I. OBJECTIVES

This actively managed mortgage backed securities portfolio will consist primarily of Residential Mortgage Backed Securities (RMBS) including securities and other investment products issued (in either cash or synthetic form and including TBA’s) by Fannie Mae, Freddie Mac or Ginnie Mae.

1. to generate positive risk-adjusted excess returns of 200 bps or more annually versus the Barclays Capital U.S. Mortgage Backed Securities Index (Index); and,
2. to generate those excess returns with an Information Ratio of 0.40 or greater over a rolling 3-year period.

II. PORTFOLIO RISK MANAGEMENT

The Board’s expectations are that this portfolio be actively managed within the spirit of an RMBS mandate. Within this framework, the following are the portfolio risk constraints under which the manager is required to operate:

Investment percentage limitations shall be measured only on the investment date (i.e. the date such investment is made). An investment that is not in violation as of the investment date shall not be deemed a violation on future dates as a result of either an increase in the investment’s value or a reduction in the overall portfolio.

A. Interest Rate Risk

The duration of the portfolio must range from zero to no more than 2.0 years in excess of the Index.

B. Spread Risk

The spread duration of the portfolio must range from zero to no more than 2.0 years in excess of the Index.

C. Credit Risk

1. Except as set forth in Section II.F.5.b) below, this portfolio will not be constrained by credit rating designations on securities.
D. Currency Risk

1. At no time may the manager’s portfolio invest in securities denominated in foreign currencies.

E. Sovereign Risk

1. No more than 5% of the portfolio may be invested in U.S. denominated securities backed by a credit linked note referencing U.S. mortgage collateral, held in a trust domiciled in the Cayman Islands; provided, however, that no such limitation shall apply in the case of credit linked notes issued by Fannie Mae, Freddie Mac or Ginnie Mae, and any credit linked notes issued by Fannie Mae, Freddie Mac or Ginnie Mae shall not count toward such 5% limitation.

F. Concentration Risk

1. No more than 10% of the portfolio at market value is permitted to be invested in RMBS securities of any one issuing trust.
2. No more than 5% of the portfolio at market value is permitted to be invested in any single CUSIP bond.
3. No more than 30% of the portfolio at market value is permitted to be invested in interest-only and principal-only STRIPS, including credit IOs.
4. No more than 60% of the portfolio at market value is permitted to be invested in securities issued by Fannie Mae, Freddie Mac or Ginnie Mae.
5. No more than 40% of the portfolio at market value is permitted to be invested in securities that include a) agency credit risk transfer deals, including but not limited to STACR and CAS transactions, issued by FHLMC and FNMA, and b) non-agency RMBS, including Eligible New Issue Transactions (defined below), that are below the then senior or super senior portion of the capital structure, including newly issued subordinate bonds.
6. No more than 40% of the portfolio at market value is permitted to be invested in the in following, (collectively “Eligible New Issue Transactions”) effective as of the respective dates:

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Description</th>
<th>Eligibility Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;CAS&quot; and &quot;STACR&quot;</td>
<td>Issued after 6/13</td>
<td>3/31/14</td>
</tr>
<tr>
<td>Jumbo RMBS</td>
<td>Issued after 2010</td>
<td>12/1/14</td>
</tr>
<tr>
<td>NPL RMBS</td>
<td>Issued after 2010</td>
<td>12/1/14</td>
</tr>
<tr>
<td>RPL RMBS</td>
<td>Issued after 2010</td>
<td>12/1/14</td>
</tr>
<tr>
<td>&quot;REO to Rental&quot;</td>
<td>Issued after 2012</td>
<td>12/1/14</td>
</tr>
</tbody>
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Approved December 9, 2014
G. Derivative Counterparty Risk

1. The commercial and investment banks used for approved OTC futures and approved OTC options must be rated A3 or better by Moody’s Counterparty Ratings, (if not rated by Moody’s, then rated A- or better by Standard and Poor’s Counterparty Ratings or rated B or better by Fitch’s Bank Individual Ratings).

2. Futures contracts and option exposures to any counterparty will not exceed 20% of the market value of the portfolio. Exposure is measured in net U.S. dollar equivalent terms (offsetting contracts will be netted for this purpose).

3. Counterparty limits will not be applied to listed futures and options.

H. Liquidity Risk

Positions in letter stock, private placements (excluding 144A securities, B-Notes, and Mezzanine Loans), physical real estate, physical commodities, and any other positions unable to be liquidated promptly without severe market impact are prohibited.

III. DERIVATIVES

The portfolio is permitted to establish and maintain long and short positions in:

1. Listed options on fixed income futures;
2. Fixed income forward commitments, including mortgage dollar rolls;
3. Listed fixed income futures contracts; and
4. Other interest rate hedging instruments including, without limitation, swaps, Eurodollars, and U.S. Treasuries.

Fixed income derivatives may only be used to manage interest rate risk.

IV. AMENDMENTS

A written request to the Chief Investment Officer (CIO) should be made if the manager believes that these portfolio risk constraints significantly limit the ability of the manager to achieve the objectives of the portfolio. A written amendment will be issued from the CIO if the request is approved.