I. OBJECTIVES

This actively managed emerging markets equity portfolio will consist primarily of non-U.S. equities and cash equivalents. The objectives of this portfolio are:

1. to generate positive excess returns of 100 bps or more annually versus the MSCI Emerging Markets Index (net dividends) (Index); and,
2. to generate those excess returns with an Information Ratio of 0.25 or greater.

II. PORTFOLIO RISK MANAGEMENT

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

A. Concentration Risk

At no time may an individual equity manager’s portfolio:

i. have more than the greater of 150% of the sector’s Index weighting or 35% of the portfolio’s assets at market value invested in any one sector, or
ii. except for a reasonable temporary period at the inception of the account, upon cash inflows, or as part of an anticipated redemption/withdrawal, cash and cash equivalents will not exceed 7% of the total market value of the account, or
iii. have a weighted average market capitalization of the portfolio holdings (excluding cash) that is less than 0.5 times the weighted average market capitalization of the Index, or
iv. own more than 5% of the sum total of all classes of outstanding common shares of any one corporation, or
v. have more than the greater of 150% of each security’s Index weighting or 7% of the portfolio at market value invested in the securities of any corporation (which includes the total of common, convertible, preferred, and cash equivalents), or
vi. have more than 10% of the portfolio at market value invested in preferred issues, excluding Brazilian preferred shares, or
vii. have more than 5% of the portfolio at market value invested in convertible bonds.
B. Currency Risk

In addition to holdings in securities denominated in non-U.S. currencies, outright currency exposure and hedging is permitted through the use of futures, options, or forward contracts subject to Derivative Counterparty Risk restrictions documented in E. below.

C. Sovereign Risk

Emerging markets equity portfolios will be geographically restricted to the countries covered in Index. When a country is added to the Index, the country will be added to the Fund's approved list upon the announcement of the addition. When a country is deleted from the Index, the country will be deleted from the Fund’s approved list 60 days after the effective date of the deletion.

In the event that the manager owns a security when a country is removed from the Index, the manager is instructed to notify the Chief Investment Officer to discuss their recommended course of action should the manager wish not to liquidate securities from that country within 60 days after the effective date of the deletion.

Direct investment in any country is contingent upon the Fund’s custodian bank being able to successfully establish a sub-custodian relationship in that country. If the Fund’s custodian bank does not have a sub-custodian relationship established on behalf of the Fund in a desired country, the manager should send a letter to the Fund requesting to establish a sub-custodian relationship. The Fund will then work with the custodian bank to establish a sub-custodian relationship in the market(s) the manager wishes to invest. However, establishing a sub-custodian relationship in all markets requested cannot be guaranteed.

i. Investments in any individual country in the Index may range from 0% of the portfolio to the greater of 10% of the portfolio or 200% of the country’s weighting in the Index.

ii. Investments in any individual country outside of the Index are limited to not more than 5% of the portfolio. All countries outside of the Index must be pre-approved in writing by the Chief Investment Officer.

iii. Total investments in countries outside of the Index are limited to 15% of the portfolio.

iv. Depositary receipts (such as ADRs, ADSs, EDRs, GDRs, GDSs, and IDR) listed on any Index country or Luxembourg may be purchased for any approved country, but are included in the individual country limitations.
D. Liquidity Risk

i. At least 60% of the equity securities held in the portfolio at market value must have been listed on the country exchanges for a minimum of 3 years. Spin-offs of companies are considered to have a listing equal to that of the company from which it was spun-off. New companies formed through the result of a merger are considered to have a listing equal to that of the acquirer.

ii. To achieve the quality and liquidity levels desirable, at least 80% of the equity securities owned in the portfolio must be listed on country exchanges. Convertible bonds, convertible into common stock listed on any of the above-mentioned exchanges, will be considered a listed equity security for this purpose.

iii. Rights or warrants may not be held in the portfolio unless they were received as part of a corporate distribution, IPO, new issue, or if the result of another holding.

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

E. Derivative Counterparty Risk

i. The commercial and investment banks used for approved OTC futures, approved OTC options, or forward/spot currency transactions 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).

ii. Net forward/spot contracts, 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).

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

III. DERIVATIVES

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

i. Listed options on currencies;

ii. Listed options on currency futures;

iii. Currency forward commitments; and

iv. Listed currency futures contracts.

Currency derivatives may only be used to effect foreign exchange transactions to settle equity trades, convert non-U.S. currencies to U.S. dollars, or to hedge non-U.S. currency exposure. The use of any form of derivative security or investment
strategy that effectively leverages the portfolio is prohibited. All futures trades must be cleared through clearing brokers who have contracts with the Fund.

IV. AMENDMENTS

A written request to the Chief Investment Officer (CIO) and Managing Director of External Public Markets, Risk & Compliance (DEPM) 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, or the DEPM in the CIO’s absence, if the request is approved.