan-23	**Aug-24**	Callan	Aug-28
Meketa PE	Landmark	Simsbury, CT	Jan-17	Private Markets	3-4 years	Sep-16	**Aug-24**	Meketa	Aug-28
Callan RA	Artemis	Chevy Chase, MD	Oct-19	Private Markets	3-4 years	**Apr-24**	**Sep-24**	Meketa	Sep-28
Callan RA	ASB Allegiance	Bethesda, MD	Jan-17	Private Markets	3-4 years	Oct-16	**Aug-24**	Meketa	Sep-28
Callan PC	Oak Hill Advisors	New York	Aug-20	Private Markets	3-4 years	**Jan-24**	**Sep-24**	Callan	Sep-28
Callan PC	Ares	LA/New York	Nov-22	Private Markets	3-4 years	Sep-23	**Sep-24**	Callan	Sep-28
Callan PC	Comvest	West Palm Beach, FL	Sep-22	Private Markets	3-4 years	**Nov-23**	**Sep-24**	Callan	Sep-28
Meketa PE	Strategic Value Partners	Greenwich, CT	Apr-18	Private Markets	3-4 years	Dec-17	**Sep-24**	Meketa	Sep-28
Meketa PE	WCAS	New York	Dec-18	Private Markets	3-4 years	Oct-18	**Sep-24**	Meketa	Sep-28
Callan RA	Heitman	Chicago	Apr-17	Private Markets	3-4 years	**Jun-24**	**Oct-24**	Callan	Oct-28
Callan RA	Tiger	New York	Apr-22	Private Markets	3-4 years	**Oct-24**	**Oct-24**	Callan	Oct-28
Callan RA	TA Realty	Boston, MA	Jun-23	Private Markets	3-4 years	**Mar-24**	**Oct-24**	Callan	Oct-28
Callan RA	Blackstone Real Estate	New York	Jun-19	Private Markets	3-4 years	Jan-23	**Oct-24**	Callan	Oct-28
Callan PC	HPS	London	May-19	Private Markets	3-4 years	**Jan-24**	**Oct-24**	Callan	Oct-28
Callan PC	Sixth Street	San Fran/New York	May-23	Private Markets	3-4 years	**Oct-24**	**Oct-24**	Callan	Oct-28
Meketa PE	Apax	New York/London	Aug-19	Private Markets	3-4 years	Jul-19	**Oct-24**	Meketa	Oct-28
Callan PC	Fortress	Dallas	Dec-19	Private Markets	3-4 years	**Oct-24**	**Nov-24**	Callan	Nov-28
Meketa PE	StepStone	Baltimore	Dec-18	Private Markets	3-4 years	May-17	**Nov-24**	Meketa	Nov-28
Meketa	Northern Trust Intl	Chicago	Jul-15	Passive	4-5 years	May-23	**Feb-24**	Staff	Feb-29
Meketa	Northern Trust US	Chicago	Jul-15	Passive	4-5 years	May-23	**Feb-24**	Staff	Feb-29

*Meetings in the last 12 months highlighted in **Bold**